OFFICE OF THE AUDITOR-GENERAL FOR THE FEDERATION

AUDITOR-GENERAL FOR THE FEDERATION'S

ANNUAL REPORT

ON

NON-COMPLIANCE/INTERNAL CONTROL WEAKNESSES ISSUES IN MINISTRIES, DEPARTMENTS AND AGENCIES (MDAs) OF THE FEDERAL GOVERNMENT OF NIGERIA FOR THE YEAR ENDED 31ST DECEMBER, 2019

THE AUDITOR-GENERAL FOR THE FEDERATION

Audit House, Plot 273, Samuel Ademulegun Street, Central Business District,
P.M.B. 128, Garki-Abuja, Nigeria.

AuGF/AR.2019/02 **15th September, 2021**

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

AUDITOR-GENERAL FOR THE FEDERATION'S ANNUAL REPORT ON NON-COMPLIANCE/INTERNAL CONTROL WEAKNESSES ISSUES IN MINISTRIES, DEPARTMENTS AND AGENCIES (MDAs) OF THE FEDERAL GOVERNMENT OF NIGERIA FOR THE YEAR ENDED 31ST DECEMBER, 2019

In accordance with Section 85(2) and (4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), I have the pleasure to submit to the National Assembly, two (2) copies of the Auditor-General for the Federation's Annual Report on Non-compliance/Internal Control Weaknesses Issues in Ministries, Departments and Agencies (MDAs) of the Federal Government of Nigerian (FGN) for the year ended 31st December, 2019.

2. You are kindly invited to note that the Auditor-General for the Federation's Annual Report on the Federal Government of Nigerian (FGN) Consolidated Financial Statements for the year ended 31st December, 2019 was forwarded on 18th August, 2021 in compliance with Section 85(5) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) to the Clerk to the National Assembly.

3. Please, accept the assurances of my highest regards always.

Aghughu, Adolphus A. JP, FCNA, FCTI
Auditor-General for the Federation
FRC/2019/004/00000020094

ACKNOWLEDGEMENT

I wish to express my profound gratitude and deep appreciation to all the members of my staff for their hard work and diligence during the period under review. This Report is a demonstration of their devotion to duty and unalloyed support for the role of this Office. I also thank all those functionaries outside my Office who have so delightfully co-operated with my Office in the performance of my statutory duties for the year ended 31st December 2019 and in the compilation of this Report.

Aghughu, Adolphus A. JP, FCNA, FCTI
Auditor-General for the Federation
FRC/2019/004/00000020094

15th September, 2021

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CROSS-CUTTING ISSUES

Cross-cutting Issues are same non-compliance/internal control weaknesses issues that were identified in at least four (4) Ministries, Departments and Agencies (MDAs) covered by the audit. The attention of the Public Accounts Committees of the National Assembly have been drawn to these issues with a view to stemming the tide through sanctions. These issues have been treated in details under each MDA.

The Cross-cutting Issues are:

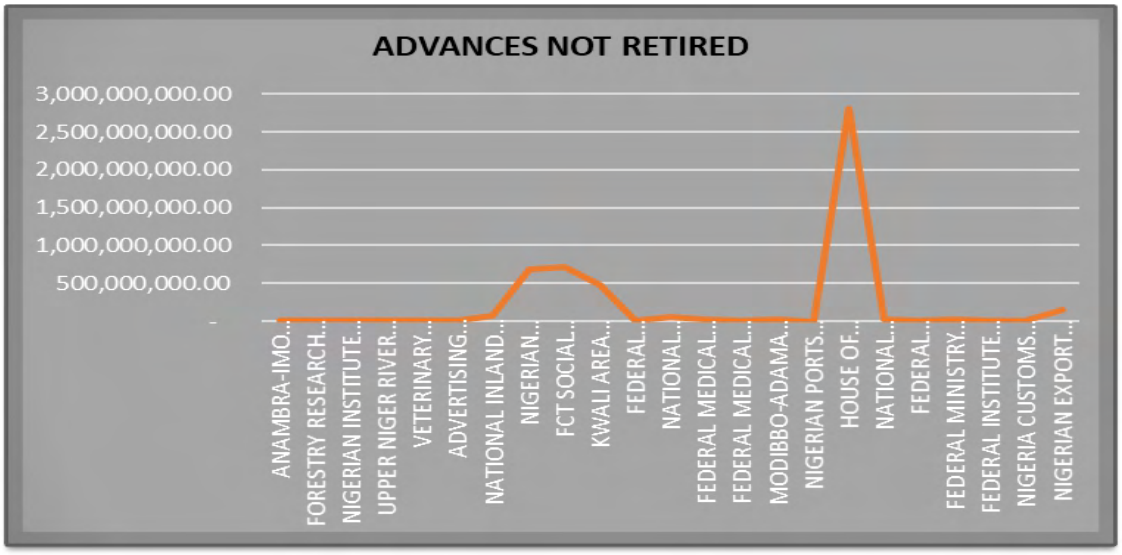
ISSUE 1: ADVANCES NOT RETIRED (=₦5,166,378,861.55)

Paragraph 1405 of the Financial Regulations (FR) (2009) states "Accounting officers are responsible for ensuring the prompt repayment of all advances by instalment or otherwise." Furthermore, paragraph 1420 of the FR states "it is the responsibility of all Accounting officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. The sum of ₦5,166,378,861.55 (Five billion, one hundred and sixty six million, three hundred and seventy eight thousand, eight hundred and sixty one naira, fifty five kobo) was the advances not retired in twenty three (23) Ministries, Departments and Agencies (MDAs), and

ii. House of Representatives has the highest advances not retired of ₦2,808,000.000.00 (Two billion, eight hundred and eight million naira) while Nigeria Ports Authority has the least amount of ₦17,000.00 (Seventeen thousand naira) as shown in the Chart below.



ISSUE 2: UNSPENT BALANCES ON CAPITAL VOTES NOT RETURNED TO CHEST (=₦6,184,672,441.38)

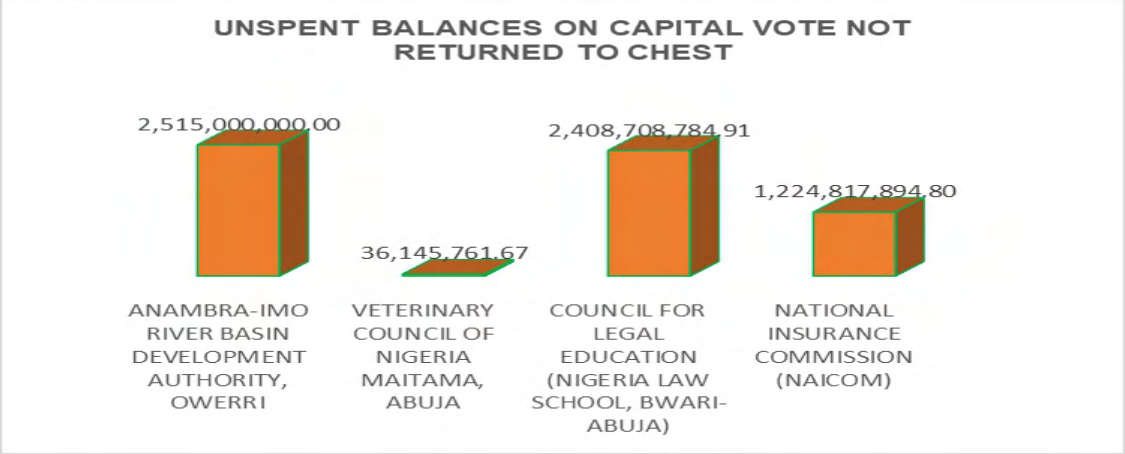
Federal Treasury Circular Ref. No.: TRY/A12 & B12/2013 dated 19th November, 2013 made it compulsory for unspent balances as at 31st December to be paid back to the

treasury. Also, Paragraph 414 of the Financial Regulations (2009) states "the reserve to meet impending payments or be carried to a deposit or a suspense account."

Audit observed that:

i. The sum of ₦6,184,672,441.38 (Six billion, one hundred and eighty four million, six hundred and seventy two thousand, four hundred and forty one naira, thirty eight kobo) was the unspent balances on capital votes not returned to chest by four (4) Ministries, Departments and Agencies (MDAs), and

ii. Anambra-Imo River Basin Development Authority, Owerri has the highest amount of ₦2,515,000,000.00 (Two billion, five hundred and fifteen million naira) while Veterinary Council of Nigeria Maitama, Abuja has the least amount of ₦36,145,761.67 (Thirty six million, one hundred and forty five thousand, seven hundred and sixty one naira, sixty seven kobo) as shown in the Figure below.



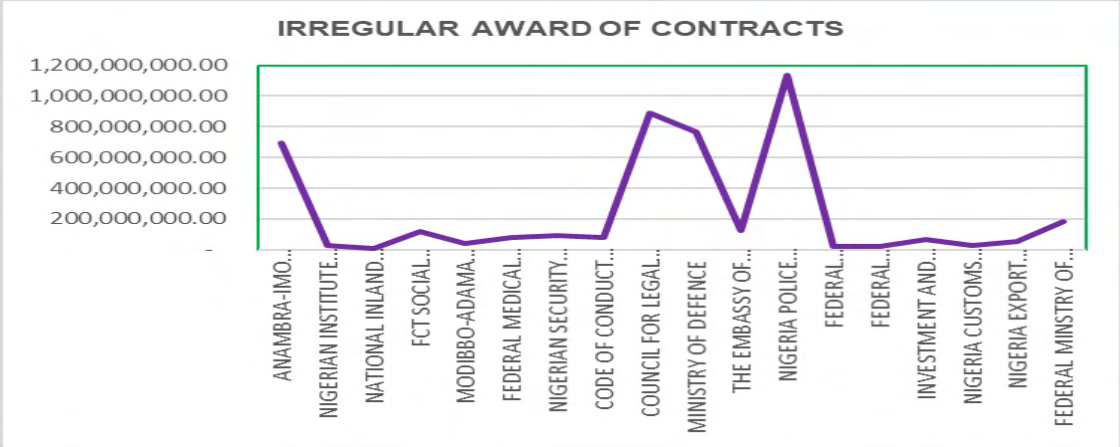
ISSUE 3: IRREGULAR AWARD OF CONTRACTS (=₦4,411,049,753.14)

Paragraph 2908 of the Financial Regulation 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:

i. The sum of ₦4,411,049,753.14 (Four billion, four hundred and eleven million, forty nine thousand, seven hundred and fifty three naira, fourteen kobo) was the amount of contract awarded with irregularities by eighteen (18) Ministries, Departments and Agencies (MDAs), and

ii. Nigeria Police Force Headquarters has the highest amount of ₦1,136,715,200.00 (One billion, one hundred and thirty six million, seven hundred and fifteen thousand, two hundred naira) while National Inland Waterways Authority, Lokoja has the least amount of ₦6,983,928.00 (Six million, nine hundred and eighty three thousand, nine hundred and twenty eight naira) as shown in the Figure below.



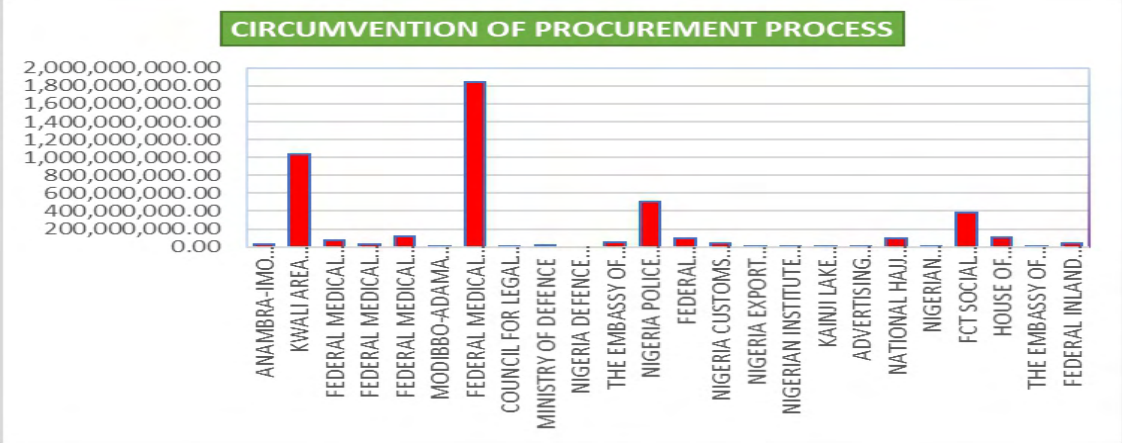
ISSUE 4: ADVANCES GRANTED ABOVE STATUTORY THRESHOLD (=₦4,552,521,205.83)

Federal Government Circular Ref. No. TRY/A2 and B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013 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, except as provided by the Public Procurement Act, 2007".

Audit observed that:

i. The sum of ₦4,552,521,205.83 (Four billion, five hundred and fifty two million, five hundred and twenty one thousand, two hundred and five naira, eighty three kobo) was the amount of advances granted above statutory limit of ₦200,000.00 (Two hundred thousand naira) in order to circumvent procurement process by twenty four (24) Ministries, Departments and Agencies (MDAs), and

ii. Federal Medical Centre. Keffi has the highest amount of ₦1,846,616,017.00 (One billion, eight hundred and forty six million, six hundred and sixteen thousand, seventeen naira) while Kainji Lake National Park Management Board New Bussa has the least amount of ₦4,013,850.00 (four million, thirteen thousand, eight hundred and fifty naira) as shown in the Figure below.



ISSUE 5: PAYMENT FOR CONTRACTS/SERVICES NOT EXECUTED (=₦6,281,256,960.04)

Paragraph 708 of the Financial Regulations states "On no account should payment be made for services not yet performed or for goods not yet supplied."

Audit observed that:

i. The sum of ₦6,281,256,960.04 (Six billion, two hundred and eighty one million, two hundred and fifty six thousand, nine hundred and sixty naira, four kobo) was the payments made for contracts/services not executed by five (5) Ministries, Departments and Agencies (MDAs), and

ii. Nigeria Ports Authority has the highest amount of ₦4,547,938,353.26 (Four billion, five hundred and forty seven million, nine hundred and thirty eight thousand, three hundred and fifty three naira, twenty six kobo) while Federal Government College Enugu has the least amount of ₦3,074,000.00 (Three million, seventy four thousand naira) as shown in the Figure below.



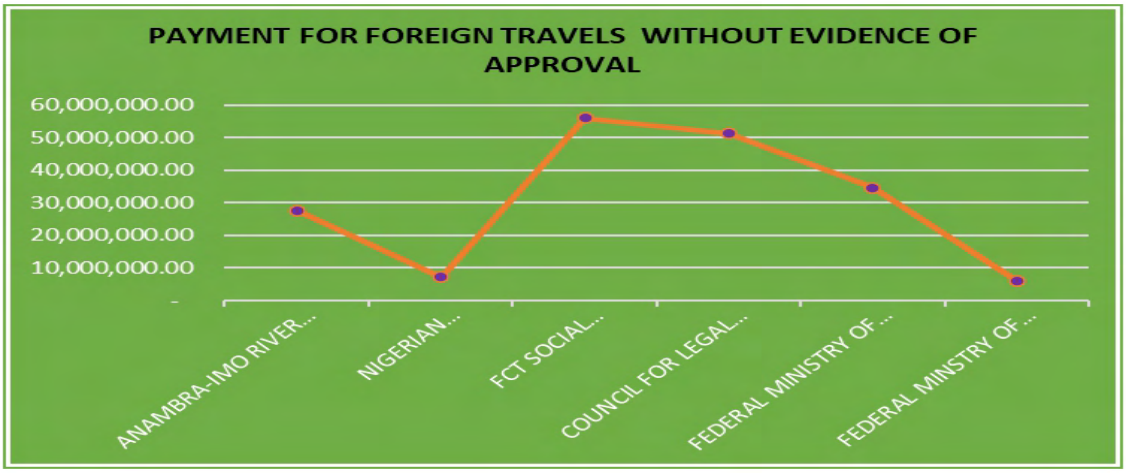
ISSUE 6: PAYMENT FOR FOREIGN TRAVELS WITHOUT EVIDENCE OF APPROVALS (=₦182,769,162.60 AND US$100,377.30)

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:

i. The sum of ₦182,769,162.60 (One hundred and eighty two million, seven hundred and sixty nine thousand, one hundred and sixty two naira, sixty kobo) and US$100,377.30 (One hundred thousand, three hundred and seventy seven United States dollars, thirty cents) was the payments for foreign travels without evidence of approvals by six (6) Ministries, Departments and Agencies (MDAs), and National Hajj Commission respectively.

ii. FCT Social Development Secretariat has the highest amount of ₦56,062,041.00 (Fifty six million, sixty two thousand, forty one naira) while Federal Ministry of Trade and Investment has the least amount of ₦6,043,566.00 (Six million, forty three thousand, five hundred and sixty six naira) for the naira component as shown in the Figure below.



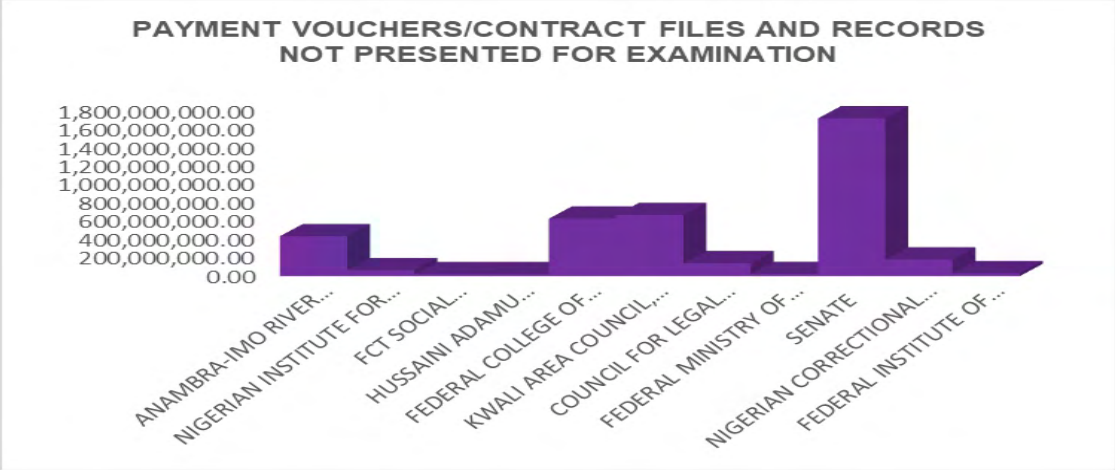
ISSUE 7: PAYMENT VOUCHERS/CONTRACT FILES AND RECORDS NOT PRESENTED FOR EXAMINATION (=₦3,930,050,843.48)

Section 85 (2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and paragraph 110 of the Financial Regulations empower the Auditor-General or his representatives, free access to the books of accounts, security documents and other records and information relating to the accounts of all MDAs and other arms of government or units.

Audit observed that:

i. The sum of ₦3,930,050,843.48 (Three billion, nine hundred and thirty million, fifty thousand, eight hundred and forty three naira, forty eight kobo) was the amount of payment vouchers not presented for examination by eleven (11) Ministries, Departments and Agencies (MDAs), and

ii. The Senate, has the highest amount of ₦1,718,130,630.24 (One billion, seven hundred and eighteen million, one hundred and thirty thousand, six hundred and thirty naira, twenty four kobo) while Hussaini Adamu Federal Polytechnic Kazaure Jigawa has the least amount of ₦20,798,790.00 (Twenty million, seven hundred and ninety eight thousand, seven hundred and ninety naira) as shown in the Figure below.



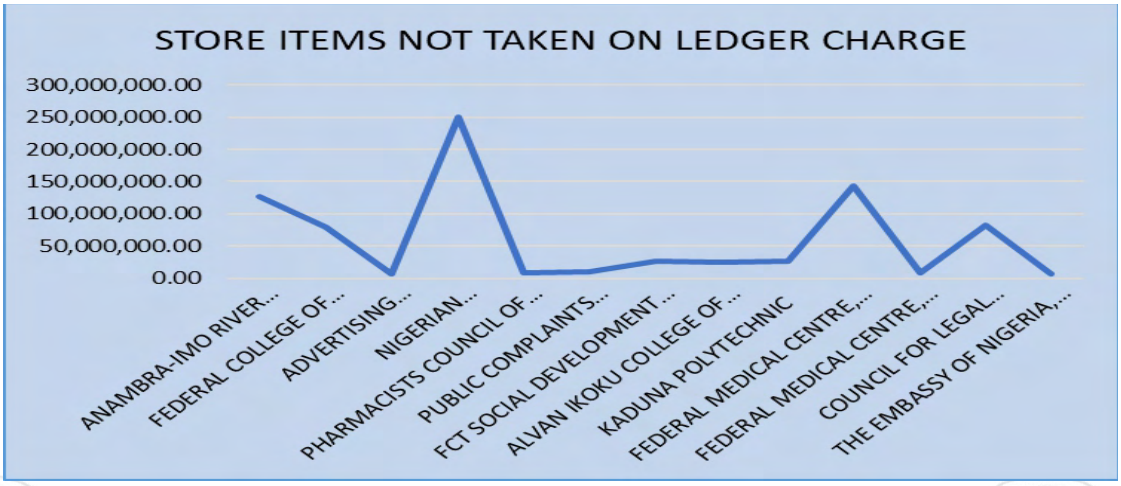
ISSUE 8: STORE ITEMS NOT TAKEN ON LEDGER CHARGE (=₦801,252,951.36)

Paragraph 2402 (i) of the Financial Regulations states "On all payment vouchers for the purchase of stores, except as provided in subsection (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 LPO."

Audit observed that:

i. The sum of ₦801,252,951.36 (Eight hundred and one million, two hundred and fifty two thousand, nine hundred and fifty one naira, thirty six kobo) was the amount of store items not taken on ledger charge by thirteen (13) Ministries, Departments and Agencies (MDAs), and

ii. Nigerian Communications Satellite Limited Abuja has the highest amount of ₦250,099,250.00 (Two hundred and fifty million, ninety nine thousand, two hundred and fifty naira) while The Embassy of Nigeria, Addis-Ababa has the least amount of ₦6,574,151.04 (Six million, five hundred and seventy four thousand, one hundred and fifty one naira, four kobo) as shown in the Figure below.



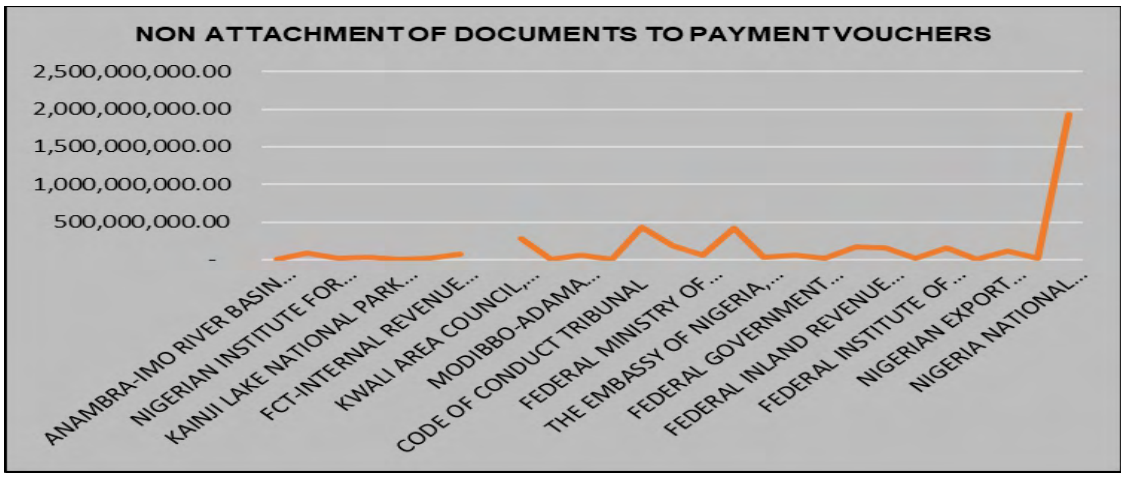
ISSUE 9: NON ATTACHMENT OF RELEVANT SUPPORTING DOCUMENTS TO PAYMENT VOUCHERS (=₦4,358,734,663.49)

Paragraph 603(I) of the Financial Regulations states "All vouchers shall contain full particulars of each service and will invariably be supported by relevant documents such as local purchase orders, invoices, letter of authority, etc."

Audit observed that:

i. The sum of ₦4,358,734,663.49 (Four billion, three hundred and fifty eight million, seven hundred and thirty four thousand, six hundred and sixty three naira, forty nine kobo) was the amount of payment vouchers paid without attachment of relevant supporting documents by twenty seven (27) Ministries, Departments and Agencies (MDAs), and

ii. Code of Conduct Tribunal has the highest amount of ₦434,500,000.00 (Four hundred and thirty four million, five hundred thousand naira) while Kainji Lake National Park Management Board New Bussa has the least amount of ₦474,646.20 (Four hundred and seventy four thousand, six hundred and forty six naira, twenty kobo) as shown in the Figure below.



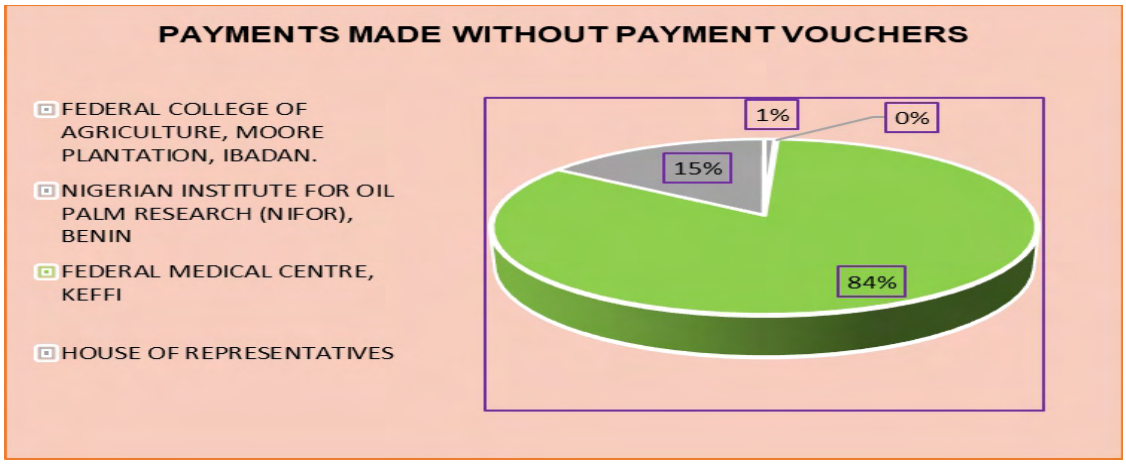
ISSUE 10: PAYMENTS MADE WITHOUT PAYMENT VOUCHERS (=₦6,574,193,098.73)

Paragraph 601 of the Financial Regulations states "All payment entries in the cash book/ Account shall be vouched for on one of the prescribed treasury forms. Voucher 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 voucher has not been raised."

Audit observed that:

i. The sum of ₦6,574,193,098.73 (Six billion, five hundred and seventy four million, one hundred and ninety three thousand, ninety eight naira, seventy three kobo) was the amount of payment made without payment vouchers by four (4) Ministries, Departments and Agencies (MDAs), and

ii. Federal Medical Centre, Keffi has the highest amount of ₦5,506,827,999.73 (Five billion, five hundred and six million, eight hundred and twenty seven thousand, nine hundred and ninety nine naira, seventy three kobo) while Nigerian Institute for Oil Palm Research, Benin has the least amount of ₦10,254,119.28 (Ten million, two hundred and fifty four thousand, one hundred and nineteen naira, twenty eight kobo) as shown in the Figure below.



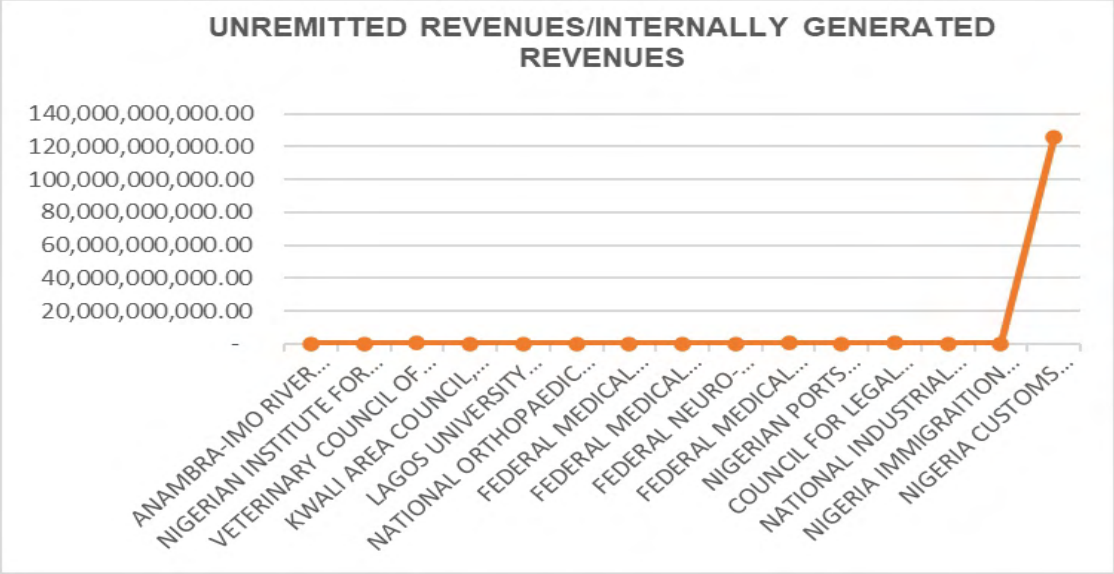
ISSUE 11: NON REMITTANCE OF REVENUES/INTERNALLY GENERATED REVENUES (=₦127,129,212,622.58)

Treasury Circular Ref: No.TRYA10&B10/2016 OAGF/CAD/026/V.111/101 dated 22nd November, 2016 states "All Federal Government Agencies fully funded from the treasury are mandated to remit 100 percent (100%.) of their Internally Generated Revenue (IGR) to the Consolidated Revenue Fund (CRF)." Furthermore, Finance Circular Ref. No. BO/RVE/12235/259/VII/201 dated 11th November, 2011 requires all Federal Agencies to limit their utilization of internally generated revenue (IGR) to not more than 75% of the gross revenue while the balance of not less than 25% should be remitted to the Consolidated Revenue Fund (CRF).

Audit observed that:

i. The sum of ₦127,129,212,622.58 (One hundred and twenty seven billion, one hundred and twenty nine million, two hundred and twelve thousand, six hundred and twenty two naira, fifty eight kobo) was the amount of revenues/internally generated revenues not remitted to relevant authorities by fifteen (15) Ministries, Departments and Agencies (MDAs), and

ii. Nigeria Customs Service Headquarters, Abuja has the highest amount of ₦125,844,785,277.54 (One hundred and twenty five billion, eight hundred and forty four million, seven hundred and eighty five thousand, two hundred and seventy seven naira, fifty four kobo) while Anambra-Imo River Basin Development Authority, Owerri has the least amount of ₦5,386,100.00 (Five million, three hundred and eighty six thousand, one hundred naira) as shown in the Figure below.



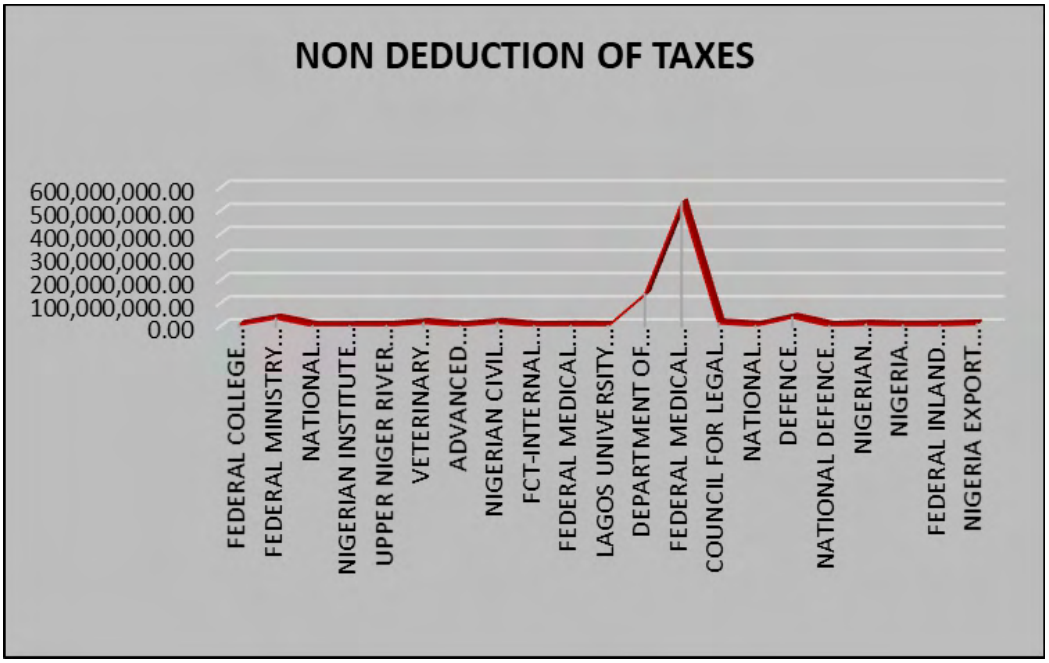
ISSUE 12: NON DEDUCTION OF TAXES (=₦829,666,114.14)

Paragraph 234(I) of the Financial Regulations (FR) 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 With-holding Tax (WHT) due on supply and services contract and actual remittance of same''. Similarly, Paragraph 235 of the FR states "Deduction of VAT, WHT, and PAYE shall be remitted to Federal Inland Revenue Service at the same time the payee who is the subject of deduction is paid". Also, Federal Treasury Circular Ref No. TRY/A12&B12/2015 and OAGF/CAD/VOL.II/390 dated 29th December, 2015 states "1% Stamp Duty chargeable on contract awards and the remittance be made to the relevant Tax Authority(Federal Inland Revenue Service)."

Audit observed that:

i. The sum of ₦829,666,114.14 (Eight hundred and twenty nine million, six hundred and sixty six thousand, one hundred and fourteen naira, fourteen kobo) was the amount of taxes not deducted by nineteen (19) Ministries, Departments and Agencies (MDAs), and

ii. Federal Medical Centre, Keffi has the highest amount of ₦534,196,001.67 (Five hundred and thirty four million, one hundred and ninety six thousand, one naira, sixty seven kobo) while National Agricultural Seeds Council, Sheda, Abuja has the least amount of ₦1,021,011.13 (One million, twenty thousand, eleven naira, thirteen kobo) as shown in the Figure below.



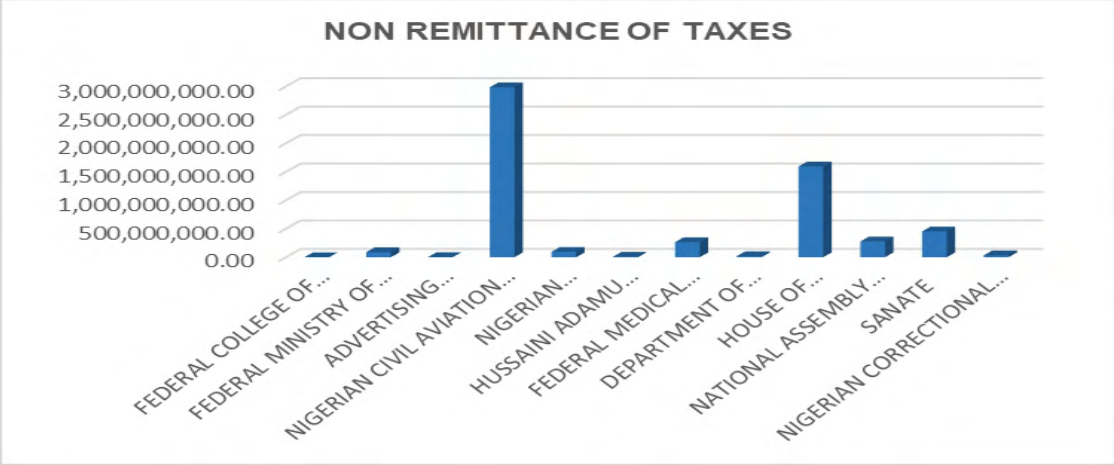
ISSUE 13: NON REMITTANCE OF TAXES (=₦5,828,621,715.06)

Paragraph 234(I) of the Financial Regulations (FR) 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 With-holding Tax (WHT) due on supply and services contract and actual remittance of same''. Similarly, Paragraph 235 of the FR states "Deduction of VAT, WHT, and PAYE shall be remitted to Federal Inland Revenue Service at the same time the payee who is the subject of deduction is paid". Also, Federal Treasury Circular Ref No. TRY/A12&B12/2015 and OAGF/CAD/VOL.II/390 dated 29th December, 2015 states "1% Stamp Duty chargeable on contract awards and the remittance be made to the relevant Tax Authority(Federal Inland Revenue Service)."

Audit observed that:

i. The sum of ₦5,828,621,715.06 (Five billion, eight hundred and twenty eight million, six hundred and twenty one thousand, seven hundred and fifteen naira, six kobo) was the amount of taxes not remitted by twelve (12) Ministries, Departments and Agencies (MDAs), and

ii. Nigerian Civil Aviation Authority has the highest amount of ₦2,984,887,250.00 (Two billion, nine hundred and eighty four million, eight hundred and eighty seven thousand, two hundred and fifty naira) while Federal College of Freshwater Fisheries Technology, New Bussa has the least amount of ₦1,021,011.13 (One million, twenty thousand, eleven naira, thirteen kobo) as shown in the Figure below.



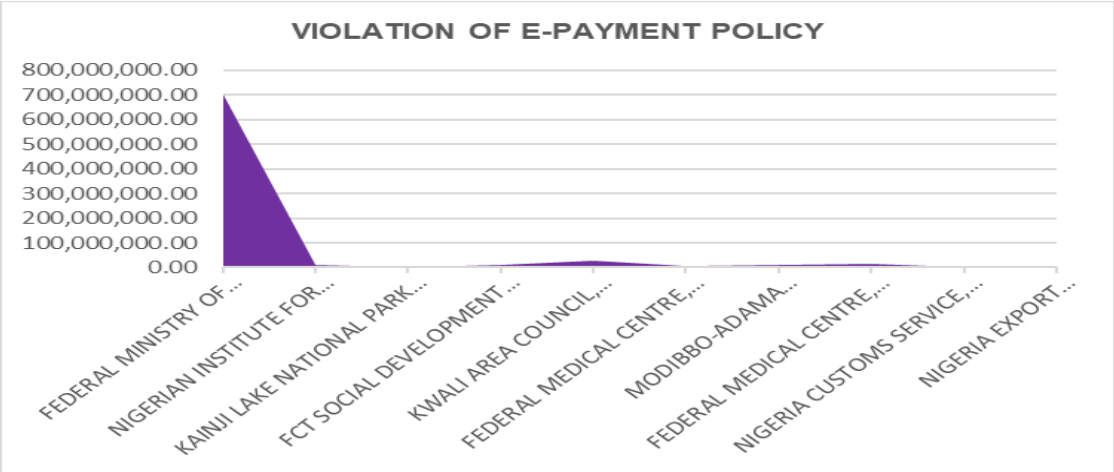
ISSUE 14: VIOLATION OF E-PAYMENT POLICY (=₦785,116,111.51)

Treasury Circular Ref No OAGF/CAD/026/VOLII/465 dated 22nd October 2008 on implementation of e-payment states "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:

i. The sum of ₦785,116,111.51 (Seven hundred and eighty five million, one hundred and sixteen thousand, one hundred and eleven naira, fifty one kobo) was the amount of payment made in violation of e-payment policy of the federal government by ten (10) Ministries, Departments and Agencies (MDAs), and

ii. Federal Ministry of Agriculture and Rural Development has the highest amount of ₦700,179,314.37 (Seven hundred million, one hundred and seventy nine thousand, three hundred and fourteen naira, thirty seven kobo) while Nigeria Exports Processing Zones Authority has the least amount of ₦1,274,489.48 (One million, two hundred and seventy four thousand, four hundred and eighty nine naira, forty eight kobo) as shown in the Figure below.



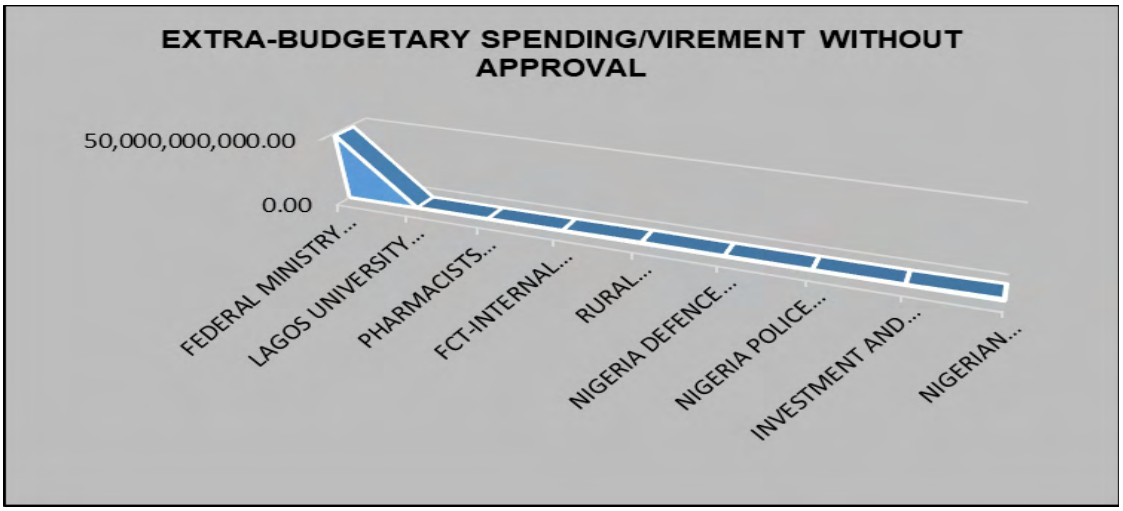
ISSUE 15: EXTRA-BUDGETARY SPENDING/VIREMENT WITHOUT APPROVAL (=₦49,538,655,165.50)

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 a manner prescribed by the National Assembly." Also, paragraph 417 of the Financial Regulations 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:

i. The sum of ₦49,538,655,165.50 (Forty nine billion, five hundred and thirty eight million, six hundred and fifty five thousand, one hundred and sixty five naira, fifty kobo) was the amount of extra-budgetary expenditure/virement without approval by nine (9) Ministries, Departments and Agencies (MDAs), and

ii. Federal Ministry of Agriculture and Rural Development has the highest amount of ₦48,425,543,895.72 (Forty eight billion, four hundred and twenty five million, five hundred and forty three thousand, eight hundred and ninety five naira, seventy two kobo) while Pharmacists Council of Nigeria, Abuja has the least amount of ₦1,687,000.00 (One million, six hundred and eighty seven thousand naira) as shown in the Figure below.



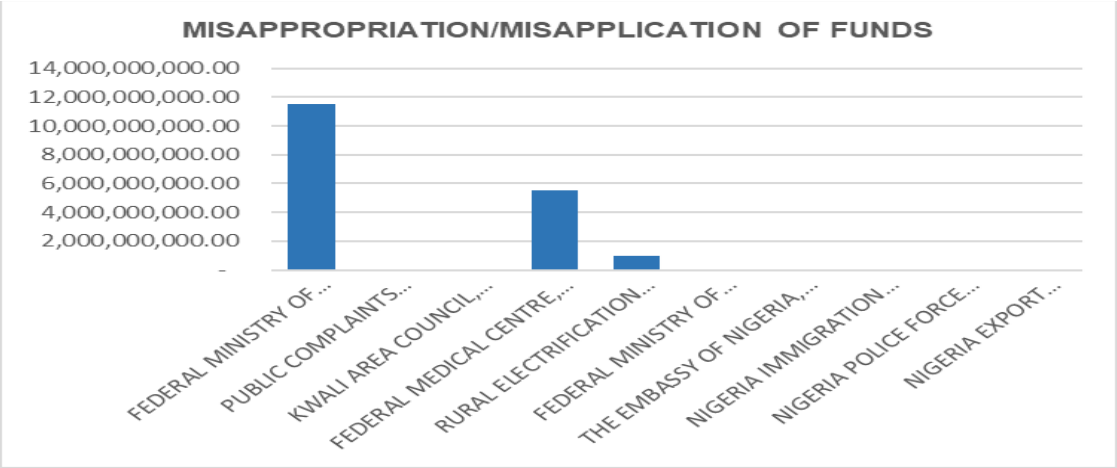
ISSUE 16: MISAPPROPRIATION/MISAPPLICATION OF FUNDS (=₦18,197,472,641.97)

Paragraph 417 of the Financial Regulations (2009) (FR) 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." Furthermore paragraph 415 of the FR 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:

i. The sum of ₦18,197,472,641.97 (Eighteen billion, one hundred and ninety seven million, four hundred and seventy two thousand, six hundred and forty one naira, ninety seven kobo) was the amount of misappropriation/misapplication of funds by ten (10) Ministries, Departments and Agencies (MDAs), and

ii. Federal Ministry of Agriculture and Rural Development has the highest amount of ₦11,546,978,721.59 (Eleven billion, five hundred and forty six million, nine hundred and seventy eight thousand, seven hundred and twenty one naira, fifty nine kobo) while Public Complaints Commission has the least amount of ₦1,806,000.00 (One million, eight hundred and six thousand naira) as shown in the Figure below.



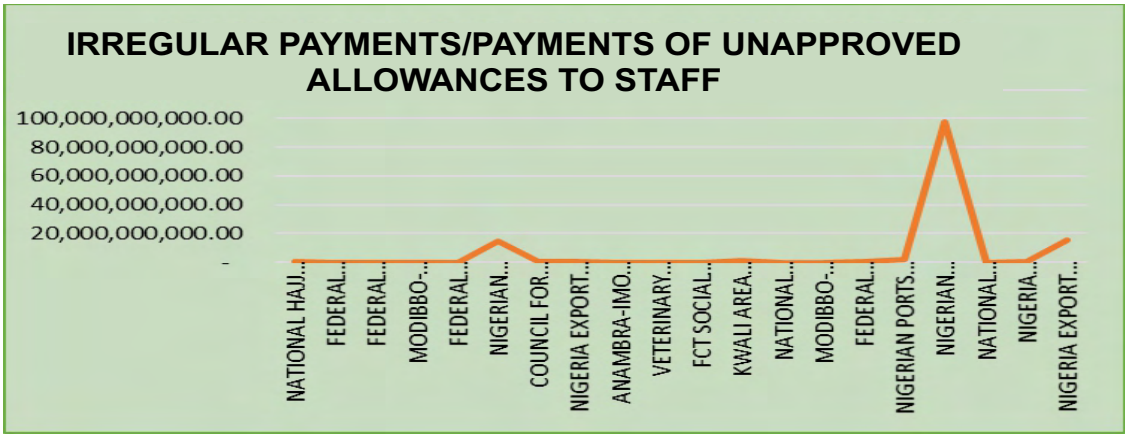
ISSUE 17: IRREGULAR PAYMENTS/PAYMENTS OF UNAPPROVED ALLOWANCES TO STAFF (=₦132,525,040,862.97)

Paragraph 415 of the Financial Regulations 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:

i. The sum of ₦132,525,040,862.97 (One hundred and thirty two billion, five hundred and twenty five million, forty thousand, eight hundred and sixty two naira, ninety seven kobo) was the amount of irregular payments/unapproved allowances to staff by twenty (20) Ministries, Departments and Agencies (MDAs), and

ii. Nigerian Security Printing and Minting Plc has the highest amount of ₦97,975,031,778.79 (Ninety seven billion, nine hundred and seventy five million, thirty one thousand, seven hundred and seventy eight naira, seventy nine kobo) while National Commission for Colleges of Education, Abuja has the least amount of ₦2,892,200.00 (Two million, eight hundred and ninety two thousand, two hundred naira) as shown in the Figure below.



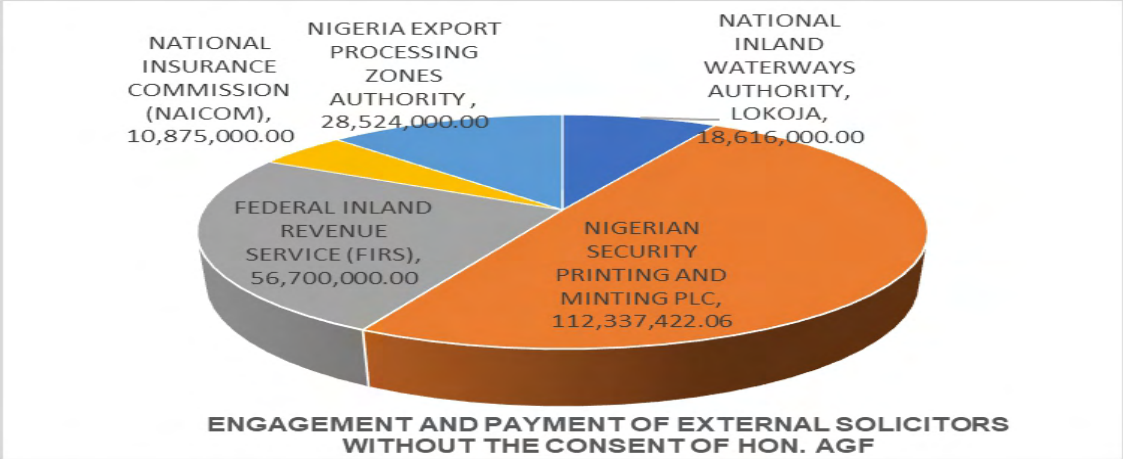
ISSUE 18: ENGAGEMENT OF EXTERNAL SOLICITORS WITHOUT THE CONSENT OF HON. ATTORNEY-GENERAL OF THE FEDERATION (=₦227,052,422.06)

Establishment circular Ref. No.: SGF/PS/CIR/625/I/1 of 16th July, 2003 requires that prior consent and approval of the Honourable Attorney-General of the Federation should be obtained before the engagement of External Solicitors and Advocates by Federal Government Ministries, Departments and Agencies (MDAs) and payment of professional fees in respect of such services.

Audit observed that:

i. The sum of ₦227,052,422.06 (Two hundred and twenty seven million, fifty two thousand, four hundred and twenty two naira, six kobo) was the amount of extra-budgetary expenditure/virement without approval by five (5) Ministries, Departments and Agencies (MDAs), and

ii. Nigerian Security Printing and Minting Plc has the highest amount of ₦112,337,422.06 (One hundred and twelve million, three hundred and thirty seven thousand, four hundred and twenty two naira, six kobo) while National Insurance Commission has the least amount of ₦10,875,000.00 (Ten million, eight hundred and seventy five thousand naira) as shown in the Figure below.



SECTION 1

EMERGING ISSUES AUDIT DEPARTMENT

ANAMBRA-IMO RIVER BASIN DEVELOPMENT AUTHORITY, OWERRI

At the Anambra/Imo River Basin Development Authority, Owerri, the following observations (January 2018 to December 2019) were made:

ISSUE 1: UNSPENT BALANCES FROM CAPITAL VOTE NOT RETURNED TO CHEST (=₦2,515,000,000.00)

Federal Treasury Circular Ref. No.: TRY/A12 & B12/2013 dated 19th November, 2013 made it compulsory for unspent balances as at 31st December to be paid back to the treasury. Also, Paragraph 414 of the Financial Regulations (2009) states "the unexpended portion of any sub-head shall not be drawn for the purpose of setting it in reserve to meet impending payments, or be carried to a deposit or a suspense account."

Audit observed that:

i. The Authority's GIFMIS Capital vote showed that a sum of ₦2,515,000,000.00 (Two billion, five hundred and fifteen million naira) only was not paid back to the Sub-treasury as money warehoused for capital projects from 2019 Appropriation as a result of the closure of year 2019 account in contravention of extant regulations, and

ii. There was no Treasury receipt obtained to attest to the payment, contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Replication of payment for job already paid for.
ii. Diversions of government funds.

Management's Response

The warehousing of the ₦2,515,000,000.00 was done in public interest. Since the unspent balance of 2019 did not lapse but was rolled over to 2020, this affected the ₦2,515,000,000.00. Moreso, the action was taken to ensure that the Federal Government through our Agency did not carry much liabilities.

The details of the utilization of the ₦2,515,000,000.00 and all the vouchers are available at our office for verification.

The correspondences between the Authority and Office of the Accountant General of the Federation are also available at our office for verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why year end capital vote balance was not returned to chest as required by extant regulations.

ii. Account for the sum of ₦2,515,000,000.00 (Two billion, five hundred and fifteen million naira).

iii. Remit the sum of ₦2,515,000,000.00 (Two billion, five hundred and fifteen million naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: IRREGULARITY IN AWARD OF CONTRACT (=₦659,963,029.00)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that:

i. The Authority circumvented accountability through award of contracts and provisions made in the Bills of Engineering Measurement and Evaluations (BEME).

ii. Provisions were made in the BEME during the award of contracts for the following items in Bill 1 and Bill 2 with sub-heads: Project supervision by AIRBDA Engineers, Project site preparation/drawings, Main/Running cost of project motor vehicle, Institutional strengthening capacity, Provision & Maintenance of office equipment & station, Project monitoring, Motor vehicle, progress photographs, 5% contingency, Stamp Duty, etc.

iii. Sample from extracts of one hundred and thirteen (113) of such provisions made and paid from the same number of contracts (113) awarded by the Authority, as detailed below, showed that the sum of ₦659,963,029.00 (Six hundred and fifty-nine million, nine hundred and sixty-three thousand, twenty-nine naira) only could not be accounted for:

S/N	TYPE OF PROVISION	AMOUNT (₦)
i	Project Supervision	118,807,606.51
ii	Project Site Preparation/Drawing	66,343,579.25
iii	Running Cost	52,931,726.84
iv	Strengthening Capacity	86,390,456.45
v	Provision & Maintenance of office equipment	23,435,764.05
vi	Project Monitoring	65,045,313.65
vii	Motor Vehicle	45,762,800.00
viii	Progress Photo	4,134,667.00
ix	5% Contingency	123,878,637.28
x	Stamp Duty	73,232,477.50
	TOTAL	**659,963,028.53**

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of Funds, and
ii. Possibility of public Funds diverted into individual pockets by the Authority for jobs not executed and goods not supplied.

Management's Response

It is pertinent to point out here that bill 1 is not collected as stated by the Team of Auditors from Auditor-General's Office. Bill 1 is collected when payment is made to the contractor and prorated.

Again, in 2015 when all commercial Bank Accounts were closed and transferred to TSA, the Accountant General of the Federation opened an account for the Authority with the Central Bank of Nigeria with Account No. 3000054496 until now, proper accounting records have been maintained for the accounts. Payments are duly processed with payment vouchers.

The vouchers and other accounting records are available in our cash office for your verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why unsubstantiated expenditures were built into contracts.

ii. Account for the sum of ₦659,963,029.00 (Six hundred and fifty-nine million, nine hundred and sixty-three thousand, twenty-nine naira) only, and

iii. Remit the sum of ₦659,963,029.00 (Six hundred and fifty-nine million, nine hundred and sixty-three thousand, twenty-nine naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: CIRCUMVENTION OF PROCUREMENT PROCESS IN THE ACQUISITION OF TOYOTA AMBULANCE (=₦34,251,656.25)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that:

i. The sum of ₦34,251,656.25 was paid vide payment voucher numbered 103 dated 2nd March, 2018 and interim/final payment certificate dated 22nd January, 2018, duly signed by the Authority, from Zonal Intervention Projects vote, for the supply of Toyota Ambulance to a hospital in Orsu LGA of Imo State.

ii. The Toyota Ambulance was said to have been presented as empowerment material to the hospital.

iii. The payment details and the supporting documents revealed that there was no quotations from at least three contractors as evidence of competitive bidding; the purchase invoices and delivery notes attached did not appear authentic; the name of the hospital was not made known; there was no evidence of presentation of the said vehicle, receipt and acknowledgement by the beneficiary; and

iv. The item was not taken on ledger charge in the store records of the Authority as neither Store Receipt Voucher (SRV) nor Store Issue Voucher (SIV) was produced for verification; etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Payment for jobs not executed or goods not supplied.
ii. Diversion of the store item to private use.

Management's Response

i. The Toyota Ambulance was duly and properly procured by the Authority.

ii. All the information on the procurement, supply and handover of the Toyota Ambulance are available at our office for verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for circumventing procurement process as well as why Toyata acquired was not taken on legder charge.

ii. Account for the sum of ₦34,251,656.25 (Thirty-four million, two hundred and fifty-one thousand, six hundred and fifty-six naira, twenty-five kobo) only.

iii. Recover and remit to the Treasury the sum of ₦34,251,656.25 (Thirty-four million, two hundred and fifty-one thousand, six hundred and fifty-six naira, twenty-five kobo) only.

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to recovery of assets from the contractors and payment for jobs not executed specified in paragraphs 3109 and 3104 (iii) of the Financial Regulations respectively.

ISSUE 4: PAYMENT FOR SERVICES NOT RENDERED-IN ANAMBRA SOUTH SENATORIAL DISTRICT, CONTRACT NO. AIRBDA/17/LOTF18 (=₦49,289,021.25)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that:

i. A contract for training and empowerment of women with HIV/AIDS and widows in Anambra South Senatorial District was awarded vide contract award reference number AIRBDA/17/LOTF18, dated 13th December, 2018, at a contract sum of ₦49,289,021.25.

ii. The contract was purported to have been executed and 100% payment was made vide various payment vouchers, as seen in the budget performance, including payment of ₦31,666,666.66 vide payment voucher number 469 dated 18th May, 2018, and

iii. The payments were not supported by valid evidence like: date and location where the training was held; the basis for selection of the contractor chosen was not stated as quotations were not received from at least three (3) contractors; there was no contract agreement for the contract; list of participants, their telephone numbers and endorsements were not attached as evidence of attendance; the resource persons for the training and their profiles were not known; etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Payment for jobs not executed.
ii. Diversion of public funds.

Management's Response

i. Training and empowerment for women with HIV/AIDS and widows in Anambra South Senatorial District, contract No. AIRBDA/17/LOT F18 (49,289,021.25), was duly procured by the Authority.

ii. All the information on the procurement and trainings are available at our office for verification

Recommendations

The Managing Director is requested to:

i. Furnish reasons why payments were made for jobs not executed.

ii. Account for the sum of 49,289,021.25 (Forty nine million, two hundred and eighty nine thousand, twenty one naira, twenty five kobo) only.

iii. Recover and remit to the Treasury the sum of ₦49,289,021.25 (Forty nine million, two hundred and eighty nine thousand, twenty one naira, twenty five kobo) only.

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to recovery of assets from the contractors and payment for jobs not executed specified in paragraphs 3109 and 3104 (iii) of the Financial Regulations respectively.

ISSUE 5: PAYMENT OF OUTSTANDING LIABILITIES OWED TO CONTRACTORS WITHOUT EVIDENCE OF PAYMENT (= 820,664,574.00)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that;

i. The sum of 820,664,574.00 (Eight hundred and twenty million, six hundred and sixty-four thousand, five hundred and seventy-four naira) was provided for the payment of outstanding liabilities in the 2019 Appropriation Act. This approval was based on the list containing the names of contractors and the amounts owed to them, presented to the National Assembly.

ii. There were no payments made from the amount approved for this purpose; and efforts made to get the approved list of contractors' liabilities and utilization of the approved funds were unsuccessful, despite repeated requests.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Diversion of the appropriated funds.
ii. The liabilities could be recycled for another appropriation

Management's Response

All the requirements on the recommendations I to iv are available at our office for your verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why payments were made without payment vouchers and other evidence of payment.

ii. Account for the sum of 820,664,574.00 (Eight hundred and twenty million, six hundred and sixty-four thousand, five hundred and seventy-four naira) only, provided for the payment of outstanding liabilities in the 2019 Appropriation Act.

iii. Remit the sum of 820,664,574.00 (Eight hundred and twenty million, six hundred and sixty-four thousand, five hundred and seventy-four naira) only to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6. BALANCE OF 2018 RELEASE FOR THE PAYMENT OF OUTSTANDING LIABILITIES OWED TO VARIOUS CONTRACTORS NOT ACCOUNTED FOR (= 148,824,020.89)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that;

i. The sum of 172,961,403.00 (One hundred and seventy-two million, nine hundred and sixty-one thousand, four hundred and three naira) was provided for the payment of outstanding liabilities in the 2018 Appropriation Act. This approval was based on the list containing the names of contractors and the amounts owed to them, presented to the National Assembly, and

ii. Only nine (9) contractors were paid through nine separate payment vouchers amounting to 24,137,382.11 (Twenty-four million, one hundred and thirty-seven thousand, three hundred and eighty-two naira, eleven kobo), thereby leaving a balance of 148,824,020.89 (One hundred and forty-eight million, eight hundred and twenty-four thousand, twenty-one naira) unaccounted for.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Diversion of the appropriated funds.
ii. The liabilities could be recycled for another appropriation

Management's Response

All the requirements on the recommendations I to iv are available at our office for your verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why money made available to pay contractors were not fully utilized for the purpose.

ii. Account for the sum of 148,824,020.89 (One hundred and forty-eight million, eight hundred and twenty-four thousand, twenty-one naira), being unspent balance out of amount provided for the settlement of the liabilities.

iii. Remit the sum of 148,824,020.89 (One hundred and forty-eight million, eight hundred and twenty-four thousand, twenty-one naira) only to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and
v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 7: PAYMENT FOR TRAINING PROGRAMME NOT EXECUTED IN 2018 (TRAINING SKILL ACQUISITION AND PROVISION OF WORKING TOOLS FOR PLUMBERS AND ARTISANS ON MAINTENANCE OF WATER BOREHOLES) (= 77,098,784.75)

Paragraph 3104 (iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit observed that:

i. Seven (7) different Zonal Constituency training contracts amounting to 77,098,784.75 (Seventy-seven million, ninety-eight thousand, seven hundred and eighty-four naira, seventy-five kobo) only, were awarded to two (2) contractors.

ii. The seven (7) different training programmes awarded to two contractors purported to have been done at different locations were awarded on the same date and the two (2) contractors were the same but appearing with different names for the contract purpose.

iii. Payments amounting to 77,098,784.75 (Seventy-seven million, ninety-eight thousand, seven hundred and eighty-four naira, seventy-five kobo) were paid on the same date.

iv. The same photographs with the same participants were used as supporting documents for all the projects, despite the fact that they were done at different locations.

v. The provision of Public Procurement Act, 2007 which requires receipt of quotations from at least 3 (three) contractors was not adhered to and the bases for selection of the contractors chosen were not stated.

vi. The resource persons for the trainings and their profiles were not known; the lists of participants, their telephone numbers and endorsements were not attached as evidence of attendance, and

vii. The contract was split to circumvent approval threshold thereby contravening the provisions of extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Payment for job not executed
ii. Diversion of public funds.

Management's Response

i. The procurement of training skill acquisition and provision of working tools for plumbers and artisans on maintenance of water B/H was done in accordance with the Public Procurement Act, 2007.

ii. Documentary evidences supporting the procurement, execution and payment for the training are available at our office for verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why payments were made for training programme not executed.

ii. Account for the sum of 77,098,784.75 (Seventy-seven million, ninety-eight thousand, seven hundred and eighty-four naira, seventy-five kobo) only;

iii. Recover and remit to the Treasury the sum of 77,098,784.75 (Seventy-seven million, ninety-eight thousand, seven hundred and eighty-four naira, seventy-five kobo) only.

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to payment for jobs not executed specified in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 8: PAYMENT FOR TRAINING PROGRAMME NOT EXECUTED IN 2019 (TRAINING SKILL ACQUISITION AND PROVISION OF WORKING TOOLS FOR PLUMBERS AND ARTISANS ON MAINTENANCE OF WATER BOREHOLES) (= 50,714,966.49)

Paragraph 3104(iii) of the Financial Regulations (FR), 2009 states "a public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the EFCC for prosecution." Furthermore, paragraph 603 (i) of the FR requires that all vouchers should invariably be supported by relevant documents.

Audit examination of records maintained in the Authority showed that:

i. Twenty-one (21) different Zonal Constituency training contracts amounting to 50,714,966.49 (Fifty million, seven hundred and fourteen thousand, nine hundred and sixty-six Naira, forty-nine kobo) only, were awarded to six (6) contractors.

ii. The twenty-one (21) different training programmes awarded to six (6) contractors purported to have been done at different locations were awarded on the same date; payments amounting to 50,714,966.49 (Fifty million, seven hundred and fourteen thousand, nine hundred and sixty-six naira, forty-nine kobo) were made between 22nd and 31st May, 2019; the same photographs with the same participants used as supporting documents for all the projects in 2018 were also used in 2019, despite the fact that they were done at different locations and different years.

iii. The provision of Public Procurement Act, 2007 which requires receipt of quotations from at least 3 (three) contractors was not adhered to and the bases for selection of the contractors were not stated; the resource persons for the trainings and their profiles were not known; the lists of participants, their telephone numbers and endorsements were not attached as evidence of attendance, and

iv. The contract was split to circumvent approval threshold thereby contravening the provisions of extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Payment for job not executed
ii. Diversion of public funds.

Management's Response
All documentary evidences supporting the procurement, execution and payment for the training are available at our office for verification.

Recommendations
The Managing Director is requested to:

i. Furnish reasons why payments were made for training programme not executed.

ii. Account for the sum of 50,714,966.49 (Fifty million, seven hundred and fourteen thousand, nine hundred and sixty-six Naira, forty-nine kobo) only.

iii. Recover and remit to the Treasury the sum of 50,714,966.49 (Fifty million, seven hundred and fourteen thousand, nine hundred and sixty-six Naira, forty-nine kobo) only.

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to payment for jobs not executed specified in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 9: IRREGULARITIES IN THE EXECUTION OF CONTRACTS THROUGH POWERS OF ATTORNEY (= 473,122,058.49)

Section 16 of the Public Procurement Act, 2017 stipulates the requirement of professional and technical qualifications for the award of contract, financial capability, equipment and other relevant infrastructure required, adequate personnel to perform the obligations and the legal capacity to enter into the contract, etc.

Audit observed that:

i. Ten (10) contracts worth 473,122,058.49 (Four hundred and seventy-three million, one hundred and twenty-two thousand, fifty-eight-naira forty-nine kobo) from Capital Projects and the Authority's Zonal Intervention Project, awarded to some contractors, were transferred from the original contractors they were awarded, to different contractors;

ii. There were insider dealings leading to circumvention of due process put in place by the Federal government for accountability and transparency;

iii. No written letter was received by the Authority from the individual contractors transferring their contracts to other contractors with a Power of Attorney;

iv. There was no evidence that the contractor has executed previous job in that area of specialization, which may have necessitated the transfer. This action puts the competency to deliver on the contract in doubt and thereby suggested that the process of selecting these contractors was not done with due diligence;

v. The contract was not transferred to the second successful bidder rather it was given to a contractor that was not part of the bidding process for that particular contract, and

vi. The contractor that was awarded the contract that initiated the transfer, there was no correspondence between the Authority and the contractor on these transfers neither was it approved by the relevant authority. The new contractor may not have the required expertise to meet the criteria for that particular contract thereby contravened the provisions of Public Procurement Acts (2007),

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. The project not executed according to specification
ii. Loss of government fund

Management's Response

i. The Management wishes to assure the Auditor-General that there were no insider dealings as insinuated by the Audit Team.

ii. All power of attorneys are duly authenticated and stamped by the Court before they were accepted at the Authority.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for the irregularities in the execution of contracts through power of attorney

ii. Account for the sum of 473,122,058.49 (Four hundred and seventy-three million, one hundred and twenty-two thousand, fifty-eight-naira forty-nine kobo) only.

iii. Recover and remit to the Treasury the sum of 473,122,058.49 (Four hundred and seventy-three million, one hundred and twenty-two thousand, fifty-eight-naira forty-nine kobo) only

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 10: PAYMENT FOR OVERSEAS TRAVELS WITHOUT EVIDENCE 0F APPROPRIATE APPROVAL (= 18,439,249.00)

Establishment circular Ref. No.: HCSF/CSO/HRM/Pol.1402/1 dated 22nd January, 2015, restricts public servants from foreign trainings, 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 public servants

while Mr. President approves for the Honourable Ministers.
Audit observed that;

i. The Authority made several payments for overseas travel to the tune of 18,439,249.00 (Eighteen million, four hundred and thirty-nine thousand, two hundred and forty-nine naira) only in favour of the Managing Director and other Directors without approval from appropriate authorities.

ii. The mandatory document for all payment claims and audit clearance for international travels from HCSF were not seen. See Circular with Ref. No: HCSF/PS/SD/164/1/19 dated 30/01/2017.

iii. No reports from the various seminars and conferences for which the whooping sum was spent were made available for the team to authenticate that the trips were actually made, and

iv. There were no air tickets used to retire four trips as evidence of performance, contrary to the provision of the extant circular quoted above.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds
ii. Diversion of public funds

Management's Response

The expenditures were legitimately incurred and approved by our supervising Ministry, Federal Ministry of Water Resources.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why payments were made for oversea trips without approval by relevant authorities.

ii. Account for the sum of 18,439,249.00 (Eighteen million, four hundred and thirty-nine thousand, two hundred and forty-nine naira) only, spent on overseas travels without appropriate approval, and

iii. Recover and remit to the Treasury the sum of 18,439,249.00 (Eighteen million, four hundred and thirty-nine thousand, two hundred and forty-nine naira) only

iv. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 11: PAYMENTS MADE BEFORE PREPAYMENT AUDIT OF PAYMENT VOUCHERS (= 184,973,378.39)

Paragraph 1705 of the Financial Regulations (2009) states, "The head of internal Audit Unit in all Ministries/extra-ministries 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:

i. The sum of 184,973,378.39 (One hundred and eighty-four million, nine hundred and seventy-three thousand, three hundred and seventy-eight naira, thirty-nine kobo) was paid for various expenditures through eleven (11) payment vouchers, and

ii. The payment vouchers were forwarded to the Internal Audit Unit for audit after payments contrary to the extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Misappropriation of government funds.
ii. Diversion of public funds.

Management's Response

i. Managing Director has noted the observation but wish to state that the payments are made to contractors who used their monies to execute contracts legitimately awarded to them.

ii. Management has noted the recommendation by the Auditors

Recommendations

The Managing Director is requested to:

i. Justify payment of 184,973,378.39 (One hundred and eighty-four million, nine hundred and seventy-three thousand, three hundred and seventy-eight naira, thirty-nine kobo) only, without passing through prepayment audit.

ii. Recover and remit to the Treasury the sum of 184,973,378.39 (One hundred and eighty-four million, nine hundred and seventy-three thousand, three hundred and seventy-eight naira, thirty-nine kobo) only

iii. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 12: PAYMENTS MADE WITHOUT PREPAYMENT AUDIT OF PAYMENT VOUCHERS (= 136,449,661.00)

Paragraph 1705 of the Financial Regulations (2009) states, "The head of internal Audit Unit in all Ministries/extra-ministries 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:

i. The sum of 136,449,661.00 (One hundred and thirty six million, four hundred and forty nine thousand, six hundred and sixty one naira) only was paid for various expenditures through fifteen (15) payment vouchers, and

ii. The payments vouchers were not passed by Internal Audit unit as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Misappropriation of government funds.
ii. Diversion of public funds.

Management's Response

The Management of the Authority has always adhered to the rules, regulations and extant circulars issued from time to time by relevant Agencies.

Recommendations

The Managing Director is requested to:

i. Justify payment of the sum of 136,449,661.00 (One hundred and thirty six million, four hundred and forty nine thousand, six hundred and sixty one naira) only without prepayment audit, and

ii. Recover and remit to the Treasury the sum of 136,449,661.00 (One hundred and thirty six million, four hundred and forty nine thousand, six hundred and sixty one naira) only.

iii. Forward payment particulars to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 13: ZONAL INTERVENTION PROJECTS' PAYMENT VOUCHERS NOT PRESENTED FOR EXAMINATION (= 434,681,647.03)

Section 85 (2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and paragraph 110 of the Financial Regulations empower the Auditor-General or his representatives, free access to the books of accounts, security documents and other records and information relating to the accounts of all MDAs and other arms of government or units.

Audit observed that:

i. Twenty-one (21), 65 (Sixty-five) and 330 (Three hundred and thirty) payment vouchers raised under Zonal Intervention Projects vote in 2018, Zonal Intervention Projects vote in 2019 and Capital Mandates Projects vote in 2019 amounting to 182,906,168.88, 80,678,890.58 and 171,087,587.57 respectively, totaling N434,681,647.03 (Four hundred and thirty four million, six hundred and eighty one thousand, six hundred and forty seven naira, three kobo) only, were not presented to the audit team for examination despite several demands for them, and

ii. The denial of free access to the books of accounts, security documents and other records and information relating to the accounts of the Authority contravened the provisions of extant regulations.

Consequently, the purpose and justification for such expenditures could not be ascertained, and is hereby disallowed.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Misappropriation of government funds
ii. Diversion of public funds.

Management's Response

The listed payment vouchers are available at our office. The Auditor-General for the Federation is requested to nominate his staff to visit our office for the examination of the payment vouchers. The cost of the assignment will be borne by our Authority.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why payment vouchers were not made available for examination.

ii. Account for the sum of 434,681,647.03 (Four hundred and thirty-four million, six hundred and eighty-one thousand, six hundred and forty-seven naira, three kobo) only.

iii. Recover and remit to the Treasury the sum of 434,681,647.03 (Four hundred and thirty-four million, six hundred and eighty-one thousand, six hundred and forty-seven naira, three kobo) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 14: PAYMENT FOR CONTRACT WITHOUT CERTIFICATE OF JOB COMPLETION OR EVIDENCE OF WORK DONE (= 4,786,834.29)

Paragraph 412 of the Financial Regulations 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 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."

Audit observed that:

i. The Authority issued a Job Order dated 23/3/2018 to a company for the rehabilitation of Nguru Umuaro Community Secondary School, Imo East Senatorial District and supply of Public Address system at a contract sum of 4,786,834.29 (Four million, seven hundred and eighty six thousand, eight hundred and thirty four naira, twenty nine kobo), and

ii. The Authority paid the entire contract sum of 4,786,834.29 (Four million, seven hundred and eighty six thousand, eight hundred and thirty four naira, twenty nine kobo) only, to the company without a job completion certificate to confirm that the contract has been properly done.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds.
ii. Payments for jobs not executed.

Management's Response

i. When contract for supplies are executed (under Managing Director's threshold), the Internal Audit staff verifies the supplies and if in order, issues the supplier with an audit certificate. The audit certificate shows the items in LPO (local Purchase Order) have been completely supplied. The audit certificate is attached to the payment voucher.

ii. The management has taken note of this recommendation but wishes to state that it has been in practice over the years.

Recommendations

The Managing Director is requested to:

i. Justify why payments were made for this contract without a certificate of job completion as required by extant regulations.

ii. Account for the sum of 4,786,834.29 (Four million, seven hundred and eighty-six thousand, eight hundred and thirty-four naira, twenty-nine kobo) only.

iii. Recover and remit to the Treasury the sum of 4,786,834.29 (Four million, seven hundred and eighty-six thousand, eight hundred and thirty-four naira, twenty-nine kobo) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 15: OFFICIAL TRIPS NOT SPECIFIED (= 9,141,000.00)

Paragraph 603 (i) of the Financial Regulations (2009) states “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:

I. The sum of 9,141,000.00 (Nine million, one hundred and forty-one thousand naira) only, was paid, through 59 (Fifty -Nine) payment vouchers, to some staff of the Authority for official trips without specifying reason(s) for such trips, and

ii. Payments were made to the respective staff to embark on these trips without justification and there were no reports submitted after the official assignments.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

The Managing Director wishes to state on his honour that all the official trips were embarked upon by the staff.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for payment for trips without specifications of reasons for the trips.

ii. Account for the sum of 9,141,000.00 (Nine million, one hundred and forty-one thousand, naira) only, being payments to staff for official trips without both justification and reports, and

iii. Recover and remit to the Treasury the sum of 9,141,000.00 (Nine million, one hundred and forty-one thousand, naira) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 16: PAYMENTS MADE TO A SECURITY COMPANY WITHOUT LETTER(S) OF ENGAGEMENT (= 31,845,000.00)

Paragraph 603 (i) of the Financial Regulations (2009) states "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;

i. On 14th November, 2018, the sum of 31,845,000.00 (Thirty-one million, eight hundred and forty-five thousand naira) only, was paid to a security company, vide twenty-one (21) payment vouchers, as security services for months in 2015, 2016 and 2017, from Capital vote.

ii. There were no supporting documents such as M.O.U or agreement showing details of the terms and conditions of engagement; the number of security men deployed by the security firm for which the payments were made were not made available despite several and repeated requests from the Authority;

iii. Evidence of these payments to the company, in form of receipts and invoices from the beneficiary firm were not attached, and

iv. The payments were made on the same date, 14th November, 2018. The payment vouchers raised for the payments were not made available for audit. This made it difficult to ascertain the genuineness and purpose of the transactions.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds
ii. Difficulty in funding budget.

Management's Response

The contract agreement and details of the contract are available at our office for verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for making payment to company without letter of engagement.

ii. Account for the sum of 31,845,000.00 (Thirty-one million, eight hundred and forty-five thousand naira) only.

iii. Recover and remit to the Treasury the sum of 31,845,000.00 (Thirty-one million, eight hundred and forty-five thousand naira) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 17: STORE ITEMS NOT TAKEN ON LEDGER CHARGE IN 2018 - 2019 (= 127,091,799.67)

Paragraph 2402(i) of the Financial Regulations (FR) (2009) states "On all payment vouchers for the purchase of stores, except as provided in sub-section (ii) of the regulations, 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 and the original L.P.O.". Furthermore, paragraph 708 of the FR stipulates that on no account should payment be made for services not yet performed or for goods not yet supplied.

Audit observed that;

i. Forty-five (45) and twenty-four (24) payment vouchers for items of stores amounting to 92,232,095.11 and 34,859,704.56 for 2018 and 2019 respectively, totaling N127,091,799.67 (One hundred and twenty seven million, ninety one thousand, seven hundred and ninety nine naira, sixty seven kobo) only, purchased and paid for from the Authority's capital appropriation vote, were not taken on charge in the store ledgers and no Store Receipt Vouchers (SRV) were produced during the audit to confirm receipt of the items, contrary to FR 2402(I), and

ii. In addition, there were no Invoices, Delivery note, Receipts and Store issue vouchers attached to the payment vouchers. There was no evidence to show that

the items were taken to store for documentation contrary to the provisions of Financial Regulations (2009) Sections 708, 2402(i) quoted above.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds
ii. Payment for items not supplied
iii. Diversion of public funds.

Management's Response

i. The items listed in your table are not our store items. They are contracts/part of contract legitimately awarded to contractors who executed their contracts and supplied such items to site. Our supervising engineers certified such items at the site and took photographs with them. Such photographs are attached to the payment vouchers.

ii. They payment vouchers are in our office for your review. The contractors executed their jobs.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why store items procured were not taken on ledger charge as required by extant regulations.

ii. Account for the sum of 127,091,799.67 (One hundred and twenty-seven million, ninety-one thousand, seven hundred and ninety-nine naira, sixty-seven kobo) only, being payment for store items not taken on ledger charge, and

iii. Recover and remit to the Treasury the sum of 127,091,799.67 (One hundred and twenty-seven million, ninety-one thousand, seven hundred and ninety-nine naira, sixty-seven kobo) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to payment for jobs not executed specified in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 18: UNRETIRED ADVANCES (= 2,528,350.00)

Paragraph 1405 of the Financial Regulations (FR) (2009) states “Accounting officers are responsible for ensuring the prompt repayment of all advances by instalment or otherwise.” Furthermore, paragraph 1420 of the FR states “it is the responsibility of all Accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that:

i. The sum of 2,528,350.00 (Two million, five hundred and twenty-eight thousand, three hundred and fifty naira) on 11 (Eleven) payment vouchers was granted as advances to some staff of the Authority for the purchase of various items, and

ii. These advances were not retired as at the time of the audit exercise in October 2020.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of Government Fund
ii. Difficulty in funding budget.

Management's Response

i. As at the time of the audit, the retirement documents were between the Accounts Department and the Internal Audit Unit. The retirements were at various stages.

ii. The Authority does not grant multiple advances. Advances are granted as the need arises and staff are advised to retire the previous ones before taking new ones.

iii. As at the time of this response, most of the advances have been retired.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover and remit to Treasury, the sum of 2,528,350.00 (Two million, five hundred and twenty-eight thousand, three hundred and fifty naira), being unretired advances.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to poor cash management specified in paragraph 3115 of the Financial Regulations.

ISSUE 19: ILLEGAL PAYMENTS OF CONTINGENCY (= 4,902,349.50)

Paragraph 603(i) of the Financial Regulations (2009) 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:

i. The sum of 4,902,349.50 (Four million, nine hundred and two thousand, three hundred and forty-nine naira, fifty kobo) was included and paid as Contingency in the Bill of Engineering Measurement and Evaluation (BEME) for seven (7) contracts awarded by the Authority;

ii. The contingency was included in contract sum and was paid at the first interim certificate, few days after the award of the contract without due process, and

iii. The payments were made without any report and approval from the Tenders Board Committee

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government fund.
ii. Diversion of public funds.

Management's Response

The Managing Director acted within the limits of his powers. The contingencies were within the Managing Director's threshold.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why contingency included in the contract sum was paid.

ii. Recover and remit to Treasury the sum of 4,902,349.50 (Four million, nine hundred and two thousand, three hundred and forty-nine naira, fifty kobo), paid as contingency.

iii. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for jobs not executed specified in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 20: PAYMENT FOR PUBLICATION WITHOUT EVIDENCE OF PERFORMANCE (= 1,540,000.00)

Paragraph 603 of the Financial Regulations 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.”.

Audit observed that:

i. The sum of 1,540,000.00 (One million, five hundred and forty-thousand naira) only was paid from the Overhead vote to a staff of the Authority to place advert in

various media firms in the month of January, 2019, without attaching the various publications for which the said amount was spent, contrary to extant regulations.

ii. Supporting documents such as newpapers cuttings were not attached, and

iii. Fictitious computer printout was used as invoice or receipt; invoice was without serial number, no sun logo, etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds
ii. Diversion of public funds

Management's Response

Management wishes to state that the receipts attached to the payment vouchers were authentic and the expenditure were duly incurred.

Recommendations

The Managing Director is requested to:

i. Provide reasons why payments were made for publication without evidence of publication.

ii. Account for the sum of 1,540,000.00 (One million, five hundred and forty thousand naira) only.

iii. Recover and remit to Treasury the sum of 1,540,000.00 (One million, five hundred and forty thousand naira) only.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 21: AUCTION OF GOVERNMENT ASSETS WITHOUT DUE PROCESS (= 14,572,565.00)

Paragraph 2620(i) of the Financial Regulations states, "The Officer in charge of the public auction, or public tender shall pay the net proceeds of the auction after the deduction of the auctioneer's commission, to the nearest Sub- Treasury or Central Pay Office for classification to the appropriate Sub- Head of the Miscellaneous Revenue Head. He shall inform the Accounting Officer concerned of the details of the proceeds of sale and quote the reference and date of the relevant Treasury Receipt. The Accounting Officer shall inform the Accountant-General and the Auditor-General of the reference number, date and amount of the Treasury Receipt for the proceeds of the sales of articles disposed of."

Audit observed that:

i. Some government assets were disposed of at the sum of 14,572,565.00 (Fourteen million, five hundred and seventy-two thousand, five hundred and sixty-five naira) and the proceeds paid into the Treasury Single Account of the Authority;

ii. There was no valuation report from the Federal Ministry of Works or any other competent Authority made available for audit;

iii. There was no Board of Survey Report for the disposal;

iv. Items sold were not advertised and details of the sales price of each item were not known;

v. My Office and that of the Accountant-General of the Federation were not informed of the disposal in line with the above stated rules, and

vi. Non-remittance of the proceeds from the disposal to the Consolidated Revenue Fund, in line with Circular TRY/A7/B7/2004 of 11th June, 2004.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks.

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

Evidence of remittance to the Consolidated Revenue Fund is available for verification.

Recommendations.

The Managing Director is requested to:

i. Furnish reasons for not complying with due process on auction.

ii. Recover the sum of 14,572,565.00 (Fourteen million, five hundred and seventy-two thousand, five hundred and sixty-five naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112(ii) of the Financial Regulations.

ISSUE 22: NON-SUBMISSION OF THE AUTHORITY'S AUDITED FINANCIAL STATEMENTS TO THE AUDITOR–GENERAL FOR THE FEDERATION

Paragraph 3210(v) of the Financial Regulations 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 of May of the following year of account."

Audit observed that:

i. The Authority's yearly audited accounts had fallen in arrears for five(5) financial years from 2015 - 2019.

ii. The last set of audited annual financial statements submitted in line with the requirement was for the financial year 2014, and

iii. Delays in compliance with financial reporting regulations and timeliness weaken the executive oversight function and deprive those charged with governance with timely information on performance and for decision making and deprive the full range of stakeholders, including the legislature, the executive of vital information on financial performance and stewardship.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Government finances may not be properly accounted for.
ii Misappropriation of public funds

Management's Response

Audited Accounts for the year ended 2015 will be submitted soon. Efforts are being made to clear the back log as soon as possible.

Recommendations.

The Managing Director is requested to:

i. Justify the failure to present audited financial statements for over 5 (five) years in contravention of FR 3210(v);

ii. Prepare and submit all the overdue audited financial statements (2014-2019) without further delay;

iii. Forward evidence of compliance to the Publicc Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 23: PAYMENT FOR INSURANCE PREMIUM WITHOUT EVIDENCE OF INSURANCE POLICY (=N4,999,998.15)

Section 68 of the National Insurance Act 1997 which provides that no vehicle, inclusive of Government vehicles shall be used on roads unless a liability which may thereby be incurred in respect of damages to property of third parties is insured with a registered insurer. Also, Federal Government directives contained in circular No.CM/87/T/7 of 22nd February, 2001 requires that fixed assets in government establishments should be insured against risk/peril. Similarly, Also, Establishment Circular Ref. No.SGF/OP/I/S.3/VII/931 dated 21st July 2008 stipulates that Government Assets/Properties must be insured in accordance with Section 68 of the National Insurance Act 1997.

Audit observed that:

i. The Management of the Authority made payments amounting to 4,999,998.15 (Four million, nine hundred and ninety-nine thousand, nine hundred and ninety-eight naira and fifteen kobo), vide three (3) payment vouchers purportedly for insurance premium for insurance of assets of the Authority.

ii. There were no evidences of insurance policies taken for which the insurance premium was paid, and

iii. The assets were not known as the insurance policy files were not made available for on request

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks.

i. Loss of government funds.
ii. Waste of government resources.

Management's Response

The insurance policy files are in the office. They will be presented to you together with other documents when you come for verification.

Recommendations.

The Managing Director is requested to:

i. Provide reasons why payments were made for insurance without insurance policy.

ii. Recover and remit to the Treasury the sum of 4,999,998.15 (Four million, nine hundred and ninety-nine thousand, nine hundred and ninety-eight naira and fifteen kobo).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 24: DENIAL OF ACCESS TO DOCUMENTS AND RECORDS OF THE AUTHORITY

Section 85 (2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and paragraph 110 of the Financial Regulations empower the Auditor-General or his representatives, 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.

The Authority refused to release relevant records and documents to the audit team as related to the underlisted records and documents despite several and repeated requests for them and even after the report was forwarded to the Authority.

i. Parastatal Tender Board Minutes of Meetings for 2018 and 2019 financial years;
ii. Minutes of Meetings;
iii. Approval of the various Projects at various Board Meetings;
iv. Approval of Transfer of Projects via the Power of Attorney;
v. Extensions or Revalidations of Awarded Projects, Payments of Contingencies etc;
vi. All Memos regard Projects Award, Revalidations etc. address to MD;
vii. Complete list of Projects Awarded in the 2018 and 2019 financial years;
viii. list of core areas of mandate, and
ix. Motor Vehicle Files and 11 Motor Vehicles.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks.

i. Loss of funds
ii. Diversion of public funds

Management's Response

All the relevant documents mentioned in your reports are available in our office, Due to the volume of the documents, it could not be attached to this report.

Recommendations

The Managing Director should explain:

i. The reasons for refusing the auditors access to documents and records which is a breach of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) quoted above, and

ii. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 25: UNJUSTIFIED PAYMENT OF SALARY AND RENT SUBSIDY TO THE AUTHORITY'S DISENGAGED MANAGING DIRECTOR (= 7,109,847.36)

Paragraph 415 of the Financial Regulations 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:

i. The immediate past Managing Director (MD) of the Authority continued to receive salary and rent subsidy from the coffers of the government for six (6) months, from January to June 2019, totaling 7,109,847.36 (Seven million, one hundred and nine thousand, eight hundred and forty-seven naira, thirty-six kobo) despite the fact that he had been disengaged as the Managing Director (MD) of the Authority from December 2018.

ii. The Nominal roll shows that current MD took over as Acting Managing Director, effective from Jan. 2019, while his substantive position started from June, 2019, and

iii. The total salary collected by the previous Managing Director for the period January to June 2019 was illegal and constitute an act of collecting government money without rendering services.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds
ii. Diversion of public funds.

Management's Response

The Managing Director wishes to explain that the former Managing Director was on suspension from January to June 2019 and was earning his salary. The present Managing Director, though acting, was earning his salary from Federal Ministry of water Resources for the same period. There was no loss of Government Funds.

Recommendations

The Managing Director is requested to:

i. Provide reasons why the disengaged Managing Director was being paid after disengagement.

ii. Recover and remit to Treasury, the sum of 7,109,847.36 (Seven million, one hundred and nine thousand, eight hundred and forty-seven naira, thirty-six kobo).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 26: UNREMITTED INTERNALLY GENERATED REVENUE (IGR) (= 2,693,050.00)

Establishment Circular Ref. No. HCSF/428/S.1/120 dated 7th August, 2015 states "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 that:

i. Rent deducted from staff occupying government quarters totalling 1,270,300.00 and 1,150,750.00 in 2018 and 2019 respectively, amounting to 2,421,050.00 (Two million, four hundred and twenty one thousand and fifty naira) only, and electricity of 272,000.00 was diverted to an Anambra-Imo River Basin UBA Commercial Bank Account number 1000270710 for rent and Access Bank Ac number 00043314444 for electricity, and

ii. There was violation of government regulations which stipulate that such revenue should be paid into Treasury Single Account for onward remittance to Consolidated Revenue Fund.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of revenue to govrernmnet.
ii. Diversion of public funds.

Management Response

Management will investigate the said banks accounts and immediately transfer their balances (if any) to the Consolidated Revenue Funds.

Recommendations.

The Managing Director is requested to:

i. Furnish reasons why internally generated revenue were not remitted to the Treasury.

ii. Recover the sum of 2,693,050.00 (Two million, six hundred and ninety-three thousand, and fifty naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 27: UNJUSTIFIED RENT SUBSIDY PAID TO THE AUTHORITY'S EXECUTIVE DIRECTORS AND MANAGING DIRECTOR (= 22,316,450.50)

Establishment Circular Ref. No. SWC/S/04/S.167/216 of 12/02/2004 states "…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 from the review of payroll records and GIFMIS statement for years 2018 and 2019 that:

i. The Authority paid its five (5) Executive Directors an unapproved (illegal rent rate) subsidy of 230,066.50 monthly from January 2018 to December 2019, i.e., twenty-four (24) months.

ii. The Managing Director was paid from January 2018 to June 2019 Eighteen (18) months, and

iii. Each of the Executive Directors collected 4,141,197.00 and the Managing Director 1,610,465.50) totalling 22,316,450.50 (Twenty-two million, three hundred and sixteen thousand, four hundred and fifty naira, fifty kobo)

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government revenue
ii. Diversion of public funds.

Management's Response

The Executive Directors and Managing Director legitimately earned the rent subsidy as political office holders. Their circular for the computation of their salaries is available for verification.

Recommendations

The Managing Director is requested to:

i. Provide reasons why unapproved rent subsidies were paid to the Managing Director and Executive Directors.

ii. Recover the sum of 22,316,450.50 (Twenty-two million, three hundred and sixteen thousand, four hundred and fifty naira, fifty kobo) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to overpayment of salaries and allowances to staff and irregular or wrong payment as stated within paragraphs 3111 and 3106 of the Financial Regulations (2009) respectively.

ISSUE 28: IRREGULAR PAYMENT OF SALARY (= 13,230,525.66)

Paragraph 112 (g) of the Financial Regulations (FR) mandates all accounting officers to, as part of their functions, ensure prudence in the expenditure of public funds. Furthermore, paragraph 415 of the FR 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:

i. The Authority's made irregular salary payment to thirty-eight (38) staff totalling 13,230,525.66 (Thirteen million, two hundred and thirty thousand, five hundred and twenty-five naira, sixty-six kobo) in the month of December as shown in 2018 GIFMIS personnel record, and

ii. The purpose for the unusual increment in the salary of some staff could not be ascertained due to non-provision of the December payroll analysis for examination despite several and repeated requests.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

The December 2018 Authority's payroll Analysis is herewith available for verification.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why unapproved increment in salaries were paid.

ii. Recover the sum of 13,230,525.66 (Thirteen million, two hundred and thirty thousand, five hundred and twenty-five naira, sixty-six kobo) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment as stated within paragraph 3106 of the Financial Regulations.

ISSUE 29: USE OF SURROGATE ACCOUNTS FOR DIVERSION OF REVENUE AND OTHER FUNDS (= 2,693,050.00)

Paragraph 701 of the Financial Regulations (2009) states “no official bank account shall be opened unless authorized by the Account-General of the Federation”. Also, Guidelines on the Implementation of Treasury Single Accounts (TSA) / e-Collection issued by the Office of the Accountant-General of the Federation, Ref. No.: TRY A9 & B9/2015 OAGF/CAD/026/V.II/332 prohibits opening of Accounts with Commercial Banks and Diversion of deposits to any commercial bank account. Similarly, Treasury Circular Ref. No. TRY/A7 & B7/2015 OAGF/CAD/026/V.II/240 dated 5th October, 2015 expected that all accounts maintained with the Commercial Banks by MDAs would have

been closed and balances transferred to the Treasury Single Account (TSA) at Central Bank of Nigeria (CBN).

Audit observed that:

i. The Managing Director opened two commercial Bank accounts named "Anambra Imo River Basin Rural Dev. Account No. 1000270710" and "Diamond Bank (Access Bank) Account Number 00043314444", and

ii. The Managing Director transferred revenue generated as rent from Authority's staff quarters in 2018 of 1,270,300.00 and 1,150,750.00 in 2019 totalling 2,421,050.00 (Two million, four hundred and twenty one thousand, and fifty naira) only and other funds of 272,000.00 that would have been in designated TSA account to these UBA and Access Banks accounts.

The above anomalies could be attributed to weaknesses in the internal control system at the Anambra/Imo River Basin Development Authority, Owerri.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management Response

The two accounts will be investigated. Balance (if any) will be transferred to TSA immediately.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for opening accounts with commercial banks.

ii. Recover and remit the sum of 2,693,050.00 (Two million, six hundred and ninety-three thousand, fifty naira).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for government revenue as stated within paragraph 3112 of the Financial Regulations.

FEDERAL COLLEGE OF AGRICULTURE, MOORE PLANTATION, IBADAN.

At the Federal College of Agriculture, Moore Plantation Ibadan, the following observations were made;

ISSUE 1: FAILURE TO PRESENT FILES AND RECORDS OF CONTRACTS AWARDED (= 593,769,996.80)

Section 38(5) of the Public Procurement Act (2007) stipulates “The records and documents maintained by procuring entities on procurements shall be made available

for inspections by the Bureau, an investigator appointed by the Bureau and the Auditor-General upon request, and where donor funds have been used for procurement, donor officials shall also have access upon request to procurement files for the purpose of audit and review". Also, paragraph 110 of the Financial Regulations (2009) states "By virtue of their responsibilities and functions, 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:

i. The sum of 593,769,996.80 (Five hundred and ninety-three million, seven hundred and sixty-nine thousand, nine hundred and ninety-six naira, eighty kobo) was paid for contracts awarded by the College.

ii. The above payments were made for contracts through twenty-five (25) payment vouchers.

iii. The 25 payment vouchers were not made available for examination despite requests, and

iv. Progress of work could not be established due to non availability of payment vouchers and other relevant documents.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Agriculture, Moore Plantation Ibadan.

Risks

i. Loss of government funds.
ii. Payment for job not executed

Management's Response

No response.

Recommendations

The Provost is requested to:

i. Furnish reasons for not presenting payment vouchers and other relevant records relating to payment for contracts for examination.

ii. Account for 593,769,996.80 (Five hundred and ninety-three million, seven hundred and sixty-nine thousand nine hundred and ninety-six naira eighty kobo).

iii. Recover and remit the sum of 593,769,996.80 (Five hundred and ninety-three million, seven hundred and sixty-nine thousand nine hundred and ninety-six naira eighty kobo only) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to payment for jobs not executed specified in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 2: PAYMENTS WITHOUT RAISING PAYMENT VOUCHERS (= 46,512,368.75)

Paragraph 601 of the Financial Regulations (2009) states "all payments entries in the cashbook/account shall be vouched for on one of the prescribed treasury forms. Vouchers shall be made out in favor of the person(s) 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:

i. The sum of 46,512,368.75 (Forty-six million, five hundred and twelve thousand three hundred and sixty eighty naira seventy-five kobo only) were paid by the College for various expenditure, and

ii. The above payments were made without raising Payment Vouchers as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Agriculture, Moore Plantation Ibadan.

Risks

i. Loss of government funds
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Provost is required to:

i. Furnish reasons why payments were made without raising payment vouchers.

ii. Account for 46,512,368.75 (Forty-six million, five hundred and twelve thousand three hundred and sixty eighty naira seventy-five kobo only).

iii. Recover and remit the sum of 46,512,368.75 (Forty-six million, five hundred and twelve thousand three hundred and sixty eighty naira seventy-five kobo only) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: NON-DEDUCTION OF APPROPRIATE RATES OF TAXES (= 6,055,383.96)

Paragraph 234 of the Financial Regulations states "(i) 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. (ii) 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 office and other arms of government. Remittance shall be made not later than 21 days after deduction."

Audit observed that:

i. The College deducted 10% taxes from consultancy contracts comprising 5% each for both VAT and WHT.

ii. 16% taxes comprising 5% VAT, 10% WHT, and 1% Stamp Duty ought to have been deducted from payment for consultancy services, and

iii. The under deduction of taxes resulted to loss of revenue amounting to 6,055,383.96 (Six million, fifty-five thousand, three hundred and eighty-three naira ninety-six kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Agriculture, Moore Plantation Ibadan.

Risks

i. Loss of Funds to the government.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations

The Provost is requested to:

i. Furnish reasons why correct tax rates were not deducted from payments to contractors.

ii. Recover the sum of 6,055,383.96 (Six million, fifty-five thousand, three hundred and eighty-three naira ninety-six kobo) from the consultants and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 4: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT (=N32,270,000.00)

Paragraph 110 of the Financial Regulations (2009) states "By virtue of their responsibilities and functions, 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:

i. The sum of 32,270,000.00 (Thirty-two million, two hundred and seventy thousand naira) was paid for various expenditure.

ii. The above payments which were made through two (2) payment vouchers were posted into the Cashbooks, and

iii. The two (2) payment vouchers were not presented for examinations despite requests.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Agriculture, Moore Plantation Ibadan.

Risks

i. Misapplication of public funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Provost is requested to:

i. Furnish reasons why payment vouchers were not made available for examination.

ii. Account for 32,270,000.00 (Thirty-two million, two hundred and seventy thousand naira).

iii. Recover and remit the sum of 32,270,000.00 (Thirty-two million, two hundred and seventy thousand naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: STORE ITEMS NOT TAKEN ON LEDGER CHARGE (= 79,256,650.00)

Paragraph 2402 (i) of the Financial Regulations states "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:

i. Store items worth 79,256,650.00 (Seventy-nine million, two hundred and fifty - six thousand six hundred and fifty naira) only were not taken on Ledger charge.

ii. There was no evidence to show the above items pass through the store, and

iii. Store Receipt Vouchers were not attached to payment vouchers as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Agriculture, Moore Plantation Ibadan.

Risks

i. Diversion of public funds.
ii. Diversion of stores into private use.

Management's Response

No response.

Recommendations

The Provost is requested to:

i. Furnish reasons why store items were not taken on Ledger charge and non attachment of store receipt vouchers to payment vouchers as required by extant regulations..

ii. Account for 79,256,650.00 (Seventy-nine million, two hundred and fifty -six thousand six hundred and fifty naira).

iii. Recover and remit the sum of 79,256,650.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

FEDERAL COLLEGE OF FRESHWATER FISHERIES TECHNOLOGY, NEW BUSSA

At the Federal College of Freshwater Fisheries Technology, New Bussa, the following observations were made:

ISSUE 1: NON-REMITTANCE OF 1% STAMP DUTY (= 1,021,011.13)

Paragraph 620 of the Financial Regulations provides that Receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act Cap.411). Also, Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015 paragraph 6 further requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act.

Audit observed that:

i. The sum of 200,893,740.00 (Two hundred million, eight hundred and ninety-three thousand, seven hundred and forty naira) was paid for contracts awarded in 2017 and 2018, and

ii. The College failed to deduct and remit statutory 1% Stamp Duty of 2,008,937.40 (Two million, eight thousand, nine hundred and thirty-seven naira, forty kobo) from payments to the contractors as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal College of Freshwater Fisheries Technology, New Bussa.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

There was no provision for deduction from GIFMIS platform as the reason for inability to deduct.

Recommendations

The Provost is requested to:

i. Furnish reasons why statutory 1% Stamp Duty was not deducted from payments to contractors.

ii. Recover the sum of 2,008,937.40 (Two million, eight thousand, nine hundred and thirty seven naira and forty kobo) from the contractors and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

FEDERAL MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

At the Federal Ministry of Agriculture and Rural Development, Abuja the following observations were made:

ISSUE 1: NON-DEDUCTION AND REMITTANCE OF 1% STAMP DUTY ON CONTRACT AGREEMENT (= 89,100,573.53)

Federal Treasury Circular Ref. No. TRY A1 & B1/2017 OAGF/CAD/026/V.111/182 dated 20th April, 2017 makes it mandatory for all MDAs to deduct and remit 1% stamp duty on contract agreement before payment is made to beneficiary. According to the above circular, MDAs are to ensure that Stamp Duty is accordingly deducted on Contract Agreement before payment is made to the beneficiary.
Audit observed that 1% stamp duty totaling 89,100,573.53 (Eighty-nine million, one hundred thousand, five hundred and seventy-three-naira fifty-three kobo) on contract agreements was not deducted and remitted contrary to the extant regulations.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

Letters are being written to all affected companies requesting for refund of the 1% Stamp Duty which was inadvertently not deducted.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why 1% Stamp Duty on contract agreement was not deducted from payment to contractors

ii. Recover the 1% Stamp Duty on contracts awarded in the year in the sum of 89,100,573.53 (Eighty-nine million, one hundred thousand, five hundred and seventy-three-naira fifty-three kobo) and remit same to the relevant tax authority.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: DIRECT PAYMENT OF VALUE ADDED TAX (VAT) TO CONTRACTORS (= 24,799,539.17)

Paragraph 234 (ii) of the Financial Regulations (2009) states “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 the Federal Inland Revenue Service by any ministry/extra-ministerial department shall be recovered from the statutory allocation of the defaulting Ministry/Extra ministerial Office and other arms of government."

Audit observed that:

i. The sum of 24,799,539.17 (Twenty four million, seven hundred and ninety nine thousand, five hundred and thirty nine naira, seventeen kobo) from eight (8) payment vouchers was paid for items such as Agricultural Equipment supplied to store of the Ministry,

ii. The contracts were awarded inclusive of Value Added Tax and paid to the contractors.

iii. The items involved are exempted from Value Added Tax as provided by relevant tax laws, and.

iv. The above payment resulted to over-payment to the contractors totaling 24,799,539.17.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development

Risks

i. Loss of public fund.
ii. Diversion of public funds.

Management's Response

The provision for VAT which were erroneously made for contracts that do not attract VAT, were not paid to the contractors but instead remitted to FIRS. Therefore, it was not an over-payment to the contractors. This has been noted against future occurrence.

Recommendations

The permanent secretary is requested to:

i. Furnish reasons why contracts were awarded as VAT inclusive for a VAT exempt items and the entire money paid to the contractors.

ii. Recover the sum of 24,799,539.17 (Twenty-four million, seven hundred and ninety-nine thousand, five hundred and thirty-nine naira, seventeen kobo) from the contractors and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: NON-DEDUCTION OF WITHHOLDING TAX (WHT) AND VALUE ADDED TAX (VAT) (= 8,886,291.47)

Paragraph 234(i) of the Financial Regulations states “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:

i. The sum of 177,729,829.37 was paid to two (2) contractors, and

ii. Value Added Tax (VAT) and Withholding Tax (WHT) of 4,050,000.00 and 4,836,291.47 respectively, totaling 8,886,291.47 (Eight million, eight hundred and eighty six thousand two hundred and ninety one naira, forty seven kobo), were not deducted and remitted to relevant tax authorities as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

Letters are being written to the contractors to refund the over-payment made to them as a result of non-deduction of VAT and WHT.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why VAT and WHT on contracts were not deducted and remitted.

ii. Recover the sum of 8,886,291.47(Eight million, eight hundred and eighty six thousand two hundred and ninety one naira, forty seven kobo) and remit same to the relevant tax authority.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 4: VIOLATION OF E-PAYMENT POLICY (= 700,179,314.37)

The Federal Government E-payment Circular Ref. No. TRY/A8/B8/2008 dated 22nd October 2008 stipulates that individual benefit/claim should be effected through their personal bank accounts. Also, paragraph 613 of the Financial Regulations states "Payments shall be made only to the persons named in the vouchers or their properly authorized representatives…"

Audit observed that:

i. The Ministry paid the sum of 700,179,314.37 (Seven hundred million, one hundred and seventy-nine thousand, three hundred and fourteen naira thirty-seven kobo) to persons other than the direct beneficiaries of such payments, and

ii. The above payments were made through eight (8) payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development

Risks

i. Loss of government fund.
ii. Diversion of public funds.

Management's Response

Direct payment could not be made to beneficiaries because they were yet to be enrolled on the GIFMIS Platform. However, efforts are ongoing to conclude the enrolment process.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why persons other than the rightful benefiaciaries on payment vouchers were paid.

ii. Recover and refund to the Treasury, the sum of 700,179,314.37 (Seven hundred million, one hundred and seventy-nine thousand, three hundred and fourteen naira thirty-seven kobo).

iii. Forward evidence of refund to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment and payment for jobs not executed specified in paragraphs 3106 and 3104(i-iii) of the Financial Regulations respectively.

ISSUE 5: EXTRA-BUDGETARY SPENDING (= 48,425,543,895.72)

Paragraph 2906 (ii) of the Financial Regulations (FR) stipulates "…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". Furthermore, paragraph 417 of the FR 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;

i. The Ministry incurred extra-budgetary contractual liability totaling 48,425,543,895.72 (Forty eight billion, four hundred and twenty five million, five hundred and forty three thousand, eight hundred and ninety five naira, seventy two kobo).

ii. The budgetary release of 98,044,134,611.00 (Ninety eight billion, forty four million, one hundred and thirty four thousand, six hundred and eleven naira) representing 99.07% of 2018 capital allocation of 98,961,267,652.50, and.

iii. The Ministry did not take necessary actions to pay eligible contractors which led to an outstanding contract liability of 48,425,543,895.72.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development

Risks

i. Misappropriation of government funds.
ii. Difficulty in funding budget.

Management's Response

The action is regretted. The matter is under investigation by relevant Anti-graft Agencies. The Ministry responded vide letter Ref. No FMARD/DFA/P/3460/1/215 of 3/11/2020

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons for the extra budgetary spending of 48,425,543,895.72

ii. Refund to Treasury, the sum of 48,425,543,895.72

iii. Forward evidence of refund to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6: MISAPPROPRIATION OF 1ST QUARTER 2019 CAPITAL BUDGET RELEASE TO PAY FOR 2018 CAPITAL PROJECT THAT WAS FULLY FUNDED IN THE YEAR (= 7,737,208,135.18)

Paragraph 417 of the Financial Regulations (2009) (FR) 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.” Furthermore paragraph 415 of the FR 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:

i. The 2019 1st quarter releases totaling 7,737,208,135.18 (Seven billion, seven hundred and thirty seven million two hundred and eight thousand, one hundred

and thirty five naira eighteen kobo) was used to pay for the Ministry's traditional capital projects of the previous year (2018).

ii. The 2018 Capital Project appropriation of the Ministry was duly funded and released in the year, and

iii. There were no acceptable justifications for utilizing 2019 1st quarter capital release to pay for 2018 projects.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development.

Risks

i. Misappropriation of government fund.
ii. Loss of government fund
iii. Virement without approval of National Assembly.

Management's Response

The action is under investigation

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons for paying for project fully funded in 2018 from 2019 releases.

ii. Recover the sum of 7,737,208,135.18 (Seven billion, seven hundred and thirty-seven million two hundred and eight thousand, one hundred and thirty-five naira eighteen kobo) and remit same to the Treasury.

iii. Forward evidence of refund to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 7: SPENDING FROM THE RUGA FUND IN VIOLATION OF PRESIDENTIAL DIRECTIVE TO SUSPEND THE RUGA SCHEME (= 3,433,984,692.66)

Paragraph 415 of the Financial Regulations (2009) 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;

i. The RUGA project was flagged off on Thursday 21st May 2019 but was later suspended through a Presidential Directive given on Tuesday 3rd July 2019.

ii. Ninety five (95) Payment Vouchers were raised and paid from RUGA Intervention Fund between 1st August 2019 and 13th September 2019 totaling 3,433,984,692.66 (Three billion, four hundred and thirty three million, nine hundred and eighty four thousand, six hundred and ninety two naira sixty six kobo), and

iii. The above payments were initiated and paid without due process after the Presidential Directive suspending the RUGA project.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget.

Management's Response

The action is regretted, is also being investigated.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons for paying for RUGA intervention fund after its suspension.

ii. Recover the sum of 3,433,984,692.66 (Three billion, four hundred and thirty three million, nine hundred and eighty four thousand, six hundred and ninety two naira sixty six kobo) and remit same to the Treasury.

iii. Forward evidence of refund to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment and payment for jobs not executed specified in paragraphs 3106 and 3104(i-iii) of the Financial Regulations respectively.

ISSUE 8: MISAPPLICATION OF RUGA PROJECT FUND (=N375,785,893.75)

Paragraph 417 of the Financial Regulations (2009) (FR) 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.” Furthermore paragraph 415 of the FR 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:

i. The sum of 375,785,893.75 (Three hundred and seventy five million, seven hundred and eighty five naira, eight hundred and ninety three naira seventy five kobo) was paid to some individuals and corporate organizations from RUGA funds.

ii. The above amount was paid through thirteen (13) payment vouchers by the Ministry, and

iii. The payment included 202,700,000.00 and 160,000,000.00 paid for transportation & Other expenses in support of victims of Armed Banditry in Zamfara State and Advance for Sensitization and Advocacy visits to State

Governor, respectively.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Agriculture and Rural Development.

Risks

i. Loss of Government fund
ii. Money could be paid without getting to the final beneficiaries

Management's Response

The matter is under investigation

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons for making payments from RUGA fund during the period of suspension of the operation of the fund.

ii. Account for 375,785,893.75 (Three hundred and seventy-five million, seven hundred and eighty-five naira, eight hundred and ninety-three naira seventy-five kobo).

iii. Remit the sum of 375,785,893.75 to the Treasury.

iv. Forward evidence of refund to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and poor cash management specified in paragraphs 3106 and 3115 of the Financial Regulations respectively.

FORESTRY RESEARCH INSTITUTE OF NIGERIA, IBADAN

At the Forestry Research Institute of Nigeria, Ibadan, the following observations were made:

ISSUE 1: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS ATTACHED (= 89,870,200.00)

Paragraph 603 (i) of the Financial Regulations 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:

i. Eight (8) payment vouchers for amounts totaling 89,870,200.00 (Eighty-nine million, eight hundred and seventy thousand, two hundred naira) were raised and

paid to eight (8) companies as payments for services purportedly rendered to the Institute, and

ii. Relevant supporting documents such as store receipt vouchers, invoices, job completion certificates/certificates of attendance, etc. were not attached to the payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Forestry Research Institute of Nigeria, Ibadan.

Risks

i. Waste of government funds.
ii. Diversion of public funds.

Management's Response

All relevant documents relating to payment vouchers were attached. There was no payment made for any service that did not occur and all the transactions were duly completed.

Recommendations

The Director-General is requested to:

i. Furnish reasons why relevant supporting documents were not attached to payment vouchers.

ii. Account for the sum of 89,870,200.00 (Eighty-nine million, eight hundred and seventy thousand, two hundred naira)

iii. Remit the sum of 89,870,200.00 (Eighty-nine million, eight hundred and seventy thousand, two hundred naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: UNRETIRED ADVANCES (= 10,117,270.00)

Paragraph 1405 of the Financial Regulations (FR) states “Accounting Officers are responsible for ensuring the prompt payment of all advances by instalments or otherwise.” Furthermore, paragraph 1420 of the FR states “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered.” Also, Treasury Circular Ref. No. TRY/A2 and B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013, 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, except as provided by the Public Procurement Act, 2007.”

Audit observed that:

i. Fifty-five (55) advances amounting to 10,117,270.00 (Ten million, one hundred and seventeen thousand, two hundred and seventy naira), granted to some members of staff of the Institute as standing imprest, personal and non-personal advances in 2018.

ii. The advances were yet to be retired as at the time of audit in September, 2019, and

iii. Some officers were granted advances in excess of the threshold of 200,000.00 in contravention of extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Forestry Research Institute of Nigeria, Ibadan.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

Efforts have been made by Management to ensure prompt retirement of all outstanding advances. Some of the measures taken by Management include: suspension of some defaulters' salaries, deductions from their salaries by converting the outstanding to loans for all defaulters. These measures have helped greatly in the prompt retirement of outstanding advances.

Recommendations

The Director-General is requested to:

i. Furnish reasons why advances granted were not retired by year end as required by extant regulations.

ii. Recover the unretired adavnces of 10,117,270.00 from the beneficiaries and remit to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and non-retirement of advances specified in paragraphs 3118 and 3124 of the Financial Regulations respectively.

NATIONAL AGRICULTURAL SEEDS COUNCIL, SHEDA ABUJA

At the National Agricultural Seeds Council, Sheda Abuja, the following observations was made:

ISSUE 1: NON-REMITTANCE OF 1% STAMP DUTY (= 1,021,011.13)

Paragraph 620 of the Financial Regulations provides that receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act

Cap.411). Also, 2015 paragraph 6 of the Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015 requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act. Furthermore, Federal Treasury Circular Ref: No. TRY A1 & B1/2017 OAGF/CAD/026/V.111/182 of 20th April, 2017 makes it mandatory for all MDAs to deduct and remit 1% stamp duty on contract agreements before payment is made to beneficiary.

Audit observed that:

i. The sum of 102,101,013.43 (One hundred and two million, one hundred and one thousand, one hundred and naira, forty-three kobo) was paid for constituency projects, and

ii. The Council did not deduct statutory 1% Stamp Duty amounting to 1,021.011.13 (One million, twenty one thousand eleven naira and thirteen kobo) from payments to contractors.

The above anomalies could be attributed to weaknesses in the internal control system at the National Agricultural Seeds Council, Sheda Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management Response

The contractors involved had been dully communicated about non-remittance of 1% stamp duties.

Recommendations

Director-General is requested to:

i. Furnish reasons why statutory 1% Stamp Duty was not deducted from payments to contractors.

ii. Recover from the affected contractors and remit 1,021.011.13 (One million, twenty one thousand, eleven naira and thirteen kobo) to relevant tax authorities.

iii. Forward the evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to surcharge and prosecution by the EFCC specified in paragraphs 232 (iii) & 3113 of the Financial Regulations respectively.

NIGERIAN INSTITUTE FOR OIL PALM RESEARCH (NIFOR), BENIN

At the Nigerian Institute for Oil Palm Research (NIFOR), Benin, Edo State, the following observations (January to December 2018) were made:

ISSUE 1: NON-REMITTANCE OF INTERNALLY GENERATED REVENUE (IGR) TO CONSOLIDATED REVENUE FUND (CRF) (= 39,825,453.01)

Paragraph 236 of the Financial Regulations (2009) states "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." Section 3 (Part 1), Section 21 (Part IV) and 22 of the Fiscal Responsibility Act, 2007 (as amended) and Federal Treasury circulars Ref. Nos. BO/RVE/12235/259/V11/201 dated 11th November, 2011, FMF/HMF/2015/1 dated 8th December, 2015 and BO/RVE/12235/259/V11/268 dated 7th July, 2014; and Section 80, sub-sections 1-4 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) require all partially funded agencies/parastatals to limit their annual budgetary expenditure to not more than 75% of their gross revenue and remit 25% to Consolidated Revenue Fund (CRF).

Audit observed that:

i. The sum of 159,301,812.05 (One hundred and fifty-nine million, three hundred and one thousand, eight hundred and twelve Naira, five Kobo) only, was generated in the period under review (2018), and

ii. There was no evidence to show that 25% of the amount generated amounting to 39,825,453.01 (Thirty-nine million, eight hundred and twenty-five thousand, four hundred and fifty-three Naira, one Kobo) only, was remitted to Consolidated Revenue Fund (CRF).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of Revenue due to Government.
ii. Difficulty in funding budget.

Management's Response

No response

Recommendation

The Acting Executive Director is requested to:

i. Furnish reasons why 25% of revenue generated was not remitted to the CRF as required by extant regulations.

ii. Account for the sum of 39,825,453.01 (Thirty-nine million, eight hundred and twenty-five thousand, four hundred and fifty-three naira, one kobo).

iii. Remit the sum of 39,825,453.01 (Thirty-nine million, eight hundred and twenty-five thousand, four hundred and fifty-three naira, one kobo) to the CRF

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for government revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: CONTRACT AWARDED WITHOUT THE REQUIRED PROCUREMENT DOCUMENTS (= 24,857,143.20)

Section 16 (6) (Part IV) of the Public Procurement Act, 2007 provides for the documents required from the bidders for contracts, in addition to requirements contained in any solicitation documents.

Audit observed from the review of procurement process, records and payment vouchers that:

i. Payments totalling 24,857,143.20 were made to three (3) contractors for various contracts. 4,285,714.50 in favour of the first contractor; with voucher No. CAP/CBN/063/2018 for women and youth training; 11,220,779.70 in favour of the second contractor; with voucher No. CAP/CBN/066/2018 for value chain development programme; and 9,350,649.00 in favour of third contractor with voucher No. CAP/CBN/46/2018 for empowerment of women and youths in Owa.

ii. Two (2) of three (3) contractors had no procurement documents recorded in their favour.

iii. In one (1) of the contractor's file, there was no acceptance of the contract; the number on the certificate of incorporation is different from the company's registration number quoted on the tax clearance certificate; and the company's audited accounts seen in the file was not signed by its directors, and there was no Auditor's stamp and professional identification number on it.

iv. The training venues and their addresses were not specified/mentioned to justify the total amount spent.

v. The attendance registers of the trainees and their particulars were not provided.

vi. The duration of the trainings was not stated, and

vii. No copy of certificates of attendance, presented to the trainees at the end of each training, was found in the contract files.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of government funds
ii. Payment for contracts not executed

Management's Response
No response.

Recommendations
The Acting Executive Director is requested to:

i. Provide reasons why contracts were awarded to contractors without adequate procurement documents.

ii. Account for the sum of 24,857,143.20 (Twenty-four million, eight hundred and fifty-seven thousand, one hundred and forty-three Naira, twenty kobo) only.

iii. Recover the sum of 24,857,143.20 (Twenty-four million, eight hundred and fifty-seven thousand, one hundred and forty-three Naira, twenty kobo) only from the affected contractors and remit same to the Treasury.

iv. Forward evidence of recovery and remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular award of contracts and payment for jobs not executed prescribed in paragraphs 3117 and 3104(iii) of the Financial Regulations respectively.

ISSUE 3: CONTRACT PAYMENTS WITHOUT EVIDENCE OF DEDUCTION OF 1% STAMP DUTY (= 1,408,497.83)

Stamp Duties Act CAP. S8 LFN 2004 , Treasury Circular Ref. No. TRY A12 & B12/2015 OAGF/CAD/026/V.II/390 of 29th December, 2015, and Treasury Circular Ref. No. TRY A1 & B1 / 2017 OAGF/CAD/026/V.111/182 of 20th April, 2017, make it mandatory for all MDAs to deduct and remit 1% stamp duty on contract agreement before payment is made to beneficiary. Accordingly, all MDAs are to ensure that Stamp Duty is deducted on Contract Agreement before payment is made to the beneficiary; and the deducted amount be remitted to the Federal Inland Revenue Service (FIRS) TSA Sub Account.

Audit observed that:

i. The sum of 140,849,783.20 (One hundred and forty million, eight hundred and forty nine thousand, seven hundred and eighty three naira, twenty kobo) was paid to contractors for various contracts.

ii. The above payments were made through thirty-eight (38) payment vouchers, and

iii. Statutory 1% stamp duty amounting to 1,408,497.83 (One million, four hundred and eight thousand, four hundred and ninety seven naira, eighty three kobo) was not deducted from payments made to contractors.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response
No response

Recommendations
The Acting Executive Director is requested to:

i. Furnish reasons why statutory Stamp Duty was not deducted from payment to contractors.

ii. Recover the sum of 1,408,497.83 (One million, four hundred and eight thousand, four hundred and ninety-seven Naira, eighty-three Kobo) only, being 1% stamp duty not deducted from the affected contractors and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 4: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT INSPECTION (= 64,407,978.53)

Paragraph 110 of the Financial Regulations(FR) (2009) states "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 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." Furthermore, paragraph 629 of the FR requires Sub-Accounting Officer and the Accounting Officer to take steps to secure the return of outstanding vouchers or hold the departmental officer who withdrew the voucher responsible for the amount on the outstanding voucher" respectively.

Audit observed that:

i. Fourteen (14) payment vouchers, raised during the 2018 financial year totalling 64,407,978.53 (Sixty-four million, four hundred and seven thousand, nine hundred and seventy-eight naira, fifty-three kobo), were not presented for examination contrary to extant regulations, and

ii. The above amount could not be validated as legitimate expenditure due to non availability of payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of public funds.
ii. Payment for job not executed.

Management Response
No response

Recommendations
The Acting Executive Director is requested to:
i. Furnish reasons why payment vouchers were not presented for examinations.

ii. Account for the sum of 64,407,978.53 (Sixty-four million, four hundred and seven thousand, nine hundred and seventy-eight naira, fifty-three Kobo) only.

iii. Remit the sum of 64,407,978.53 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: PAYMENTS MADE WITHOUT PREPARATION OF PAYMENT VOUCHERS (= 10,254,119.28)

Paragraph 601 of the Financial Regulations(2009) 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:
i. Sixty (60) payments totalling 10,254,119.28 (Ten million, two hundred and fifty-four thousand, one hundred and nineteen naira, twenty-eight kobo) were made from the Institute's revenue and overhead accounts, between January and April 2018, and

ii. The above payments were made without preparation of payment vouchers, contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks
i. Loss of government funds.
ii. Diversion of public funds

Management's Response
No response.

Recommendations
The Acting Executive Director is requested to:
i. Account for the sum of 10,254,119.28 (Ten million, two hundred and fifty-four thousand, one hundred and nineteen Naira, twenty-eight kobo) only, paid without preparation of payment vouchers, and

ii. Otherwise, sanctions for irregular or wrong payment in line with Financial Regulation 3106 should apply.

ISSUE 6: CASH ADVANCES GRANTED ABOVE THRESHOLD OF 200,000.00 (= 9,735,870.00)

Federal Government Circular Ref. No. TRY/A2 and B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013 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, except as provided by the Public Procurement Act, 2007".

Audit observed that the sum of 9,735,870.00 (Nine million, seven hundred and thirty-five thousand, eight hundred and seventy Naira) only, was granted as cash advances to some Institute's members of staff above the stipulated 200,000.00 approval limit, between March and November 2018, for direct procurement of store items and rendering of services to the Institute in contravention of provision of extant circular quoted above. This led to Loss of revenue to government totalling N973,587.00 that would have accrued from taxes (WHT & VAT) if contract(s) were awarded, and there was likelihood of non-execution/performance of the services claimed.

The above anomaly could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of government funds and revenue.
ii. Diversion of public funds

Management Response

No response.

Recommendations

The Acting Executive Director is requested to:

i. Furnish reasons why payments amounting to 9,735,870.00 were made as cash advances above the stipulated 200,000.00 approval limt.

ii. Account for the sum of 973,587.00 (Nine hundred and seventy three thousand, five hundred and eighty seven naira) only being loss of revenue to government.

Iii. Remit the sum of 973,587.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and failute to collect and account for government revenue specified in paragraphs 3106 and 3112 of the Financial Regulations respectively.

ISSUE 7: PAYMENTS MADE FOR RESEARCH AND DEVELOPMENTAL STUDIES WITHOUT EVIDENCE OF EXECUTION/RETIREMENT(= 10,550,000.00)

Paragraph 1420 of the Financial Regulations (2009) states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Seventy (70) payments totalling 9,575,000.00 (Nine million, five hundred and seventy-five thousand naira) were made from the Institute's capital votes, between 11th October and 25th October, 2018, for research and developmental studies on the following: Oil Palm, Coconut, Raphia and other Palms, Date Palm, Shea Studies, Technology and Product Development, and Extension and Economics Project.

ii. The sum of 975,000.00 (Nine hundred and seventy-five thousand naira) only was released for administrative /departmental running cost on the 25th October, 2018, and

iii. All the payments in (i) and (ii) above amounting to 10,550,000.00 (Ten million, five hundred and fifty thousand naira) were without evidence of execution/retirement in form of reports, contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of government funds
ii. Payment for works not executed.

Management's Response

No response

Recommendations

The Acting Executive Director is requested to:

i. Provide reasons why payments were made for research without evidence of work done and why advances were not retired at year end.

ii. Account for the sum of 10,550,000.00 (Ten million, five hundred and fifty thousand naira).

iii. Remit the sum of 10,550,000.00 (Ten million, five hundred and fifty thousand naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to non-recovery and non-retirement of advances specified in paragraphs in 3118 and 3124 of the Financial Regulations respectively.

ISSUE 8: VIOLATION OF E-PAYMENT POLICY GUIDELINES ON PAYMENTS PROCEDURE (= 9,022,900.00)

Federal Treasury Circular Ref. No. TRY/A8 & B8/2008 OAGF/CAD/026/Vol.II/465 dated 22nd October, 2008 for implementation of e-payment provision 4(vii) states "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". Also, paragraphs 632 and 633 of the Financial Regulations (2009) prohibit the use of cash/cheque for payment.

Audit observed that:

i. Twelve (12) payments totalling 9,022,900.00 (Nine million, twenty-two thousand, nine hundred naira) were made in violation of e-payment policy, and

ii. There was no evidence to show that the above payments got to the rightful beneficiaries.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

No response

Recommendations

The Acting Executive Director is requested to:

i. Provide reasons for making payment in violation of the e-payment policy.

ii. Account for the sum of 9,022,900.00 (Nine million, twenty-two thousand, nine hundred naira)

iii. Recover the sum of 9,022,900.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to e-payment violations specified in paragraphs 3127 and 3128 of the Financial Regulations.

ISSUE 9: PAYMENTS MADE WITHOUT ATTACHMENT OF RELEVANT SUPPORTING DOCUMENTS (= 22,219,889.06)

Paragraph 603 (i) of the Financial Regulations (2009) 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:

i. The sum of 22,219,889.06 (Twenty-two million, two hundred and nineteen thousand, eight hundred and eighty-nine naira, six Kobo) only, was paid to some companies and the Institute's members of staff as payments for purported services rendered to it.

ii. The above payments were effected through fourteen (14) payment vouchers, and

iii. The payment vouchers were without relevant supporting documents as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Institute for Oil Palm Research (NIFOR), Benin.

Risks

i. Waste and diversion of public funds.
ii. Payment for jobs not executed.

Management's Response

No response.

Recommendations

The Acting Executive Director is requested to:

i. Provide reasons why payments were made without relevant supporting documents attached to payment vouchers.

ii. Recover and remit to the Treasury, the sum of 22,219,889.06 (Twenty-two million, two hundred and nineteen thousand, eight hundred and eighty-nine naira, six kobo).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments specified in paragraph 3106 of the Financial Regulations (2009).

UPPER NIGER RIVER BASIN DEVELOPMENT AUTHORITY, MINNA

At the Upper Niger River Basin Development Authority, Minna, the following observations were made:

ISSUE 1: PAYMENTS WITHOUT RELEVANT SUPPORTING DOCUMENTS ATTACHED TO PAYMENT VOUCHERS (= 32,494,132.00)

Paragraph 603 (I) of the Financial Regulations 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 variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets, etc."

Audit observed that:

i. Four (4) payment vouchers totaling 32,494,132.00 (Thirty-two million, four hundred and ninety-four thousand, one hundred and thirty-two naira) were raised in May 2019 for upgrades and maintenance services, and payments were made accordingly, and

ii. Relevant supporting documents such as award letters, BOQs, Job completion certificates, etc. that will authenticate the expenditure were not attached to the payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Upper Niger River Basin Development Authority, Minna.

Risks

i. Payment for jobs not executed.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why relevant supporting documents were not attached to payment vouchers.

ii. Account for the sum of 32,494,132.00 (Thirty-two million, four hundred and ninety-four thousand, one hundred and thirty-two naira).

iii. Remit the sum of 32,494,132.00 (Thirty-two million, four hundred and ninety-four thousand, one hundred and thirty-two naira) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: NON-RETIRMENT OF CASH ADVANCES (= 10,919,440.00)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring the prompt payment of all advances by instalments or otherwise." Furthermore, paragraph 1420 of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered." Also, Treasury Circular Ref. No. TRY/A2 and B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013, 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, except as provided by the Public Procurement Act, 2007."

Audit observed that:

i. Eight (8) cash advances amounting to 10,919,440.00 (Ten million, nine hundred and nineteen thousand, four hundred and forty naira) that were granted to four (4) officers of the Authority in October 2018, remained unretired as at the time of audit in 2020.

ii. Two of the officers were granted multiple cash advances without retiring the previous ones, and

iii. All the officers concerned were granted advances in excess of 200,000.00 threshold contrary to the extant regulations

The above anomalies could be attributed to weaknesses in the internal control system at the Upper Niger River Basin Development Authority, Minna.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why advances granted were not retired by year end as required by extant regulations.

ii. Recover the unretired advances of 10,919,440.00 (Ten million, nine hundred and nineteen thousand, four hundred and forty naira) from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and non-retirement of advances specified in paragraphs 3118 and 3124 of the Financial Regulations respectively.

ISSUE 3: NON-DEDUCTION OF 1% STAMP DUTY ON CONTRACT PAYMENTS (= 1,540,084.49)

Paragraph 620 of the Financial Regulations provides that receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act Cap.411). Also, 2015 paragraph 6 of the Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act.

Audit observed that:

i. Payments to twelve (12) contractors amounting to 154,008,449.11 (One hundred and fifty-four million, eight thousand, four hundred and forty-nine naira, eleven kobo) were not subjected to Statutory 1% Stamp Duty.

ii. The 1% Stamp Duty due on the payment amounted to 1,540,084.49 (One million, five hundred and forty thousand, eighty-four naira, forty-nine kobo), and

iii. There was overpayment of 1,540,084.49 to the Contractors/Consultants in contravention of the Circular under reference.

The above anomalies could be attributed to weaknesses in the internal control system at the Upper Niger River Basin Development Authority, Minna.

Risks

i. Over-payment to Contractors/Consultants.
ii. Loss of revenue to the Government.

Management's Response

No response.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why statutory 1% Stamp Duty was not deducted from payments to contractors.

ii. Recover from the affected contractors and remit 1,540,084.49 (One million, five hundred and forty thousand, eighty-four naira, forty-nine kobo) to relevant tax authorities.

iii. Forward the evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to surcharge and prosecution by the EFCC specified in paragraphs 232 (iii) & 3113 of the Financial Regulations respectively.

VETERINARY COUNCIL OF NIGERIA MAITAMA, ABUJA

At the Veterinary Council of Nigeria Abuja, the following observations were made:

ISSUE 1: UNRETIRED CASH ADVANCES (= 7,323,708.00)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise." Furthermore, paragraph 1420 of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered." Also, Treasury Circular Ref. No. TRY/A2&B2/ 2009/OAGF/ CAD/ 026/ V of 24th March 2009, provides that frequency of reimbursement of any standing imprest shall normally be once in a quarter and shall not exceed twice in a quarter where the need arises. Furthermore, Treasury Circular Ref. No. TRY/A2&B2/ 2009/OAGF/ CAD/ 026/ V of 24th March 2009, states "…However, the limit of reimbursable imprests shall be as follows: Hon. Minister 300,000.00, Permanent Secretary/ Director-General 200,000.00, Director 100,000.00, Head of Unit/Branch in state/any other imprest Holder 60,000.00…"

Audit observed that:

i. Twenty-four (24) imprests amounting to 7,323,708.00 (Seven million, three hundred and twenty three thousand, seven hundred and eight naira) granted to the Acting Registrar between January, 2018 and December, 2019 remained unretired as at the time of the periodic checks in 2020.

ii. The re-imbursements were done on monthly basis instead of quarterly as required by extant regulations, and

iii. The amount paid as imprest were all in excess of 200,000.00 required by extant regulations. In some cases, amount as high as 500,000.00 were paid in violation of extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response.

The total imprests granted to the Acting Registrar was 6,349,687.75 (Six million, three hundred and forty-nine thousand, six hundred- and eighty-seven-naira seventy-five kobo) including out-of-pocket expenses (OPE) for 2018 & 2019 were fully retired and not 7,323,708.00 as stated in the report. It is the only office imprest used to cater for all the activities in the council that warrant funds in the office.

Recommendations

The Registrar is requested to:

i. Furnish reasons why advances were not retired at year end and why advances were granted above statutory limit.

ii. Recover outstanding cash imprest of 7,323,708.00 (Seven million three hundred and three thousand seven hundred and eight naira) from the defaulters' salaries and remit same to the Treasury, and

iii. Otherwise, apply sanctions relating to failure to recover advances and non-retirement of advances specified in paragraphs 3118 and 3124 of the Financial Regulations respectively.

ISSUE 2: NON-REMITTANCE OF 1% STAMP DUTY TO THE FEDERATION ACCOUNT (= 1,167,539.43)

Federal Treasury Circular Ref: No. TRY A1 & B1/2017 OAGF/CAD/026/V.111/182 of 20th April, 2017 makes it mandatory for all MDAs to deduct and remit 1% stamp duty on contract agreements before payment is made to beneficiary. Also, Stamp Duty Act of 2004 requires that 1% Stamp Duty should be deducted from all payments to contractors above 1,000.00.

Audit observed that:

i. A total of thirty five (35) payment vouchers with payments amounting to 116,753,943.00 (One hundred and sixteen million seven hundred and fifty three thousand nine hundred and forty three naira), were made to contractors between 2018 and 2019 for capital expenditure, and

ii. The above payments were not subjected to deduction of 1% stamp duty totalling 1,167,539.43 (One million one hundred and sixty seven thousand five hundred and thirty nine naira).

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

Prior to the year 2019, Council was not aware of the 1% stamp duty deduction. We however started making deduction remittance of same in February, 2019 when it came to our notice.

Recommendations

The Registrar is requested to:

i. Furnish reasons why 1% Stamp Duty was not deducted from payments to contractors.

ii. Recover the sum of 1,167,539.43 (One million one hundred and sixty seven thousand five hundred and thirty nine naira) from the affected contractors and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 3: NON DEDUCTION OF WITHHOLDING TAX AND VALUE ADDED TAX (= 13,225,592.00)

Paragraph 234(i) of the Financial Regulations 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 and services contract and actual remittance of same." Also, Treasury Circular Federal Treasury Circular Ref. No. TRY/A1&B1/2009 OAGF/CAD/026/V/12 dated 19th January, 2009 (3) provides that all MDAs are to deduct Pay As You Earn taxes and Withholding Tax as well as Value added Tax at 5% from each contract payment and remit same to Federal Inland Revenue Service, of the Federal Inland Revenue Service (FIRS). Similarly, paragraph 3 (a) (ii) of the FIRS Circular No 9902, dated 1stJanuary, 1999 states "The Withholding Tax on Consultancy fees, management fees, director fees, commission and All service fees other than those mentioned in sub-paragraph (i) above remains at 10% when payable to Limited Liability companies."

Audit observed that:

i. A total of thirty-five (35) payment vouchers amounting to 116,753,943 (One hundred and sixteen million seven hundred and fifty three thousand nine hundred and forty three naira) were paid to contractors from 2018 to 2019 capital expenditure, and

ii. The above payments were not subjected to deductions of Withholding taxes and Value Added Tax amounting to 13,225,592.00 (Thirteen million two hundred and twenty five thousand, five hundred and ninety two naira).

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

The VAT & WHT were deducted and remitted.

Recommendations

The Registrar is requested to:

i. Furnish reasons why VAT and WHT were not deducted from payments to contractors.

ii. Recover the sum of 13,225,592.00 (Thirteen million two hundred and twenty five thousand, five hundred and ninety two naira) due as taxes from the contractors and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 4: IRREGULAR PAYMENT TO STAFF MULTI-PURPOSE COOPERATIVE SOCIETY LTD (= 7,169,040.00)

Section 10(2) of the Veterinary Surgeons (Amendment) Act, 2016 states "The council shall not have power to borrow money or to dispose of any property except with the prior consent of the Minister, and shall not have power to pay remuneration (including pensions), allowances or expenses to any member, officer or servant of the Council or to any other person except in accordance with the scales approved by the Minister."

Audit observed that:

i. The sum of 7,169,040.00 (Seven million one hundred sixty nine thousand and forty naira) was paid to Veterinary Council of Nigeria Staff Multi-Purpose Cooperative Society Ltd as amount borrowed from the Cooperative Society, and

ii. Approval by the Minister and evidence of the borrowed sum were not provided to the audit for verification.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

The VCN Staff Multi-purpose Cooperative Society was asked to fund the Council's 2017 annual statutory Mandatory Professional Continuing Education (MPCE) for Veterinarians and Para Veterinarians due to the fact that the appropriation had not been funded/released as at the time of preparation for the programme. The Cooperative funded the programme and was reimbursed when the appropriation was released.

Recommendations

The Registrar is requested to:

i. Furnish reasons for the payment to Staff Multi-Purpose Cooperative Society Ltd.

ii. Recover the sum of 7,169,040.00 from the Veterinary Council of Nigeria Staff Multi-Purpose Cooperative Society Ltd and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: PAYMENT OF ALLOWANCE WITHOUT APPROVAL (= 10,700,000)

Section 10(2) of the Veterinary Surgeons (Amendment) Act, 2016 states "The council shall not have power to borrow money or to dispose of any property except with the prior consent of the Minister, and shall not have power to pay remuneration (including pensions), allowances or expenses to any member, officer or servant of the Council or to any other person except in accordance with the scales approved by the Minister."

Audit observed that:

i. The Council paid allowance to the principal officers of the College of Veterinary Surgeon amounting to 10,700,000.00 (Ten million seven hundred thousand naira), and

ii. There was no evidence of approval by the Minister and other relevant Government Agency such as National Salaries, income and wage commission for the allowance.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

The College Board had at its 10th Board meeting approved the Budget to it Principal Officers for the day to day running and coordination of the College activities and the fund is paid from the school fees paid by student's vet's residents. The college account is a Sub-Account approved by Accountant General of the Federation for the purpose of the College. The CVSN is a postgraduate programme for qualified and registered veterinarians.

Recommendations

The Registrar is requested to:

i. Justify the payment of non approved allowance to staff.

ii. Recover the sum of 10,700,000.00 (Ten million, seven hundred thousand naira) from the affected staff and pay back to government coffers.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6: NON REMITTANCE OF INTERNALLY GENERATED REVENUE (IGR) TO THE CONSOLIDATED REVENUE FUND (CRF) (= 113,328,430.00)

Treasury Circular Ref: No.TRYA10&B10/2016 OAGF/CAD/026/V.111/101 Dated 22nd November, 2016 mandates all Federal Government Agencies that are fully funded from the treasury to remit One Hundred percent (100%.) of their internally Generated revenue (IGR) to the Consolidated Revenue Fund (CRF).

Audit observed that:

i. The Veterinary Council of Nigeria (VCN) generated a total of 140,694,210.00 as independent revenue generated for the Period 1st January, 2018 – 31st December, 2019,

ii. The management of Council remitted 27,365,779.89 (Twenty seven million three hundred and sixty five thousand seven hundred and seventy nine naira eighty nine kobo) to the Consolidated Revenue Fund (CRF) for the Period 1st January, 2018 – 31st December, 2019, and

iii. A balance of 113,328,430.00 (One hundred and thirteen million three hundred and twenty eight thousand four hundred and thirty naira) was not remitted in contravention of the extant provisions.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

I wish to draw your attention to the Act that established the Veterinary Council of Nigeria (VCN) that is Veterinary Surgeon Act Cap V3 LFN 2004 (as amended). Section 3 of the Act which refers to financial provision of the Council, empowers the Council to defray all expenditure from funds received as government grant and funds/income from other sources to carry its activities. However, the non-remittance of the revenue on this law, VCN have consistently utilize it funds accordingly, until in 2017 few years back we were told that there is a circular that mandates us as an Agency to remit 25% of IGR and utilize 75%. We therefore commence remittance of 25% IGR though, in 2018 we could not fully remit 25% but in 2019 the 25% IGR was fully remitted.

Recommendations

The Registrar is requested to:

i. Furnish reasons why IGR was not remitted as required by extant regulations.

ii. Remit the sum of 113,328,430.11 being unremitted Internally Generated Revenue to Consolidated Revenue Fund (CRF),

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 7: NON REMITTANCE OF 80% OPERATIONAL SURPLUS TO THE CONSOLIDATED REVENUE FUND (CRF) (= 36,145,761.67)

Pagragraph 3(b-g) of the Treasury Circular Ref. No. TRYA10&B10/2016 OAGF/CAD/026/V.111/101 Dated 22nd November, 2016 and Section 22 of the Fiscal Responsibility Act 2007 provide that: (1) 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 into the Consolidate Revenue Fund of the Federal Government not later than one month following the statutory deadline for publishing each corporation's accounts.

Audit observed that:

i. The Council generated a total sum of 122,273,614.28 (One hundred and twenty-two million two hundred and seventy-three thousand six hundred and fourteen naira twenty-eight kobo) and incurred expenditures of (N79,481,047.29) leaving the sum of 45,182,202.09 (Forty-five million one hundred and eighty-two thousand two hundred and two naira nine kobo) as operating surplus.

ii. Management of the Council was expected to remit 80% of 45,182,202.09 (Forty five million one hundred and eighty two thousand two hundred and two naira nine kobo) operating surplus, which amounted to 36,145,761.67 (Thirty six million one hundred and forty five thousand seven hundred and sixty one naira sixty seven kobo) to the Consolidated Revenue Fund (CRF), and

iii. The sum of 36,145,761.67 (Thirty six million one hundred and forty five thousand seven hundred and sixty one naira sixty seven kobo) was not remitted as required.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

It is important to note that the Council College of Veterinary Surgeons Nigeria (CVSN) is not funded by the Federal Government. The College is operated by using school fees paid by the students (Registered Veterinarians). It is in view of this that the Office of the Accountant General of the Federation (OAGF) approved and opened a sub account

were the school fees will be paid into for the operations of the College. The College qualification used for upgrade or promotions of Vet. Doctors as enshrined in scheme of services 2003. Payment for Resource Persons of the College programme are made in arrears after the delivery of season. Therefore the amount in the sub account are not surplus but for the payment to resource persons the early part of the following year.

Recommendations

The Registrar is requested to:

i. Furnish reasons why Operating Surplus was not remitted as required by extant regulations.

ii. Remit the sum of 36,145,761.67 (Thirty-six million one hundred and forty-five thousand seven hundred and sixty-one naira sixty-seven kobo) to Consolidated Revenue Fund (CRF).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 8: NON COLLECTION OF GOVERNMENT REVENUE FROM RENT OF COUNCIL'S PROPERTY (= 137,495,323.34.)

Paragraph 217 of the Financial Regulations states "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."

Audit observed that:

i. Rental income amounting to 137,495,323.34 (One hundred and thirty-seven million four hundred and ninety-five thousand three hundred and twenty-three naira thirty-four kobo) remained un-collected from some Tenants of the Council as at the time of audit, and

ii. The above uncollected revenues were tagged as "unearned revenue" by the Council.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

I wish to draw your attention to the Act that established the Veterinary Council of Nigeria (VCN) that is Veterinary Surgeon Act Cap V3 LFN 2004 (as amended). Section 3 of the

Act which refers to financial provision of the Council, empowers the Council to defray all expenditure from funds received as government grant and funds/income from other sources to carry its activities. However, the non-remittance of the revenue on this law, VCN have consistently utilize it funds accordingly, until in 2017 few years back we were told that there is a circular that mandates us as an Agency to remit 25% of IGR and utilize 75%. We therefore commence remittance of 25% IGR though, in 2018 we could not fully remit 25% but in 2019 the 25% IGR was fully remitted.

Recommendations

The Registrar is requested to:

i. Furnish reasons why rental income was not collected as required by extant regulations.

ii. Recover the sum of 137,495,323.34 (One hundred and thirty-seven million four hundred and ninety-five thousand three hundred and twenty-three naira thirty-four kobo) and remit same into the Consolidated Revenue Fund

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 9: NON REMITTANCE OF REVENUE (= 46,955,250.00)

Treasury Circular Ref: No.TRYA10&B10/2016 OAGF/CAD/026/V.111/101 dated 22nd November, 2016 states "All Federal Government Agencies fully funded from the treasury are mandated to remit 100 percent (100%.) of their internally Generated revenue (IGR) to the Consolidated Revenue Fund (CRF)."

Audit observed that:

i. The sum of 46,955,250.00 (Forty six million nine hundred and fifty five thousand two hundred and fifty naira) was generated for the period 1st April, 2014 to 30th May, 2019 as rental income from the use of its office building.

ii. The above amount was generated through a first generation bank, and

iii. There was no evidence to show that the Council remit the amount generated to the CRF as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

I wish to draw your attention to the Act that established the Veterinary Council of Nigeria (VCN) that is Veterinary Surgeon Act Cap V3 LFN 2004 (as amended). Section 3 of the Act which refers to financial provision of the Council, empowers the Council to defray all expenditure from funds received as government grant and funds/income from other sources to carry its activities. However, the non-remittance of the revenue on this law, VCN have consistently utilize it funds accordingly, until in 2017 few years back we were told that there is a circular that mandates us as an Agency to remit 25% of IGR and utilize 75%. We therefore commence remittance of 25% IGR though, in 2018 we could not fully remit 25% but in 2019 the 25% IGR was fully remitted.

Recommendations

The Registrar is requested to:

i. Furnish reasons why revenue generated was not remitted to CRF as required by extant regulations.

ii. Remit the sum of 46,955,250.00 (Forty-six million nine hundred and fifty-five thousand two hundred and fifty naira) into CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 10: UNAUTHORIZED EXPENDITURE FROM INTERNALLY GENERATED REVENUE (= 109,356,616.59)

Treasury Circular Ref: No.TRYA10&B10/2016 OAGF/CAD/026/V.111/101 Dated 22nd November, 2016 states "All Federal Government Agencies fully funded from the treasury are mandated to remit One Hundred percent (100%.) of their Internally Generated Revenue (IGR) to the Consolidated Revenue Fund (CRF)." Also, section 21(1), (2) and (3) of the Fiscal Responsibility Act 2007 state "(1) The Government corporations and agencies and government owned companies listed in the Schedule to this Act (in this Act referred of as "the Corporations") shall, not later than 6 months from the commencement of this Act and every three financial years thereafter and not later than the end of the second quarter of every year, cause to be prepared and submitted to the Minister their Schedule estimates of revenue and expenditure for the next three financial years. (2) Each of the bodies referred to in subsection (1) of this section shall submit to the Minister not later than the end of August in each financial year: a. An annual budget derived from the estimates submitted in pursuance of subsection (1) of this section; and b. Projected operating surplus which shall be prepared in line with acceptable accounting practices. (3) The Minister shall cause the estimates submitted in pursuance of subsection (2) of this section to be attached as part of the Appropriation Bill to be submitted to the National Assembly."

Audit observed that:

i. The Council expended the sum of 109,356,616.59 (One hundred and nine million three hundred and fifty-six thousand six hundred and sixteen naira fifth

nine kobo) from its Internally Generated Revenue (IGR) for the period January, 2018 to 31st December, 2019, and

ii. There was no evidence of appropriation for spending out of IGR.

The above anomalies could be attributed to weaknesses in the internal control system at the Veterinary Council of Nigeria, Abuja.

Risks

i. Loss of revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

I wish to draw your attention to the Act that established the Veterinary Council of Nigeria (VCN) that is Veterinary Surgeon Act Cap V3 LFN 2004 (as amended). Section 3 of the Act which refers to financial provision of the Council, empowers the Council to defray all expenditure from funds received as government grant and funds/income from other sources to carry its activities. However, the non-remittance of the revenue on this law, VCN have consistently utilize it funds accordingly, until in 2017 few years back we were told that there is a circular that mandates us as an Agency to remit 25% of IGR and utilize 75%. We therefore commence remittance of 25% IGR though, in 2018 we could not fully remit 25% but in 2019 the 25% IGR was fully remitted.

Recommendations

The Registrar is requested to:

i. Furnish reasons for spending out of internally generated revenue.

ii. Remit the sum of 109,356,616.59 (One hundred and nine million three hundred and fifty-six thousand six hundred and sixteen naira fifth nine kobo) being the amount of unauthorized expenditure from IGR into CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

SECTION 2

ENVIRONMENTAL AUDIT DEPARTMENT

KAINJI LAKE NATIONAL PARK MANAGEMENT BOARD, NEW BUSSA

At the Kainji National Park Management Board, New Bussa, the following observations were made:

ISSUE 1: VIOLATION OF E-PAYMENT POLICY ON PAYMENTS PROCEDURE (= 3,648,155.00)

Federal Government's E-Payment Policy Circular Ref. No.: TRY/A8 & B8/2008 OAGF/CAD/026/VOL.II/465 of 22nd October, 2008, on payments procedure, stipulates that on no account should the Central Pay Officers (CPO) collect cash from the bank for the purpose of disbursement to any government official or the public.

Audit observed that:

i. Payments amounting to 3,648,155.00 (Three million, six hundred and forty-eight thousand, one hundred and fifty-five naira) were made to some staff's accounts instead of direct payments to the beneficiaries between 10th April, 2018 and 27th December, 2018, and

ii. There were no documents to show acknowledgement by the supposed beneficiaries evidencing receipt of the funds from the officers concerned.

The above anomalies could be attributed to weaknesses in the internal control system at the Kainji National Park Management Board, New Bussa.

Risks

i. Diversion of public funds
ii. Misapplication of public fund.

Management's Response

No response

Recommendations

The Director-General is requested to:

i. Furnish reasons for not complying with the e-payment policy guidelines.

ii. Account for the sum of 3,648,155.00 (Three million, six hundred and forty-eight thousand, one hundred and fifty-five naira)

iii. Forward evidence of remittance receipts by the rightful beneficiaries to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 2: PAYMENTS MADE WITHOUT ATTACHMENT OF RELEVANT SUPPORTING DOCUMENTS (= 4,754,646.20)

Pargaraph 603 (i) of the Financial Regulations (2009)) states “All vouchers shall contain full particulars of each service and will invariably be supported by relevant documents such as local purchase orders, invoices, letter of authority, etc"

Audit observed that:

i. The sum of 4,754,646.20 (Four million, seven hundred and fifty-four thousand, six hundred and forty-six naira, twenty kobo) was paid, vide forty-six (46) payment vouchers to some members of staff and contractors for services rendered, and

ii. There were no attachments of adequate supporting documents such as copy of memo, evidence of invitation for workshop, attendance certificates, evidence of travel, receipts, copy of advert publications, etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Kainji National Park Management Board, New Bussa.

Risks

i. Loss of public funds.
ii. Payment for goods not delivered or services not rendered.

Management's Response

No response.

Recommendations

The Director-General is requested to:

i. Provide reasons why relevant supporting documents were not attached to payment vouchers.

ii. Account for the sum of 4,754,646.20 (Four million, seven hundred and fifty-four thousand, six hundred and forty-six naira, twenty kobo).

iii. Recover the sum of 4,754,646.20 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular and wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 3: CASH ADVANCES GRANTED TO STAFF IN EXCESS OF 200,000.00 THRESHOLD (= 4,013,850.00)

Treasury Circular Ref. No. TRY/A2 & B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013 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, except as provided by the Public Procurement Act, 2007."

Audit observed that:

i. The sum of 4,013,850.00 (Four million, thirteen thousand, eight hundred and fifty naira only) was granted as non-personal advances to eight (8) staff of the National Park between March and April 2018 for purchases and other services above the allowed threshold of 200,000.00 through Sixteen (16) payment vouchers, and

ii. Government was deprived of revenue of 401,385.00 (Four hundred and one thousand, three hundred and eighty five naira) that would have accrued to it from deduction of VAT and WHT if procurements were done through award of contracts.

The above anomalies could be attributed to weaknesses in the internal control system at the Kainji National Park Management Board, New Bussa.

Risks

i. Loss of government revenue.
ii. Difficulaty in funding budget.

Management's Response

No response

Recommendations

The Director-General is required to:

i. Justify the granting of advances of 4,013,850.00 (four million, thirteen thousand, eight hundred and fifty naira only) above the 200,000.00 threshold.

ii. Recover and remit to the Treasury, the sum of 401,385.00 (Four hundred and one thousand, three hundred and eighty five naira) that would have accrued from deduction of VAT and WHT if procurements were done through award of contracts.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, for verification, and

iv. Otherwise, apply sanctions relating to irregular payments stated in paragraph 3106 of the Financial Regulations.

ISSUE 4 PAYMENTS MADE WITHOUT PREPAYMENT AUDIT OF VOUCHERS (=₦3,184,005.00)

Paragraph 1705 of the Financial Regulations states "The head of internal Audit Unit in all Ministries/extra-ministrial 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:

i. Twenty-nine (29) payment vouchers amounting to 3,184,005.00 (Three million, one hundred and eighty-four thousand, five naira) were raised and paid between November and December 2018, and

ii. None of the payment vouchers was pre-audited or checked by the Internal Audit Department of the Park as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Kainji National Park Management Board, New Bussa.

Risks

i. Misapplication of public funds.
ii. Diversion of public funds.

Management's Response

No response

Recommendations

The Director-General is requested to:

i. Furnish reasons why payments were made without internal audit checks/passage.

ii. Account for the sum of 3,184,005.00 (Three million, one hundred and eighty-four thousand, five naira).

iii. Remit the sum of 3,184,005.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly for verification, and

v. Otherwise, apply sanctions relating to irregular payments stated in paragraph 3106 of the Financial Regulations.

SECTION 3

EXTRA-MINISTERIAL AUDIT DEPARTMENT

ADVANCED MANUFACTURING TECHNOLOGY PROGRAMME, JALINGO

At the Advanced Manufacturing Technology Programme, Jalingo, the following observations were made:

ISSUE 1: NON-DEDUCTION OF 1% STAMP DUTY (= 1,537,462.42)

Stamp Duty Act CAP.S8 LFN 2004 and Federal Treasury Circular Reference No. OAGF/CAD/026/V.111/182 of 20th April, 2016 make 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 Services (FIRS).

Audit observed that:

i. The agency awarded twenty-nine (29) contracts totalling 153,746,242.00 (One hundred and fifty-three million, seven hundred and forty-six thousand, two hundred and forty-two naira) between January and December, 2019 under capital expenditure and constituency projects, and

ii. 1% stamp duty amounting to 1,537,462.42 (One million, five hundred and thirty-seven thousand, four hundred and sixty-two naira, forty-two kobo) was not deducted before payments were made.

The above anomalies could be attributed to weaknesses in the internal control system at the Advanced Manufacturing Technology Programme, Jalingo.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

In compliance with the directive of the Auditor-General of the Federation, steps have been taken as the attention of the listed contractors have been drawn with a view to recovering the amount involved.

Recommendations

The Managing Director is requested to:

i. Provide reasons why statutory 1% Stamp Duty was not deducted from payments made to contractors.

ii. Recover the sum of 1,537,462.42 (One million, five hundred and thirty-seven thousand, four hundred and sixty-two naira, forty-two kobo) and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to prosecution by the EFCC specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: NON–SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2016, 2017 AND 2018)

Paragraph 3210(v) of the Financial Regulations (2009) 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:

i. Advanced Manufacturing Technology Programme, Jalingo has not forwarded audited stand-alone financial statements and management report of the Service from its inception in 2016 to 2018 to the Auditor-General for the Federation, and

ii. No comments of Auditor-General for the Federation has been forwarded to the National Assembly since 2016 due to non submission of audited financial statements.

The above anomalies could be attributed to weaknesses in the internal control system at the Advanced Manufacturing Technology Programme, Jalingo.

Risks

i. Difficulty in assessing performance
ii. Deprives other relevant stake holders relevant information.

Management's Response

We have succeeded in appointing a new external auditor for the exercise in the persons of Ahmed Bawa & Co (Chartered Accountants). They are presently working on the reports. They assured us of their commitment to working assiduously to conclude the report as soon as possible. We will submit the reports to your office afterwards without any delay.

Recommendations

The Managing Director is required to:

i. Provide reasons why audited financial statements were not forwarded to the Auditor-General for the Federation since 2016.

ii. Produce the Audited Financial Statements for 2016 to 2021 and the corresponding Management Letters/Reports as required by extant regulations.

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ADVERTISING PRACTITIONERS COUNCIL OF NIGERIA (APCON), LAGOS

At the Advertising Practitioners Council of Nigeria, the following observations were made:

ISSUE 1: UNDER REPORTING OF INTERNALLY GENERATED REVENUE (IGR) FIGURES (= 2,859,124.53)

The Finance Circular Ref. No. BO/RVE/12235/259/VII/201 dated 11th November, 2011 requires all Federal Agencies to limit their utilization of internally generated revenue (IGR) to not more than 75% of the gross revenue while the balance of not less than 25% should be remitted to the Consolidated Revenue Fund (CRF).

Audit observed that:

i. A total of 771,173,349.91 (Seven hundred and seventy-one million, one hundred and seventy-three thousand, three hundred and forty-nine naira, ninety-one kobo) was reported as internally generated revenue (IGR) in 2018, and

ii. A total of 768,314,225.38 (Seven hundred and sixty-eight million, three hundred and fourteen thousand, two hundred and twenty-five naira, thirty-eight kobo) was however recorded in the cash book as IGR for the same period, resulting in an under-stated sum of 2,859,124.53 (Two million, eight hundred and fifty-nine thousand, one hundred and twenty-four-naira fifty-three kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Advertising Practitioners Council of Nigeria.

Risks

i. Loss of revenue to the government.
ii. Diversion of public funds.

Management's Response

It was a casting error.

Recommendations

The Registrar is requested to:

i. Furnish reasons why internally generated revenue was not remitted as required by extant regulations.

ii. Recover the under reported revenue of 2,859,124.53 (Two million, eight hundred and fifty-nine thousand, one hundred and twenty-four-naira fifty-three kobo).

iii. Remit the sum of 2,859,124.53 (Two million, eight hundred and fifty-nine thousand, one hundred and twenty-four-naira fifty-three kobo) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to surcharge and transfer to another schedule specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: NON-RETIREMENT OF ADVANCES (= 5,755,700.00)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring the prompt payment of all advances by installments or otherwise." Furthermore, paragraph 1420 of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are duly recovered."

Audit observed that:

i. The sum of 5,755,700.00. (Five million, seven hundred and fifty-five thousand, seven hundred naira) granted as non-personal advances in 2018 vide fourteen (14) payment vouchers were not retired as at the time of the audit in May 2019, and

ii. Some staff were granted multiple advances when previous ones had not been retired.

The above anomalies could be attributed to weaknesses in the internal control system at the Advertising Practitioners Council of Nigeria.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

Audit observation is noted. Action will be taken to ensure remittance (retirement) of all the outstanding advances by all the officers concerned

Recommendations

The Registrar is requested to:

i. Furnish reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover the sum of 5,755,700.00. (Five million, seven hundred and fifty-five thousand, seven hundred naira).

iii. Remit the sum of 5,755,700.00. (Five million, seven hundred and fifty-five thousand, seven hundred naira).

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to non-recovery and non-retirement of advances specified in paragraphs in 3118 and 3124 of the Financial Regulations respectively.

ISSUE 3: STORES NOT TAKEN ON LEDGER CHARGE (= 7,506,655.00)

Paragraph 2402 (i) of the Financial Regulations states "On all payment vouchers for the purchase of stores, except as provided in subsection (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 LPO."

Audit observed that:

i. The sum of 7,506,655.00 (Seven million, five hundred and six thousand, six hundred and fifty-five naira) was spent to procure various store items in 2018 through fourteen (14) payment vouchers, and

ii. There was no evidence to show the items procured were taken on ledger charge as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Advertising Practitioners Council of Nigeria.

Risks

i. Payment for items not supplied.
ii. Diversion of public funds.

Management's Response

Audit observations and recommendations properly noted and actions have been taken to ensure strict compliance to the Financial Regulations and the Public Procurement Act in the procurement and storage of store items.

Recommendations

The Registrar is requested to:

i. Provide reasons why store items were not taken on ledger charge.

ii. Account for the sum of 7,506,655.00 (Seven million, five hundred and six thousand, six hundred and fifty-five naira);

iii. Remit the sum 7,506,655.00 (Seven million, five hundred and six thousand, six hundred and fifty-five naira) to the Treasury;

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payments specified in paragraph in 3106 of the Financial Regulations.

ISSUE 4: CIRCUMVENTION OF PROCUREMENT PROCESS (= 5,230,000.00)

Treasury Circular Ref. No. TRY/A2 and B2/2013 OAGF/CAD/026/V.1/188 dated 9th April, 2013 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, except as provided by the Public Procurement Act, 2007."

Audit observed that:

i. The sum of 5,230,000.00 (Five million, two hundred and thirty thousand naira) was granted as non-personal advances to thirteen (13) staff of the Council in the year 2018 for various purchases and rendering of services above the approved threshold of 200,000.00, and

ii. There was a loss of revenue amounting to 523,000.00 that would have accrued to government by way of VAT and Withholding tax.

The above anomalies could be attributed to weaknesses in the internal control system at the Advertising Practitioners Council of Nigeria.

Risks

i. Loss of revenue to government.
ii. Diversion of public funds.

Management's Response

Strict compliance with extant rules on granting of advances to staff would be deliberately ensured.

Recommendations

The Registrar is requested to:

i. Provide reasons for the circumvention of the procurement process.

ii. Account for the sum of 5,230,000.00 (Five million, two hundred and thirty thousand naira).

iii. Recover the sum of 5,230,000.00 (Five million, two hundred and thirty thousand naira) and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payments specified in paragraph in 3106 of the Financial Regulations.

ISSUE 5: NON-SUBMISSION OF AUDITED ACCOUNTS AND DOMESTIC REPORTS FOR YEAR 2018

Paragraph 3210 (v) of the provision of Financial Regulations (2009) 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:

i. The Council failed to submit its audited Financial Statements for the year ended 31st December, 2018, together with Management Reports for the year as required by extant regulations.

ii. No comments of Auditor-General for the Federation has been forwarded to the National Assembly since 2018 due to non submission of audited financial statements.

The above anomalies could be attributed to weaknesses in the internal control system at the Advertising Practitioners Council of Nigeria.

Risks

i. Difficulty in assessing performance
ii. Deprives other relevant stake holders relevant information for their various uses.

Management's Response

2018 Audited Accounts and the Management Report is outstanding.

Recommendations

The Registrar is requested to:

i. Provide reasons why audited financial statements were not forwarded to the Auditor-General for the Federation for 2018.

ii. Produce the Audited Financial Statements for 2018 to 2021 and the corresponding Management Letters/Reports as required by extant regulations.

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

NATIONAL HAJJ COMMISSION OF NIGERIA (NAHCON)

At the National Hajj Commission of Nigeria, the following observations were made:

ISSUE 1: UNRETIRED PERSONAL ADVANCES (= 98,077,200.00)

Paragraph 1405 of the Financial Regulations (FR) states “Accounting Officers are responsible for ensuring the prompt payment of all advances by instalments or otherwise.” Furthermore, paragraph 1420 of the FR states “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that:

i. Personal advances totalling 98,077,200.00 (Ninety-eight million, seventy-seven thousand and two hundred naira), granted to officers of the Commission between 1st January and 31st December, 2018, were yet to be retired as at 31st December, 2018, contrary to the provisions of extant regulations, and

ii. Some staff were granted multiple advances when previous ones had not been retired.

The above anomalies could be attributed to weaknesses in the internal control system at the National Hajj Commission of Nigeria.

Risks

i. Diversion of public funds.
ii. Misapplication of funds.

Management's Response

All personal advances that were outstanding have been duly retired in the following month of the year and that the delay in the retirement of some of the advances mostly in December was due to spill over of some of the programmes to the following month which fell into the new financial year.

Recommendations

The Executive Secretary is requested to:

i. Furnish reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover 98,077,200.00 (Ninety-eight million, seventy-seven thousand and two hundred naira) from the affected staff and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and non-retirement of advances specified in paragraphs 3118 and 3124. of the Financial Regulations respectively.

ISSUE 2: PAYMENT OF UNAPPROVED/IRREGULAR ALLOWANCES TO STAFF (= 376,577,913.92)

The National Salaries, Incomes and Wages Commission's Circular Ref. No. SWC/S/04/S.100/11/403 dated 18th January, 2007 stipulates that the items consolidated with the basic salary are transport allowance, rent allowance, meal subsidy, utility, leave grant, among others. Also, paragraph 415 of the Financial Regulations 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:

i. The sum of 376,577,913.92 (Three hundred and seventy-six million, five hundred and seventy-seven thousand, nine hundred and thirteen naira, ninety-two kobo) was paid to staff of the Commission as peculiar allowance and telephone allowance, outside the IPPIS Consolidated Salary Structure, and

ii. Approval(s) for the above payments from National Salaries, Incomes and Wages Commission (NSIWC) were not made available for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the National Hajj Commission of Nigeria.

Risks

i. Waste of public funds.
ii. Missaplication of funds.

Management's Response

The allowances were duly approved by the National Salaries, Incomes and Wages Commission.

Recommendations

The Executive Secratary is requested to:

i. Provide reasons why allowances were paid to staff without approvals by relevant authorities.

ii. Recover the sum of 376,577,913.92 (Three hundred and seventy-six million, five hundred and seventy-seven thousand, nine hundred and thirteen naira, ninety-two kobo) from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment and overpayment of public funds stated in paragraphs 3106 and 3111 of Financial Regulations respectively.

NATIONAL INLAND WATERWAYS AUTHORITY, LOKOJA

At the National Inland Waterways Authority, Lokoja, the following observations were made:

ISSUE 1: IRREGULARITY IN THE AWARD OF CONTRACT FOR PROVISION OF WIRELESS CONNECTIVITY/INTERNET BANDWIDTH SERVICES (= 6,983,928.00)

Paragraph 708 of the Financial Regulations states "On no account should payments be made for services not yet performed or for goods not yet supplied".

Audit observed that;

i. The Authority awarded a contract for the provision of wireless connectivity and internet bandwidth to a company vide award letter Ref. No. PPD/0026/Vol. II/491 of 18th January, 2018 for 6,983,928.00 (Six million, nine hundred and eighty three thousand, nine hundred and twenty eight naira).

ii. There was no evidence of competitive bidding by at least three unrelated contractors as required by extant regulations, and

iii. The contractor was paid the sum of 6,983,928.00 through payment voucher No. NIWA/0999/2018 without any evidence of work done.

The above anomalies could be attributed to weaknesses in the internal control system at the National Inland Waterways Authority, Lokoja.

Risks

i. Diversion of public funds.
ii. Payment for works not done.

Management's Response

No response.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why contract was awarded without competitive bidding and why payment was made for work not executed.

ii. Recover the sum of 6,983,928.00 (Six million, nine hundred and eighty-three thousand, nine hundred and twenty-eight naira) from the contractor and remit same to Treasury;

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular award of contract and irregular or wrong payment specified in paragraphs 3117 and 3106 of the Financial Regulations respectively.

ISSUE 2: ENGAGEMENT AND PAYMENT OF EXTERNAL SOLICITORS WITHOUT THE CONSENT OF HONOURABLE ATTORNEY-GENERAL OF THE FEDERATION (= 18,616,000.00)

Establishment circular Ref. No.: SGF/PS/CIR/625/I/1 of 16th July, 2003 requires that prior consent and approval of the Honourable Attorney-General of the Federation should be obtained before the engagement of External Solicitors and Advocates by Federal Government Ministries, Departments and Agencies (MDAs) and payment of professional fees in respect of such services.

Audit observed that:

i. The sum of 18,616,000.00 (Eighteen million, six hundred and sixteen thousand naira) only, was paid to three (3) legal firms between 25th January, 2018 and 5th September, 2018 for legal services rendered to the Authority, and

ii. The engagement of the Solicitors and the subsequent payments were made without the prior consent and approval of the Attorney-General of the Federation in accordance with extant circulars.

The above anomalies could be attributed to weaknesses in the internal control system at the National Inland Waterways Authority, Lokoja.

Risks

i. Engagement of inexperienced/unqualified solicitors.
ii. Loss of government funds through excessive fees.

Management's Response

No response.

Recommendations

The Managing Director is requested to:

i. Justify the engagement of external solicitors without the approval of the Honorable Attorney General of the Federation, and

ii. Remit the sum of 18,616,000.00 (Eighteen million, six hundred and sixteen thousand naira) to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations (2009).

ISSUE 3: PAYMENTS MADE WITHOUT ATTACHMENT OF RELEVANT SUPPORTING DOCUMENTS (= 20,020,617.00)

Paragraph 603(i) of the Financial Regulations states “All vouchers shall contain full particulars of each service and will invariably be supported by relevant documents such as local purchase orders, invoices, letter of authority, etc.”

Audit observed that;

i. The sum of 20,020,617.00 (Twenty million and twenty thousand, six hundred and seventeen naira) only, was paid vide twenty-two (22) payment vouchers for various activities which included advertisement, allowances, procurement, visa application, etc. between 23rd March, 2018 and 13th December, 2018, and

ii. Necessary evidences of activities carried out to justify the various payments such as copies of newspaper publications, invitation letters, visa fee receipt, courses'

certificates of attendance, award letters, contractors' invoices, etc., were not attached to the affected payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the National Inland Waterways Authority, Lokoja.

Risks

i. Loss of government funds through
ii. Payments for services not rendered.

Management's Response

No response

Recommendations

The Managing Director is requested to:

i. Provide reasons why payment were made without relevant supporting documents attached to payment vouchers.

ii. Recover the sum of 20,020,617.00, paid without relevant supporting documents from those concerned and remit same to the Treasury;

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments prescribed by paragraph 3106 of the Financial Regulations (2009).

ISSUE 4: IMPRESTS GRANTED TO SOME STAFF WITHOUT EVIDENCE OF RETIREMENT (= 76,425,000.00)

Paragraph 1420 of the Financial Regulations states “it is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that:

i. The sum of 76,425,000.00 (Seventy six million, four hundred and twenty five thousand naira) only was granted as imprests to some members of staff of the Authority between January and December 2018.

ii. The advances granted remained unretired as at the time of audit exercise in July 2019, and

iii. Some of these officers were granted multiple advances when the previous ones had not been retired.

The above anomalies could be attributed to weaknesses in the internal control system at the National Inland Waterways Authority, Lokoja.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

No response

Recommendations

The Managing Director is requested to:

i. Provide reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover the sum of 76,425,000.00 (Seventy six million, four hundred and twenty five thousand naira) only.

iii. Remit the sum of 76,425,000.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to non-retirement of advances and imprest specified by paragraph 3124 of the Financial Regulations.

NIGERIAN CIVIL AVIATION AUTHORITY (NCAA)

At the Nigerian Civil Aviation Authority, the following observations were made:

ISSUE 1: UNDER-REMITTANCE OF THE APPROVED 25% FEDERAL GOVERNMENT SHARE OF THE TOTAL INTERNALLY GENERATED REVENUES/OPERATING SURPLUS TO THE CRF ACCOUNT OF THE FEDERAL GOVERNMENT (= 2,984,887,250.00)

Federal Treasury Circular No HCSF/428/S.1/120 dated 7th August, 2015, Re-Introduction of Treasury Single Accounts (TSA) (e-Collection of Government Receipts) requires MDAs not funded through the Federal Government Budget but expected to pay operation surplus of 25% of Gross Earnings to the CRF to pay all collections into the TSA except Union Dues. Also, Federal Ministry of Finance Circular, Ref. No. BO/RVE/12235/259/VII/201 dated 11th November, 2011, requires all Federal Agencies to limit their utilization of Internally Generated Revenue to 75% while the balance of 25% is to be remitted to the Consolidated Revenue Fund (CRF) Account.

Audit observed that:

i. The Authority generated a sum of 18,339,549,000.00 (Eighteen billion, three hundred and thirty nine million, five hundred and forty nine thousand naira) as Internally Generated Revenue (IGR) in 2018.

ii. 25% of the IGR which amounted to 4,584,887,250.00 (Four billion, five hundred and eighty four million, eight hundred and eighty seven thousand, two hundred and fifty naira) was expected to have been remitted to the Treasury, and

iii. The sum of 1,600,000,000.00 (One billion, six hundred million naira) was remitted, thereby resulting to under-remittance of 2,984,887,250.00 (Two billion, nine hundred and eighty four million, eight hundred and eighty seven thousand, two hundred and fifty naira).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Civil Aviation Authority.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

The Authority was only required to remit 80% of its operating surplus. The actual liability due for 2018 would be determined upon the conclusion of the 2018 external audit of the financial statements of the Authority

Recommendations

The Director-General is requested to:

i. Provide reasons why 25% of IGR was not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 2,984,887,250.00 (Two billion, nine hundred and eighty four million, eight hundred and eighty seven thousand, two hundred and fifty naira), being the under remittance of 25% of IGR for 2018 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: LONG OUTSTANDING CREDIT LODGEMENTS IN THE REVENUE COLLECTION BANK ACCOUNTS NOT CREDITED TO THE JOINT NCAA & OTHER AVIATION AGENCIES SHARING BANK ACCOUNT: 743,025,660.25 AND US$71,223.23

Paragraph 217 of the Financial Regulations (2009) places the responsibility of ensuring that all government collectable revenue or monies are correctly and promptly brought to account on the Accounting Officer whether such collections are directly payable to him, or to a Sub-Accounting Officer or through any other channel.

Audit observed that:

i. The sum of 743,025,660.23 and US$71,223.23 which were reported as long accumulated receipted/collected revenues by a commercial bank - First Bank of Nigeria Plc (revenue collecting bank for NCAA), remained uncredited to NCAA/Other Aviation Agencies joint sharing bank account as at 31st December, 2018.

ii. Some of the uncredited lodgements were dated back to 2011 and 2012; and

iii. No acceptable reason(s) was/were provided by the Authority's Management for the delay in accounting and remitting the amounts to the relevant pooling account by the revenue collecting bank (First Bank of Nigeria Plc.).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Civil Aviation Authority.

Risks

i. Loss of government funds
ii. Diversion of public funds.

Management's Response

A committee has been set up to reconcile all outstanding lodgements and to match same to the Airlines indebtedness in order to address the huge debt of the Airlines and increase the revenue profile of the Authority. First Bank has equally agreed on a weekly reconciliation meeting to resolve the issue.

Recommendations

The Director-General is requested to:

i. Furnish reasons why revenue generated were not swept to joint pooling account.

ii. Account for the sum of 743,025,660.23 and US$71,223.23

iii. Remit the sum of 743,025,660.23 and US$71,223.23 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue. specified in paragraph 3112 of the Financial Regulations.

ISSUE 3: NON-DEDUCTION OF 1% STAMP DUTY ON SOME CONTRACTS AWARDED & PAID FOR IN 2018 (= 15,254,721.90)

The Stamp Duties Act CAP. S8 LFN 2004 as well as the provisions of Federal Government Circulars Ref. Nos. TRY A12 & B12/2015 OAGF/CAD/026/V.II/390 of 29th December, 2015 and TRY A1 & B1/2017 OAGF/CAD/026/V.III/182 of 20th April, 2017 require that 1% Stamp Duty tax be deducted on contract agreement before payment is made to the beneficiary and the deducted amount be appropriately remitted to the relevant tax authority which is Federal Inland Revenue Service (FIRS).

Audit observed that:

i. Fifty two (52) payments were made to contractors and suppliers for procurement of various items, and

ii. The statutory 1% stamp duty totaling 15,206,833.18 (Fifteen million, two hundred and six thousand, eight hundred and thirty three naira, eighteen kobo) on the above contracts was not deducted from payments to contractors/suppliers.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Civil Aviation Authority.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

Audit observation noted. Efforts are ongoing at recovery.

Recommendations

The Director-General is requested to:

i. Provide reasons why statutory 1% stamp duty was not deducted from payments made to contractors/suppliers.

ii. Recover and remit to Treasury the sum of 15,206,833.18 (Fifteen million, two hundred and six thousand, eight hundred and thirty three naira, eighteen kobo), being over-payment to the contractors due to non-deduction of 1% stamp duty,

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue. specified in paragraph 3112 of the Financial Regulations.

NIGERIAN COMMUNICATIONS SATELLITE LIMITED, ABUJA

At the Nigerian Communications Satellite Limited (NCSL), the following observations were made:

ISSUE 1: NON-REMITTANCE OF DEDUCTED TAXES (VAT AND WHT) (= 95,641,112.00)

Paragraph 234(i) of the Financial Regulations (FR) (2009) states “it is mandatory for all 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 contracts and actual remittance of same.” Furthermore, paragraph 235 of the FR requires that deductions for WHT, VAT and PAYE shall be remitted to the relevant tax authorities at the same time the payee who is the subject of the deduction is paid.

Audit observed that:

i. The Agency had accumulated deducted taxes (VAT & WHT) outstanding in its books and yet to be remitted to relevant tax authorities as at 31st December, 2017. As at the time of the audit exercise in 2018, this liability stood at 95,641,112.00;

ii. This long outstanding tax liability included the accumulated sum of 54,676,173.00 as at 31st December, 2015 which comprised outstanding VAT and WHT liabilities between 2012 and 2015, as reported on pages 379 and 380 of the Auditor-General's 2014 Annual Report published in 2017/2018 and additional non-remitted sum of 40,964,939.00 in 2016.

iii. Despite tax liability reduction agreement with officials of the Federal Inland Revenue Service (FIRS) which purportedly reduced the tax liability from 95,641,112.00 to 66,291,622.49, as shown in its 2017 Trial Balance, Audited Financial Statements, General Ledger and correspondence between the Agency and the tax office, the NCSL failed to make any payment, and

iv. As at the time of the audit in 2018, the concession/waiver of the sum of 29,349,489.51, that arose from the above tax liability reduction could not be justified by NCSL, as it failed to honour payment terms agreed with the tax authority.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Communications Satellite Limited.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget

Management's Response

The Managing Director stated that the tax liability of 66,291,622.49 had been remitted, but failed to attach evidence of remittance.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why statutory taxes were not remitted to appropriate authoritiues as required by extant regulations.

ii. Remit the sum of 95,641,112.00 (Ninety five million, six hundred and forty thousand, one hundred and twelve naira) only to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to non-remmitance of Value Added Tax and Withholding Tax and failure to collect and account for Government Revenue specified by paragraphs 234(ii) and 3112 of the Financial Regulations respectively.

ISSUE 2: STORE ITEMS PURCHASED NOT TAKEN ON LEDGER CHARGE (= 250,099,250.00)

Paragraph 2402(i) of the Financial Regulations (2009) states “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 stores ledger quoting the Stores Receipt Voucher (SRV) number and attaching the original copy of the SRV to the original L.P.O."

Audit observed that:

i. The sum of 250,099,250.00.00 (Two hundred and fifty million, ninety nine thousand, two hundred and fifty naira) was spent on procurement of various items through award of contracts and non-personal advances to staff.

ii. The items procured were not taken on store ledger charge, and

iii. The procurement process of some of the items was fraught with price inflation and non-compliance with due process of competitive bidding.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Communications Satellite Limited.

Risks

i. Loss of public funds
ii. Diversion of public funds.

Management's Response

No response

Recommendations

The Managing Director is requested to:

i. Provide reasons why items procured were not taken on store Ledger charge as required by extant regulations.

ii. Account for the sum of 250,099,250.00 (Two hundred and fifty million, ninety nine thousand, two hundred and fifty naira).

iii. Remit the sum of 250,099,250.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 3: GRANTING OF ADVANCES IN EXCESS OF STATUTORY LIMIT FOR THE PROCUREMENT OF GOODS AND SERVICES (= 12,047,447.00)

Federal Treasury Circular Ref. No. TRY/A2 & B2/2013 OAGF/CAD/026/V.1/188 of 9th April, 2013, among others, states “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:

i. The sum of 12,047,447.00 was paid as non-personal/cash advances to fourteen (14) staff of the Agency in excess of the stipulated maximum amount of 200,000.00 in contravention of extant Treasury circular quoted above and

ii. The non-compliance with the extant circular and other regulations resulted in loss of government tax revenue totaling 1,204,744.70 that would have been deducted as taxes (VAT and WHT) if the purchases were made through award of contracts and not through staff personal advances.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Communications Satellite Limited.

Risks

i. Loss of Government revenue.
ii. Difficulty in funding budget.

Management's Response

No response

Recommendations

The Managing Director is requested to:

i. Provide reasons why advances were granted in excess of the statutory limit.

ii. Remit the sum of 1,204,744.70 to the Treasury, being the tax revenue lost due to non-compliance with government extant regulations on limit of cash advances.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 4: UNCOLLECTED OUTSTANDING TRADE RECEIVABLES/DEBTORS (= 689,995,055.77)

Paragraphs 224 and 230 of the Financial Regulations (2009) require that all services rendered by government must be paid for immediately on completion of the service and where possible, payment may be made in advance; and where payment is outstanding, a system of follow-up by means of reminders and final demand should be made.

Audit observed that:

i. As at 31st December, 2017, the Agency's outstanding trade debtors (receivables) stood at 689,995,055.77.

ii. The total debtors list, was 1,165,264,135.32, comprising old outstanding debts of 518,299,972.07 as at 31st December, 2016, and the year under review (2017) invoice amount of 646,964,163.25, and

iii. Out of the total debt, the sum of 484,169,079.55 was paid/recovered in 2017, leaving an outstanding debtors list of 689,995,055.77, inclusive of staff debtors amounting to 8,900,000.00 as at 31st December, 2017.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Communications Satellite Limited.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

Most debtors are government establishments, the Presidency and State governments which have proven to be tougher than dealing with a private company or individual, but the Management of the Agency was in discussion with the Presidency on the issue and expecting positive feedback.

Recommendations

The Managing Director is requested to:

i. Provide reasons for the uncollected debts/receivables.

ii. Furnish evidence of debt recovery and payment of sum of 484,169,079.55 into the Agency's coffers or any other government account in 2017.

iii. State the total amount recovered so far with evidence of recovery, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government revenue specified in paragraph 3112 of the Financial Regulations.

NIGERIAN METEOROLOGICAL AGENCY (NIMET)

At the Nigerian Meteorological Agency, the following observations were made:

ISSUE 1: FOREIGN TRIPS UNDERTAKEN WITHOUT EVIDENCE OF HEAD OF SERVICE APPROVAL (= 7,203,296.00)

Establishment Circular Ref. No. HCSF/CSO/HRM/Pol.1402/1 of 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, presentation of papers, negotiating/signing of memoranda of understanding (MOU) abroad at government expense, except they are fully funded by the sponsoring/inviting organisation.

Audit observed that:

i. The sum of 7,203,296.00 (Seven million, two hundred and three thousand, two hundred and ninety-six naira) was paid to three (3) staff of the Agency to attend international trainings, conference and steering committee meeting outside the country, between 22nd October and 16th November, 2018.

ii. The above payment was effected through four (4) payment vouchers, and

iii. There was no evidence to show approvals were obtained from the Head of the Civil Service of the Federation before payments were made as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Meteorological Agency.

Risks

i. Misappropriation of government funds.
ii. Waste of government resources.

Management's Response

Ministerial approval was conveyed for each trip before payment was made, but the extant circular requires approval from the Head of the Civil Service of the Federation and not Minister.

Recommendations

The Director-General is requested to:

i. Provide reasons why staff were sponsored for oversea training without approval by the Head of the Civil Service of the Federation.

ii. Recover the sum of 7,203,296.00 (Seven million, two hundred and three thousand, two hundred and ninety-six naira) from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 2: IRREGULAR SPONSORSHIP OF STAFF FOR PROFESSIONAL PROGRAMMES (= 4,166,750,00)

Establishment Circular Ref. No. HCSF/PSO/784/III/2 dated 23rd January, 2009, 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. Also, the Agency's Conditions of Service provides that it shall pay 50% of the annual subscription fees of an employee who is a member of a recognized professional body which is relevant to his/her current function.

Audit observed that:

i. The sum of 4,166,750.00 (Four million, one hundred and sixty-six thousand, seven hundred and fifty naira) was paid, between March and November 2018 to fourteen (14) members of staff, to attend training programmes.

ii. The training programmes were sanctioned by the staff professional bodies, and

iii. The above payments were made in contravention of Establishment Circular and the Conditions of Service of the Agency.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Meteorological Agency.

Risks

i. Waste of government resources.
ii. Misapplication of funds.

Management's Response

The Agency's Conditions of Service provides for the payment of 50% of the annual subscription fees of an employee who is a member of a recognized professional body which is relevant to the employee's current function.

Recommendations

The Director-General is requested to:

i. Provide reasons why staff were sponsored for training organised by their professional bodies in violation of extant regulations.

ii. Recover the sum of 4,166,750.00 (Four million, one hundred and sixty-six thousand, seven hundred and fifty naira) from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 3: MINISTERIAL INTERFERENCE IN THE FUNDS OF THE AGENCY (= 5,965,250.00)

Establishment Circular Ref. No. SGF.6/VIII/ dated 8th May, 2008, emphasises the need for strict adherence to financial regulations in cooperation between MDAs and other arms of government and between MDAs and their parastatals.

Audit observed that:

i. The sum of 5,965,250.00 (Five million, nine hundred and sixty-five thousand, two hundred and fifty naira) was paid for activities related to the supervising Ministry, Federal Ministry of Transportation, and

ii. There was no evidence to show exemption or waiver was granted before the above payment was made.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Meteorological Agency.

Risks

i. Payment for services already paid by the Ministry.
ii. Diversion of public funds.

Management's Response

The Ministry plays oversight roles over the Agency and that expenses of activities carried out in conjunction with sister agencies in the Aviation Sector would not be said to be ministerial interference.

Recommendations

The Director-General is requested to:

i. Furnish reasons why activities of the supervising Ministry were paid for by the Agency.

ii. Recover the sum of 5,965,250.00 (Five million, nine hundred and sixty-five thousand , two hundred and fifty naira) from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

PHARMACISTS COUNCIL OF NIGERIA, ABUJA.

At the Pharmacists Council of Nigeria, Abuja, the following observations were made:

ISSUE 1: STORES NOT TAKEN ON LEDGER CHARGE (= 7,531,952.38)

Paragraph 2402 of the Financial Regulations states “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:

i. The sum of 7,531,952.38 (Seven million, five hundred and thirty-one thousand, nine hundred and fifty-two naira, thirty-eight kobo) was paid to five contractors in 2019 for the supply of store items.

ii. Those items could not be traced to stores ledger, and

iii. The five payment vouchers used in effecting the payments were not supported with relevant documents such as invoices, store receipt vouchers, store issue vouchers, etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Pharmacists Council of Nigeria.

Risks

i. Diversion of public funds.
ii. Loss of public funds.

Management's Response

Your observation is noted. You may also wish to note that the above mentioned items were supplied at the State or Zonal offices and appropriate documentations were carried out at the respective outstations.

Recommendations

The Registrar is requested to:

i. Provide reasons why store items were not taken on Ledger charge as required by extant regulations.

ii. Account for the sum of 7,531,952.38 (Seven million, five hundred and thirty-one thousand, nine hundred and fifty-two naira, thirty-eight kobo).

iii. Remit the sum of 7,531,952.38 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: EXTRA-BUDGETARY EXPENDITURE (= 1,687,000.00)

Section 80 (4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states “No moneys shall be withdrawn from the Consolidated Revenue Fund of the Federation or any public fund of the Federation except in a manner prescribed by the National Assembly.”

Audit observed that the Council overspent its 2019 overhead allocation as highlighted in the Table below:

Sub-Head	Amount Budgeted ( )	Amount Spent ( )	Difference(extra-Budgetary) ( )
Motor vehicle fuel cost	350,000.00	540,000.00	190,000.00
Telephone Charges	500,000.00	1,997,000.00	1,497,000.00
Total			**1,687,000.00**

The above anomalies could be attributed to weaknesses in the internal control system at the Pharmacists Council of Nigeria.

Risks

i. Non-implementation of key programmes captured in the budget
ii. Diversion of public funds.

Management's Response

More functional vehicles were purchased for zonal/state offices for the Council routine, inspection, monitoring and enforcement activities in the year.

Equally, more staff were promoted to top management level that resulted in the increase of overhead in year 2019.

Recommendations

The Registrar is required to:

i. Furnish reasons why approved budgets were exceeded.

ii. Provide the approval of the National Assembly for the sum of 1,687,000.00 expended as highlighted above, and

iii. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations

PUBLIC COMPLAINTS COMMISSION

At the Public Complaints Commission (PCC), the following observations were made:

ISSUE 1: PURCHASES OF STORES NOT TAKEN ON LEDGER CHARGE (= 10,295,730.96)

Paragraph 2402 (I) of the Financial Regulations states "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 store ledger quoting the stores receipt voucher number..."

Audit observed that:

i. The sum of 10,295,730.96 (Ten million, two hundred and ninety-five thousand, seven hundred and thirty naira, ninety-six kobo) was paid for procurement of sundry goods vide twenty-two (22) payment vouchers in 2019, and

ii. There was no evidence to show the procured items were taken on store Ledger charge as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Public Complaints Commission.

Risks

i. Diversion of government funds.
ii. Misappropriation of funds.

Management's Response
No response.

Recommendations
The Honourable Chief Commissioner is requested to:
i. Furnish reasons why items procured were not taken on store Ledger charge.

ii. Account for the sum of 10,295,730.96 (Ten million, two hundred and ninety-five thousand, seven hundred and thirty naira, ninety-six kobo), and

iii. Remit the sum of 10,295,730.96 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payment prescribed by 3106 of the Financial Regulations.

ISSUE 2: MISAPPLICATION OF PUBLIC FUND (= 1,806,000.00)

Paragraph 415 of the Financial Regulations (2009) 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:
i. The sum of 1,806,000.00 (One million, eight hundred and six thousand naira) only was paid, between January to June 2019, to 'some officials' of the Commission, to defray the cost of “2019 Election Monitoring” in Nassarawa and Benue States, and

ii. There was no evidence to show the payment was contained in the Appropriation Act of the Commission for 2019.

The above anomalies could be attributed to weaknesses in the internal control system at the Public Complaints Commission.

Risks
i. Loss of government funds
ii. Diversion of public funds.

Management's Response
No response

Recommendations
The Honourable Chief Commissioner is requested to:
i. Furnish reasons why expenditure not appropriated for were paid.

ii. Recover the sum of 1,806,000.00 (One million, eight hundred and six thousand naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment prescribed

SECTION 4

FEDERAL CAPITAL TERRITORY ADMINISTRATION AND AREA COUNCILS

FCT - INTERNAL REVENUE SERVICE

At the FCT-Internal Revenue Service (FCT-IRS), the following observations were made:

ISSUE 1: PAYMENT FOR PROJECTS WITHOUT REPORT AND PROOF OF PERFORMANCE (= 73,064,760.00)

Paragraph 708 of the Financial Regulations (FR) (2009) states "On no account should payment be made for services not yet performed or for goods not yet supplied." Furthermore, paragraph 417 of the FR 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:

i. The sum of 73,064,760.00 (Seventy-three million, and sixty-four thousand, seven hundred and sixty naira) only, was paid to some officers of the Service for the conduct of residency verification and TIN project in December 2019 which was duly approved on 17th December 2019 by Executive Chairman (residency verification) and the Director Human Resource.

ii. Project report to ascertain whether the projects were actually executed, obstacles encountered (if any), the achievements made and the recommendations for the management to act upon, was not made available for examination, despite repeated demands.

iii. The payment for the TIN project was funded from Staff welfare sub-head (code No: 22021007, an unrelated sub-head, contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the FCT-Internal Revenue Service.

Risks

i. Loss of government funds.
ii. Payments for jobs not executed.
iii. Misapplication of funds.

Management's Response

No response

Recommendations

The Executive Chairman is requested to:

i. Furnish reasons why payment for TIN project was made from unrelated sub-head.

ii. Account for 73,064,760.00 (Seventy-three million, and sixty-four thousand seven hundred and sixty naira) only.

iii. Remit to Treasury, the sum of 73,064,760.00 (Seventy-three million, and sixty-four thousand seven hundred and sixty naira) only.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to payment for job not executed prescribed by paragraph 3104(iii) of the Financial Regulations.

ISSUE 2: NON-DEDUCTION AND REMITTANCE OF 1% STAMP DUTIES (= 1,268,667.50)

Stamp Duty Act CAP.S8 LFN 2004 and Federal Treasury Circular Reference No. OAGF/CAD/026/V.111/182 of 20th April, 2016 make 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 Services (FIRS).

Audit observed that:

i. Thirty nine (39) payments in the sum of 126,866,750.00 (One hundred and twenty-six million, eight hundred and sixty-six thousands seven hundred and fifty naira) were made to some contractors in return for services provided, and

ii. There was no deduction of the statutory 1% stamp duty which amounted to 1,268,667.50 (One million, two hundred and sixty-eight thousand, six hundred and sixty-seven naira fifty kobo) contrary to the Treasury Circular referred to above.

The above anomalies could be attributed to weaknesses in the internal control system at the FCT-Internal Revenue Service.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations

The Executive Chairman is requested to:

i. Furnish reasons why statutory 1% Stamp Duty was not deducted from payment made to contractors.

ii. Recover and remit to Treasury the sum of 1,268,667.50 (One million, two hundred and sixty-eight thousand, six hundred and sixty-seven naira fifty kobo);

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

ISSUE 3: UNDERSTATEMENT OF BANK BALANCE DUE TO FAILURE TO CARRY OUT BANK RECONCILIATION (= 613,734,482.80)

Paragraph 716 of the Financial Regulations (2009) states "All officers authorized to keep bank accounts must compare on weekly basis, and at the close of each month, the entries appearing in the bank statements with those in their cash books and effect early clearance of outstanding items." Furthermore, paragraph 807 of the FR states "Sub-Accounting Officers will ensure that all outstanding items in the Bank Reconciliation statement are cleared expeditiously…" Similarly, paragraph 806 of the FR states "Where a bank account is maintained, a bank reconciliation statement and certified bank statement as at the last business day of the month shall be attached to the cash book…"

Audit observed that:

i. The FCT-IRS operation accounts domiciled with the Central Bank of Nigeria was not reconciled for the period January to December, 2019.

ii. The closing balance as at 28/02/2019 was 709,198,920.01 (Seven hundred and nine million, one hundred and ninety-eight thousand, nine hundred and twenty naira, one kobo) while on the 1st of March, 2019 the opening balance was reflected as 1,886,788,293.69 (One billion eight hundred and eighty-six million, seven hundred and eighty- eight thousand, two hundred and ninety-three naira sixty-nine kobo).

iii. Another closing balance as at 31st March, 2019 was 1,250,101,171.72 (One billion two hundred and fifty million one hundred and one thousand, one hundred and seventy-one naira seventy- two kobo), while 636,366,688.92 (Six hundred and thirty- six million three hundred and sixty-six thousand, six hundred and eighty-eight naira ninety-two kobo) was reflected as opening balance in the April Bank Statement, and

iv. Above in (ii) led to understatement of 613,734,482.8 (Six hundred and thirteen million seven hundred and thirty-four thousand four hundred and eighty-two naira, eighty kobo) in the bank balances

The above anomalies could be attributed to weaknesses in the internal control system at the FCT-Internal Revenue Service.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

No response

Recommendations

The management of FCT-IRS is requested to;

i. Furnish reasons why monthly bank reconciliation statements were not prepared as required by extant regulations.

ii. Recover the sum of 613,734,482.80 (Six hundred and thirteen million, seven hundred and thirty four thousand, four hundred and eighty two naira, eighty kobo) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to prepare Bank Reconciliation Statements prescribed by paragraph 3121 of the Financial Regulations.

ISSUE 4: EXTRA-BUDGETARY SPENDING (= 39,030,000.00)

Section 80 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". Also, paragraph 417 of the Financial Regulations 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:

i. The sum of 10,000,000.00 (Ten million naira) was the approved budget for NYSC, SIWES & Other allowances.

ii. The sum of 49,030,000 (Forty-nine million, thirty thousand naira) was spent for the payment of allowances to NYSC, Police, Civil Defence & others, and

iii. The above expenditure led to extra budgetary spending of 39,030,000.00 (Thirty-nine million and thirty thousand naira).

The above anomalies could be attributed to weaknesses in the internal control system at the FCT-Internal Revenue Service.

Risks

i. Loss of government funds.
ii. Misapplication of public funds.

Management's Response.

No response.

Recommendations

The Executive Chairman is requested to:

i. Provide reasons why expenditure on NYSC, SIWES and other allowances were over shot.

ii. Account for the sum of 39,030,000.00 (Thirty-nine million and thirty thousand naira) only, being extra-budgetary expenditure on NYSC,SIWES & Other allowances, and

iii. Recover the sum of 39,030,000.00 (Thirty-nine million and thirty thousand naira) only and remit same to the Treasury.

v. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

vi. Otherwise, apply sanctions relating to irregular or wrong payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 5: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS

Paragraph 3210(v) of the Financial Regulations (2009) 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:

i. FCT - Internal Revenue Service has not forwarded audited stand-alone financial statements and management report of the Service from its inception in 2015 to 2019 to the Auditor-General for the Federation, and

ii. No comments of Auditor-General for the Federation has been forwarded to the National Assembly since 2015 due to non submission of audited financial statements.

The above anomalies could be attributed to weaknesses in the internal control system at the FCT - Internal Revenue Service.

Risks

i. Difficulty in assessing performance
ii. Lack of accountability.

Management's Response

No response

Recommendations

The Executive Chairman is requested to:

i. Provide reasons why audited financial statements of the Service were not forwarded to the Auditor-General for the Federation since 2015.

ii. Produce the Audited Financial Statements for 2015 to 2019 and the corresponding Management Letters/Reports as required by extant regulations.

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

FCT SOCIAL DEVELOPMENT SECRETARIAT

At the FCT Social Development Secretariat, the following observations were made:

ISSUE 1: FAILURE TO FOLLOW DUE PROCESS IN THE PROCUREMENT OF WORKS AND SERVICES (= 115,451,950.00)

Section 19 of PPA 2007 states “Subject to regulations as may from time to time be made by the Bureau, under direction of Council, a procuring entity shall, in implementing its procurement plans : (a) advertise and solicit for bids in adherence to this Act and guidelines as may be issued by the Bureau from time to time; (b) to invite two credible persons as observers in every procurement process one person each representing a recognized ; (i) private sector professional organization whose expertise is relevant to the particular goods or service being procured, and (ii) non-governmental organization working in transparency, accountability and anti-corruption areas, and the observers shall not intervene in the procurement process but shall have right to submit their observation report to any relevant agency or body including their own organizations or associations; (c) receive, evaluate and make a selection of the bids received in adherence to this Act and guidelines as may be issued by the Bureau from time to time; (d) obtain approval of the approving authority before making an award."

Audit observed that:

i. The sum of 115,451,950.00 (One hundred and fifteen million, four hundred and fifty-one thousand, nine hundred and fifty naira) was expended on procurements during the year without regard to due process as prescribed in the Public Procurement Act, 2007; and

ii Staff members and friends were engaged in constructions, purchases and production of items for the Secretariat instead of awarding them to competent contractors.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Diversion of government fund.
ii. Loss of government revenue.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the payment of the sum of 115,451,950.00 (One hundred and fifteen million, four hundred and fifty-one thousand, nine hundred and fifty naira) to officers

of the Secretariat for constructions, purchases and production of items that should have been awarded as contracts; and

ii. Otherwise, apply sanctions relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 2: FOREIGN TRAVELS WITHOUT EVIDENCE OF TRAVEL AND APPROVAL FROM HEAD OF SERVICE OR SECRETARY TO THE GOVERNMENT OF THE FEDERATION (= 56,062,041.00)

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:

i. Twenty six (26) payment vouchers amounting to 56,062,041.00 (Fifty six million, sixty-two thousand and forty-one naira) were raised in favour of Officers of the Social Development Secretariat between March and September 2019 for International trips to attend trainings, workshops, conferences and other foreign engagements without approvals from the Head of Civil Service of the Federation or Secretary to the Government of the Federation; and

ii. Evidence of travels such as copies of the invitation letter from the Organization, Immigration stamped pages in their international passports, air-tickets, or boarding pass, reports of training etc were not made available for audit.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds
ii. Payment for journey not embarked on.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the payment of 56,062,041.00 (Fifty six million, sixty-two thousand and forty-one naira) to Officers of the Social Development Secretariat for International trips to attend trainings, workshops, conferences and other foreign engagements without approvals from the Head of Civil Service of the Federation or Secretary to the Government of the Federation;

ii. Recover and pay back to government purse, the sum of 56,062,041.00 (Fifty six million, sixty-two thousand and forty-one naira), forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment and poor cash management in paragraphs 3106 and 3115 of the Financial Regulations, respectively.

ISSUE 3: UNACCOUNTED PAYMENTS TO STAFF (= 28,656,000.00)

Paragraph 713 of the Financial Regulations states, "Personal money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a 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:

i. Three (3) payments amounting to 28,656,000.00 (Twenty-eighty million, six hundred and fifty-six thousand naira) were made in favour of three (3) officers of the Social Development Secretariat between July and December 2019 for curbing the menace of beggars and commercial sex workers; situating toilet facilities for Lepers at Yangoji settlement and for co-hosting of half marathon with ECOWAS; and

ii. The attached supporting documents were not related to purported expenses incurred as stated on the payment vouchers:

(a) Payment of 12,553,500.00 (Twelve million, five hundred and fifty-three thousand, five hundred naira) vide PV number AD/575/19 dated 30/12/2019 for curbing of menace of beggars was irregularly changed to "payment as arrears of personal allowance" in the e-payment schedule. This means that the advance was directly expensed and not to be accounted for.

(b) Payment of 4,302,500.00 (Four million, three hundred and two thousand, five hundred naira) vide payment voucher number AD/309/19 dated 8/7/2019 for situating toilet facility for Lepers at Yangoji Settlement was retired with receipts for evacuation of pit latrine.

(c) Payment of 11,800,000.00 (Eleven million, eight hundred thousand naira) vide payment voucher number AD/567/19 dated 9/12/2019 for co-hosting of Marathon Race with ECOWAS contained no letter from ECOWAS Commission and payment was made on 8/10/2019 before Payment voucher was raised on 9/12/2019.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response
No response

Recommendations
The Secretary is requested to:

i. Justify what the payment of 28,656,000.00 (Twenty-eighty million, six hundred and fifty-six thousand naira) was meant for.

ii. Explain why curbing of menace of beggars was irregularly changed to “payment as arrears of personal allowance" in the e-payment schedule;

iii. Furnish reasons why situating toilet facility for Lepers at Yangoji Settlement was retired with receipts for evacuation of pit latrine;

iv. Produce letter from the ECOWAS Commission on co-hosting of Marathon Race with ECOWAS.

v. Refund and payback to the Treasury the sum of 28,656,000.00 (Twenty-eighty million, six hundred and fifty-six thousand naira), forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

vi. Otherwise, apply sanctions relating to irregular or wrong payment and poor cash management as specified in paragraphs 3106 and 3115 of the Financial Regulations, respectively.

ISSUE 4: CIRCUMVENTION OF PROCUREMENT PROCEDURES (= 386,886,005.00)

Treasury Circular Ref. No. TRY/A2&A3/2013 OAGF/CAD/026/V.1/188 of 9th April, 2013 states “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.” Furthermore, paragraph 1420 of the Financial Regulations states “It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered.”

Audit observed that:

i. One hundred and forty-one (141) cash advances totalling 386,886,005.00 (Three hundred and eighty-six million, eight hundred and eighty six thousand, five naira) were granted to officers of the Secretariat for various transactions such as purchases, fumigation, events, programmes and other activities, in excess of the approved threshold of 200,000.00; and

ii. These advances remained outstanding as at 31st December 2019.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of revenue to government.

ii. Deprive the government the opportunity of channelling funds to the informal sector to stimulate economic activities and growth.

Management's Response
No response

Recommendations
The Secretary is requested to:
i. Justify the payment of cash advances totalling 386,886,005.00 (Three hundred and eighty-six million, eight hundred and eighty six thousand, five naira) to Officers; and

ii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 5: E-PAYMENT VIOLATION (= 12,150,000.00)

Paragraph 613 of the Financial Regulations (FR) states "Payments shall be made only to the persons named in the vouchers or their properly authorised representatives. Paying Officers must satisfy themselves that the person claiming the payment is the person authorised to receive the amount and it is the duty of the ministry, extra-ministerial office and other arms of Government authorising payment to furnish proof of identity if required." Furthermore, establishment circular on E-Payment Policy, Ref. No TRY/A8/B8/2008 states "money should be paid to individual beneficiaries through their personal bank accounts."

Audit observed that:
i. Four (4) payments amounting to 12,150,000.00 (Twelve million, one hundred and fifty thousand naira) approved for FCT Unity Children Home, Gwako, was paid to some officers of the Secretariat; and

ii. The above payment contravened the e-payment policy of the federal government.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks
i. Diversion of public funds
ii. Difficulty in funding budget

Management's Response
No response.

Recommendations
The Secretary is requested to:
i. Justify the payment of 12,150,000.00 approved for FCT Unity Children home to officers of the Secretariat;

ii. Account for the sum of 12,150,000.00 (Twelve million, one hundred and fifty thousand naira) paid to persons other than the original beneficiaries stated in the payment vouchers;

iii. Recover the sum of 12,150,000.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to gross misconduct as specified in paragraph 3129 of the Financial Regulations.

ISSUE 6: PAYMENT TO STAFF WITHOUT PROOF OF PERFORMANCE (= 15,360,000.00)

Paragraph 415 of the Financial Regulations 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;

i. That three (3) payments amounting to 15,360,000.00 (Fifteen million, three hundred and sixty thousand naira) were made to two (2) officers of the Secretariat as cash advances for onward distribution to families with multiple births, support for less privileged children in the period of ramadan and palliative to disabled persons in Karamajiji;

ii. The above practice is contrary to e-payment guidelines which requires all due claims to beneficiaries to be disbursed through their bank accounts for transparency of transactions; and

iii. Evidence of receipt (acknowledgment) from these purported beneficiaries was not made available at the time of audit.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of public funds
ii. Difficulty in funding budget

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the disbursement of 15,360,000.00 to two (2) officers of the Secretariat.

ii. Recover the full amount of 15,360,000.00 and refund same to the Treasury.

iii. Forward evidence of payment to Public Accounts Committees of the National Assembly.

iv. Otherwise, apply sanctions relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 7: IRREGULAR PAYMENT FOR TRAINING, WORKSHOP, CONFERENCE WITHOUT EVIDENCE OF ATTENDANCE (= 27,000,600.00)

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;

i. The Secretariat made payments totalling 27,000,600.00 (Twenty-seven million and six hundred naira) to members of staff of the Secretariat to attend training, workshop, conference and the other activities without any evidence or certificate of attendance to authenticate the geniuness of the activities; and

ii. The expenditure could not be accepted as a legitimate charge to treasury and is therefore disallowed.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds.
ii. Payment for trainings and workshops not done.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the payment of 27,000,600.00 for staff training and workshop without evidence of attendance and execution;

ii. Recover the sum of 27,000,600.00 and pay back to the Treasury;

iii. Forward evidence of payment to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 8: STORE ITEMS NOT TAKEN ON LEDGER CHARGE (= 26,820,900.00)

Paragraph 2402(ii) of the Financial Regulations states "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:

i. Store items amounting to 26,820,900.00 (Twenty-six million, eight hundred and twenty thousand, nine hundred naira) were claimed to have been procured but was not taken on store charge;

ii. Store Receipt Vouchers (SRVs) and Store Issued Vouchers (SIVs) were not raised and Store Ledger was not updated; and

iii. No store existed in the Secretariat.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds.
ii. Payment for items not supplied.
iii. Difficulty in funding budget.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Account for the sum of 26,820,900.00 (Twenty-six million, eight hundred and twenty thousand, nine hundred naira) being payment for items claimed to have been procured but not taken on store ledger charge; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 9: NON-RETIREMENT OF CASH ADVANCES (= 679,380,546.00)

Paragraph 1420 of the Financial Regulation states "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Cash advances amounting to 679,380,546.00 (Six hundred and seventy-nine million, three hundred and eighty thousand, five hundred and forty-six naira) were

granted to officers of the Secretariat to carry out various activities;

ii. These advances were not retired as at the time of the audit inspection; and

iii. Some officers had more than one outstanding cash advances that were not retired before being granted subsequent ones. This is a contravention of the extant rules.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds.
ii. Diversion of funds to purposes other than the intended.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the granting of cash advances in the sum of 679,380,546.00 which were not retired as at the time of audit;

ii. Recover and refund to the Treasury, the sum of 679,380,546.00;

iii. Forward evidence of payment to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to poor cash management and non-retirement of advances in paragraphs 3115 and 3124 of the Financial Regulations, respectively.

ISSUE 10: 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 "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." Furthermore, paragraph 601 of the Financial Regulations 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 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:

i. Thirteen (13) payments totalling 91,912,000.00 (Ninety-one million, nine hundred and twelve thousand naira) were made to three (3) staff of the Secretariat without raising payment vouchers contrary to extant regulations which forbid the payment

for goods and services without raising a payment voucher; and

ii. The payments did not go through prepayment audit by the internal audit contrary to the extant regulation which requires 100% prepayment audit to be carried out in all checked and passed vouchers before payments are effected.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds
ii. Payment of unapproved expenditure
iii. Difficulty in funding budget

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the payments of 91,912,000.00 without raising payment vouchers;

ii. Recover and refund the sum of 91,912,000.00 to the Treasury;

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 11: PAYMENT OF PUBLIC FUND TO PERSONAL BANK ACCOUNTS OF STAFF (= 147,443,900.00)

Paragraph 713 of the Financial Regulations states, "Personal money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a 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:

i. The sum of 147,443,900.00 (One hundred and forty-seven million, four hundred and forty-three thousand, nine hundred naira) was, between May and December 2019, paid to the personal bank accounts of Heads of Departments who are Directors, as cash advances to carry out official activities in their respective departments; and

ii. The payments were done from the headquarters in FCTA into individual bank accounts as against the official Secretariat bank account, contrary to the extant regulation quoted above.

The above anomalies could be attributed to weaknesses in the internal control system at FCT Social Development Secretariat.

Risks

i. Loss of government funds.
ii. Diversion of funds.
iii. Difficulty in funding budget.

Management's Response

No response

Recommendations

The Secretary is requested to:

i. Justify the payment of public funds amounting to 147,443,900.00 to the personal bank accounts of Directors/Heads of Departments, as cash advances to carry out official activities in their respective departments;

ii. Account for the sum of 147,443,900.00, otherwise recover it and refund same to the Treasury;

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to poor cash management in paragraph 3115 of the Financial Regulations.

KUJE AREA COUNCIL

At Kuje Area Council, the following observations were made:

ISSUE 1: PREMATURE SCRAPPING OF ASSETS-MOTOR VEHICLES (= 91,725,000)

Section 56(1) of the Public Procurement Act 2007 states **"**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." Furthermore, Section 55(3) of the Public Procurement Act 2007 states "The open competitive bidding shall be the primary source of receiving offers for the purchase of any public property offered for sale."

Audit observed the following:

i. Between May 2017 and January 2018, the Area Council paid a supplier the sum of 91,725,000.00 (Ninety-one million, seven hundred and twenty-five thousand naira) for the purchase of 3 vehicles namely; Toyota Prado TXL (Pick-Up) model

2013, chasis number: JTEBX9F7EK168928, purchased on 2/1/2018; Toyota Camry (Saloon) 2017 model, chasis number: JTNBIIHK9J3006666965 and purchased on 23/5/2017 Toyota Corolla XSE (Saloon) 2017 model, chasis number: SYFBURH8HD734503723;

ii. During the physical verification, it was revealed that the vehicles were not available in the premises of the Council;

iii. The vehicles were disposed to the Ex- Chairman, the Ex-Vice Chairman and the Ex-Speaker at a ridiculously low amount when compared with the actual cost; and

iv. The Toyota Prado TXL (Pick-Up) model 2013 purchased in 2018 at a cost of 37,800,000.00 (Thirty- seven million eight hundred thousand naira) was sold to the Ex-Chairman at a give away price of 3,716,122.00 (Three million seven hundred and sixteen thousand one hundred and twenty-two naira) after one and half years of usage, while the Toyota Camry (Saloon) 2017 model purchased in May 2017 at a cost of 30,973,000.00 (Thirty million nine-hundred and seventy-three thousand naira) was sold to the Ex-Vice Chairman at a give away price of 4,913,024.00 (Four million nine hundred and thirteen thousand and twenty-four naira) after 2 years and 3 months of usage and also the Toyota Corolla XSE (Saloon) 2017 model purchased in May 2017 at a cost of 22,950,000.00 (Twenty-two million nine hundred and fifty thousand naira) was sold to the Ex-Speaker at a give away price of 3,700,568.00 (Three million seven hundred thousand five hundred and sixty-eight naira) after 2 years and 3 months of usage.

The above anomalies could be attributed to weaknesses in the internal control system at Kuje Area Council.

Risks

i. Public property could be scrapped prematurely at very ridiculous rate
ii. Loss of government funds.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Recover the vehicles from the former Chairman, the former Vice Chairman and the former Speaker and forward evidence of recovery to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanction relating to premature scrapping of assets and sale at low prices in paragraph 3114 of the Financial Regulations.

KWALI AREA COUNCIL, FEDERAL CAPITAL TERRITORY

At the Kwali Area Council, the following observations were made:

ISSUE 1: CONVERSION OF GOVERNMENT VEHICLE INTO PRIVATE USE – (= 20,900,000.00)

Paragraph 112 (d) of the Financial Regulations requires Accounting Officer to among other duties ensure the safety and proper maintenance of all government assets under his care. Also, Paragraph 2002 of the Financial Regulations states "Official transport is to be used on all occasions to facilitate government business but shall not be used for private journeys."

Audit observed from the review of the Council's bank statements and bank mandates that:

i. The sum of 20,900,000.00 (Twenty million nine hundred thousand naira) was paid to a contractor, as part payment, for the acquisition of a Toyota Hilux vehicle for the official use of the past Chairman of the Council through payment mandate number 0428 of 9th October, 2018 via the account maintained by the Council with Fidelity Bank Plc with account number 1005648516;

ii. File for the acquired vehicle was not made available by the relevant officials of the Council for audit review;

iii. The Council failed to provide the relevant payment vouchers, store documents, supplier's delivery note and other relevant documents with respect to the vehicle; and

iv. Physical verification of official vehicles owned by the Council revealed that the acquired Toyota Hilux vehicle is no longer within the Council's possession.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Loss of government asset.
ii. Diversion of public fund for personal use
iii. Conversion of public assets into personal use without payments for the value of the vehicle.

Management's Response

No response.

Recommendations

The Honourable Chairman is requested to:

i. Provide the full documents relating to the procurement of the Hilux vehicle to the Public Accounts Committees of the National Assembly;

ii. Recover the Toyota Hilux vehicle;

iii. In the absence of the above, refund the sum of 20,900,000.00 (Twenty million nine hundred thousand naira) back to chest, forwarding evidence of refund to the Public Accounts Committees of the National Assembly for verification; and

iv. Otherwise, apply sanctions relating to failure to collect government assets after payment and failure to pay for use of government property in paragraphs 3109 and 3113 of the Financial Regulations, respectively.

ISSUE 2: PAYMENTS TO NON-EXISTING BENEFICIARIES- (= 82,005,487.38)

Paragraph 112(f) of the Financial Regulations requires that Accounting Officers should, among other duties, ensure proper accounting for all public moneys received and expended.

Audit observed from the review of the Council's Zenith Bank Account Numbers (1014775025 and 1015484164) for the 2018 financial year that:

i. A total of 82,005,487.38 (Eighty two million, five thousand, four hundred and eighty seven naira, thirty eight kobo) was made to (105) non-existing beneficiaries. For instance the sum of 11,923,822.55 was paid to “Fg guys CD Juarez” on 14th October, 2018. Also, the sum of N9,081,845.02 was paid to “Is Hf ND us” on 7th March, 2018. And in another instance, the sum of (8,659,689.77) was paid to “VVVVVVVVVVVVVVVV” on 5th June, 2018; and

ii. The purposes of the payments could not be substantiated.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Connivance between the bank and the Council to deliberately conceal the real identity of the beneficiaries with the intent to embezzle public fund.

ii. Diversion of public funds into private accounts.

iii. Misappropriation of public fund.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 82,005,487.38 paid to the unsubstantiated beneficiaries;

ii. Recover and remit to chest, the sum of 82,005,487.38 and forward evidence of the remittance to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to wrong or irregular payments in paragraph 3106 of the Financial Regulations.

ISSUE 3: PAYMENTS WITHOUT JUSTIFICATION- (= 124,239,614.27)

Paragraph 601 of the Financial Regulations 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." Furthermore, paragraph 713 of the Financial Regulation states "Personal money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a private bank account. An officer who pays public money into a private account is deemed to have done so with fraudulent intention."

Audit observed from the Council's Zenith Bank Account Numbers (1014775025 and 1015484164) for 2018 financial year that:

i. One hundred and eight (108) payments amounting to 124,239,614.27 (One hundred and twenty four million two hundred and thirty nine thousand, six hundred and fourteen naira twenty seven kobo) were made to different persons;

ii. Payment vouchers for these payments were not made available for audit review; and

iii. The purpose for these payments could not be ascertained by the audit as there were no narrations in the bank statements as to why these payments were made.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Diversion of public funds into private hands.
ii. Non accountability for public fund.
iii. Loss of public fund.

Management's Response

No response.

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 124,239,614.27 paid to different beneficiaries without justification; or

ii. Recover and remit to chest, the sum of 124,239,614.27 (One hundred and twenty four million two hundred and thirty nine thousand six hundred and fourteen naira twenty seven kobo), forwarding evidence of the remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanction relating to wrong or irregular payments in paragraph 3106 of the Financial Regulations.

ISSUE 4: FAILURE TO PROVIDE POLICY FILES ON CAPITAL PROJECTS/ FACILITIES (= 665,871,098.85)

Section 85(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states in part that "The public accounts 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…"

Audit observed from the review of list of on-going projects, bank statements and bank mandates that:

i. There were at least 34 capital projects/facilities maintained by the Council in 2018 financial year with a minimum contract sum of 665,871,098.85 (six hundred and sixty five million eight hundred and seventy one thousand ninety eight naira eighty five kobo);

ii. The council failed to provide policy files, status reports, and summary of sheet of payments made on these projects/facilities as at the end of 2018 financial year that would have helped in ascertaining the actual value of the contracts; and

iii. The Council did not avail the Audit the opportunity to inspect the projects/facilities for which public funds were expended in other to ascertain the existence of these projects/facilities and assess if there were value for money on funds expended.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Payments may be made for contracts not executed.
ii. Diversion of public fund.
iii. Standards specified in the contract agreement may be compromised.
iv. Procurement process might not be followed.

Management's Response

No response.

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 665,871,098.85 expended with respects to 34 capital projects/facilities;

ii. Forward the relevant policy files for these projects/facilities to the Public Accounts Committees of the National Assembly; or

iii. Recover public funds paid with respect to these projects/facilities and remit same to the Treasury, forwarding evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanction relating to payment for jobs not executed in paragraph 3104 (iii) of the Financial Regulations.

ISSUE 5: DIVERSION OF COUNCIL'S INTERNALLY GENERATED REVENUE (IGR) INTO PRIVATE ACCOUNTS OF SOME STAFF (=₦7,620,000.00)

Paragraph 213 (ii) of the Financial Regulations states “On no account shall any withdrawal be made from the revenue account other than for the purpose of transfer to the consolidated account.” Furthermore, paragraph 713 of the Financial Regulations states “Personal money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a private bank account. An officer who pays public money into a private account is deemed to have done so with fraudulent intention.” Similarly, paragraph 601 of the Financial Regulations 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 from the review of Council's revenue bank statements, cashbooks, payments vouchers and other relevant documents that:

i. The Council used ACE Micro Finance Bank with account number 0059532210 and FCT Microfinance Bank Limited with account number 1100120903 for collection of IGR:

ii. The Council failed to transfer its IGR to a central account;

iii. A cumulative sum of 7,620,000.00 (Seven million six hundred and twenty thousand naira) were paid into the private accounts of some Council's staff from the revenue bank accounts; and

iv. There were no payment vouchers, or bank mandates to ascertain the purpose(s) of the withdrawals nor the authority to make such payments.

These may be attributable to weakness in the internal control system put in place by

management of the Council.

Risks
i. Diversion of public funds.
ii. Loss of government revenue.
iii. Extra budgetary payments.

Management's Response
No response.

Recommendations
The Honourable Chairman is requested to:
i. Account for the sum of 7,620,000.00 (Seven million six hundred and twenty thousand naira), being internally generated revenue paid to private individuals;

ii. Recover and pay to chest, the sum of 7,620,000.00 (Seven million six hundred and twenty thousand naira) and evidence of recovery and payment should be forwarded to Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to failure to collect and account for government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 6: NON-RETIREMENT OF CASH ADVANCES (= 476,309,012.76)

Paragraph 1420 of the Financial Regulations states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered/accounted for."

Audit observed that a total of 492 cash advances granted to various staff of the Council, totalling 476,309,012.76 (Four hundred and seventy six million three hundred and nine thousand twelve naira seventy six kobo) were yet to be retired.

This may be attributable to weakness in the internal control system put in place by management of the Council.

Risks
i. Diversion of public funds.
ii. Advances may not be used for the purposes for which they were granted.

Management's Response
No response.

Recommendations
The Honourable Chairman is requested to:
i. Recover and remit to chest, the sum of 476,309,012.76 (Four hundred and seventy six million three hundred and nine thousand, twelve naira seventy six kobo) and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanction relating to non-recovery of cash advances in Paragraph 3118 of the Financial Regulations.

ISSUE 7: PAYMENTS MADE WITHOUT APPROVAL (= 949,442,349.31)

Paragraph 601 of the Financial Regulations 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:

i. The Council maintained accounts with the following banks through which it made payments in 2018 financial year. The accounts are: Zenith Bank with account numbers 1014775025 and 1015484164; UBA with account number 1005648516 and Fidelity Bank with account number 5030021864), and

ii. There were 1,493 payments totalling 949,442,349.31 (Nine hundred and forty-nine million, four hundred and forty-two thousand, three hundred and forty-nine naira, thirty one kobo) made through the Council's bank accounts without payment vouchers, relevant support documents and basis for such payments nor evidence of approval for the payments by the appropriate authority during 2018 financial year.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Diversion of public funds.
ii. Extra budgetary spending.
iii. Payment for goods not delivered and services not rendered.
iv. Misappropriation of funds.

Management's Response

No response.

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 949,442,349.31 (Nine hundred and forty nine million four hundred and forty two thousand three hundred and forty nine naira thirty one kobo); or

ii. Recover and pay to chest, the sum of 949,442,349.31 (Nine hundred and forty nine million four hundred and forty two thousand three hundred and forty nine naira thirty one kobo) and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to poor management of cash and irregular or wrong payment in paragraphs 3115 and 3106 of the Financial Regulations, respectively.

ISSUE 8: PAYMENTS MADE WITHOUT BANK MANDATES AUTHORIZING THE PAYMENTS (= 279,174,641.94)

Paragraph 714 of the Financial Regulations states "Where a Bank account is kept, only sufficient cash to meet small payments shall be allowed while all payments should be made by cheques. On no account shall contract payments be made by cash."

Audit observed that:

i. The Council used bank mandates, in replacement for cheques, to authorise its bankers to make payments from its bank accounts, and

ii. There were 487 payments amounting to 279,174,641.94 (Two hundred and seventy nine million one hundred and seventy four thousand six hundred and forty one naira ninety four kobo) made by the Council, during year 2018, through its banks without payment vouchers or bank mandates to support the requisite authority to make such payments.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Diversion of public funds.
ii. Extra budgetary spending.
iii. Misappropriation of public funds.
iv. Irregular payments or payments without appropriate authority.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 279,174,641.94 (Two hundred and seventy nine million one hundred and seventy four thousand six hundred and forty one naira ninety four kobo),

ii. Recover and remit to chest, the sum of 279,174,641.94 (Two hundred and seventy nine million one hundred and seventy four thousand six hundred and forty one naira ninety four kobo) and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to poor management of cash and irregular or wrong payment in paragraphs 3115 and 3106 of the Financial Regulations, respectively.

ISSUE 9: NON ACCOUNTABILITY FOR SECURITY ALLOWANCE COLLECTED BY THE COUNCIL'S CHAIRMAN (= 60,000,000.00)

Paragraph (d) of the Extant Circular on "Approval for the implementation of the resolutions adopted at the inaugural meeting of honourable minister of state, FCT and the chairmen of FCT area councils held on Thursday, 9th August, 2007 in the honourable minister's conference room" dated 21st August, 2007 with reference FCTA/AC/5/S.16 states "That in a bid to effectively curb the rising crime wave in the FCT, the Monthly Security Allowance for each of the six (6) Area Councils has been increased from 2,000,000.00 (Two million naira) currently maintained by each Area Council to the sum of 5,000,000.00 (Five million naira) That the money should be properly utilised and accounted for."

Audit observed that:

i. The Executive Chairman of the Council collected a total of 60,000,000.00 (Sixty million naira) as security allowance during 2018 financial year, and

ii. The Executive chairman of the Council failed to account for the collected security allowance as required by the Extant circular authorising the payment.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Abuse of scarce public funds.
ii. Loss of public funds.
iii. Diversion of public funds.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 60,000,000.00 (Sixty million naira) paid as security allowance;

ii. Recover and remit to chest, the sum of 60,000,000.00 (Sixty million naira) and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly; and

iii. Otherwise, sanction prescribed in paragraph 3115 of the Financial Regulations on failure to manage or spend public funds effectively or who spends public money without due regard to economy should apply.

ISSUE 10: UNSUBSTANTIATED SECURITY PAYMENTS (= 26,800,000.00)

Paragraph 415 of the Financial Regulations requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted. Furthermore, paragraph 713 of the Financial Regulations states "Personal

money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a private bank account. An officer who pays public money into a private account is deemed to have done so with fraudulent intention."

Audit observed from the review of the Council's bank statements, payment vouchers and retirement vouchers that:

i. Sixteen (16) payments were made between 18th April, 2018 to 27th December, 2018 to a staff of the Council totalling 26,800,000.00 (Twenty six million eight hundred thousand naira).

ii. The staff purportedly received the payments on behalf of persons who could not be accounted for in violation of E-payment policy which requires every public establishment to pay beneficiaries of any payments from public funds directly and not by proxy, and

iii. No valid authority for the payments to the staff was presented to the audit to ascertain the validity of the payment.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Diversion of public funds into private account
ii. Misappropriation of public funds
iii. Extra budgetary spending
iv. Irregular payments or payments without appropriate authority

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 26,800,000.00 (Twenty six million eight hundred thousand naira),

ii. Recover and remit to chest, the sum of 26,800,000.00 (Twenty six million eight hundred thousand naira) and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to poor management of cash and irregular or wrong payment in Paragraphs 3115 and 3106 of the Financial Regulations, respectively.

ISSUE 11: CIRCUMVENTION OF PROCUREMENT PROCEDURES (= 1,036,201,623.38)

Paragraph 3 of Treasury Circular Ref. No. TRY/A2 & 82/2009/OAGF/CAD/026/V of 24th March, 2009 requires that all procurement of stores and services exceeding 200,000.00 shall be made only through the award of contract. Furthermore, paragraph 2302 (ii) of the Financial Regulations states "On no account shall special imprest or cash advance be used in place of Local Purchase Order (LPO) or job order of the procurement of stores locally."

Audit observed that:

i. The Council granted cash advances totalling 1,036,201,623.38 (One billion thirty six million two hundred and one thousand six hundred and twenty three naira thirty eight kobo) to 754 beneficiaries that were above the threshold of 200,000.00 (Two hundred thousand naira) for 2018 financial year; and

ii. These cash advances deprived the relevant tax authorities of chargeable taxes amounting to 103,620,162.34 if the services and goods paid for went through procurement processes.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Possibility of theft and collusion.
ii. Loss of government revenue
iii. Misappropriation of public funds

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Justify the contravention of the provisions of Extant Circular No TRY/A2 & 82/2009/OAGF/CAD/026/V of 24th March, 2009 and paragraph 2302 (ii) of the Financial Regulations by granting cash advances above the prescribed limit; and

ii. Otherwise, apply sanctions relating to irregular or wrong payment and failure to collect and account for government revenue of 103,620,162.34 in paragraphs 3106 and 3112 of the Financial Regulations, respectively.

ISSUE 12: UNJUSTIFIED PAYMENTS FOR LEGAL SERVICES (= 8,250,000.00)

Section 85(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states in part that "The public accounts 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…" Also, paragraph 415 of the Financial Regulations requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted. In addition, paragraph 713 of the Financial Regulations states "Personal money shall in no circumstances be paid into a government bank account, nor shall any public money be paid into a 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:

i. There were six (6) payments made between 7th March, 2018 and 12th December, 2018 for purported legal services to a firm totalling 8,250,000.00 (Eight million two hundred and fifty thousand naira).

ii. Policy file on the retained firm was not made available. Also, there was no record(s) of the services provided by the firm, or any legal advice provided, and

iii. There was no record or explanation provided to the audit team to justify that the Council got value for money from the engagement of the external solicitor.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Payment for services not executed.
ii. Waste of scarce funds.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 8,250,000.00 (Eight million, two hundred and fifty thousand naira) paid for legal services;

ii. Forward the relevant policy files for these projects/facilities to Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to poor management of cash and irregular or wrong payment in paragraphs 3115 and 3106 of the Financial Regulations, respectively.

ISSUE 13: UNSUBSTANTIATED PAYMENTS FOR MANAGEMENT FEE AND 'COST STAMP LOAN' IN THE BANK STATEMENTS (= 1,325,000.00)

Section 85(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) states in part that "The public accounts 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…" Also, paragraph 601 of the Financial Regulations 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 from the review of the Council's bank statements that:

i. The Council made payments from its Zenith bank account with Account Number 1014775025 on 20th August, 2018 for "VAT on management fee"- 50,000.00 (Fifty thousand naira) and "Management fee"- 1,000,000.00 (One million naira). Payment for "Kwali Area Council cost of stamp loan" 275,000.00 (Two hundred and seventy five thousand naira), thereby resulting in a total of 1,325,000.00 (One million three hundred and twenty five thousand naira);

ii. There was no payment voucher or bank mandate authorising these payments;

iii. No record or documents were provided to the audit team to justify these payments;

iv. Request for details, proceeds and records on potential credit facility/loan obtained from the bank in relation to the payments, if any, were not attended to by the Council; and

v. The records on the utilization of the credit facility, if any, was equally not made available to the audit team.

These may be attributable to weakness in the internal control system put in place by management of the Council.

Risks

i. Diversion of public funds.
ii. Extra budgetary spending.
iii. Concealment of possible credit facility for audit review.

Management's Response

No response

Recommendations

The Honourable Chairman is requested to:

i. Account for the sum of 1,325,000.00 (One million, three hundred and twenty five thousand naira) or proceeds from the obtained credit facility, if any;

ii. Recover and remit to chest the sum of 1,325,000.00 (One million three hundred and twenty five thousand naira) or proceeds from the obtained credit facility, if any, and evidence of remittance should be forwarded to Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to poor management of cash and irregular or wrong payment in paragraphs 3115 and 3106 of the Financial Regulations, respectively.

SATELLITE TOWNS DEVELOPMENT DEPARTMENT

At the Satellite Towns Development Department (STDD), the following observations were made:

ISSUE 1: AWARD OF NEW PROJECTS DESPITE HUGE UNSETTLED CAPITAL PROJECTS OUTSTANDING LIABILITY (= 44,639,997,892.37)

Section 16(ii) of Public Procurement Act 2007 states “subject to any exemption allowed by this Act, all public procurement shall be conducted 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."

Audit observed that:

i. Thirty six (36) capital projects had outstanding liability totaling 44,639,997,892.37 (Forty-four billion, six hundred and thirty-nine million, nine hundred and ninety-seven thousand, eight hundred and ninety-two naira and thirty-seven kobo) as at 1st June, 2018;

ii. This is contrary to the Federal Government directives on contracts and Public Procurement Act which requires that there should be availability of funds before award of contracts; and

iii. While the huge amount was still outstanding, STDD management contracted sixty-one (61) new jobs, twenty-five (25) undergoing procurement processes, and another twenty (20) projects at between 80% -100% completion rate which were yet to be paid for.

The above anomalies could be attributed to weaknesses in the internal control system at Satellite Towns Development Department.

Risks

i. Exposure to litigation emanating from high debt.
ii. Unauthorized increase in expenditure
iii. Loss of government fund.

Management's Response

No response

Recommendations

The Director is requested to:

i. Justify the award of contracts without ensuring that funds are available to meet the obligations which resulted in non-settlement of this huge liability of 44,639,997,892.37 (Forty-four billion six hundred and thirty-nine million nine hundred and ninety-seven thousand eight hundred and ninety-two naira and thirty-seven kobo); and

ii. Otherwise, apply sanctions relating to irregular award of contract in paragraph 3117 of the Financial Regulations.

SECTION 5

FEDERAL MEDICAL CENTRES AUDIT DEPARTMENT

FEDERAL MEDICAL CENTRE, BIRNIN KEBBI

At the Federal Medical Centre, Birnin Kebbi, the following observations were made:

ISSUE 1: UNREMITTED 25% NON-REVOLVING INTERNALLY GENERATED REVENUE (= 4,203,257.75)

The Federal Ministry of Finance Circular Reference Number: BO/RVE/12235/259/VII/201 dated 11th November 2011 states "…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 that:

i. The sum of 16,813,031.00 (Sixteen million, eight hundred and thirteen thousand, thirty-one naira) was generated as Non-Revolving Internally Generated Revenue (IGR) in 2018, and

ii. There was no evidence of remittance of 25% of the IGR amounting to 4,203,257.75 (Four million, two hundred and three thousand, two hundred and fifty-seven naira, seventy-five kobo) by the Centre as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Birnin Kebbi.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

The whole of 25% was remitted accordingly as per attached evidence. The visitors from Accountant General Office also confirmed.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why 25% of IGR was not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 4,203,257.75 (Four million, two hundred and three thousand, two hundred and fifty-seven naira, seventy-five kobo) plus all accrued interest to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue stated in paragraph 3112 of the Financial Regulations.

ISSUE 2: UNREMITTED INTERNALLY GENERATED REVENUE FROM HOSPITAL SERVICES (= 6,184,107.50)

The Federal Ministry of Finance Circular Reference Number: BO/RVE/12235/259/VII/201 dated 11th November 2011 states "...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 that:

i. The Centre generated a total of 24,736,430.00 (Twenty-four million, seven hundred and thirty-six thousand, four hundred and thirty naira) in 2018 from hospital services rendered during the year.

ii. The amount, which comprised of Consultation fee, Hospital cards, Ante-Natal Care, Birth and Death Certificates ought to have been included as part of the non-revolving fund, from which the sum of 6,184,107.50 (Six million, one hundred and eighty-four thousand, one hundred and seven naira, fifty kobo) should have been remitted to treasury, being Federal Government's 25% share, and

iii. The amount was however categorized under revolving fund, and as result, the Federal Government was deprived of the sum of 6,184,107.50 (Six million, one hundred and eighty-four thousand, one hundred and seven naira, fifty kobo), being its 25% share.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Birnin Kebbi.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

Hospital services is part of our revolving fund and all the items under hospital services were remitted as when due as per attached analysis for the four quarters in 2018. We have no outstanding unremitted 25% IGR.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why 25% of IGR was not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 6,184,107.50 (Six million, one hundred and eighty-four thousand, one hundred and seven naira, fifty kobo) plus all accrued interest to Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue stated in paragraph 3112 of the Financial Regulations.

FEDERAL MEDICAL CENTRE NGURU, YOBE STATE.

At the Federal Medical Centre Nguru, the following observations were made:

ISSUE 1: NON- DEDUCTION OF 1% STAMP DUTY (= 3,074,006.60)

Treasury Circular Ref. No. OAGF/CAD/026/V11/390 of 29th December, 2015 states "Government has observed the non-compliance with some of the provisions of the Stamp Duty Act CAP.S8 LFN 2004 by most Ministries, Department and Agencies (MDA) especially in respect of the deduction and remittance of 1% stamp duty on contract Agreement as specified in the schedule to the Act..."

Audit observed that the Centre failed to deduct 1% stamp duties totalling 3,074,006.60 (Three million, seventy-four thousand, six naira and sixty kobo) on payment for contracts awarded in 2018.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Medical Centre Nguru.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

The Department is making sure that all taxes are charged on all payments, so also stamp duty. The Centre started deducting 1% stamp duty immediately the circular was received. The 1% stamp duty is fully deducted from the whole contract sum of a given contract at initial payment; therefore in the subsequent payments of the same contract the deductions (stamp duty) will not be seen. However, this method of deducting 1% stamp duty from the whole contract sum and 1% from instalment payments as advised by the team will give the same outcome. Against this background the method advised by the team will be adopted.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why statutory 1% stamp duty was not deducted from payment to contractors.

ii. Recover the sum of 3,074,006.60 (Three million, seventy-four thousand, six naira and sixty kobo) and remit same to the appropriate tax authorities, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

FEDERAL MEDICAL CENTRE OWO, ONDO STATE (2018 FINANCIAL YEAR)

At the Federal Medical Centre Owo, Ondo state, the following observations were made:

ISSUE 1: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS (2016 T0 2018)

Paragraph 3210(v) of the Financial Regulations 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 Centre was yet to submit its audited financial statements for the years ended 31st December, 2016, 2017 and 2018, together with management reports for the same period to the Office of the Auditor-General for the Federation as at the time of audit in February, 2020.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Government finances may not be properly accounted for.
ii. Difficulty in performance measurement of Accounting Officer.

Management's Response

On the issue of non-submission of Audited Financial Statement, as at the time of this report, draft audited Financial Statement for 2016 has been submitted by the External Auditor for Management's comments while procurement and bidding processes has been concluded for appointment of a fresh External Auditor to carry out years 2017 to 2020 Financial Statement Audit.

Recommendations

The Chief Medical Director is requested to:

i. Justify the failure to present audited financial statements for over 4 (four) years in contravention of extant regulations

ii. Prepare and submit all the overdue audited financial statements (2016-2019) without further delay, and

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 2: PAYMENT OF UNAPPROVED ACTING ALLOWANCES (= 2,848,761.58)

Paragraph 130128 of the Public Service Rules states "An officer duly authorized to act is eligible for acting allowance at the appropriate rate specified in rule 130129 and 130130

whichever is applicable from the gazetted date of commencement of his/her acting appointment to the date immediately preceding the gazetted date of termination thereof"

Audit observed that:

i. The Centre paid a total of 2,848,761.58 (Two million, eight hundred and forty-eight thousand, seven hundred and sixty-one naira, fifty-eight kobo) as Acting Allowances in 2018 to Regular Staff, and

ii. The benefited Regular Staff were also being paid on the IPPIS platform.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Diversion of public funds.
ii. Missapplication of funds
iii. Waste of government fund.

Management's Response

Owing to the management crisis that rocked the hospital between 2012 and 2014, leading to the appointment of an Interim Administrator by the Federal Ministry of Health. After the stabilization period, three principal officers were appointed in acting capacity following the Interdiction/removal of the Medical Director, Head of Administration as well as Head of Finance & Accounts.

The acting principal officers' appointments have since been substantiated and payment of acting allowance has since been discontinued after their appointments' were confirmed.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why staff who were receiving salaries through IPPIS platform were paid acting allowances.

ii. Remit 2,848,761.58 (Two million, eight hundred and forty-eight thousand, seven hundred and sixty-one naira, fifty-eight kobo) to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 3: PAYMENT OF 15% MOBILISATION FEE WITHOUT SUBMISSION OF ADVANCE PAYMENT GUARANTEE (APG) BY THE CONTRACTOR (= 4,350,000.00)

Paragraph 2933 (i) of the Financial Regulations states "Subject to any regulations that may be prescribed by the Bureau from time to time, a procuring entity may grant a mobilization fee which shall not exceed 15% of the contract price. The payment of mobilization fee shall be supported by, in case of national competitive bidding a guarantee issued by a reputable bank or Insurance company, and in the case of an International competitive bidding a bank guarantee issued by a reputable bank."

Audit observed that:

i. The Centre paid 15% mobilisation fee amounting to 4,350,000.00 (Four million, three hundred and fifty thousand naira) to a contractor for the renovation of old administration building, and

ii. There was no evidence to show that Advance Payment Guarantee (APG) as prescribed by extant regulations was collected from the contractor before paying the mobilization fee.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of fund to government.
ii. Payment for work not executed.

Management's Response

On the issue of payment of mobilization fee the Federal Auditor's recommendation is noted for implementation.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why mobilization fee was paid to contractor without an APG.

ii. Account for the sum of 4,350,000.00 (Four million, three hundred and fifty thousand naira).

iii. Recover the sum of 4,350,000.00 and remit same to the Treasury

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular and wrong payment and on gross misconduct stated in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 4: AWARD OF CONTRACTS ABOVE APPROVAL THRESHOLD OF THE CHIEF MEDICAL DIRECTOR (= 30,369,151.00)

Paragraph 2908 of the Financial Regulation 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:

i. The sum of 30,369,151.00 (Thirty million, three hundred and sixty-nine thousand, one hundred and fifty-one Naira) was paid in 2018 for contracts in respect of procurements and works in the Centre, and

ii. The amount of the contract was above the approval threshold of the Tender's Board.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Award to incompetent contractors.
ii. Payment for jobs not executed.
iii. Diversion of public funds.

Management's Response

On the issue of payment above approved limits, appropriate steps have been taken to correct future error.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why contracts were awarded above the approval threshold.

ii. Account for the payment of 30,369,151.00 (Thirty million, three hundred and sixty-nine thousand, one hundred and fifty-one Naira) for contracts that were above his approval threshold.

iii. Recover and remit to the Treasury, the sum of 30,369,151.00

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular award of contract and poor cash management stated in paragraphs 3117 and 3115 of the Financial Regulations, respectively.

FEDERAL MEDICAL CENTRE OWO, ONDO STATE (2019 FINANCIAL YEAR)

At the Federal Medical Centre Owo, Ondo state, the following observations were made:

ISSUE 1: NON-REMITTANCE OF 25% INTERNALLY GENERATED REVENUE (= 11,589,206.54)

The Federal Ministry of Finance Circular No: BO/REV/12235/vii/201 dated 11th November 2011, states "…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 observed that:

i. The Centre realized a total of 46,356,826.16 (Forty-six million, three hundred and fifty-six thousand, eight hundred and twenty-six naira, sixteen kobo) in 2019 financial year as non-revolving Internally Generated Revenue (IGR), and

ii. There was no evidence of remittance of 25% of the IGR amounting to 11,589,206.54 (Eleven million, five hundred and eighty-nine thousand, two hundred and six naira, fifty-four kobo) by the Centre as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of government revenue.
ii. Diversion of government fund.

Management's Response

No response

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why 25% of IGR was not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 11,589,206.54 (Eleven million, five hundred and eighty-nine thousand, two hundred and six naira, fifty-four kobo) plus all accrued interest to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue stated in paragraph 3112 of the Financial Regulations.

ISSUE 2: PAYMENT OF 15% MOBILISATION FEE WITHOUT SUBMISSION OF ADVANCE PAYMENT GUARANTEE (APG) BY THE CONTRACTOR (= 21,308,704.20)

Paragraph 2933(i) of the Financial Regulations states "Subject to any regulations that may be prescribed by the Bureau from time to time, a procuring entity may grant a mobilization fee which shall not exceed 15% of the contract price. The payment of mobilization fee shall be supported by, in case of national competitive bidding a guarantee issued by a reputable bank or Insurance company, and in the case of an International competitive bidding a bank guarantee issued by a reputable bank."

Audit observed that:

i. The sum of 21,308,704.20 (Twenty-one million, three hundred and eight thousand, seven hundred and four naira, twenty kobo) was paid to three (3) contractors in 2019 as 15% mobilisation fee for various contracts, and

ii. There was no evidence to show that Advance Payment Guarantee (APG) was obtained from the contractors as required by extant regulations before mobilization fees were paid.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of government funds
ii. payment for job not executed

Management's Response

On the issue of payment of mobilization fee the Federal Auditor's recommendation is noted for implementation.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why mobilization fees were paid to contractors without Advance Payment Guarantee (APG).

ii. Account for the sum of 21,308,704.20 (Twenty-one million, three hundred and eight thousand, seven hundred and four naira, twenty kobo).

iii. Recover the sum of 21,308,704.20 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 3: AWARD OF CONTRACTS ABOVE APPROVAL THRESHOLD OF THE CHIEF MEDICAL DIRECTOR (= 120,910,893.05)

Paragraph 2908 of the Financial Regulations 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:

i. The sum of 120,910,893.05 (One hundred and twenty million, nine hundred and ten thousand, eight hundred and ninety-three naira, five kobo) was paid in 2019 for contracts awarded in respect of procurements and works, and

ii. The contracts were soly approved by the Medical Director of the Centre without recourse to the Tender's Board which has the authority for approval as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Award of contracts to incompetent contractors.
ii. Payment for jobs not executed.
iii. Diversion of public funds.

Management's Response

On the issue of payment above approved limits, appropriate steps have been taken to correct future error.

Recommendations

The Chief Medical Director is requested to:

i. Justify the payment of 120,910,893.05 (One hundred and twenty million, nine hundred and ten thousand, eight hundred and ninety-three naira, five kobo) for contracts that were above his approval threshold.

ii. Recover the sum of 120,910,893.05 and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly.

iv. Otherwise, apply sanctions relating to irregular award and poor cash management stated in paragraphs 3117 and 3115 of the Financial Regulations respectively.

ISSUE 4: NON-DEDUCTION OF 1% STAMP DUTY FROM CONTRACTORS (= 2,258,934.59)

Paragraph 620 of the Financial Regulations provides that Receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act Cap.411). Also, Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015, paragraph 6, requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act.

Audit observed that:

i. The sum of 225,893,459.00 (Two hundred and twenty-five million, eight hundred and ninety-three thousand, four hundred and fifty-nine naira) was paid to contractors in 2019 for various contracts, and

ii. There was no evidence to show that the mandatory 1% stamp duty amounting to 2,258,934.59 (Two million, two hundred and fifty-eight thousand, nine hundred and thirty-four naira, fifty-nine kobo) was deducted from the payments to the contractors as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of government revenue.
ii. Diversion of government funds.

Management's Response

On the issue of non-deduction of stamp duty, deduction has since commenced after clarifications were sought from the Federal Inland Revenue Service as regards pharmaceutical supplies.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why statutory 1% stamp duties were not deducted from payments to contractors.

ii. Recover the sum of 2,258,934.59 (Two million, two hundred and fifty-eight thousand, nine hundred and thirty-four naira, fifty nine kobo) and remit same to appropriate tax authorities.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 5: UNRETIRED PERSONAL ADVANCES (= 11, 463,819.70)

Paragraph 1420 of the Financial Regulations states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. The sum of 11,463,819.70 (Eleven million, four hundred and sixty-three thousand, eight hundred and nineteen naira, seventy kobo) was granted to twelve (12) staff of the Centre in 2019 as cash advances.

ii. There was no evidence to show that the above amount was retired as at the time of audit in February, 2020 contrary to extant regulations, and

iii. There were cases of multiple personal advances without retiring previous advances granted to some of the staff.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of government funds.
ii. Payments for job not executed.

Management's Response

On the issue of unretired advances, the outstanding backlog of unretired advances has been cleared by the affected members of staff after the issuance of Audit Query by the centre's internal auditor.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why advances granted to staff were not retired and why additional advances were granted to those who had unretired advances against them.

ii. Account for the sum of 11,463,819.70 (Eleven million, four hundred and sixty-three thousand, eight hundred and nineteen naira, seventy kobo).

iii. Recover the sum of 11,463,819.70 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to non-retirement of advance stated in paragraph 3124 of the Financial Regulations.

ISSUE 6: PAYMENTS WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 5,298,782.00)

Paragraph 603(i) of the Financial Regulations 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:

i. The Centre made five (5) payments amounting to 5,298,782.00 (Five million, two hundred and ninety-eight thousand, seven hundred and eighty-two naira) in 2019 for various contracts, and

ii. Non of the payment vouchers had relevant supporting documents attached to it as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Owo.

Risks

i. Loss of government funds.
ii. Diversion of government funds.

Management's Response

On the issue of payment without supporting documents, Federal Auditor's recommendation is noted for implementation

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why relevant supporting documents were not attached to payment vouchers.

ii. Account for the sum of 5,298,782.00 (Five million, two hundred and ninety-eight thousand, seven hundred and eighty-two naira).

iii. Recover the sum of 11,463,819.70 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular and wrong payment stated in paragraph 3106 of the Financial Regulations.

FEDERAL MEDICAL CENTRE, YENAGOA

At the Federal Medical Centre, Yenagoa, the following observations were made:

ISSUE 1: NON REMITTANCE OF INTERNALLY GENERATED REVENUE (= 264,992,244.47)

Federal Treasury Circular No HCSF/428/S.1/120 dated 7th August, 2015, Introduction of Treasury Single Accounts (TSA) (e-Collection of Government Receipts) requires MDAs partially funded through the Federal Government Budget but generate additional revenues to pay all revenues collected into the TSA except Union Dues.

Audit observed that:

i. The sum of 251,268,359.87 (Two hundred and fifty-one million, two hundred and sixty-eight thousand, three hundred and fifty-nine naira, eighty-seven kobo) was realized by the Centre in 2018 as Internally Generated Revenue from Non-Revolving Heads.

ii. The amount collected was not remitted to the Consolidated Revenue Fund (CRF) as required by extant regulations.

iii. The sum of 13,723,884.60 (Thirteen million, seven hundred and twenty-three thousand, eight hundred and eighty-four naira, sixty kobo) was realized as independent revenue for the same period out of which no remittance was made into the CRF, and

iv. The total revenue for year 2018 not remitted into the CRF stood at 264,992,244.47 (Two hundred and sixty four million, nine hundred and ninety two thousand, two hundred and forty-four naira, forty-seven kobo) (= 251,268,359.87 + 13,723,884.60)

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Yenagoa.

Risks

i. Loss of government revenue.
ii. Diversion of public funds for private use.

Management's Response

Remittance of IGR is made regularly any outstanding is being reviewed for payment.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why internally generated revenues were not remitted to the CRF as required by extant regulations.

ii. Remit the sum of 264,992,244.47(Two hundred and sixty four million, nine hundred and ninety two thousand, two hundred and forty-four naira, forty-seven kobo) to the CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

ISSUE 2: VIOLATION OF FEDERAL GOVERNMENT E-PAYMENT POLICY (= 5,570,500.00)

Paragraph 613 of the Financial Regulations states "…Payments shall be made only to the persons named in the vouchers or their properly authorized representatives. Paying officers must satisfy themselves that the person claiming the payment is the person authorized to receive and it is the duty of the ministry, extra-ministerial office and others arms of government authorizing payment to furnish proof of identity if required…"

Audit observed that eleven (11) payments totaling 5,570,500.00 (Five million, five hundred and seventy-thousand, five hundred naira) were made in 2018 to persons other than the ultimate beneficiaries, in violation of extant regulations.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Medical Centre Yenagoa.

Risks

i. Diversion of funds.
ii. Misapplication of funds.

Management's Response

Standard e-payment rules complied with, and effort geared at always improving.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why persons paid were different from those named on the payment vouchers as required by extant regulations.

ii. Forward evidence of receipt by the rightful beneficiaries of 5,570,500.00 (Five million, five hundred and seventy-thousand, five hundred naira) to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 3: ITEMS NOT TAKEN ON STORE LEDGER CHARGE (= 143,428,919.00)

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 store keeper must certify that the store have been received and taken on charge in the stores ledger quoting the stores receipt voucher number and attaching the original copy of the stores receipt voucher to the original LPO."

Audit observed that:

i. The sum of 143,428,919.00 (One hundred and forty-three million, four hundred and twenty-eight thousand, nine hundred and nineteen naira) was spent to procure store items between 2017 and 2018 through thirty-five (35) payment vouchers, and

ii. There was no evidence like Stores Receipt Voucher (SRV) to show the items procured were taken on ledger charge as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Yenagoa.

Risks

i. Payment for items not supplied.
ii. Conversion of stores for personal use.
iii. Diversion of public funds.

Management's Response

Items are taken on store ledger charge except oversight which is to be remedied.

Recommendations

The Chief Medical Director is required to:

i. Furnish reasons why store items procured were not taken on ledger charge as required by extant regulations.

ii. Account for the sum of 143,428,919.00 (One hundred and forty-three million, four hundred and twenty-eight thousand, nine hundred and nineteen naira) expended on the supply of store items without appropriate documentation.

iii. Remit the sum of 143,428,919.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 4: NON-RETIREMENT OF CASH ADVANCES (= 19,779,590.00)

Paragraph 1405 of the Financial Regulations states “Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise.” Furthermore, 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:

i. The sum of 19,779,590.00 (Nineteen million, seven hundred and seventy-nine thousand, five hundred and ninety naira) was granted as cash advances to staff of the Centre.

ii. There was no evidence of retirement of the advances as at the time of audit in 2019 contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Yenagoa.

Risks

i. Loss of government revenue.
ii. Diversion of public funds for private use.

Management's Response

Administration advances where made are also expected to be retired accordingly knowing government rules on retirement of advances.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover the sum 19,779,590.00 (Nineteen million, seven hundred and seventy-nine thousand, five hundred and ninety naira) from the affected officials and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and surcharge prescribed by paragraphs 3118 and 3124 of the Financial Regulations, respectively.

ISSUE 5: DIRECT PROCUREMENT WITHOUT APPROVAL OF BUREAU OF PUBLIC PROCUREMENT (= 74,275,000.00)

Paragraph 2937 of the Financial Regulations requires that a certificate of "No Objection" should be obtained from the Bureau of Public Procurement before a procurement entity can engage in direct procurement.

Audit observed that:

i. The Centre paid the sum of 74,275,000.00 (Seventy-four million, two hundred and seventy-five thousand naira) vide payment voucher Reference Number CAP/1889, dated 26th September, 2018 for the procurement of a Toyota Prado jeep (2018 model) and a Toyota Hilux truck.

ii. The Center engaged in direct procurement of those vehicles without approval of the Bureau of Public Procurement (BPP) by way of Certificate of "No Objection" duly issued, and

iii. Loss of revenue amounting to 7,427,500.00 (Seven million, four hundred and twenty seven thousand, five hundred naira) that could accrue from WHT and VAT

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre Yenagoa.

Risks

i. Inflation of contract price.
ii. Award to incompetent contractor.
iii. Loss of Revenue by way of WHT and VAT

Management's Response

Direct purchase done in emergency situation, there are contractors for all medical consumables etc purchases.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why certificate of no objection was not sought from Bureau of Public Procurement before procurement of Vehicles.

ii. Recover and remit revenue amounting to 7,427,500.00 (Seven million, four hundred and twenty seven thousand, five hundred naira) that could have accrued from WHT and VAT to appropriate Tax Authority, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue and demotion in rank prescribed by paragraphs 3112 and 3117 of the Financial Regulations respectively.

SECTION 6

FEDERAL POLYTECHNICS AND COLLEGES OF EDUCATION

ALVAN IKOKU COLLEGE OF EDUCATION, OWERRI

At the Alvan Ikoku Federal College of Education, Owerri, the following observations were made:

ISSUE 1: CONVERSION OF OFFICIAL VEHICLE TO PERSONAL USE BY FORMER COUNCIL CHAIRMAN (= 21,600,000.00)

Circular Reference No. 59515/S.22/14/1/401 dated 25th August 1998 states "…No member, including a part-time Chairman shall be allowed to retain an official vehicle for use on a permanent basis."

Audit observed that:

i. A Toyota Prado Jeep with Chasis No. JTG3X9FJ6A5004A34 purchased in 2010 at the cost of 21,600,000.00 (Twenty-one million, six hundred thousand naira) was taken away by the former Council Chairman for use on a permanent basis, and

ii. All efforts to retrieve the vehicle by the management proved abortive.

The above anomalies could be attributed to weaknesses in the internal control system at the Alvan Ikoku Federal College of Education, Owerri.

Risks

i. Loss of government asset
ii. Diversion of public funds/assets.

Management's Response

No Vehicle was purchased for the College Chairman. All the College Vehicles were purchased before the appointment of the present Chairman. The College driver brings the Chairman for meetings, emergencies and takes him home. The vehicle was used while on any College official duties as Chairman. However, the driver took the Chairman home in Osun state and the vehicle did not come back with the driver. This issue was reported to the Federal Ministry of Education and Justice, correspondences have taken place and the College is waiting for directives from these ministries."

Recommendations

The Provost is requested to:

i. Furnish reasons why the former Council Chairman went away with government vehicle.

ii. Recover the vehicle from the former Council Chairman and provide evidence of recovery to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to non-payment for the use of government property stated in paragraph 3113 of the Financial Regulations.

ISSUE 2 : STORE ITEMS NOT TAKEN ON LEDGER CHARGE (= 25,497,950.00)

Paragraph 2402 (i) of the Financial Regulations (FR) 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." Furthermore, paragraph 2414 of the FR states "…All issues of stores shall be supported by a Stores Issue Voucher."

Audit however observed that:

i. Ten (10) payments totaling 17,484,950.00 (Seventeen million, four hundred and eighty-four thousand, nine hundred and fifty naira) were made between January and September 2018 for the supply of diesel.

ii. The supply of diesel for these payments could not be verified in store due to non-record maintenance of the receipt and issue of diesel to various disbursement units.

iii. There was no requisition, Store Receipt Vouchers (SRV) and Store Issue Voucher (SIV) attached to ten (10) payments made in respect of supply of the diesel during the year under review.

iv. The college did not maintained any fuel dump or storage tank, but resorted to the use of drums which was prone to leakages and theft, and

v. Ten (10) payments totalling 8,463,000.00 (Eight million, four hundred and sixty three thousand naira) were made to contractors for the purchase of other store related items.

The above anomalies could be attributed to weaknesses in the internal control system at the Alvan Ikoku Federal College of Education, Owerri.

Risks

i. Waste of government resources.
ii. Diversion of public funds.

Management's Response

Management responded as follows: "The services of contractors were used by the College for the supply/purchase of diesel and other lubricants used in the College. Diesel and other lubricants supplied to the College are properly received by the College Store Unit of the Bursary Department… All store items are taken on charge. The items supplied to the College are properly documented and all the necessary supporting documents issued accordingly.

Recommendations

The Provost is requested to:

i. Furnish reasons why store items were not taken on ledger charge.

ii. Recover the sum of 25,497,950.00 (Twenty five million, four hundred and ninety seven thousand, nine hundred and fifty naira) i.e. (17,484,950.00 + 8,463,000.00) and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to poor funds management of cash stated in paragraph 3115 of the Financial Regulations.

FEDERAL POLYTECHNIC, BAUCHI

At the Federal Polytechnic, Bauchi, the following observations were made:

ISSUE 1: PAYMENT OF HONORARIUM TO STAFF (= 5,519,210.00)

Paragraph 415 of the Financial Regulations 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:

i. Thirteen (13) payments totalling 5,519,210.00 (Five million, five hundred and nineteen thousand, two hundred and ten naira) were made to staff as honorarium between February and December 2019 , and

ii. The honorarium were paid from the Internally Generated Revenue (IGR) and Tetfund accounts.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Polytechnic, Bauchi.

Risks

i. Waste of government funds.
ii. Misapplication of funds.

Management's Response

The payment of honorarium to staff were made in line with prudence utilization of public funds.

Recommendations

The Rector is requested to:

i. Furnish reasons for payment of honorarium from IGR and Tetfund account.

ii. Recover the sum of 5,519,210.00 (Five million, five hundred and nineteen thousand, two hundred and ten naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular and wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 2: UNRETIRED CASH ADVANCES (= 6,804,480.00)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring that prompt repayment of all advances by instalments or otherwise". Furthermore, paragraph 1420(i) of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Thirty four (34) cash advances amounting to 6,804,480.00 (Six million, eight hundred and four thousand, four hundred and eighty naira) were granted to thirty four staff of the Institution in 2019 as cash advances, and

ii. The advances remained unretired as at the time of this report.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Polytechnic, Bauchi.

Risks

i. Loss of government funds.
ii. Misapplication of funds.

Management's Response

Most of the advances granted were for the conduct of examination. The delay in retirement was as a result of strike action embarked upon immediately after the advances were granted and immediately after the strike was suspended; all outstanding retirement were made.

Recommendations

The Rector is requested to:

i. Furnish reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover the sum of 6,804,480.00 (Six million, eight hundred and four thousand, four hundred and eighty naira) from the beneficiaries and remit same to government treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to poor cash management stated in paragraph 3115 of the Financial Regulations.

HUSSAINI ADAMU FEDERAL POLYTECHNIC, KAZAURE JIGAWA

At the Hussaini Adamu Federal Polytechnic, Jigawa State, the following observations were made:

ISSUE 1: PAYMENT VOUCHERS NOT PRESENTED FOR EXAMINATION (= 20,798,790.00)

Section 85(2) of the 1999 Constitution of the Federal Republic of Nigeria, 1999 (as amended) states "The public accounts of the Federation and all officers 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 authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts." Also, paragraph 601 of the Financial Regulation 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 usually 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:

i. The sum of 20,798,790.00 (Twenty million, seven hundred and ninety eight thousand, seven hundred and ninety naira), was posted in the cashbook for overheads, and

ii. The payment vouchers were not presented for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Hussaini Adamu Federal Polytechnic, Jigawa State.

Risks

i. Payment for unapproved expenditure.
ii. Misappropriation of public fund.

Management's Response

The outstanding payment vouchers are yet to be paid.

Recommendations

The Rector is requested to:

i. Provide reasons why payment vouchers were not produced for examinations.

ii. Account for the sum of 20,798,790.00 (Twenty million, eight hundred and eighty five thousand, four hundred and sixty seven naira, eighteen kobo)

iii. Recover the sum of 20,798,790.00 and remit same to government treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 2: TAX DEDUCTED WITHOUT EVIDENCE OF REMITTANCE (= 11,383,455.03)

Paragraph 234(i) of the Financial Regulations (FR) 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 With-holding Tax (WHT) due on supply and services contract and actual remittance of same". Furthermore, paragraph 235 of the FR states “Deductions for WHT and VAT 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:

i. The sum of 11,383,455.03 (Eleven million, three hundred and eighty-three thousand, four hundred and fifty-five naira, three kobo) was deducted from payments for thirteen (13) transactions in 2018, and

ii. There was no evidence to show the amount deducted was remitted to the Federal Inland Revenue Service (FIRS).

The above anomalies could be attributed to weaknesses in the internal control system at the Hussaini Adamu Federal Polytechnic, Jigawa State.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

The remittance of VAT, WHT & Stamp duty deducted in the sum of 11,383,455.03 was PAID to Federal Inland Revenue Service in February 2018.

Recommendations

The Rector is requested to:

i. Furnish reasons why taxes deducted from payments to contractors were not remitted to the Federal Inland Revenue Service.

ii. Remit the sum of 11,383,455.03 to the Federal Inland Revenue Service.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to fines and deduction from statutory allocation stated in paragraph 234(ii) & (iii) of the Financial Regulations.

KADUNA POLYTECHNIC

At the Kaduna Polytechnic, Kaduna State, the following observations were made:

ISSUE 1: STORES NOT TAKEN ON LEDGER CHARGE (= 25,743,134.04)

Paragraph 2402 (i) of the Financial Regulations states, “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.” Also, paragraph 2414 of the Financial Regulation states “...All issues of stores shall be supported by a Stores Issue Voucher (SIV) in the prescribed form..."

Audit observed that:

i. Store items amounting to 25,743,134.04 (Twenty five million, seven hundred and forty-three thousand, one hundred and thirty four naira, four kobo) included in the contract for the rehabilitation of Kaduna Administrative Building, were not taken on Store Ledger Charge; and

ii. Relevant documents such as the Store Receipt Vouchers (SRV), was not presented as evidence of receipt into the store upon delivery.

The above anomalies could be attributed to weaknesses in the internal control system at the Kaduna Polytechnic, Kaduna State

Risks

i. Loss of government asset
ii. Vulnerability to pilferage or outright theft.

Management's Response

i. That arose due to rare case of communication gap between the Procurement unit and the stores.

ii. Accepted, they were not taken on charge but the items were duly supplied and are all on ground.

Recommendations

The Provost is requested to:

i. Justify the payment for store items amounting 25,743,134.04 included in the contract for the rehabilitation of Kaduna Administrative Building not taken on Store Ledger Charge;

ii. Recover the sum of 25,743,134.04 and pay back to the Treasury forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

NATIONAL COMMISSION FOR COLLEGES OF EDUCATION, ABUJA

At the National Commission for Colleges of Education, Abuja, the following observations were made:

ISSUE 1: IRREGULAR PAYMENTS (= 2,892,200.00)

Paragraph 4(f) of the Federal Treasury Circular Ref. No. TRY/A10&B10/2016 OAGF/CAD/026/V.III/101 dated 22nd November 2016 outlined the Non-Allowable Expenses in the approved template for the computation of operating surplus of government agencies. Also, the provision of Establishment Circular Ref. No. SGF/OPI/S.3FT.I1/57 dated 24th May 2020 prohibits the habit of using government funds for personal activities or private use.

Audit observed that:
Fourteen (14) Payments amounting to 2,892,200.00 (Two million, eight hundred and ninety-two thousand, two hundred naira) were made to beneficiaries who were not in the employment of the Commission in contravention of the circular stated above;

The above anomaly could be attributed to weaknesses in the internal control system at the National Commission for Colleges of Education, Abuja

Risks

i. Loss of public funds.
ii. Diversion of public funds.

Management's Response

The payments referred to above are payments mostly made as duty tour allowance to staff that has been mandated to represent the Executive Secretary at occasions where he was invited in his official capacity as Executive Secretary. Other such payments include payments made under the staff welfare policy of the Commission as part of its Social Responsibility to persons who had served the Commission in one capacity or the other on an occasion for which they officially invited the Commission.

Recommendations

The Executive Secretary is requested to:

i. Recover the sum of 2,892,200.00 and pay back to Treasury, forwarding evidence of payment to the Public Accounts Committees of the National Assembly, and

ii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 2: UNRETIRED CASH ADVANCES (= 57,671,698.66)

Paragraph 1405 of the Financial Regulations states “Accounting Officers are responsible for ensuring the prompt payment of all advances by instalments or otherwise.” Furthermore, paragraph 1420 of the Financial Regulations states “it is the

responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. The sum of 155,788,394.74 (One hundred and fifty five million, seven hundred and eighty eight thousand, three hundred and ninety four naira, seventy four kobo) was granted as Cash Advances to 83 (Eighty-three) staff of the Commission in Years 2018 and 2019;

ii. The sum of 98,116,696.07 (Ninety-eight million, one hundred and sixteen thousand, six hundred and ninety -six naira, seven kobo) was retired; and

iii. The sum of 57,671,698.66 (Fifty-seven million, six hundred and seventy-one thousand, six hundred and ninety eight naira, sixty six kobo) is yet to be accounted for.

The above anomalies could be attributed to weaknesses in the internal control system at the National Commission for Colleges of Education, Abuja.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

The Commission takes the issue of retirement of advances seriously. Most of the advances noted have been retired while efforts are in place to ensure complete retirement by responsible officers.

Recommendations

The Executive Secretary is requested to:

i. Recover and pay back to Treasury the sum of 57,671,698.66 (Fifty seven million, six hundred and seventy one thousand, six hundred and ninety eight naira, sixty six kobo) being unretired cash advances;

ii. Forward evidence of payment to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to non-recovery of advances in paragraph 3118 of the Financial Regulations.

SECTION 7

HEALTH RESEARCH INSTITUTIONS AND PSYCHIATRIC HOSPITALS

FEDERAL NEURO-PSYCHIATRIC HOSPITAL, ARO-ABEOKUTA

At the Federal Neuro-Psychiatric Hospital, Aro, Abeokuta, the following observations were made:

ISSUE 1: NON-REMITTANCE OF INTERNALLY GENERATED REVENUE (= 33,920,737.75)

The Federal Ministry of Finance Circular No. BO/RVE/12235/VII/201 dated 11th November 2011 states "..., 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 (CRF) as required by the provisions of the Fiscal Responsibility Act 2007."

Audit observed that:

i. A total of 5,606,786.00 (Five million, six hundred and six thousand, seven hundred and eighty-six naira) was realized in 2018 from revenue items such as registration for contract fees, tender fees, sale of other government properties, etc. from which 100% remittance was required as prescribed by extant regulation. This was yet to be done as at the time of audit in October, 2019.

ii. A total of 71,458,616.00 (Seventy-one million, four hundred and fifty-eight thousand, six hundred and sixteen naira) was realized in 2018 from non-revolving revenue, that is IGR, from which the sum of 17,864,654.00 (Seventeen million, eight hundred and sixty-four thousand, six hundred and fifty-four naira), being 25% of the amount realized was expected to be remitted to the consolidated Revenue Fund (CRF). This was also yet to be done as at the time of audit in October, 2019.

iii. A total of 41,797,191.00 (forty-one million, seven hundred and ninety-seven thousand, one hundred and ninety-one naira) was the net proceeds realized from the sale of drugs in 2018, out of which the sum of 10,449,297.75 (Ten million, four hundred and forty-nine thousand, two hundred and ninety-seven naira seventy-five kobo), being 25% of the amount realized was expected to be remitted to the Consolidated Revenue Fund (CRF). This was also yet to be done as at the time of audit in October, 2019.

iv. In all, a total of 33,920,737.75 (Thirty-three million, nine hundred and twenty thousand, seven hundred and thirty-seven naira, seventy-five kobo) from revenue items listed in (i) to (iii) above, therefore remained unremitted to the CRF, and

iv. The Annual Report of the Hospital as at 31st December, 2019 showed many items of revenue which were non revolving as revolving fund. Some of these items are Medical Consultancy, Ambulance, Service Charge Income, etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Neuro-Psychiatric Hospital, Aro, Abeokuta.

Risks

i. Loss of revenue to government.
ii. Diversion of public funds.
iii. Misleading information in the Hospital's Financial Statements.

Management's Response

The classification of revenue items into revolving and non-revolving was affected after due deliberation and consideration of the nature of the revenue. Similarly, in a bid to comply and align the revenue heads with what is obtainable in the National charts of accounts, some of the revenue heads were merged and affected accordingly.

In addition, the hospital overhead running cost is only is only about 5% funded by government. Hence, monies paid by patients for their care is stretched to provide the care paid for and to run the hospital. About 85% of all revenues to the psychiatric hospital are paid by mentally ill patients and their overburdened family members. These fees are highly subsidized to make the services affordable in view of the long term nature of their conditions. To make things worse, between 25%-30% are treated free of charge either by reason of abandonment on the wards untill they are repatriated home by the hospital. Hence the operation of the hospital and the delivery of care to our patients would have been severally affected, if any part of the stated fund have been remitted having also had to pay the total sum of the One hundred and twenty-five million, four hundred and ninety seven thousand, and twenty naira (125,497,020.00) outsourced services was in 2015 and the hospital had continued to pay duly appointed contractors to date to keep the hospital running.

For illustration, the registration, consultation and service charges stated in table (iv) above, all added together are not even sufficient to maintain clinical equipment and to provide materials for out-patients care services. These insufficient psychiatric patient's treatment fees should therefore not be regarded as revenue from which any percentage should be remitted to CRF.

Recommendations

The Chief Medical Director is required to:

i. Furnish reasons why IGR were not remitted to CRF and why non revolving fund revenue items were classified as revolving in the financial statements.

ii. Ensure that all revenue items are appropriately classified in the Financial Statements.

iii. Remit the sum of 33,920,737.75 (Thirty-three million, nine hundred and twenty thousand, seven hundred and thirty-seven naira, seventy-five kobo) to the Treasury,

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

NATIONAL ORTHOPAEDIC HOSPITAL, ENUGU

At the National Orthopaedic Hospital, Enugu, the following observations were made:

ISSUE 1: PAYMENTS ON STALED PAYMENT VOUCHERS (= 11,366,651.08)

Paragraph 611 of the Financial Regulations specifies situations whereby a sub-accounting may not make payment against a voucher, one of which is where the voucher is more than three months since it was signed by the officer controlling expenditure.

Audit observed that:

i. The sum of 11,366,651.08 (Eleven million, three hundred and sixty-six thousand, six hundred and fifty-one naira, eight kobo) was paid for various items through six(6) payment vouchers, and

ii. The payment vouchers were raised more than three months before payments as shown in the Table below

S/No	Voucher No		Date on Payment Voucher	Date of Payment
1	250	Payment for the bill of Feb. 2017	05/01/18	N/A
2	870	Payment for the bill of July, 2018	20/08/19	N/A
3	410	Payment for the bill of November, 2017	14/03/18	N/A
4	129	Payment for the bill of Feb. 2017	04/01/18	N/A
5	128	Payment for the bill of September, 2017	05/01/18	N/A
6	249	Payment for the bill of March, 2017	26/03/19	N/A

The above anomalies could be attributed to weaknesses in the internal control system at the National Orthopaedic Hospital, Enugu.

Risks

i. Payment for work not executed.
ii. Diversion of public funds.

Management's Response

Management has been paying only valid payment vouchers as staled payment vouchers is usually revalidated by the Chief Accounting Officer before payment.

Recommendations

The Medical Director is required to:

i. Provide reasons why payment vouchers were allowed to stay for months before payments given that Internal Audit Unit shall not hold unto payment vouchers longer than 48 hours.

ii. Account for the sum of 11,366,651.08 (Eleven million, three hundred and sixty-six thousand, six hundred and fifty-one naira, eight kobo) expended on the supply of store items without appropriate documentation, and

iii. Remit the sum of 11,366,651.08 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

NATIONAL ORTHOPAEDIC HOSPITAL, IGBOBI, LAGOS

At the National Orthopaedic Hospital, Igbobi, Lagos, the following observations were made:

ISSUE 1: NON-REMITTANCE OF 25% INTERNALLY GENERATED REVENUE (= 46,604,158.00)

The Federal Ministry of Finance Circular No. BO/RVE/12235/VII/201 dated 11th November 2011 states "..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 (CRF) as required by the provisions of the Fiscal Responsibility Act 2007."

Audit observed that:

i. The sum of 186,416,632.00 (One hundred and eighty-six million, four hundred and sixteen thousand, six hundred and thirty-two naira) was realised by the Hospital in 2018 from admission services, Igbobi ventures and medical report as Internally Generated Revenue (IGR), and

ii. There was no evidence to show 25% of the IGR, amounting to 46,604,158.00 (Forty-six million, six hundred and four thousand, one hundred and fifty-eight naira) was remitted to the CRF as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the National Orthopaedic Hospital, Igbobi, Lagos.

Risks

i. Loss of revenue to the government.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why 25% of IGR of the Hospital was not remitted to CRF as required by extant regulations.

ii. Remit the sum of 46,604,158.00 (Forty-six million, six hundred and four thousand, one hundred and fifty-eight naira)

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112(ii) of the Financial Regulations.

ISSUE 2: NON-REMITTANCE OF 100% OF REVENUE COLLECTED FROM AUCTIONS AND TENDERS (= 6,915,524.00)

Paragraph 2620 (i) of the Financial Regulations (FR) states "The Officer in charge of the public auction or public tender shall pay the net proceeds of the auction after the deduction of the auctioneer's commission, to the nearest Sub-Treasury or Central Pay Office for classification to the appropriate Sub-Head of the Miscellaneous Revenue Head. He shall inform the Accounting Officer concerned of the details of the proceeds of sale and quote the reference and date of the relevant Treasury Receipt. The Accounting Officer shall inform the Accountant-General and the Auditor-General of the reference number, date and amount of the Treasury Receipt for the proceeds of the sales of articles disposed of." Furthermore, paragraph 2620 (ii) of the FR states "The officer in-charge of the auction or tender shall ensure that the net proceeds referred to in sub-section (i) above is paid to the nearest Sub-Treasury or Central Pay Office within 48 hours of collection."

Audit observed that:

i. The sum of 3,285,498.00 (Three million, two hundred and eighty-five thousand, four hundred and ninety-eight naira) and 3,630,026.00 (Three Million, Six Hundred and Thirty Thousand, Twenty-Six Naira) were generated from sale of government assets and tender fees respectively, and

ii. The entire 6,915,524.00 (Six million, nine hundred and fifteen thousand, five hundred and twenty-four naira) (= 3,285,498.00 + 3,630,026.00) realised was not remitted to Consolidate Revenue Fund.

The above anomalies could be attributed to weaknesses in the internal control system at the National Orthopaedic Hospital, Igbobi, Lagos.

Risks

i. Loss of revenue to the government.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Chief Medical Director is requested to

i. Furnish reasons why the entire revenue from auction was not remitted to CRF as required by extant regulations.

ii. Remit the sum of 6,915,524.00 (Six million, nine hundred and fifteen thousand, five hundred and twenty-four naira).

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

SECTION 8

HIGHER EDUCATION AUDIT DEPARTMENT

MODIBBO-ADAMA UNIVERSITY OF TECHNOLOGY, YOLA

At the Modibbo Adama University of Technology (MAUTECH), Yola, Adamawa state, the following observations were made:

ISSUE 1: IRREGULARITIES IN THE PROCUREMENT OF VEHICLES (= 38,600,000.00)

Section 24(1) of the Public Procurement Act, 2007 states "Except as provided by this Act, all procurements of goods and works by all procuring entities shall be conducted by open competitive bidding". Also, paragraph 2907(i) of the Financial Regulations (FR) states "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." Furthermore, paragraph 2305 of the FR requires goods to be purchased from reputable manufacturers or their accredited agents.

Audit observed that:

i. The University procured two motor vehicles for the sum of 38,600,000.00 (Thirty-eight million, six hundred thousand naira) vide two payment vouchers, details of which are provided in the Table below:

S/N	PV DATE	DESCRIPTION	VOUCHER NUMBER	AMOUNT (₦)
1	14/3/17	Toyota Camry LE salon car	001703140713044	27,000,000.00
2	8/5/17	2015 Model Toyota Prado Jeep	170509120853730	11,600,000.00
		Total		**38,600,000.00**

ii. There was no evidence of competitive bidding and no quotations sourced from three prospective suppliers as required by extant regulations.

iii. The contract was awarded to a contractor that is not an accredited dealer for Toyota motors in Nigeria, contrary to the provisions of extant regulations.

iv The university was denied the right to free servicing for three years or up to a maximum of 100,000 kilometers, whichever comes first, had the vehicle been purchased from a licensed Toyota dealer, and

v The receipt for the Toyota Camry salon car was not provided instead, the university provided a Store Receipt Voucher (SRV) as evidence of payment.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks
i. Loss of value for money.
ii. Waste of government funds.

Management's Response
No response.

Recommendations
The Vice Chancellor is requested to:
i. Furnish reasons why due process was not followed in the procurement of vehicles.

ii. Account for the sum of 38,600,000.00 (Thirty-eight million, six hundred thousand naira)

iii. Recover the sum of 38,600,000.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly for verification, and

v. Otherwise, apply sanctions relating to irregular award of contract stated in paragraph 3117 of the Financial Regulations.

ISSUE 2: PAYMENTS WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 61,400,339.00)

Paragraph 603(i) of the Financial Regulations 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, invoice, special letters of authority, time sheets, etc."

Audit observed that:
i. Twenty-nine (29) payment vouchers totaling 61,400,339.00 (Sixty-one million, four hundred thousand, three hundred and thirty-nine naira) were raised between February and August 2017, and payments were made accordingly., and

ii. Relevant supporting documents such as, Store Receipt Vouchers, invoices, award letters, Certificates of Job Completion, Receipts, etc. were not attached to the payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks
i. Payments for unapproved expenditures.
ii. Payment for items not procured/services not rendered.
iii. Diversion of public funds.

Management's Response
No response.

Recommendations
The Vice Chancellor is requested to:
i. Provide reasons why relevant supporting documents were not attached to payment vouchers.

ii. Account for the sum of 61,400,339.00 (Sixty-one million, four hundred thousand, three hundred and thirty-nine naira).

iii. Recover the sum of 61,400,339.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 3: IRREGULAR PAYMENT OF PUBLIC FUNDS (= 9,070,000.00)

Paragraph 415 of the Financial Regulations 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:
i. The sum of 9,070,000.00 (Nine million, seventy thousand naira) was disbursed to Council members, principal officers of the university and some community members for sallah celebrations, Christmas celebrations, burial and wedding ceremonies, and

ii. There was no evidence to show that the above expenditure was contained in the Appropriation Act.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks
i. Waste of public funds.
ii. Extra-budgetary expenditure.

Management's Response
No response.

Recommendations

The Vice Chancellor is requested to:

i. Provide reasons why expenditure not contained in the Appropriation Act was paid for.

ii. Recover the sum of 9,070,000.00 (Nine million, seventy thousand naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 4: IRREGULAR PAYMENT OF SECURITY ALLOWANCE TO A STAFF (= 6,000,000.00)

Paragraph 415 of the Financial Regulations (FR) 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, Treasury Circular Ref. No. TRY/A88 & B8/2008/OAGF/CAD/026/Vol.11/465 dated 22nd October, 2008 states "…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." Furthermore, paragraph 613 of the FR states "…Payments shall be made only to the persons named in the vouchers or their properly authorized representatives. Paying Officers must satisfy themselves that the person claiming the payment is the person authorised 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:

i. Five (5) payments totaling 6,000,000.00 (Six million naira) were made to a staff of the University as security allowance for the months of January to December 2017, being 500,000.00 per month.

ii. The above amount was paid to an individual, despite the fact the University has a running contract with a security firm, thereby, contravening the e-payment policy of the federal government, and

iii. There was no detail to show how this monthly security allowance was expended.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Loss of public funds.
ii. Misapplication of public funds.

Management's Response
No response.

Recommendations
The Vice Chancellor is requested to:

i. Furnish reasons why unapproved allowances were paid.

ii. Account for the sum of 6,000,000.00 (Six million naira)

iii. Recover the sum of 6,000,000.00 (Six million naira) and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 5: VARIATION OF CONTRACTS WITHOUT AUTHORIZATION (= 175,623,619.89)

Paragraph 3103 of the Financial Regulations (FR) states "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 that:

i. The University initially awarded six (6) contracts at a total contract sum of 629,091,939.00 (Six hundred and twenty-nine million, ninety-one thousand, nine hundred and thirty-nine naira).

ii. The contractors made requests for an upward review before the commencement of the contracts, which was subsequently granted, without approval from the Bureau of Public Procurement.

iii. Following the request, the contracts prices were reviewed to 866,664,974.74 (eight hundred and sixty-six million, six hundred and sixty-four thousand, nine hundred and seventy-four naira, seventy-four kobo), resulting in an unauthorized upward variation of 175,623,619.89 (One hundred and seventy-five million, six hundred and twenty-three thousand, six hundred and nineteen naira, eighty-nine kobo).

iv. The Advance Payment Guarantees submitted were based on the initial contract sum, and

v. Payments to contractors were made based on the reviewed sum.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks
i. Loss of government funds.
ii. Payment for jobs not executed.

Management's Response
No response.

Recommendations
The Vice Chancellor is requested to:
i. Furnish reasons why contract was unilaterally varied without due process.

ii. Account for the sum of 175,623,619.89 (One hundred and seventy-five million, six hundred and twenty-three thousand, six hundred and nineteen naira, eighty-nine kobo), being the unauthorized variation, and

iii. Recover the sum of 175,623,619.89 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to unauthorized variation stated in paragraph 3103 of the Financial Regulations.

ISSUE 6: LOAN FACILITY WITHOUT PRIOR APPROVAL FROM THE DEBT MANAGEMENT OFFICE (= 81,438,000.00)

Paragraph 3205 of the Financial Regulations states "No loan or any form of advance shall be obtained from the bank without prior approval from Debt Management Office."

Audit observed that:
i. The University secured a loan of N81,438,000.00 (Eighty-one million, four hundred and thirty-eight thousand naira) from MAUTECH Microfinance Bank Limited to acquire eight (8) 1.6 Litre Hyundai Elantra Elegance salon cars for members of the University's Governing Council.

ii. The facility was for a tenure of 24 months effective from February 2017, at a monthly flat interest rate of 15%.

iii. The loan was obtained without prior approval from the Debt Management Office.

iv. As at the time of audit in April 2020, a total of 10,815,984.60 (Ten million, eight hundred and fifteen thousand, nine hundred and eighty-four naira, sixty kobo), being interest on the facility plus 2% management fees of 1,628,760.00 (One million, six hundred and twenty-eight thousand, seven hundred and sixty naira) totaling 12,444,744.60 (Twelve million, four hundred and forty-four thousand, seven hundred and forty-four naira, sixty kobo) had so far been paid, and

v. The interest rate as unnecessarily high, particularly owing to the fact that the loan had a period of 10 months remaining.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Loss of government funds.
ii. Misapplication of funds.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Justify the above infraction by producing the approval from the Debt Management Office.

ii. Provide budgetary allocation for the purchase of the vehicles.

iii. Recover the sum of 12,444,744.60 (Twelve million, four hundred and forty-four thousand, seven hundred and forty-four naira, sixty kobo), plus other accrued interest paid, and remit same to government treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to poor cash management stated in paragraph 3115 of the Financial Regulations.

ISSUE 7: PAYMENT OF MOBILIZATION FEE ABOVE 15% WITHOUT ADVANCE PAYMENT GUARANTEE (= 21,464,775.00)

Section 35(1) of the Public Procurement Act, 2007 states "In addition to other regulations as may be prescribed by the Bureau, a mobilization fee of not more than 15% may be paid to a supplier or contractor supported by an unconditional bank guarantee or insurance bond issued by an institution acceptable to the procuring entity."

Audit observed that:

i. The University awarded three (3) contracts totaling 37,121,550.00 (Thirty-seven million, one hundred and twenty-one thousand, five hundred and fifty naira) to two contractors in January, 2017 for construction of Borehole and computer related services.

ii. The contractors were paid mobilization fees of between 50% to 80%, which amounted to 21,464,775.00 (Twenty-one million, four hundred and sixty-four thousand, seven hundred and seventy-five naira), in violation of the above quoted regulations, and

iii. Unconditional bank guarantee or insurance bond submitted by the contractors, as a precondition for the award was not presented for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Furnish reasoms for payment of mobilization fees of between 50% to 80% to the contractors and why mobilization fee was paid without an advance payment guarantee.

ii. Recover the sum of 21,464,775.00 (Twenty-one million, four hundred and sixty-four thousand, seven hundred and seventy-five naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular award stated in paragraph 3117 of the Financial Regulations.

ISSUE 8: PAYMENT OF UNAPPROVED ALLOWANCES TO STAFF (= 4,707,000.00)

Paragraph 415 of the Financial Regulations 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:

i. The sum of 4,707,000.00 (Four million, seven hundred and seven thousand naira) was paid to some staff of the University in 2017 as “wardrobe and recharge card allowances”.

ii. The wardrobe allowance which amounted to 525,000.00 (Five hundred and twenty-five thousand naira), was paid to the University Principal Officers vide Payment Request Form No. 2052 of 9th February, 2017. While the sum of 697,000.00 (Six hundred and ninety-seven thousand naira) was also paid bi-monthly to the University officials vide PV No. 001710251310273, amounting to a total of 4,182,000.00 (Four million, one hundred and eighty-two thousand naira) yearly.

iii. There were no budgetary provisions for the expenditure, and

iv. These allowances were neither approved nor included in the allowances which public officers in the Tertiary Institutions are entitled to.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Loss of government funds.
ii. Misapplication of funds.

Management's Response

No response.

Recommendations

The Vice-Chancellor is requested to:

i. Provide reasons why expenditures not contained in the Appropriation Act were paid.

ii. Recover the sum of 4,707,000.00 (four million, seven hundred and seven thousand naira) and remit same to the CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 9: AWARD OF CONTRACT ABOVE THE VICE-CHANCELLOR'S APPROVAL THRESHOLD (= 7,350,000.00)

Section 16(2) of the Public Procurement Act, 2007 states “Where the Bureau has set prior review thresholds in the procurement regulations, no funds shall be disbursed from the Treasury of 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.”

Audit observed that:

i. The Vice-Chancellor approved a contract for the “Development and Supply of Integrated Payroll and Accounts Management Software for the bursary department of the University” via award letter reference number: MAUTECH/R/T5/VOL.1, dated 16th June, 2017, at a contract sum of 7,350,000.00 (Seven million, three hundred and fifty thousand naira).

ii. Payment was subsequently made vide payment voucher number 1708031343383308 dated 9th August, 2017, and

ii. The amount was above the threshold set for the Accounting Officers of Government Parastatals for contract of supplies or services which is put at below 2,500,000.00. The contract was awarded without recourse to the University Tenders Board.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Award of contract to incompetent contractor.
ii. Payment for contract not executed.
iii. Loss of government fund.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Provide reasons why contracts were awarded above the approval threshold of the Vice Chancellor.

ii. Recover the sum of 7,350,000.00 (Seven million, three hundred and fifty thousand naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular award of contract stated in paragraph 3117 of the Financial Regulations.

ISSUE 10: OPERATION OF UNAUTHORISED BANK ACCOUNTS (= 17,884,392.56)

Treasury Circular with Ref. Nos. TRYAI & BI/2015 OAGF/CAD/026/V.I/253 of 10th March, 2015 and TRY A9&B9/2015 OAGF/CAD/026/V.II/354 of 29th October, 2015 require all Ministries, Departments and Agencies (MDAs) to close all existing accounts in Deposit Money Banks (DMBs) not later than Tuesday, September 15, 2015 and transfer available balances to Central Bank of Nigeria (CBN). Also, Financial Regulations 3203 states "No official bank account shall be opened unless authorized by the Accountant-General. Each approved accounts shall be maintained under an official designation of the parastatal."

Audit observed that:

i. The University still maintains accounts in microfinance bank, without prior approval of the President of the Federal Republic of Nigeria in violation of the policy guideline for implementation of Treasury Single Account (TSA) in Government Ministries/Parastatals.

ii. The sum of 17,884,392.56 (Seventeen million, eight hundred and eighty-four thousand, three hundred and ninety-two naira, fifty-six kobo) was still standing to the credit of the University as at 31st December, 2017 as shown in the Table below, and

BANK	ACOUNT NUMBER	ACCOUNT NAME	ACCOUNT TYPE	BAL AS AT 31ST DEC 2017 (₦)
MAUTECH MICRO FINANCE BANK	1100006308	MAUTECH REVENUE	CURRENT	14,731,948.75
MAUTECH MICRO FINANCE BANK	1100006298	MAUTECH POSTGRADUATE	CURRENT	3,152,443.81
TOTAL				**17,884,392.56**

iii. Relevant details and statements of the accounts were not produced for examination, despite repeated demands.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Diversion of public funds.
ii. Extra-budgetary expenditure.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Provide reasons why accounts were maintained in microfinance bank without prior approval of the President of the Federal Republic of Nigeria.

ii. Recover the sum of 17,884,392.56 (Seventeen million, eight hundred and eighty-four thousand, three hundred and ninety-two naira, fifty-six kobo) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 11: CASH ADVANCES GRANTED FOR CONVOCATION CEREMONY NOT ACCOUNTED FOR (= 26,694,825.00)

Paragraph 1420 of the Financial Regulations states "It is the responsibility of all accounting officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Seventeen (17) cash advances totalling 26,694,825.00 (Twenty-six million, six hundred and ninety-four thousand, eight hundred and twenty-five naira) granted to officers of the University between April and December, 2017 for convocation ceremony remained unretired as at the time of audit in April, 2020.

ii Fifteen (15) of the advances totalling 26,488,826.00 (Twenty-six million, four hundred and eighty-eight thousand, eight hundred and twenty-six naira) were in

excess of the approved threshold of 200,000.00 as required by extant treasury circular.

iii. Government had been deprived of legitimate revenue amounting to 2,648,882.60 (Two million, six hundred and forty-eight thousand, eight hundred and eighty-two naira, sixty kobo) that would have accrued by way of Value Added Tax and Withholding tax, and

iv Three of the officers were granted multiple cash advances without retiring the previous ones.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Loss of revenue to government.
ii. Payment for jobs not done.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Provide reasons why advances granted have not been accounted for and why advances were granted above the threshold of 200,000.00.

ii. Recover the sum of 26,694,825.00 (Twenty-six million, six hundred and ninety-four thousand, eight hundred and twenty-five naira) from the affected officers and remit same to government treasury.

iii. Pay the sum of 2,648,882.60 (Two million, six hundred and forty-eight thousand, eight hundred and eighty-two naira, sixty kobo) that would have accrued to government by way of VAT and Withholding tax to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to non-retirement of cash advances and loss of government revenue stated in paragraphs 3124 and 3112 of the Financial Regulations respectively.

ISSUE 12: VIOLATION OF E-PAYMENT POLICY (= 3,083,775.00)

Treasury Circular Ref. No. TRY/A88 & B8/2008/OAGF/CAD/026/Vol.11/465 dated 22nd October, 2008 states "…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." Also, paragraph 613 of the Financial Regulations states "…Payments shall be made only to the persons named in the vouchers or their properly

authorized representatives. Paying Officers must satisfy themselves that the person claiming the payment is the person authorised 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:

i. Five (5) payments totalling 3,083,775.00 (Three million, eighty-three thousand, seven hundred and seventy-five naira) were made to two officers of the University meant for advertisement and telephone allowances, and

ii. The payment ought to have been made to the ultimate beneficiaries (the advertising firms and other officers of the University as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the MAUTECH.

Risks

i. Diversion of public funds
ii. Funds may not get to the beneficiaries.

Management's Response

No response.

Recommendations

The Vice Chancellor is requested to:

i. Furnish reasons why e-payment policy was not complied with during payments.

ii. Account for the sum of 3,083,775.00 (Three million, eighty-three thousand, seven hundred and seventy-five naira).

iii. Recover the sum of 3,083,775.00 and remit same to the CRF.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations

SECTION 9

INSPECTORATE AUDIT DEPARTMENT

DEPARTMENT OF PETROLEUM RESOURCES (DPR)

At the Department of Petroleum Resources (DPR), the following observations were made:

ISSUE 1: STATUTORY 1% STAMP DUTY DEDUCTED BUT PAID BACK TO CONTRACTORS/CONSULTANTS (= 19,840,081.29)

Paragraph 620 of the Financial Regulations provides that Receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act Cap.411). Also, paragraph 6 of the Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015 requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act.

Audit observed from the review of paid vouchers and other records that:

i. The sum of 19,840,081.29 (Nineteen million, eight hundred and forty thousand, eighty-one naira, twenty-nine kobo) was deducted as Statutory 1% Stamp Duty from payments to Contractors/Consultants, and

ii. The above amount was paid back to the Contractors/Consultants instead of remitting the money to the Federal Inland Revenue Service (FIRS) contrary to the provisions of extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Department of Petroleum Resources.

Risks

i. Overpayment to Contractors/Consultants.
ii. Loss of revenue to the Government.

Management's Response

i. The Department earlier made adequate deductions as rightly observed by the Audit, but efforts made to remit deductions failed as the account number provided by the Accountant-General in the Circular, under reference, for remittance of the 1% Stamp Duty was not on the GIFMIS platform at the time. The Department had no choice than to pay back the sums deducted to the Contractors/Consultants pending when clarifications are made, since it was not possible to warehouse the amounts deducted.

ii. The Department has issued letters to the Contractors requesting them to remit the Stamp Duty to Federal Inland Revenue Service as requested by the Audit. See evidence attached as Annexure B.

iii. The clause has been included in the letters issued to the Contractors and Management will ensure full compliance thereon.

iv. Noted.

Recommendations

The Director/CEO is requested to:

i. Furnish reasons why 1% Stamp Duty deducted from contractors/consultants was paid back.

ii. Recover the sum of 19,840,081.29 from the Contractors/Consultants being 1% Stamp Duty, deducted and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: NON-DEDUCTION OF STATUTORY 1% STAMP DUTY FROM PAYMENTS TO CONTRACTORS/CONSULTANTS (= 137,225,973.35)

Paragraph 620 of the Financial Regulations provides that Receipts given on paid vouchers are liable to Stamp Duty in accordance with the Stamp Duties Ordinance (Stamp Duties Act Cap.411). Also, paragraph 6 of the Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015 requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act.

Audit observed that:

i. The sum of 13,722,597,335.43 (Thirteen billion, seven hundred and twenty-two million, five hundred and ninety-seven thousand, three hundred and thirty-five naira, forty-three kobo) was paid to contractors/consultants for various contracts/consultancies, and

ii. The above payments were not subjected to Statutory 1% Stamp Duty deductions of 137,225,973.35 (One hundred and thirty-seven million, two hundred and twenty-five thousand, nine hundred and seventy three naira, thirty-five kobo) as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Department of Petroleum Resources.

Risks

i. Overpayment to Contractors/Consultants.
ii. Loss of revenue to the Government.

Management's Response

i. Sequel to the inability of the Department to remit the earlier deductions of 1% Stamp Duty, which were later paid to the contractors, the Management felt it was improper to deduct what would not be remitted.

ii. Letters have been issued to the Contractors requesting them to remit the Stamp Duty to Federal Inland Revenue Service as requested by the Audit. See evidence attached as Annexure C.

iii. The clause has been included in the letters issued to the affected Contractors and the Management will ensure full compliance.

iv. Noted.

Recommendations

The Director/CEO is requested to:

i. Furnish reasons why 1% Stamp Duty was not deducted from payments to contractors/consultants.

ii. Recover the sum of 137,225,973.35 from the affected Contractors/Consultants being 1% Stamp Duty and remit same to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 3: NON-DEDUCTION OF 1% INDUSTRIAL TRAINING FUND FROM 2019 PAYROLL (= 118,560,882.72)

Federal Government Circular with Ref: No. SGF.OP/I/S.3/IX/274 dated 4th October, 2011 titled 'Compliance with the Provisions of the Industrial Training Fund Amendment Act 2011 as they relate to Training Contributions by Liable Organizations' requires every employer having five (5) or more employees in its establishment or having less than five (5) employees but with a turnover of N50 million and above per annum to, in respect of each calendar year and or the prescribed date, contribute to the Fund 1% per annum of its total annual payroll.

Audit observed that:

i. The sum of 11,856,088,271.92 (Eleven billion, eight hundred and fifty-six million, eighty-eight thousand, two hundred and seventy-one naira, ninety-two kobo) was paid as salaries for 2019.

ii. 1% Industrial Training Fund (ITF) contribution amounting to 118,560,882.72 (One hundred and eighteen million, five hundred and sixty thousand, eight hundred and eighty-two naira, seventy-two kobo) was not deducted and remitted in violation of extant regulations, and

iii. 1% ITF Contribution of 118,560,882.72 was not provided for in 2019 appropriation of DPR in accordance with the standard practice.

The above anomalies could be attributed to weaknesses in the internal control system at the Department of Petroleum Resources.

Risks

i. Under performance by the Industrial Training Fund
ii. Difficulty in funding budget.

Management's Response

i. The Department never considered that the Circular on 1% of payroll as contribution to ITF applies to it as it taught it was more applicable to a private company. However, the sum of 118,560,882.72 which would have been deducted and remitted to ITF was not provided for in the 2019 Appropriation.

ii. The template given to the Dept by Budget Office of the Federation (BoF) for the preparation of Personnel Costs budget did not provide for ITF hence non-deductions and remittance of the said amount.

iii. All statutory deductions ad relates to staff payroll are being included by the BoF and release for remittance on periodically to the relevant bodies.

iv Attempt will be made to include the amount in question in the subsequent budget where it will be deducted and remitted to the Fund.

v. Noted.

Recommendations

The Director/CEO is requested to:

i. Furnish reasons why 1% ITF was not deducted and remitted as required by extant regulations.

ii. Secure appropriation for the arrears of 118,560,882.72 as 2019 ITF contribution and remit same to the Fund.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 4: NON-IMPLEMENTATION OF DPR APPROVED STATUS AS A PARASTATAL

Paragraph 4 of the Accountant-General of the Federation Letter, titled 'Cost of Collection for Department of Petroleum Resources (DPR)' with Ref: No. OAGF/FD/FA/280/Vol.1/23 dated 3rd November, 2014 states "…DPR in the record of the OAGF, automatically assumes the status of a Parastatal and shall be so treated for the purpose of accountability in relation to the fund…" Furthermore, the Accountant-General of the Federation through a letter Ref: No. INSP/0074/S.173/1 dated 24th February, 2010

had granted Self Accounting status to the DPR. Also, the Honourable Minister of Finance through a Circular Ref: No' FMF/HMF/2016/1 dated 21st November, 2016 added DPR to the Schedule to the Fiscal Responsibility Act of 2007 as one of the Agencies expected to among others, be self-sustaining and subsequently apply International Financial Reporting Standards (IFRS) as a Commercial Public Sector Entity (CPSE) formerly known as Government Business Entities (GBEs).

Audit observed that:

i. The Management of DPR has not taken appropriate measures to transform it to a full fledge Parastatal despite meeting all criteria for a Parastatal/Self Accounting Unit, including a functional Internal Audit fully manned by staff of the Office of the Accountant-General of the Federation, contrary to the extant circulars and regulations.

ii. DPR remits Operating Surplus to CRF annually as a Parastatal just like any other Government Agency in accordance with Section 22 of the Fiscal Responsibility Act of 2007, and

iii. The nomenclature for DPR, the Accounting Officer and other Heads of functional arms of DPR are fraught with incongruity. For instance, the Head of DPR is still being referred to as a Director instead of Managing Director, or Director-General, or Executive Secretary, while Head of each functional arm of DPR is referred to as a Deputy Director instead of a Director.

The above anomalies could be attributed to weaknesses in the internal control system at the Department of Petroleum Resources.

Risks

i. Counter-productive
ii. Barrier to carrier progression.

Management's Response

i. The Management have taken steps previously to actualize the parastatal status of DPR, including active participation in the aborted Petroleum Industry Governance Bill (PIGB). However, efforts would be made again to get the status implemented.

ii. Letter would be written to relevant authorities on this matter.

iii. Nomenclature/designations of the Management Staff will be changed as soon as relevant clearance for full implementation of Parastatal status for DPR is obtained.

Recommendations

The Director/CEO is requested to:

i. Furnish reasons why DPR has not transformed into a full fledged parastatal as provided in relevant approvals.

ii. Liaise with relevant Authorities to ensure compliance with the extant regulations on DPR's Parastatal/Self Accounting Unit status,

iii. Change the present nomenclature/designations of the Management Staff of the DPR to align with other Parastatals within the Oil Industry/Public Service.

iv. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 5: FAILURE TO TRANSFER YEAR END BALANCE IN ZENITH UK ACCOUNT TO THE CRF (=US$35,738,342.95)

Paragraph 213 (ii) of the Financial Regulations (FR) states "On no account shall any withdrawal be made from the revenue account other than for the purpose of transfer to the consolidated account." Furthermore, paragraph 236 of the FR states "Revenue paid into the Revenue Accounts for Internally Generated Revenue (IGR) or 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 from the review of Bank Statements and other records that:

i. The sum of US$35,738,342.95 (Thirty five million, seven hundred and thirty-eight thousand, three hundred and forty-two dollars ninety five cents) remained in the Zenith (United Kingdom) Account Number 00020236 as at 31st December, 2019.

ii. There was no evidence to show that this amount was swept into the Consolidated Revenue Fund (CRF) at the end of the year as required by extant regulations, and

iii. The DPR did not maintain a Cash Book for Zenith UK Account as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Department of Petroleum Resources.

Risks

i. Loss of Revenue to the Government.
ii. Difficulty in funding budget.

Management's Response

i. It is not within the powers of the Department to effect transfer from Zenith UK Account to the Consolidated Revenue Fund from its revenue accounts but that of the Office of the Accountant General of the Federation and the Central Bank of Nigeria.

ii. The Department is not in control of Zenith UK Account, and

iii. Noted.

Recommendations

The Director/CEO of DPR is requested to:

i. Provide reasons why the balance of US$35,738,342.95 in Zenith UK Account was not transferred to the CRF.

ii. Recover and remit the sum of US$35,738,342.95 being year end balance in Zenith UK Account to the CRF.

iii. Forward evidence of remittance to the CRF to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

FEDERAL MEDICALCENTRE, KEFFI

At the Federal Medical Centre, Keffi, Nasarawa State, the following observations were made:

ISSUE 1: NON-REMITTANCE OF GOVERNMENT'S SHARE OF 25% INTERNALLY GENERATED REVENUE FROM 2016 – 2019 FINANCIAL YEARS (= 246,132,460.80)

Paragraph (1) of the Federal Government Circular No. BO/RVE/12235/259/VII/201 of 11th November 2011 stipulates "all Federal agencies/parastatals should limit their annual budgetary expenditure from Internally Generated Revenue (IGR) to no more than 75% of their gross revenue. Furthermore, Paragraph 112 (i)(l) of the Financial Regulations (FR) states "The functions of the Accounting Officer shall include …ensuring that any revenue collected are not spent but remitted to the appropriate authorities promptly". Furthermore, Paragraph 112 (i)(f) of FR states "The functions of the Accounting Officer shall include …ensuring accurate collection and accounting for all public moneys received and expended…".

Audit observed that:

i. The 25% charged on the 30% mark-up on drugs and 25% on all other revolving fund revenue, amounting to 246,132,460.80 (Two hundred and forty six million, one hundred and thirty two thousand four hundred and sixty naira eighty kobo) between 2016 and 2019.

ii. The drugs bought were sold at 30% mark-up, while the other inputs procured such as reagents, had arbitrary mark-ups ranging from 80% to 120%.

iii. There was no evidence to show the above amount and other mark-ups were remitted to the Consolidated Revenue Fund (CRF) as required by extant regulations, and

iv. Though the Government has clear instructions on how revolving funds should be operated, our review and interviews with relevant officers of the Centre showed that no structure was put in place for the operation of the various revolving funds and this can lead to a huge loss of government revenue.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Under remittance of Government revenue.
ii. Diversion of internally generated revenue due to personal use.

Management's Response

The inflows that constituted revenue to the Centre for the period included NHIS capitation, refunds of staff salaries, cost of production of staff ID Cards. The sum of 246,132,460.80 referred to her included NGHIS capitation, and salary refunds: whereas NHIS capitation is item of DRF and SRF that are exempted from 25% IGR

remittance because they are not part of general revenue. Evidences of remittances of this percentage of revenue are however attached as Appendix 1 for your verification.

Recommendations

The Chief Medical Director of FMC Keffi is requested to:

i. Explain why revenues due to the government were not properly accounted for.

ii. Recover and remit the sum of 246,132,460.80 (Two hundred and forty six million, one hundred and thirty two thousand, four hundred and sixty naira and eighty kobo) to the CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for revenue in paragraph 3112 of the Financial Regulations.

ISSUE 2: NON-REMITTANCE OF GOVERNMENT INDEPENDENT REVENUE- (= 28,122,362.00)

Paragraph 2620 of the Financial Regulations (FR) states "(i) The Officer in charge of the public auction, or public tender shall pay the net proceeds of the auction after the deduction of the auctioneer's commission, to the nearest Sub- Treasury or Central Pay Office for classification to the appropriate Sub- Head of the Miscellaneous Revenue Head. He shall inform the Accounting Officer concerned of the details of the proceeds of sale and quote the reference and date of the relevant Treasury Receipt. The Accounting Officer shall inform the Accountant-General and the Auditor-General of the reference number, date and amount of the Treasury Receipt for the proceeds of the sales of articles disposed of. (ii) The officer in-charge of the auction or tender shall ensure that the net proceeds referred to in sub-section (i) above is paid to the nearest Sub-Treasury or Central Pay Office within 48 hours of collection." Furthermore, FR 112 (i)(f) states "The functions of the Accounting Officer shall include "… ensuring accurate collection and accounting for all public moneys received and expended…"

Audit observed from the review of the Centre's records that:

i. The sum of 28,122,362.00 (Twenty eight million one hundred and twenty two thousand, three hundred and sixty two naira only) was collected as revenue from sales of government assets and tender fee for the period 2017 to 2019 and was paid into the centre's TSA but not remitted to CRF, and

ii. The centre collected the sum of 5,600,000.00 rents from staff occupying Government staff quarters for the period January, 2016 to December, 2019 but did not remitted as an independent revenue to the CRF.

The above anomalies could be attributed to weaknesses in the internal control system and lack of management commitment to revenue generation by the government at the Federal Medical Centre, Keffi.

Risks

i. Loss of revenue to the government.
ii. Difficulty in funding budget.

Management's Response

The houses occupied by these officers are not government quarters. The centre only stands as a guarantor to give confidence to the landlord of continuous payment of rent by the hospital staff. The tender fees and sale of assets of the Centre amounting to 22,522,362.00 was remitted to government coffers after applying the 25% charge. The evidence is attached as Appendix 2 for your verification.

Recommendations

The Chief Medical Director is requested to:

i. Explain reason why disciplinary actions should not be taken against him for not remitting the sum of 28,122,362.00 (Twenty-eight million, one hundred and twenty- two thousand, three hundred and sixty- two naira only) collected as independent revenue to the CRF and denying the Government the revenue to fund its capital budget.

ii. Remit the sum of 28,122,362.00 collected to the CRF and forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

ISSUE 3: NON DEDUCTION AND REMITTANCE OF 1% STAMP DUTY (= 56,327,992.49)

Treasury Circular Ref. No. TRY A12&B12/2015 and OAGF/CAD/026V.11/390 OF 29th December 2015, Stamp duties Act CAP.S8 LFN 2004 requires 1% stamp duty to be deducted and remitted on contract agreement as specified in the schedule to the act.

Audit observed from the examination of the Centre's Payment Vouchers, TSA outflows and CBN Bank Statement that:

There was no deduction of 1% stamp duty amounting to 56,327,692.49 (Fifty six million, three hundred and twenty seven thousand, six hundred and ninety two naira forty nine kobo) which represents 6,615,873.09, 14,793,637.36, 15,088,531.35 and 19,829,650.19 for contracts awarded in 2016, 2017, 2018 and 2019 respectively.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Loss of government funds.
ii. Diversion of revenue due to the Government.

Management's Response
Stamp duty as computed by the representative of the Attorney-General of the Federation amounted to 1,729,585.13 only for the year in question and this was remitted accordingly. See Appendix 3 for year verification.

Recommendations
The Chief Medical Director of FMC Keffi is requested to:

i. Explain the reason for the disregard to this extant circular.

ii. Recover the sum of 56,327,992.49 from the contractors and remit same to the appropriate government account and forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

ISSUE 4: NON-DEDUCTION AND REMITTANCE OF VALUE ADDED TAX (VAT) AND WITHHOLDING TAX (= 477,868,009.18)

The Federal Treasury Circular Ref. No. TRY/A1&B1/2009 OAGF/CAD/026/V/12 dated 19th January, 2009 (3) provides that all MDAs are to deduct PAYE taxes and WHT as well as VAT at appropriate rates from each contract payment and remit same to appropriate tax authorities. Furthermore, Financial Regulation 235 provides that deduction of 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 from the review of TSA statement and other books of accounts that:

i. The Centre paid for contracts and supplies and failed to deduct taxes amounting to 477,868,009.18 (Four hundred and seventy seven million, eight hundred and sixty eight thousand and nine naira eighteen kobo) as shown in the summary Table below:

YEAR	VAT (5%) ( )	WHT(10%) ( )	TOTAL ( )
2016	539,774,185.00	26,988,709.25	26,988,709.25
2017	880,848,390.00	44,042,419.50	88,084,839.00
2018	1,678,868,000.00	83,943,400.00	167,886,800.00
2019	1,949,076,609.26	97,453,830.46	194,907,660.93
	5,048,567,184.26	252,428,359.21	477,868,009.18

ii. There were no payment vouchers raised before these payments were made.

iii. The payments could not also be traced to the cash book.

iv. Repeated request was made for the Centre to provide these vouchers but were not provided to the Audit team as at the time of the audit in February, 2021.

v. Since vouchers were not raised at all, there was nothing to indicate that withholding taxes were deducted and remitted, and

vi. This figure is the direct charge of 5% VAT and WHT on the amounts described as other payments and 10% WHT charge on payments described as services, as the actual goods supplied and services rendered could not be ascertained.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Loss of revenue to the government.
ii. Difficulty in funding budget.

Management's Response

Supply of drugs and medical consumables which constitute a substantial part of supplies in the Centre are not vatable, but all other supplies had these two taxes deducted and remitted accordingly. See Appendix 4 for your verification.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why statutory VAT and WHT were not deducted from payments to contractors.

ii. Recover the sum of 477,868,009.18 and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government revenue in Section 3112 of the Financial Regulations.

ISSUE 5: OUTSOURCING OF GOVERNMENT FUNCTION TO INDIVIDUAL STAFF AS CONTRACT (= 22,445,561.43)

Paragraph 2950 of Financial Regulations (FR) states “(i) 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. (if) Pursuant to Sub-section (i) above, a notice shall be published in at least

2 (two) national newspapers and the procurement journal." Furthermore, paragraph 2951 of the FR states "(i) Not withstanding the provisions of FR 2945, a ministry/extra ministerial office or other arms of government may, without publication, invite or request not less than 3 or more than 10 consultants or relevant service providers to submit proposals for service whose value is less than one million naira (1m) and /or with the approval of the Bureau. (ii) The proposals requested for under sub section (i) above shall include the following (a) a statement of qualifications of the consultant to provide the service; (b) a statement of understanding of the procuring entity's needs; (c) the methodology for providing the service; and (d) the cost or fee for the service."

Audit observed from the review of the Centre's books of accounts that:

i. Payments (commissions) due to a firm, totaling 22,445,561.43 were made to a staff's Diamond Bank Account number 0052928995 as shown below:

YEAR	
• 2016	655,860.52
• 2017	5,091,653.52
• 2018	7,133,204.69
• 2019	7,564,892.21
	22,445,561.43

ii. The staff is an employee of FMC KEFFI with the following details:
- IPPIS NO: 300529
- FILE NO: 2680
- DATE OF FIRST APPOINTMENT: 28/4/2014
- Records revealed that the above staff operated the underlisted accounts;
- Diamond account No. 0052928995
- GTB 0157698270
- Keystone 6014109180
- Access Bank 0785916950

iii. The Diamond Bank account number 0052928995 was formally bearing the staff account name. However, it was observed to have been changed from the staff name to the firm name, and

Iv. This was a pointer to the fact that the company was owned and run by the staff of the FMC Keffi and the revenue collection function was outsourced to the staff of the Centre.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of government funds.
ii. Loss of Government fund.

Management's Response

The following details on the above observation is forwarded for year verification.

i. The hospital does not have control over a contractor's account number and so unable to forward Bukata International Limited's Statements of account for the year under reference.

ii. The personal file of Emmanuel Henry Bello is hereby provided for your verification.

iii. The CAC Certificate of Incorporation and copies of Articles and Memorandum of Associations of the company are hereby attached for your verification as Appendix 5.

iv . These accounts are not hospital's accounts and therefore we are unable to provide their statements as requested.

v. The phone number of Managing Director of the company in question is hereby provided, but phone numbers of Key Staff could not be provided as we have no mandate to request for this information from the company.

vi. The answers provided in I - V render this request inapplicable accordingly.

Recommendations

The Chief Medical Director is requested to:

i. Explain the reasons for these irregularities.

ii. Recover the sum of 22,445,561.43 and remit same to CRF.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to contraventions of the Public Procurement Act specified in paragraph 3126(i) of the Financial Regulations.

ISSUE 6: FUNDS APPROPRIATED FOR PERSONNEL (NON-REGULAR STAFF SALARY PAYMENT) DIVERTED FROM GIFMIS TO TSA UNACCOUNTED FOR (= 4,127,755,757.91)

Paragraph 316(iii) of FR (2009) as amended 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.” Furthermore, Paragraph 415 of Financial Regulations 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 during the examination of FMC Keffi books of accounts and GIFMIS Personnel, that:

i. The Centre diverted a total sum of 4,127,755,757.91 from the fund appropriated for personnel.

(i) 2016	1,595,340,684.39
(ii) 2017	1,266,772,083.52
(iii) 2018	1,265,643,000.00
TOTAL	**4,127,755,757.91**

ii. The Medical Director embarked on copious transfer of funds appropriated for payments of non-regular staff personnel from the GIFMIS to TSA Remita, contrary to extant regulations.

iii. The money purported to have been spent on various Capital and Overhead related expenditure could not be ascertained by the audit team.

iv. The payments totalling 4,127,755,757.91 (Four billion, one hundred and twenty-seven million, seven hundred and fifty-seven naira, ninety-one kobo) were made via 1108 separate payments.

v. The narrations for all the payments range from “Service rendered”, “Cleaning services”, “Mortuary services”, “Security Services” etc.

vi. Payments vouchers were not raised for these transactions.

vii. Prepayment checks could not be done, as there were no vouchers raised for the payments.

viii. Evidence of competitive bidding for the contracts were not sighted.

ix. Most of the payments were made the same date.

x. Contract files for the contracts/contractors were not provided for audit, and

xi. Existence of the companies and their status were not known

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. The expenditures may have been fictitious
ii. Loss of Government revenue.

Management's Response

The GIFMIS and TSA are platforms strictly controlled by the Office of the Accountant-General of the Federation and agencies of government like the Federal Medical Centre,

Keffi have little or no control over transfers from one platform to the other. The hospital can only pay its revenues into the accounts linked to the central TSA of the Federal Government but has no control over transfers from same. The same applies to GIFMIS where the Centre cannot transfer funds from personnel to overhead or capital for award of contracts as observed by the Audit team. The recommendation therefore contained in your I-IV becomes inapplicable.

Recommendations

The Chief Medical Director is requested to:

i. Explain the reasons for these anomalies.

ii. Provide evidence of how the sum of 4,127,755,757.91 was utilized.

iii. Recover the sum of 4,127,755,757.91 and remit same to CRF

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to manage public funds effectively stated in paragraph 3115 of the FR.

ISSUE 7: DIVERSION OF GOVERNMENT FUNDS THROUGH CONTRACTS AND COOPERATIVE SOCIETIES (= 1,379,072,231.82)

Paragraph 708 of the Financial Regulations (FR) provides that on no account should payment made for services not yet performed or for goods not yet supplied. Furthermore, paragraph 3104(iii) of FR states “A public officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and that matter referred to the EFCC for prosecution.”

Audit observed from the examination of FMC Keffi books of accounts and GIFMIS Personnel records that:

i. The Centre diverted amount totalling 1,379,072,231.82, (One billion, three hundred and seventy nine million, seventy two thousand, two hundred and thirty one naira eighty two kobo), funds appropriated for payments of non-regular staff personnel from the GIFMIS to TSA Remita, contrary to extant regulations.

ii. Out of these total amount of 1,379,072,231.82, 363,356,000 were diverted through Six(6) Cooperative Societies for purposes not known, while 1,015,716,231.86 were moved through contractors and purported to have been spent for capital projects and overhead expenditure which could not be ascertained by the audit team. The narrations for all the payments range from “Service rendered”, “Cleaning services”, “Mortuary services”, “Security Services” etc.

iii These payments totalling 1,379,072,231.82, (one billion, three hundred and seventy nine million, seventy two thousand, two hundred and thirty one naira

eighty two kobo) were made via 195 separate payments.

iv. Payments vouchers were not raised for these transactions.

v. There were no evidence of competitive biding for the contracts were not sighted

vi. Most of the payments were made the same date.

vii. Contract files for the contracts/contractors were not provided

viii. Existence of the companies and their status were not known, and

ix. Details of the cooperative societies and evidence of their existence were not known.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. The expenditures may have been fictitious
ii. Loss of Government revenue.

Management's Response

The explanation earlier rendered in issue 6 applies here too, though we take exception to the use of unprofessional language like 'fictitious' by the office on the Centre. Co-operative societies, though have their deductions as staled in the report, their remittances are equally handled by GIFM1S to their respective organizations who manage them accordingly and so the hospital is not in a position to divert money from these co-operative societies to other sub-heads for award of contracts as claimed and therefore your recommendation contained in par. i-v becomes inapplicable and should be reconsidered please.

Recommendations

The Chief Medical Director is requested to:

i. Explain the reasons for these anomalies.

ii. Recover the sum of 1,379,072,231.82 and remit same to CRF

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed stated in paragraph 3104(iii) of the Financial Regulations.

ISSUE 8: MONEY BUDGETED FOR AND RELEASED FOR NON-REGULAR ALLOWANCES TRANSFERRED FROM GIFMIS TO TSA ACCOUNT 2016-2019 NOT ACCOUNTED FOR (= 2,837,097,072.36)

Paragraph 112 (i)(f) of FR states “The functions of the Accounting Officer shall include …ensuring accurate collection and accounting for all public moneys

received and expended…"
Audit observed from the review of the Centre's TSA Outflow and TSA CBN statements that :

i. There were several transfers made by the Centre to the tune of 2,837,097,072.36 (Two billion, eight hundred and thirty seven million, ninety seven million and seventy two naira, thirty six kobo) from GIFMIS to TSA, and

ii. These funds received by the Centre for non regular allowance and other purposes were not properly accounted for.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of public fund into individual pockets
ii. Loss of government funds.

Management's Response

This is a duplication of the observation on issue 6 which is earlier clarified, though the recommendation of virement evidence is not applicable here as no virement took place in respect of all monies received by the Centre in this respect.

Recommendations

The Chief Medical Director is requested to:

i. Justify the utilization of these funds.

ii. Account for the sum of 2,837,097,072.36 or recover and remit to treasury the sum of 2,837,097,072.36.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to account for government revenue stated in paragraph 3112 of the Financial Regulations.

ISSUE 9: IRREGULARITIES IN PAYMENT OF OVERTIME ALLOWANCE ARREARS ABOVE THE APPROVED RATE AND PRESCRIPTION IN PUBLIC SERVICE RULE BETWEEN 2016 AND 2019 (= 36,103,013.11)

Paragraph 130122 of the Public Service Rules provides that, no officer qualified for overtime payments shall work overtime in excess of 45 hours in that month unless this is authorised in special circumstances by the Accounting officer/Chief executive. Also, PSR 130123 stipulate that, payment for overtime on normal working days will be at the rate of 0.7% of the monthly consolidated salary subject to a maximum of 45 hours in one month and must be approved by the Accounting Officer/ Chief Executive.

Audit observed that:

i. The sum of 36,103,013.11 (Thirty six million, one hundred and three thousand and thirteen naira eleven kobo) was purported to have been paid to staff as

DESCRIPTION	2017 ₦	2018 ₦	2019 ₦	TOTAL ₦
OVERTIME ALLOWANCE	10,088,902.81	6,298,354.95	19,715,755.35	36,103,013.11

ii. There were no evidence to ascertain that the payments were made as the necessary procedure of paying overtime allowance and the computation required were not duly followed.

iii. The above sum was paid as overtime to staff from TSA (revenue account) without raising payment vouchers.

iv. There was no evidence of over time sheet filled and approved by the management and therefore, the time and rate at which the overtime was paid could not be ascertained.

v. There was no evidence to show that the officers worked for over 45 hours as the rule stated.

vi. There were no evidence of receipt by final beneficiary of the purported over time payments.

vii. The grade levels of the staff purported to have received the over time payment were not known.

viii. There was no pre-payment checks and evidence of approval by management, and

ix. In the absence of these aforementioned documents, the authenticity of the payment cannot be ascertained.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of public fund into individual pockets
ii. Loss of government funds.

Management's Response

The overtime allowances of 36,103,013.11 paid to entitled staff were duly approved by the Medical Director of the hospital and all relevant records like overtime sheets were complied with and evidences are provided in Appendix 6 for your verification.

Recommendations

The Chief Medical Director is requested to:

i. Explain why over-time was paid for services not rendered.

ii. Recover the sum of 36,103,013.11 and remit same to chest.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to overpayment of salaries and allowances to staff in Financial Regulation 3111.

ISSUE 10: PAYMENT OF ALLOWANCES TO MANAGEMENT STAFF OF THE CENTRE AGAINST NATIONAL SALARIES, INCOMES AND WAGES COMMISSION (= 16,407,000)

The Salaries, Income and Wages Commission Circular with Ref. No. SWC/S/04/S.310/T/65 dated 8th April, 2016 stipulates that, the sitting allowances due to Board members of Federal Agencies, Statutory Corporations and Government owned companies based on different categories. It should be note that chief executive officers and other public servants on monthly salary who are board members in their own establishment are not entitled to sitting allowance. This Circular also stipulates the minimum and maximum number of meetings allowed for each category.

Audit observed that:

i. The Management of the Centre paid sitting allowance to staff who are member of the board, other committees and Head of Department monthly allowance which contravened the circular from National Salaries, Income and Wage Commission, and

ii. A total of 34 payment vouchers which amounted to 16,407,000.00 (Sixteen million, four hundred and seven thousand naira) were raised and paid as sitting and monthly allowance to management board and head of departments, as shown in the Table below:

SUMMARY	₦
2016	2,818,000
2017	4,234,000.00
2018	1,265,000.00
2019	8,090,000.00
	16,407,000.00

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of public fund to individual use.
ii. Weak internal control system.
iii. Loss of Government funds.

Management's Response
This payment is not sitting allowances to staff but entertainment for such meetings converted to cash to take care of their feeding during such tedious management meetings usually outside official hours of duty and therefore the recommendation of refund of this should be reconsidered accordingly.

Recommendations
The Chief Medical Director is requested to
i. Justify the reasons for these payments

ii. Recover the sum of 16,407,000.00 involved and pay back to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to overpayment of salaries and allowances in paragraph 3111 of the Financial Regulations.

ISSUE 11: MULTIPLE PAYMENT OF SALARIES IN 2018 AND NOVEMBER AND DECEMBER 2019 SALARIES TO INDIVIDUAL STAFF FROM TSA (= 55,763,555.98)

Paragraph 415 of the Financial Regulations provides 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 from the review of the Centre's records, payroll analysis and Nominal roll that:
i. There were multiple payments of salaries to some regular staff from TSA to the tune of 55,763,555.98 (Fifty five million, seven hundred and sixty three thousand, five hundred and fifty naira ninety eight kobo) as shown in the Table below:

SUMMARY	₦
2018	2,535,526.37
2019	53,228,029.61
TOTAL	**55,763,555.98**

ii. These staff illegally received multiple salaries from the Centre's, paid from TSA in the year 2018 and in December 2019, and

iii. These staff have IPPIS numbers and were in the Federal government payroll.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks
i. Loss of funds due to the government.
ii. Diversion of public fund into individual use

Management's Response

The Centre is not aware of payment of double salaries to its staff amounting to the above sum and therefore you may wish to reconsider your recommendation for the refund of this amount accordingly. Moreover, the capturing and payment of all staff of the Centre is done by the Accountant-General of the Federation who equally controls the payment of salaries in conjunction with the IPPIS from the Head of Service of the Federation.

Recommendations

The Medical Director of FMC Keffi is requested to :

i. Explain the reasons for the payments of multiple salaries to some staff.

ii. Recover the sum of 55,763,555.98 paid as multiple salaries from the affected staff and refund to chest.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 12: OPERATION OF A UBA COMMERCIAL BANK ACCOUNT NUMBER 1015985313

Paragraph 701 of the Financial Regulations states “No official bank account shall be opened unless authorized by the Accountant-General of the Federation.” Furthermore, Guidelines on the Implementation of Treasury Single Accounts (TSA)/e-Collection issued by the Office of the Accountant-General of the Federation, OAGF/CAD/026/V.II/332 reference No. TRY A9&B9/2015, No. 4.27 prohibits opening of Accounts with Commercial Banks and diversion of deposits to any commercial banks account and use of surrogate accounts of any form.

Audit observed from the examination of FMC Keffi TSA 2016 CBN statement that:

i. There was account balance of 63,255.55 (sixty three thousand, two hundred and fifty five naira) transferred from the Centre's commercial bank account: Bank: UBA PLC; Account Number: 1015985313; and Account Name: Federal Medical Centre Keffi General Revenue Canteen

ii. The account is still active as discovered from search on the account on e-payment platform, and

iii. Several request made to the Medical Director to provide the bank statement of the account or an evidence of an account closure from the bank by the Audit team proved abortive.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Violation of TSA guidelines.
ii. Diversion of Government funds to private pocket.

Management's Response

All commercial bank accounts of the Centre were closed with the coming into effect of the TSA on the 10th February 2015 and since then the hospital -ceased the charging of any of its expenditure on same except the GIFMIS platform. The claim that the UBA account still exists is therefore not tenable as the audit team did not trace any payment to this account. The recommendation that the Centre should provide approval from the Accountant-General for opening /operation of the said account and the provision of a non-existing bank statement should be reconsidered please.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons for the operation of a Commercial Bank Account

ii. Provide evidence of approval from the Office of Accountant-General of the Federation to open and operate a commercial bank account.

iii Furnish the UBA bank account statement from January 2015 to December 2020, to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 13: PAYMENT OF SALARY TO A RETIRED STAFF WITH IPPIS NO: 301682 (= 16,729,201.89)

The Public Service Rules No. 020810 states “(i) The compulsory retirement age for all grades in the Service shall be 60 years or 35 years of pensionable service whichever is earlier. (ii) No officer shall be allowed to remain in service after attaining the retirement age of 60 years or 35 years of pensionable service whichever is earlier.”

Audit observed from the review of FMC's GIFMIS statements, TSA CBN bank statement, Payroll and Nominal Roll that:

i. The staff with the particulars: IPPIS No. 301682, Staff File No. 590, Date of birth: 23/09/1958, and Date of first appointment: 09/07/2001, was still in the service of the FMC Keffi Centre, even after retirement.

ii. The staff retired with the rank of Deputy Director Finance, CONMESS/CONHESS 15, GL 17 step 9

iii. The staff was paid a monthly net salary of 363,278.97 before his retirement.

iv. The staff retired on 23/9/2018 and was paid an exit salary of 275,479.61 as he did not work for a full month.

v. In October 2018, He was paid through IPPIS a net salary of 413,103.97, which was 49,830.00 more that his salary of 363,278.97 as a Deputy Director.

vi. He also received the same salary of 413,103.97 from TSA in October 2018.

vii. He was on the payroll from January to December 2019, as revealed from the review of 2019 Non- regular Allowance, and

viii. He was paid salary of 413,103.97 in April, May, November and paid a net pay 458,970.22 in December 2019 from TSA and also paid on the GIFMIS, a net pay of 413,103.97 on the months of February, March, June, July, August, Sept and October 2019.

See the details below:

October 2018 salary paid from GIFMIS	= 413,103.97
October 2018 salary paid from TSA	= 413,103.97
Non Regular salary payroll (Jan – Dec 2019)(12*470,878.17)	= 5,650,538.04
April, May, November paid from TSA (413,103.97*3)	= 1,239,311.91
GIFMIS paid 413,103.97 in Feb, March, June, July, August, Sept & October 2019 (413,103.97*7)	= 2,891,727.79
Dec TSA (JAN 2020 – 31ST JAN 2021) (470,878.17*13)	= 6,121,416.69
Total	**16,729,201.89**

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Violation of Public services rule.
ii. Loss of Government fund.

Management's Response

The officer in question, Dr. Samson A. Adegoke retired as Director of Finance not Deputy Director of finance from the Civil Service on the 23rd September, 2018 and IPPIS being an automated application exited him accordingly and payment of his salary was terminated. The Governing Board of the hospital in its meetings of 15th and 16th of August, 2018 gave an anticipatory approval for the officer to be offered contract appointment with effect from 1st October, 2018 in the interest of the Centre and general public (See Appendix 7). This process was transparent as 9 retired staff of the Medical Centre were considered for contract appointment for two (2) years in the first instance. It is however surprising that only Dr. Adegoke was singled out in the report by the Audit team. This appears subjective, witch-hunting and lacks professional ethics of integrity and objectivity. Kindly submitted for your reconsideration please.

Recommendations

The Chief Medical Director of FMC Keffi is requested to:

i. Explain the reason(s) for engagement and payments made to a staff who has already retired.

ii. Recover the sum of 16,729,201.89 (Sixteen million, seven hundred and twenty-nine thousand, two hundred and one naira eighty nine kobo) from the staff, pay back to the chest and forward evidence to the Public Accounts Committees of the National Assembly, and

Iii. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 14: VIOLATION OF PUBLIC SERVICE RULE IN ENGAGEMENT OF A CONTRACT STAFF

Paragraph No. 020401 of the Public Service Rule states "A contract appointment is a temporary appointment (which does not provide for the payment of a pension) to a post of the level to which appointment is made by the Federal Civil Service Commission for a specific period as opposed to appointment on pensionable terms and temporary employment. The contract appointment must be recorded in a formal document of agreement." Furthermore, paragraph No. 020402 of the Public Service Rule provides that (a) The conditions of service of a contract officer are those provided for in his/her contract and the privileges, emoluments or allowances described in these Rules do not apply to him/her unless they are specifically so stated in the contract itself. Any question of the interpretation of a contract affecting his/her conditions of service should be referred to the Office of the Head of the Civil Service of the Federation.

Audit observed from the review of employees record that :

i. The officer wrote an application dated 5th December 2019 for an appointment as a Deputy Director Finance and Account which was the same grade level he retired on and still the same Rank at retirement: Deputy Director Finance, CONMESS/CONHESS 15, GL 17 step 9

ii. He was offered a contract appointment as Deputy Director (Finance and Account) on CONHESS 14/9 on 17th February 2020 but still on the same Deputy Director (Finance and Account) he retired from.

iii. His salary on retirement was more than that his salary before his retirement (413,103.97, which was 49,830.00 more that his salary of 363,278.97.

iv. There was no evidence of approval from the Head of the Civil Service of the Federation.

v. He assumed duty as a contract staff on 11th May 2020, and

vi. As at the time of this audit in February, 2021, He still occupies the office as Head of Finance of the FMC Keffi Nasarawa State.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Violation of Public Service Rules
ii. Loss of public funds

Management's Response

This is taken care of in my response on ISSUE 13, you may wish to refer to above accordingly please. See Appendix 7.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons for the deliberate violation of the Public Service Rules.

ii. Furnish reasons for appointing a contract staff to head an important Federal Government position of Finance and Account, for which other staff are available.

iii. Provide all the documents relating to the due process followed and the appointment of the staff to authenticate the genuineness of purpose.

iv. Provide evidence of payment of the contract staff for the last three months before the date of retirement.

v. Provide evidence of payment of the contract staff from the date of commencement of the contract appointment till date.

vi. Explain why the contract staff received salary that is more than what he earned as a full staff (413,103.97 as a contract staff and 363,278.97 as a full staff), and

Vii. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 15: DIVERSION OF FUNDS FROM REVENUE GENERATED BY REVENUE COLLECTING AGENT (= 20,405,690.41)

Paragraph 112(i)(l) of the Financial Regulations (FR) states “The functions of the Accounting Officer shall include …ensuring that any revenue collected are not spent but remitted to the appropriate authorities promptly”. Furthermore, paragraph 112(i)(f) of FR states “The functions of the Accounting Officer shall include …ensuring accurate collection and accounting for all public moneys received and expended…”

Audit observed through the examination of Internal Audit report that:

i. The proceed from revenue collected for the month of March 2019, amounting to 20,405,690.41 was not remitted, but instead, diverted for personal use.

ii. The report stated that Electronic Management Records (EMR) reported March 2019 total revenue to 40,377,265.16, while receipts is 19,819,104.48 and a variance of 20,405,609.41. This was reported on pages 30-34 of Internal Audit report of March 2019, and

iii. The EMR statements (Account statements of the revenue collectors) from the Centre wasn't made available as at the time of this audit in February, 2021 despite repeated request.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of Government fund into private pockets.
ii. Loss of government revenue.

Management's Response

A review of Internal Audit Reports of the Centre for these periods did not show any information as buttressed in your audit report.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why the sum of 20,405,690.41 was diverted into private pockets under his watch.

ii. Recover the sum of 20,405,609.41 from the revenue collection agent and remit same to the Treasury, forwarding evidence of remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to failure to account for government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 16: IRREGULARITIES IN THE ENGAGEMENT/PROCUREMENT OF TWO FIRMS (= 76,529,361.22)

Paragraph 2950 of the Financial Regulations (FR) states "(i) 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. (ii) Pursuant to sub-section (i) above, a notice shall be published in at least 2 (two) national newspapers and the procurement journal." Furthermore, paragraph 2951 of the FR states "(i) Not withstanding the provisions of FR 2945, a ministry/extra ministerial office or other arms of government may, without publication, invite or request not less than 3 or more than 10 consultants or relevant service providers to submit proposals for service whose value is less than one million naira (1m) and /or with the

approval of the Bureau. (ii) The proposals requested for under sub section (i) above shall include the following (a) a statement of qualifications of the consultant to provide the service; (b) a statement of understanding of the procuring entity's needs; (c) the methodology for providing the service; and (d) the cost or fee for the service."

Audit observed from the review of the Centre's documents that:

i. The first firm is a consultant that deployed EMR Software called Careplus while second firm is a consultant/agent that collects revenue and remit to the Centre's account.

ii. The contract file of the first firm was not made available to audit.

iii. The Centre provided a contract file of the second firm but without relevant procurement documents to show that due process was followed as there was no evidence of solicitation documents like company's tax clearance certificate, three years audited account, evidence of advertisement in at least two (2) national dailies and Federal Tenders Board.

iv. The Centre did not maintain Procurement Committee and Parastatal's Tenders Board meeting documents hence non of the minutes of the meetings were made available to the audit.

v. The Centre paid the sum of 76,529,361.22 (Seventy six million, five hundred and twenty nine thousand, three hundred and sixty one naira, twenty two kobo) to both the first and second firm, broken down as 26,433,750.00 and 29,650,000.00 in 2017 and 2016 respectively for the first firm and 20,445,561.43 for the second firm representing 655,860.00, 5,091,653.43, 7,133,204.69 and 7,564,892.21 for 2016, 2017, 2018 and 2019 respectively, and

vi. The Centre could not generate sales report to enable audit ascertain the completeness of the revenue collected by the agent.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Engagement of unqualified Consultant which may lead to waste of Government fund.
ii. This signalled an internal control failure.

Management's Response

The two Consultancy companies were engaged with all due process, and all necessary and relevant approvals were obtained and they have all delivered on the terms of their engagement with the addition of much value to the operations of EMR and revenue generation respectively. Relevant records in this respect are therefore tendered as Appendix 8 for your verification.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons for violating the procurement due process

ii. Provide the minutes of the Tenders Board meetings which were supposed to be kept for a minimum of 10 years otherwise,

iii. Recover the sum of 76,529,361.22 and pay back to chest.

iv. Forward the evidence of remittance to the Public Accounts Committees of the National Assembly.

v. Otherwise, apply sanctions relating to offences and sanctions under the Public Procurement Act (PPA) and paragraph 3125 of the Financial Regulations.

ISSUE 17: PAYMENTS MADE TO A CONSULTING FIRM FOR UNKNOWN PURPOSE (= 99,200,500.00)

Paragraphs 603(i) and 2933 of Financial Regulations (FR) require all vouchers to contain full particulars of each service and the provision of unconditional performance guarantee/security bond to be a precondition for payment of mobilization fees. Furthermore, paragraph 3106 of FR 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."

Audit observed from the review of the Centre's payment vouchers and TSA/CBN statement that:

i. The Centre paid the sum of 99,200,500.00 (Ninety-nine million, two hundred thousand five hundred naira) in favour of a firm through twenty seven (27) payment vouchers from the Centre's TSA CBN account in 2019.

ii. These payments were not recorded in the cash book and not entered in the Centre's vote book.

iii. There was no tax deduction charged on these payments, and

iv. There was no evidence of contract awarded to this company and no contract file was presented to the audit even after repeated request.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Loss of Government fund.
ii. Difficulties in funding government budget

Management's Response
All the payments in question were done in the public interest and good faith and due process was followed including raising of all payment vouchers as per Appendix 9.

Recommendations
The Chief Medical Director is requested to:
i. Provide reasons for the irregularities

ii. Recover and remit to the Treasury, the sum of 99,200,500.00 and forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply, sanctions relating to irregular or wrong payment stated in paragraph 3106 of the FR.

ISSUE 18: PAYMENT OF SALARY AND ALLOWANCES TO GHOST WORKERS (= 229,391,842.88)

Paragraph 3110 of the Financial Regulations states "A public officer who authorises 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 Commission for prosecution."

Audit observed from the examination of FMC Keffi GIFMIS Personnel records that:
i. The sum of 229,391,842.88 **(**Two hundred and twenty nine million, three hundred and ninety one thousand, eight hundred and forty two naira, eighty eight kobo) was paid to some staff through GIFMIS personnel in 2016 for salaries and allowances.

ii. One of the staff received salary and allowance nine times on the same day (15/2/2016 and four times on 16/2/2016)

iii. He also, received February to May 2016 salary totaling 836,219.22

iv. The Centre's Nominal Roll, Payroll, Non-regular Nominal and Payroll were examined but none of their names could be found, and

v. The salaries and allowances were paid to the staff between February, 2016 and May, 2016.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks
i. Diversion of Funds
ii. Loss of Government fund.

Management's Response

The personal files of the 15 staff of the Centre featured in your observation are humbly submitted for your verification as the hospital does not keep any ghost worker on its payroll and the GIFMIS platform is a system that was deployed to detect issues of this nature with adequate safeguards provided by the office of the Accountant-General for the Federation. See Appendix 10.

Recommendations

The Chief Medical Director of FMC Keffi is requested to:

i. Furnish reasons for recruiting ghost workers.

ii. Provide evidence to prove beyond reasonable doubt that the above listed names are not ghost workers.

iii. Forward the personnel files of the above listed names containing appointment letters, File numbers, IPPIS Numbers and other relevant credentials to the Public Accounts Committees of the National Assembly.

iv. Recover the sum of 229,391,842.88 from individuals and remit same to the Treasury and forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v Otherwise, apply sanctions relating to a public officer who authorises the payment of public fund to ghost-workers in paragraph 3110 of the Financial Regulations.

ISSUE 19: PAYMENTS MADE THROUGH STAFF TO SECURITY COMPANY (= 9,320,613.74)

Paragraph 601 of Financial Regulations (FR) states “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers 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.” Furthermore, paragraph 613 of the FR provides that payments shall be made only to the persons named in the vouchers or their properly authorized 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 authorizing payment to furnish proof of identity if required.

Audit observed from the review of the Centre's GIFMIS personnel that:

i. The management paid the sum 9,320,613.74 for services purported to have been rendered by two Security companies into personal account of two staff of FMC Keffi.

ii. Payment vouchers were not raised for these transactions.

iii. Existence of the companies and their status were not known, and

iv. E-payment policy was violated as the funds were paid through staff to unknown security companies.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Loss of Government fund.
ii. The money may have been diverted and may not have reached the intended beneficiaries/companies.

Management's Response

The two payments amounting to the above sum were made to the two individuals, who are not staff of the Centre with due authorization from their Chief Executives, See Appendix 12 for your verification. The recommendation for recovery of the sum above should be reconsidered accordingly. We equally take exception to the use of unprofessional language 'fictitious' here.

Recommendations

The Chief Medical Director is requested to:

i. Furnish the rationale for paying company's money into a private account without any evidence of authorization.

ii. Provide evidence to show that the companies actually received the monies otherwise.

iii. Recover the sum of 9,320,613.74 from the individual and remit same to CRF.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payments in paragraph 3106 of the Financial Regulations

ISSUE 20: E-PAYMENT VIOLATION (= 14,732,477.66)

Government E-payment Circular Ref. No. TRY/A8/B8/2008 dated 22nd October, 2008 stipulates individual benefit/claim should be effected through personal bank account. Also, paragraph 613 of the Financial Regulations (FR) states “Payments shall be made only to the person name in the vouchers or their properly authorized representatives”.

Audit observed from the review of the Centre's 2016 GIFMIS Personnel records that:

i. The Centre violated e-payment policy of amount totaling 14,732,477.66 (Fourteen million, seven hundred and thirty two thousand, four hundred and seventy seven naira, sixty six kobo) by making payment of overtime due to the entire administrative staff through some staff.

ii. There were no schedules of these payments and there were no documents that clearly stated how this money was distributed to the intended beneficiaries.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. The monies may not reach the intended beneficiaries which will lead to loss of Government fund.

ii. Loss of public funds

Management's Response

The 14 payments observed here were overtime allowances paid to accounting and other officers for update of records of 2015 financial year in readiness for examination by our external auditors on schedule. The overtime sheets and payment schedules indicating non-violation of e-payment rule are hereby presented for your verification. See Appendix 6.

Recommendations

The Chief Medical Director is requested to:

i. Provide explanations for violating Federal Government e-payment policy and furnish evidence that the intended staff/beneficiaries received their moneys otherwise,

ii. Recover and remit same to the Treasury, the sum of 14,732,477.66.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 21: PAYMENT OF CONTRACTS ABOVE THE THRESHOLD OF CHIEF EXECUTIVE (= 1,846,616,017.00)

Government circular with Ref. No. SGF/OP/I/S.3/XI/849 dated 14th January, 2016 stipulates the approved thresholds for procurement of goods, works and services for service wide application.

Audit observed that:

i. Various payments were made between 2016 and 2019 by the Medical Director which ranged from 5 million to 70 million and above, that were above the approval limit of the Medical Director.

ii. The various contracts amounted to 1,846,616,017.00 (One billion, eight hundred and forty six million, six hundred and sixteen thousand, seventeen naira) representing 651,540,016.00 for 2016, 490,000,000.00 for 2017 and

705,076,000.00 for 2019.

iii. There was no evidence of meetings/approval of the Parastatal's Tenders Board, as the Centre did not make available for the audit the Tenders Board minutes of meetings.

iv. There were no payment vouchers raised in relations to these contracts before money was paid.

v. There were no contract files in relation to the contract as audit requested but the management did not provide them, and

vi. There was no evidence of approval from Ministerial Tenders Board as some payments were above 50 million naira.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Abuse of procurement due process and
ii. Loss of Government funds.

Management's Response

The various sums mentioned in respect of 2016, 2017 and 2019 amounting to a total sum of 1,846,616.017 constitute the entire sum of money released to the Centre on capital allocation for the years in question and it would be impracticable for the organization to award contracts on the entire amount without recourse to due process. Let me put on record that the Centre has a robust procurement/contract process as clearly enshrined in the public procurement act 2007 and the Chief Executive who is highly meticulous in all his administrative dealings ensures that both the management and the Governing Board adhere strictly to all laid down rules on due process particularly contract awards. The Centre is therefore forwarding all the Board meetings / approvals, payment vouchers, contracts / contractors files for your kind perusal, verification and clearance of this observation in order to restore the hospital of the impression that the entire capital allocation is mismanaged to this magnitude.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons for the flagrant disregard to this extant circular.

ii. Recover the sum of 1,846,616,017.00 and remit same to government coffers.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to violation of Public Procurement Act in paragraph 3125 of the Financial Regulations.

ISSUE 22: PAYMENTS MADE WITHOUT RAISING VOUCHERS AND WITHOUT INTERNAL AUDIT CHECK (= 5,506,827,999.73)

Paragraph 601 of the Financial Regulations states "All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers 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." Furthermore, paragraph 602 states "Separate vouchers shall be raised for separate sub-heads.Separate vouchers shall also be raised for the payment of different services."

Audit observed from the examination of the Centre's TSA statement that:

i. A total number of 1203 payments amounting to 5,506,827,999.73 (Five billion, five hundred and six million, eight hundred and twenty seven thousand, nine hundred and ninety nine naira, seventy three kobo) representing 1,595,340,684.39 for 2016, 1,266,772,083.52 for 2017, 1,265,643,000.00 for 2018 and 1,379,072,231.82 for 2019 were paid without evidence of payment vouchers raised.

ii. The payments could not be traced to the Centre's revenue payment vouchers and cash book presented for audit.

iii. The payments were omitted from the TSA outflow report provided to the audit.

iv. The payment vouchers for these transactions were not provided to the audit despite repeated requests, as at the time of this report in February 2021, and

v. The services for which these payments were made could not be ascertained, as the description of payments read "other payment", "payment for services rendered", etc. which are indications that the payments were not genuine in the first place and as such be regarded as an illegitimate payment as shown in the

Year	₦
2016	1,595,340,684.39
2017	1,266,772,083.52
2018	1,265,643,000.00
2019	1,379,072,231.82
Total	**5,506,827,999.73**

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Financial malpractices.
ii. Internal control failure.

Management's Response

These payments for 2016, 2017, 2018 and 2019 totaling the sum of 5,506,827,999.73 had payment vouchers raised for all of them and they all went through the internal control process and were duly certified by the internal auditor of the Centre accordingly.

Recommendations

The Chief Medical Director is requested to:

i. Provide explanation why payments were made without raising payment vouchers against the provisions of extant rules and regulations.

ii. Provide reasons for the circumvention of pre-payment audit of payment vouchers in the Centre.

iii. Recover and remit the sum of 5,506,827,999.73 to chest.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 23: PAYMENTS MADE WITHOUT SUPPORTING DOCUMENTS (= 8,660,225.00)

Paragraph 603(i) of the Financial Regulations 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:

i. Several payments amounting to 8,660,225.00 (Eight million, six hundred and sixty thousand, two hundred and twenty five naira) were raised and paid without supporting documents, and

ii. There were no receipts, invoices, approvals and other relevant documents attached to authenticate the payments.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of public funds.

ii. Loss of government funds.

Management's Response

All the 7 payments which were drugs/consumables had reasons for processing them for the approval of the Medical Director without which payment would be difficult and it is based on the Chief Executive's approval that payment vouchers would be raised by the accounts staff for final payment to the respective beneficiaries. All the attached documents are still intact for your re-examination and confirmation under appendix 9 accordingly.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons for making payments without supporting documents.

ii. Provide all the relevant documents relating to the above payments in order to authenticate the payments as legitimate transactions.

iii. Recover the sum of 8,660,225.00 from those who approved the payments without necessary documents and remit same to chest.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 24: STORE ITEMS NOT TAKEN ON LEDGER CHARGE (= 8,277,410.00)

Paragraph 2402(I) of the Financial Regulations (FR) stipulates "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 and the original L.P.O." Furthermore, paragraph 2107 of the FR states "A separate ledger shall be maintained for each store. Records of articles of the same group shall be kept in one ledger and items should be arranged in alphabetical order. The unit of quantity shall be shown and articles shall be taken on charge in the unit. Separate folios shall be assigned to the various articles in stock and the description shall, in every case agree with that of the tally card kept in the store. All stores ledger must be clearly indexed.". In addition, this act of negligence is also contrary to the provision of paragraph 2401 (i) and (ii) of the FR which provides "receipt entries in the unallocated stores ledger shall be supported with prescribed voucher according to the source of receipt; ii. Receipt entries in the unallocated store ledger shall be supported by the appropriate voucher as detailed in subsection (i) above, except where special forms are designed for department division use."

Audit observed from the review of stores and documents that:

i. Items of stores costing 8,277,410 (Eight million, two hundred and seventy

seven thousand, four hundred and ten naira) purported to have been purchased and paid for, from FMC Keffi's revenue account, were not taken on charge in the store and no Store Receipt Vouchers (SRV) were produced during the audit to confirm receipt of the items, contrary to FR 2402(i).

ii. There were no Invoices, Delivery note, Receipts and Store issue vouchers attached to the payment vouchers.

iii. The Store Receipt Vouchers (SRV) were not produced for examination despite repeated request, and

iv. It appeared the sum of 8,277,410.00 was paid to various contractors for the job and services not executed.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Loss of public funds
ii. Under-valuation of the FMC assets

Management's Response

All the issues raised in your observations bordering on invoices, delivery notes, store receipt/issue vouchers are available for your verification and clearance under appendix 16 accordingly.

Recommendations

The Chief Medical Director is requested to:

i. Justify the genuineness of purpose of these payments as proper and legitimate charges against public funds.

ii. Recover the sum of 8,277,410.00 and remit same to government treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to loss of stores in paragraph 3107 of the Financial Regulations.

ISSUE 25: DENIAL OF ACCESS TO FINANCIAL RECORDS FROM CARE PLUS SOFTWARE DEPLOYED BY DIGITAL QUEST COMPANY (= 558,007,192.09)

Section 85(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) empowers the Auditor-General or his representative to "... free access to Books, Accounts and Information at all reasonable times, to all files, safes, documents, books, and other records relating to the accounts of all Federal

Ministries/Extra-Ministerial offices and other Arms of Government or Units." Also, paragraph 105 of the Financial Regulations (FR) provides that the Auditor-General and Accountant-General shall have free access at all reasonable times to Books, Accounts and Information.

Audit observed from the review of Central Bank of Nigeria (CBN) Account Statement that:

i. The sum of 558,007,192.09 (Five hundred and fifty eight million, seven thousand, one hundred and ninety two naira, nine kobo) was generated as revenue from 2016 to 2019 through the application of care plus software.

ii. A consultant is the owner of the care plus software which the Centre used in collection of its revenue from 2016 to 2019.

iii. Requests for access to care plus software in order to confirm the completeness of the transaction statement for the reported revenue of 558,007,192.09 were never attended to, and

iv. Memorandum of Understanding (MoU) with the care plus software provider was not made available for audit examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Medical Centre, Keffi.

Risks

i. Diversion of government revenue
ii. Loss of public fund

Management's Response

Your recommendation on the above observation is not strictly within our control as the management of Digital Quest Company, the managers of 'Care Plus Software' are only contracted by the Centre with terms and conditions clearly spelt out in its Memorandum of Understanding (MOU) which do not include the request in your observation. This applies to TSA too where systemspecs manages the software with clear understanding between the Federal Government and the Company. Further engagements on this issue are however not foreclosed with this response as the company will be contacted to provide access to the audit team for better appreciation of their operations in the value adding chain.

Recommendations

The Chief Medical Director is requested to:

i. Furnish explanations for the denial of access to revenue records.

ii. Account for revenue of 558,007,192.09 generated through care plus software.

iii. Recover and remit to the Treasury the sum of 558,007,192.09 being revenue generated from 2016 and 2019.

iv. Forward evidence of remittance into the Federation Account to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

IT AUDIT OF THE INTEGRATED PERSONNEL AND PAYROLL INFORMATION SYSTEM (IPPIS)

At the Integrated Personnel and Payroll Information System Department of the Office of the Accountant-General of the Federation, the following observations were made:

ISSUE 1: INEFFECTIVE GOVERNANCE, PROJECT AND OPERATIONS MANAGEMENT OF THE IPPIS (= 3,962,438,262.60)

Software Development Life Cycle (SDLC) is the global best practice used by software industries to design, develop, test and deploy high quality software. Once a system has been stabilized through adequate testing, the SDLC ensures that proper training on the system is performed to its support staff and end users after which the systems engineers and developers transition the system to its final production environment, i.e. it is finalized and signed-off by the end users/clients, and then deployed/migrated to the Live/Production Environment for use by the clients.

Audit observed that:

i. The IPPIS project which was conceived as an ICT solution to centralize the payment processes for Federal Government employees, and to store and maintain their personal information, is yet to be successfully completed as at November, 2020 (i.e. 14 years after project kick-off).

ii. One of the Application's key deliverable; which is the Human Resource (HR) Module, is still work-in-progress for instance.

iii. There was over-reliance on the two (2) vendors contracted to manage key aspects of the Systems e.g. enrollment and making changes to employee critical data, monthly payrolling and managing/maintaining the database of employees in spite of the significant funds committed to the project already.

iv. The sum of 3,962,438,262.60 have been paid to the two (2) vendors between year 2012 and year 2018, excluding payments to Project Management Consultants, Customer Relationship Managers and other Experts on the project; and

v. The Contract and Service Level Agreement with the two vendors were not made

available for audit scrutiny so as to establish whether the amount paid so far exceeded the original contract sum, the deliverables and timelines.

The above anomalies were due to the absence of a documented System Development Life Cycle (SDLC) process/procedure and other weaknesses in the internal control system.

Risks

i. Higher cost to government
ii. Loss of privacy and confidentiality of sensitive employee data due to un-restricted access by vendors and other third parties to these data

Management's Response

OAcGF

The transition of payroll processing from the consultants to the FG staff has commenced. The personnel of the Military, Paramilitary and Core MDAs are now responsible for payroll processing with ongoing technical guidance by the consultants. The technical training required to ensure FG staff can take full ownership of the payroll processing and support is in progress.

OHCSF

You may wish to note that IPPIS was launched in 2007 with the roll-out of the payroll component only in order to showcase the quick wins of the system. The HR module was eventually introduced in 2013 and since then significant progress has been made in the implementation of the module. However, one of the initial challenges encountered in implementing the HR module is the difficulty to log-on the IPPIS portal due to associated problems from the solution provider, Messrs Soft Alliance and Resources Ltd. This subsequently delayed the full implementation of the HR module.

Further, the IPPIS project is not fully deployed 14 years after commencement because the HR component is not fully implemented. The component is still experiencing challenges with the solution provider, Messrs. Soft Alliance and Resources Ltd, in terms of getting analytics, (which is critical to the success of the project) presumably because the software is not fully developed and tested and the cleared data of core MDAs is yet to be migrated to the oracle EBS. However, with the commencement of the non-core MDAs records verification exercise, we are hopeful that the HR module will be fully implemented before the end of the year.

Furthermore, generating data analytics from the IPPIS application is still a major challenge that needs to be tackled. However, definitive directive, with timeline, will be conveyed Soft Alliance Ltd in this respect.

On the issue of military and para-military agencies and tertiary institutions, it is important to note that the OHCSF is not involved in their enrolment. This matter will be presented for deliberation at the steering committee meeting.

Recommendations

The Chairman of the IPPIS Steering Committee is requested to:

i. Provide justification why the IPPIS Project has not been delivered 14 years after initiation.

ii. Furnish details of the original Contract and Service Level Agreements to the Auditor-General for the Federation and the Public Accounts Committees of the National Assembly.

iii. Provide a definite timeline including cost within which the day to day running of the IPPIS will be effectively relinquished to the Federal Government, the end users, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 2: INVALID PENSION FUND ADMINISTRATORS (PFA) NAME AND PIN (= 296,977,675.08)

System integrity assures that a system performs its intended function in an unimpaired manner, free from deliberate or inadvertent unauthorized manipulation of the system which then ensures the integrity of the data from this system i.e. only valid, accurate and complete data that is required for the achievement of the objectives of the IPPIS.

Audit observed that:

i. One (1) Pension Fund Administrator (PFA) Personal Identification Number (PIN) was recorded against multiple employees:
   a. In October 2020 payroll of the Federal University Wukari, Taraba State, PFA PINs: 110014000000 and 110015000000 were replicated sixty-nine (69) and sixty-seven (67) times respectively with different PFAs while 165 staff have no PFAs and/or PINs.

   b. In the same month of October 2020 for the Ahmadu Bello University, Zaria, out of total number of 9,664 staff, 5,388 have issues with their PFAs and/or PFA PINs.

   c. In the Nigeria Police Force (NPF), over 139,000 officers have PFA PIN issues with well over 85,000 of them having the same PIN of 100000000000; over 19,000 Officers with the PIN 101000000000, Over 17,000 have the same 200000000000 PIN, etc.

   d. Incomplete, and/or inaccurate data with respect to the Pension Deductions for employees like *"null", "unspecified", "not available" "-", "00000000", "0"*, etc. for either the PFA Name or the PIN.

ii. The sum of 17,927,568.41 Pension was not calculated, deducted and remitted for 1,035 staff of the Federal Ministry of Defence in the month of October, 2020.

iii. The sum of 8,101,883.86 was deducted as pension contribution from 949 staff of the Federal Ministry of Defence in the month of October, 2020 though these staff were not paid salary in the month.

These were due to inaccurate and/or incomplete entries of employee data during staff enrollment on the IPPIS platform; the absence of reasonableness checks on applications and other weaknesses in the management of the IPPIS.

Risks

i. The Pension Fund Contribution of 296,977,675.08 deducted from the employees in the month of October 2020 was not remitted to their PFA for their benefit and this could be lost to these employees.

ii. Loss of data integrity due to the inaccuracy and incompleteness of data on the applications which will have adverse impact on the decision-making objective of the IPPIS especially the accuracy of annual budgeting for personnel cost.

Management's Response

OAcGF

i. The recommendation is hereby noted. The management will ensure the recommendation is implemented.

ii. The IPPIS under the OAGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected. This will ensure that the observations and risks identified by the Federal Auditor are mitigated.

iii. The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil service rules and other extant laws. More importantly, the system reconfiguration is expected to ensure there are input and checks within the system to prevent errors and incomplete data input. This work will require at least a period 3 months to be completed using the new SDLC policy.

Recommendations

The IPPIS Steering Committee Chairperson should ensure:

i. the reconciliation and refund of the sums 296,977,675.08 and others involved in the invalid pension fund accounts to all affected beneficiaries with the details of refund furnished to the Public Accounts Committees of the National Assembly for further verification;

ii. the cleansing/sanitation of the records of FGN employees on the IPPIS payroll

especially with respect to the DoB, DoFA, and the multiple entry of employee names; and

iii. Otherwise apply sanctions relating to irregular or wrong payment as specified in paragraph 3106 of the Financial Regulations (FR).

ISSUE 3: MAPPING OF MULTIPLE EMPLOYEES TO THE SAME BANK ACCOUNTS (= 145,188,365.92)

System integrity assures that a system performs its intended function in an unimpaired manner, free from deliberate or inadvertent unauthorized manipulation of the system which then ensures the integrity of the data from this system i.e. only valid, accurate and complete data that is required for the achievement of the objectives of the IPPIS.

Audit observed that:

i. Forty-one (41) different employees were mapped to Account No.: 0001801050 in a microfinance bank where the sum of 116,725,546.80 was paid into within the period of 1st January, 2018 to 31st October, 2020.

ii. Similarly, fourteen (14) staff were mapped to the Acct No.: 4010282648 with another microfinance bank at the sum of 28,462,719.12 for the same period. The application should have rejected these data during enrollment and also during payrolling.

These were caused by the absence of input controls on the application i.e. validity, completeness, reasonableness (i.e. the observance of the requirements of the PSR during system configuration), etc. checks.

Risks

i. Loss of funds to the FGN through input errors or even payroll fraud thus defeating the objectives of the IPPIS; and

ii. Loss of data integrity due to inaccuracy and incompleteness of data on the applications that will adversely impact decision making especially the accuracy of annual budgeting for personnel cost.

Management's Response

OAcGF

i The recommendation is hereby noted. The management will ensure the recommendation is implemented.

ii. The IPPIS under the OAGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected. This will ensure that the observations and risks identified by the Federal Auditor are mitigated.

iii. The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil

service rules and other extant laws. More importantly, the system reconfiguration is expected to ensure there are input and checks within the system to prevent errors and incomplete data input. This work will require at least a period 3 months to be completed using the new SDLC policy.

Recommendations

The IPPIS Steering Committee Chairperson should ensure:

i. The full recovery of the sums of 116,725,546.80 and 28,462,719.12;

ii. The cleansing/sanitation of the records of FGN employees on the IPPIS payroll especially with respect to the DoB, DoFA, and the multiple entry of employee names;

iii. The re-configuration of the IPPIS to recognize the dictates of the PSR and other relevant regulations; and

iv. Otherwise apply sanctions relating to irregular or wrong payment as specified in paragraph 3106 of the Financial Regulations (FR).

ISSUE 4: MULTIPLE ENTRIES OF EMPLOYEE NAMES, DATE OF BIRTH (DOB) AND/OR DATE OF FIRST APPOITMENT (DOFA)

System integrity assures that a system performs its intended function in an unimpaired manner, free from deliberate or inadvertent unauthorized manipulation of the system which then ensures the integrity of the data from this system i.e. only valid, accurate and complete data that is required for the achievement of the objectives of the IPPIS.

Audit observed records of some employees appearing twice or more in the nominal rolls of some MDAs sampled as follows:

i. Nine hundred and ninety-six (996) names were repeated in the Nominal Rolls of the Ahmadu Bello University (ABU), Zaria;

ii. One hundred and seventy-eight (178) employee records were repeated and 1,097 employees have "*null*" first names in the Nominal Rolls of the Federal Road Safety Corps (FRSC), and

iii. One hundred and seventy-four (174) instances with abbreviated Employee Names, "*null*", *"NA", "-"*, etc. With the Nigeria Police Force (NPF).

These were due to the absence of input controls on the application i.e. duplicate and completeness checks on the applications. The application should have rejected these entries during enrollment and also during the processing of monthly payrolls.

Risks

i. Loss of funds to the FGN through input errors or even payroll fraud thus defeating two (2) major objectives of the IPPIS of:
   a. The elimination of payroll fraud by the multiple payment of emolument to a single employee, as seen in the various instances in the Appendix; and

   b. Enhancing confidence in the process of determining staff emolument costs.

ii. Loss of data integrity due to inaccuracy and incompleteness of data on the applications that will adversely impact decision making especially the accuracy of annual budgeting for personnel cost.

Management's Reponse

OAcGF

i The recommendation is hereby noted. The management will ensure the recommendation is implemented.

ii. The IPPIS under the OAcGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected. This will ensure that the observations and risks identified by the Federal Auditor are mitigated.

The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil service rules and other extant laws. More importantly, the system reconfiguration is expected to ensure there are input and checks within the system to prevent errors and incomplete data input. This work will require at least a period 3 months to be completed using the new SDLC policy.

Recommendations

The IPPIS Steering Committee Chairperson should ensure:

i. The re-configuration of the IPPIS applications to enable the existence of input controls that ensures data integrity;

ii. The cleansing/sanitation of the records of FGN employees on the IPPIS payroll especially with respect to the DoB, DoFA, and the multiple entry of employee names; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 5: EXISTENCE OF INACCURATE AND NON-VALID DATE OF BIRTH AND DATE OF FIRST APPOINTMENT

Paragraph 020205 (a) of the Public Service Rules (PSR) states “To be eligible for appointment into the Federal Public Service, every applicant must not be less than 18 years and not more than 50 years of age.” Furthermore, PSR 020108 (ii) states “Date

of birth recorded on appointment by an officer shall not be changed throughout the career of the officer. Any contravention shall be regarded as an act of serious misconduct".

Audit observed from the review of the Nominal Roll of the Nigeria Police Force (NPF) that:

i. Seventy-four (74) Officers are less than eighteen (18) years of age;

ii. Four hundred and five (405) officers were employed before their Dates of Birth; and

iii. Seventeen thousand, five hundred and fifty-eight (17, 558) Officers have future dates of employments.

These could be due to human errors during data entry caused by:

i. The lack of knowledge of the PSR by the consultants and the non-involvement of the relevant stakeholders during the enrollment of MDA staff on the IPPIS platform; and

ii. Absence of input controls on the application i.e. completeness and reasonableness checks (i.e. the observance of the requirements of the PSR, etc. during system configuration). The application should have rejected these data during enrollment.

Risks

I. Loss of funds to the FGN through input errors or even payroll fraud thus defeating two (2) major objectives of the IPPIS of:
   a. The elimination of payroll fraud by the multiple payment of emolument to a single employee, as seen in the various instances in the Appendix; and
   b. Enhancing confidence in the process of determining staff emolument costs.

ii. Loss of data integrity due to inaccuracy and incompleteness of data on the applications that will adversely impact decision making especially the accuracy of annual budgeting for personnel cost.

Management's Response

OAcGF

i. The recommendation is hereby noted. The management will ensure the recommendation is implemented.

ii. The IPPIS under the OAcGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected. This will ensure that the observations and risks identified by the Federal Auditor are mitigated.

iii. The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil

service rules and other extant laws. More importantly, the system reconfiguration is expected to ensure there are input and checks within the system to prevent errors and incomplete data input. This work will require at least a period 3 months to be completed using the new SDLC policy.

Recommendations

The IPPIS Steering Committee Chairperson should ensure:

i. The re-configuration of the IPPIS applications to enable the existence of input controls that ensures data integrity;

ii. The cleansing/sanitation of the records of FGN employees on the IPPIS payroll especially with respect to the Date of DoB and DoFA; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 6: THE NON-IMPLANTATION OF THE EXIT CRITERIA IN THE PUBLIC SERVICE RULES (PSR) OR THE UNIVERSITIES MISCELLANEOUS PROVISIONS (AMENDMENT), ACT (UMPAA), 2012 ON THE IPPIS

Paragraph 020810 (i) of the Public Service Rules (PSR) states “The compulsory retirement age for all grades in the Service shall be 60 years or 35 years of pensionable service whichever is earlier”. Furthermore, Section 4(3) of the Universities Miscellaneous Provisions (Amendment), Act 2012 (UMPAA 2012) states “the compulsory retirement age of (a) academic staff in the professorial cadre shall be 70 years; and (b) non-academic staff shall be 65 years."

Audit observed:

i. Thirteen (13) staff of the Federal Ministry of Defence and two thousand six hundred and five (2,605) officers of the NPF who have spent 35 years in service, still exist in the payroll data sets;

ii. Seven thousand, and sixteen (7,016) staff in six (6) MDAs (i.e. Federal Ministry of Agric - 31; Federal Ministry of Education - 22; Federal Ministry of Works - 21; Federal Ministry of Defence - 30; NPF - 6,619 and Nigerian Correctional Services - 293) that have attained 60 years of age still exist in the payroll data sets; and

iii. Seventy-seven staff in ABU, Zaria that have attained 70 years of age are still being payrolled.

These were due to the failure of reasonableness checks on the IPPIS applications, implying that the applications were not configured to apply this criteria where required. And also the absence of relevant internal and IT controls that would have ensured the IPPIS applications are properly configured before deployment to the live environment.

Risks

i. Loss of funds to the FGN through input errors or even payroll fraud.

ii. Loss of data integrity due to inaccuracy and incompleteness of data on the applications that will adversely impact decision making especially the accuracy of annual budgeting for personnel cost.

Management's Reponse

OAcGF

i. The recommendation is hereby noted. The management will ensure the recommendation is implemented.

ii. The IPPIS under the OAcGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected. This will ensure that the observations and risks identified by the Federal Auditor are mitigated.

iii. The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil service rules and other extant laws. More importantly, the system reconfiguration is expected to ensure there are input and checks within the system to prevent errors and incomplete data input. This work will require at least a period 3 months to be completed using the new SDLC policy.

Recommendations

The IPPIS Steering Committee Chairperson should ensure:

i. The re-configuration of the IPPIS applications to enable the existence of input controls that ensures data integrity;

ii. The cleansing/sanitation of the records of FGN employees on the IPPIS payroll especially with respect to the Date of Birth and Date of First Appointment; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 7: IMPROPER IPPIS SYSTEM DEVELOPMENT/CONFIGURATION

Standard practices and procedures in the public sector allows for the retention of historical data of its employees via the instrumentality of the nominal rolls, whether electronic or hard copies.

Audit observed that:

i. Nominal Rolls can only be generated as at the present date i.e. the Applications are not configured to retain the historical data of the Nominal Rolls of the MDAs on the platform;

ii. Nominal Rolls for all the different tertiary institutions - Federal Universities, Polytechnics, Colleges of Education and others on the Soft Suite are put together into one table/document unlike the payrolls that are rightly separated and for the different months too;

iii. Records of Ex-employees of tertiary institutions still appearing on the nominal roll of the institutions; and

iv. The Soft Suite application was not properly configured to accommodate the different types of Institutional data structure requirements specifically for Nominal and Payroll data sets. Some gaps noted include:
   a. Table structure used for the Nigeria Police Force (NPF) persists for all tertiary institutions e.g. field for COMMAND is used for both the tertiary institutions and the NPF.

   b. The payroll data extracted from the Soft Suite do not have appropriate headings - name of institutions, month, etc.

   c. Still on the Soft Suite, the profile attached to the access granted to audit, belongs to police officers.

These were caused by the absence of System Development/Acquisition and Implementation Management procedure and other IT General Controls policies/procedures.

Risks

i. The systems, data and information being processed lack integrity; and
Ii. Misleading information, resulting in undesired outcomes for the FGN.

Management's Response

OAcGF

i. The IPPIS under the OAcGF is currently undergoing reforms with the primary aim of ensuring IT general, system control, and application controls are in place and working as expected.

ii. The Solution Provider in collaboration with the IPPIS staff have commenced work on the re-configuration of the payroll solution to comply with the civil service rules and other extant laws. This work will require at least a period 3 months to be completed.

ii. A *Change Management* and *System Development/Acquisition Life Cycle* for the IPPIS has now been developed. The management will ensure enforcement. See Appendices for copy of Change Management Policy and Solution Development Life Cycle Policy document.

Recommendations

The Chairperson of the IPPIS Steering Committee should ensure that in the immediate short-term (3-6 months):

i. Information Technology General Controls (ITGC) policy and guidelines in all focal areas especially policies on Information Security, Change Management, System Development/Acquisition Life Cycle, Business Continuity and Disaster Recovery Plans, are developed;

ii. The ITGC policies and guidelines are immediately implemented by all stakeholders of the IPPIS;

iii. The consultants together with all the relevant stakeholders identify the gaps in all the solutions on the IPPIS and reconfigure them accordingly; and

iv. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 8: ABSENCE OF HUMAN RESOURCE (HR) POLICY FOR THE IPPIS

Control Objectives for Information and Related Technology (COBIT) Framework APO07 on Human Resource Management requires enterprises to ". . . provide a structured approach to ensure optimal recruitment/acquisition, planning, evaluation and development of human resources (both internal and external)" the purpose is to Optimize human resource capabilities to meet the objectives of entities.

Audit observed that:

i. There is no human resources strategy and policy for staff on the IPPIS;
ii. There is also no defined skill-set for the staff being posted to the IPPIS; and
iii. There are no training plans for the staff on the IPPIS project.

These were due to management's failure to ensure that relevant controls are instituted over the operations of the IPPIS.

Risks

i. The absence of a HR policy and Training Plans could result in various instances of lack of competence of in-house personnel to effectively manage and maintain the IPPIS computing environment;

ii. This would lead to the continued reliance on the vendors which may be exploited by same to ensure a prolonged contractual relationship for the financial benefits; and

iii. Waste of public funds.

Management's Response

OAcGF

The implementation of this audit recommendation has commenced. The Strategic Plan and a Human Resource Policy for the IPPIS is currently being drafted and should be ready for approval by the IPPIS Management by 30th June, 2021. This will be made available to the Federal Auditor upon approval.

OHCSF

In our effort to move forward, the Office of the Head of the Civil Service of the Federation (OHCSF) is currently developing a strategic plan and HR policy for eventual knowledge transfer and takeover of the management of the IPPIS infrastructure so as to reduce continued over-reliance on the vendor with all its attendance consequences.

Recommendations

The Steering Committee Chairperson should ensure that:

i. An implementable transition plan is developed in the immediate short-term This can be achieved through the instrumentality of a Strategic Plan and a Human Resource Policy for the IPPIS which should clearly highlight people and resource requirements for current and future needs of the various groups (IT, quality assurance, Users, auditors, and so on) on the IPPIS;

ii. IPPIS operational team on the project should be well motivated, so as to encourage performance and discourage harmful practices and/or staff turnover;

iii. The internal auditors will need Computer Assisted Audit Tools (CAATs) to enable them automate aspects of their audit process including Embedded Audit modules (EAM) (that capture information of audit significance on a continuous basis for prompt investigation) and any advance Analytics tools for data extraction and analysis; and

iv. Apply sanction relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 9: INADEQUATE BUSINESS CONTINUITY AND DISASTER RECOVERY PLANS (BCP/DRP)

Part of IT General Controls is the development and implementation of Business Continuity Policy/Plan and Disaster Recovery Plan as provided for by the International Organization for Standardization (ISO) 22301.

Audit observed that:

i. There is no established and functional BCP/DRP for the IPPIS; and

ii. There is no inventory of IT Assets and Risk Assessment was not carried out, to identify threats and evaluate associated risks for the IT Assets.

These were due to policies and procedures/guidelines on major areas of ITGC which have not been developed for the IPPIS by its Steering Committee and other managers.

Risks

i. The IPPIS management team may be unavailable to sustain minimal service or restore operation after a disruption.

ii. This would consequently lead to prolonged downtime;

iii. Loss of IT personnel, infrastructure, data, public funds, etc.;

Management's Response

OAcGF

The recommendation is hereby noted. IPPIS Management will ensure the implementation of this recommendation by 31st July, 2021.

Recommendations

The IPPIS Steering Committee Chairperson should ensure that:

i. Business Continuity and Disaster Recovery Plans are developed for the IPPIS in the immediate Short-Term;

ii. The ISO 22301 standard on Business Continuity Management should be adopted in conducting a comprehensive gap assessment and implementing the corrective actions that arise from the assessment;

iii. These plans should be tested immediately afterwards; and

iv. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations (FR).

ISSUE 10: UNAUTHORIZED CHANGES TO THE CRITICAL DATA OF FGN EMPLOYEES

The Head of Service (HoS) Service-wide circular Ref. No. CSF/CSO/HRM/POL.1402/I/25 of 9th January, 2015 titled INCESSANT REQUESTS FOR CHANGE OF EMPLOYEE DATE OF BIRTH AND DATE OF FIRST APPOINTMENT ON THE IPPIS PLATFORM**.** The circular directed all requests for changes to/correction of *Date of Birth (DoB)* and *Date of First Appointment (DoFA)* must be addressed to HoS. Another circular from the HoS on 26th August 2019 suspended the requests for correction of DoB and DoFA records on the IPPIS Platform.

Audit observed that:

i. Changes were being made to the Employee Master Data (i.e. Employee Name, Date of Birth and/or Date of First Appointment) by users other than the staff of the OHCSF approved by the HoS; and

ii. Some of these users cannot be clearly identified due to incomplete details.

The IPPIS Management's failure to ensure adherence to this directive of the HoS is responsible for this failings.

Risks

i. Violating these directives amounts to bypassing the manual controls put in place to ensure the integrity of the system; and
ii. The integrity of the data changed by these users is in doubt.

Management's Response

OAcGF

The IPPIS Management ensures all the HOS's directives are adhered to by all staff. The management will ensure the recommendation is implemented.

OHCSF

Similarly, the Office has conveyed specific directives to the solution provider for the deactivation of all Access Rights Users on the platform, including their staff. We have also requested for the list of all Access Users vide our letter Ref. No. HCSF/PS/CMO/POL/153/1/21 of 27th May, 2021. the response to the directives will be presented at the next Steering Committee meeting for deliberations.

The Circular suspending MDAs from forwarding requests for correction of Date of Birth (DoB) and Date of First Appointment (DoFA) was as a result of the successful completion of HR records verification exercise of employees of core MDAs and the need to ensure that only verified, confirmed, approved and cleansed records of employees is used for any update. This process will ensure credibility and reduce the frequency of requests for corrections of DoB and DoFA. The process is legitimately done on the platform.

Recommendations

The IPPIS Steering Committee Chairperson should ensure that:

i. All changes made on employee master data by unauthorised users should be reviewed;

ii. Access rights of all users should be reviewed and access granted based on defined role privilege;

iii. The HoS's directives should be implemented immediately and adhered to by the Offices/Officers addressed in the circular; and

iv. Apply sanctions relating to misconduct specified in paragraph 030304 of the PSR.

ISSUE 11: OUTDATED ORACLE EBS VERSION: ORACLE DATABASE 11G ENTERPRISE EDITION RELEASE 11.2.0.3.0 - 64BIT PRODUCTION

Oracle has a long-term policy to offer comprehensive support across the lifetime of Oracle software products and once an older software has reached end of Oracle

Sustaining Support, the products no longer have access to new bug fixes, critical patches, or security updates.

Audit observed that the version 11g of Oracle Database houses the IPPIS Applications Data (employee and payroll records). Oracle version 11g is outdated and support for it ended December 2020.

This was due to the fact that the Oracle version in use at the IPPIS which was acquired since year 2011 was never upgraded to later versions.

Risks

i. Lack of security updates or fixes portends great risk as any weaknesses and bugs discovered going forward will not be resolved; and

ii. This leaves the system open to exploitation from malicious insiders and external parties (e.g. hackers, fraudsters etc.)

Management's Response

OAcGF

The new IPPIS contract signed with Soft Alliance and Resource Limited include support to cover Oracle 11g beyond December 2020. The solution is a gold partner of Oracle and have the relationship with Oracle to support IPPIS beyond the end-of-life date. However, efforts will be made to ensure business continuity through further engagement with Soft Alliance and Resource Limited.

Recommendations

The IPPIS Steering Committee Chairperson should ensure that:

i. An upgrade to the system should be given immediate consideration so as to ensure continuity of the vendor's support and forestall the failure or compromise of the application and database; and

ii. Apply sanctions relating to misconduct (due to negligence) specified in paragraph 030304 of the PSR.

IT AUDIT OF THE GOVERNMENT INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (GIFMIS)

At the Government Integrated Financial Management System of the Office of the Accountant-General of the Federation, the following observations were made:

ISSUE 1: FLAWED CONTRACT MANAGEMENT BETWEEN THE OAGF AND THE GIFMIS VENDOR (=US$27,411,385.33, €8,490,961.59, 6,518,919,385.70)

Paragraph 15.3 (Intellectual Property) of the Contract agreement states, “The Purchaser's contractual rights to use the Standard Software or elements of the

Standard Software may not be assigned, licensed or otherwise transferred voluntarily except in accordance with the relevant agreement". Furthermore, Paragraph 34.1 (Transfer of Ownership) states, "with the exception of Software and Materials, the ownership of the Information Technologies and other Goods shall be transferred to the Purchaser at the time of Delivery or otherwise under terms that may be agreed upon and specified in the Contract Agreement". Similarly, Paragraph 12.3 states, "thirty percent (30%) of the total contract price is for training.

Audit observed from the review of the Contract Agreement between the OAGF and the vendor of GIFMIS Application dated 10th May 2011, that:

i. The Federal Government of Nigeria (FGN) has so far spent US$27,411,385.33 (Twenty-seven million, four hundred and eleven thousand, three hundred and eighty-five dollars, thirty-three cents), €8,490,961.59 (Eight million, four hundred and ninety thousand, nine hundred and sixty-one euros, fifty-nine cents) and 6,518,919,385.70 (Six billion, five hundred and eighteen million, nine hundred and nineteen thousand, three hundred and eighty-five naira, seventy kobo) from 2011 to 31st December 2020;

ii. The GIFMIS Application is not completely owned and managed by the Federal Government;

iii. There was no clause in the contract agreement that states where source codes could be kept secured with a third party to ensure access, continued operation and maintenance of the software when the vendor is unable to do so;

iv. The project did not have defined start and end dates thereby making it a continuous project;

v. There was no adequate capacity building (after over 108 months of the deployment of GIFMIS in over seven hundred MDAs) that would have equipped the OAGF staff to independently maintain and manage the Application contrary to Paragraph 12.3 of the contract agreement; and

vi. The vendor was still actively part of the system and issues arising from system malfunctions cannot be resolved by the OAGF officers unless escalated to the vendor.

The above anomalies were due to weaknesses in the internal control system at the OAGF.

Risks

i. Negative impact on return on investment;
ii. Lack of project completion date may cause more harm to the GIFMIS system; and
iii. Possible collusion with government officials may result in perpetual engagement.

Management's Response

GIFMIS Core Application Intellectual Property:

i. It would be recalled that GIFMIS was conceived in year 2004 with initial

deployment of Accounting Transaction Recording and Reporting Systems (ATRRS) as a stop gap solution to usher in attitudinal change and enhance computer awareness before the development of GIFMIS in earnest. The development was not without full support of the World Bank, which provided the initial funding for the project under terms and conditions in line with international best practice. For a project of this nature, whether standard or custom made, the source code remains with the supplier until the system is handed over to the buyer upon completion.

ii. Since the GIFMIS Application Contract provides for customization of Hewlett Packard Enterprise (HPE) application to suit Federal Government of Nigeria (FGN) Public Financial Management (PFM) requirements, the application is not custom made. Hence the intellectual property as per the contract belongs to the vendor.

iii. Our responses to specifics on the contract agreement are as follows:

(a) You may recall that the contract is dependent on many factors. In view of this, coupled with the best practice for a project of this nature, a Project Schedule was agreed upon. The schedule has timeline for each component of the project. This could not form part of the contract but was agreed to by both the purchaser and the supplier. It was presented to the GIFMIS Project Steering Committee and approved. Deviations are also reported to the steering committee. You can refer to the weekly and monthly reports of HPE to confirm the assertions.

(b) Paragraph 12.3 in your reference is about payment terms. As you have noted, training is captured in the contract, but the missing link is on the job training for the core ICT staff. The nature of the contract could have been responsible for this gap as the system is web based, and as such, issues can be resolved remotely without physical appearance at the site. You may also note that the GIFMIS ICT team has been maintaining the system for about 3 years when support contract was suspended on 1st October 2018. This shows the dexterity of the ICT team in managing the systems.

(c) It is a global practice to have support contract for this type of project, thus, the initial support contract entered into for the GIFMIS Project. However, the Support contract was suspended partly to enable the in-house ICT staff develop capacity and draw a line between contractual and non-contractual defects. Given the stage of the system delivery, it is not out of place to refer issues to the developer/Original Equipment Manufacturer (OEM) until the system is fully delivered.

Recommendations

The Accountant-General of the Federation is requested to:

i. Justify the non-compliance with the provision of paragraph 12.3 of the contract agreement and the payment of US$27,411,385.33, €8,490,961.59,

6,518,919,385.70 to GIFMIS vendor;

ii. Provide GIFMIS project deliverables, and the timeline required to complete and hand over the project to the FGN;

iii. Obtain GIFMIS source code from the Consultants or ensure that an escrow agreement is signed with a third (3rd) party to maintain access to the application source codes in a situation where the vendor is unavailable;

iv. Explain why full knowledge transfer from the contractors and support officers to Staff of the Office of the Accountant-General of the Federation for management of GIFMIS independently is yet to be actualised; and

v. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 2: INADEQUACIES IN THE GIFMIS APPLICATION

The sum of US$900,852.64 (Nine hundred thousand, eight hundred and fifty-two dollars, sixty-four cents) and €7,603,846.21 (Seven million, six hundred and three thousand, eight hundred and forty-six euro, twenty-one cents) were spent to acquire the GIFMIS Budget Preparation System (BPS) which entails revenue estimation using current information of oil production and non-oil receipts and the Budget Execution System (BES) which includes budget execution, treasury management and warrant control; and other GIFMIS Modules including Human Resource Management to perform the entire financial management cycle. Similarly, the modules would have enabled the Accounting Officers perform their roles of ensuring full compliance with making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same as enshrined in Paragraph 234 (1) of the Financial Regulations (FR).

Audit observed, through a walkthrough of the GIFMIS system, that:

i. Tax deductions on the transactions processed through the GIFMIS was not automated; the payment officer is expected to manually apply tax rates to payments. The officer may incorrectly or deliberately apply a 0% or reduced tax rate and pay the supplier full contract sum;

ii. Stamp duty tax rate was not fixed in the GIFMIS system, computations are done manually and remitted separately;

iii. The Revenue (Income) functionality in the GIFMIS was not being used as there were no records of revenue/income made by the respective MDAs;

iv. The Human Resource functionality, a major element of the GIFMIS, was not used. This functionality was not used as HR details are captured by the IPPIS system

which is a separate personnel and payroll system also owned by the Office of the Accountant-General of the Federation, and

v. The automated reconciliation for failed payments has not been functional since February 2019. Audit detected over 650,000,000.00 (Sixty hundred and fifty million naira) of failed payments that were still pending resolution and not reversed back to their respective MDAs.

The above inadequacies were due to lack of regular monitoring, evaluation and weaknesses in internal controls system of the GIFMIS project by the OAGF.

Risks

i. Loss of revenue to the Government, and

ii. Inability of the GIFMIS to show a true fiscal position of the Federal Government as intended.

Management's Response

i. Non-Automation of WHT & VAT - The GIFMIS Application was developed based on the existing extant rules and regulations. Thus, the necessity for options to end users to apply the tax rate as it applies to transactions; hence, the flexible tax rates in the respective tax computations. There are transactions that are Value Added Tax (VAT) exempt so also for Withholding Tax (WHT). While some transactions attract 5% WHT, others attract 10% and not applicable to some other payments.

Furthermore, stamp duty computation process was not in the initial GIFMIS contract design. The process in use is a workaround pending the development of a solution for that. However, it is noteworthy that the system is still being developed, and that the suggestions and other subsequent request will be factored for phase II of the GIFMIS Application development.

ii. Revenue Functionality Not in Use – Revenue functionality in the GIFMIS Application was developed, tested and deployed. The functionality was in use by all Ministries, Departments and Agencies (MDAs) that have Internally Generated Revenue (IGR). While Revenues for year 2020 was not displayed in the account of MDA was due to issues around bank reconciliation process, immediately the issues are resolved, and reconciliation commences the revenue will be available. For example, you may check the report of Federal Road Safety Commission for 2019 to buttress the statement.

iii. Non-utilization of Human Resource Module of GIFMIS: - The observation is noted. It is noteworthy that GIFMIS application Human Resource Module was developed, tested and deployed. However, the Integrated Personnel and Payroll

Information System (IPPIS) being in place before advent of GIFMIS, the Human Resource Module appeared dormant until the payroll module of GIFMIS is activated through policy pronouncement. The Module assists in budget preparation and personnel control – no one individual is duplicated in the GIFMIS Sub-system.

iv. Auto-Reconciliation Failure: - Reconciliation was up and running until January 13, 2020. Initial investigations revealed that the Central bank of Nigeria (CBN) stopped giving bank statement through REMITA – a third party system. After series of meeting, CBN agreed to send the statement through REMITA until a final policy shift that barred third party from handling bank statements. Obviously, the interface and bank statement template were corrupted during the time of the stoppage. GIFMIS could not receive the statement through the interface again, unfortunately, at a time when Contract Novation was in progress thus, the stalemate. However, as soon as the Contract Novation agreement is concluded and the Programme implementations resumes, the issues would be resolved.

Recommendations

The Accountant-General of the Federation is requested to:

i. Upgrade the tax functionality in the GIFMIS Application to automatically apply mandatory tax rates to payments;

ii. Ensure all MDAs using the GIFMIS Application comply with the requirements of the system, and

Iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 3: POOR PHYSICAL AND ENVIRONMENTAL SECURITY OF THE OAGF DATA CENTRE

The International Organization for Standardization (ISO) 27001:2013 Annexure A.11.0 on Physical and Environmental Security requires that physical and environmental areas should be secured. Organizations should ensure there are measures to prevent unauthorised physical access, damage and interference to information and information processing facilities. Also, ISO 27001:2013 Annexure A.17.1 on Information security continuity requires that Information security continuity shall be embedded in the organization's business continuity management systems. Additionally, ISO 27001:2013 Annexure A.17.2.1 on Availability of Information Processing Facilities ensures information processing facilities are implemented with redundancy sufficiency to meet availability requirements.

Audit observed at the Primary and Secondary Data Centres that:

a) At the Primary Data Centre (PDC):
   i. There was no business continuity and disaster recovery policy that would have provided for the management of the Data Centre among others, effectively aid

the security of the GIFMIS data, information, and its ICT infrastructures.

ii. Entrance to critical data centre rooms such as the power and servers' rooms had no biometric access.

iii. Out of the 29 Active registered users on the biometric entrance list, only 12 users were confirmed officers assigned to the PDC. The other 17 users could not be traced.

iv. The two (2) FM 200 fire extinguishers available have not been serviced since they were installed on 28th April, 2011. In same vein, there were no evidence that any fire drilling or testing of available fire service equipment has been carried out since inception. Moreover, none of the officers assigned to the data centre have been trained on firefighting and emergency techniques.

v. There were lots of combustible items (cartons and plastic ropes) littered around within the Data Centre (DC) that could easily intensify damages during a fire outbreak.

vi. Though seven (7) Closed-Circuit Television (CCTV) cameras were installed in the DC, there was a blind spot in the power room that is not captured within the camera purview.

vii. The CCTV monitors were not up and showing on the big screen all through the period of audit, which indicates that the cameras may not be regularly monitored.

viii. The hot and cold aisles at the server room were not properly arranged; The front of some racks were directly facing the back (hot air outlet) of other racks, which indicates that the equipment may be consuming air below functional or manufacturer requirements, and

ix. The two humid and water detectors which monitors the temperatures at the data centre have not been serviced since 2011.

b) At the Secondary Data Centre (SDC):

i. The SDC was located on the 1st floor and between administrative offices of the Federal Pay Office (FPO) in Gombe State. Sharing the same building with an administrative office is risky because of the high human traffic and activity going through the hallway.

ii. The SDC has been shut down for several months. Since shutdown with no power, the room temperature was extremely below required limits for electronic devices especially within the DC. Global standards for temperature within a DC are Temperature: 18-27°C (64-81°F). Maximum relative humidity: 60% Maximum dew point: 15°C (59°F).

iii. The main power supply for the whole building (Federal Pay Office) was faulty and not working.

iv. The two (2) FM 200 fire extinguishers and their nozzles have not been serviced since they were installed at the inception of the GIFMIS. Also, there was no evidence that fire drilling or testing of the fire equipment has been carried out. With this, it cannot be ascertained that the fire equipment' would be effective in the event of fire outbreak.

v. No biometric access was activated for entry into any of the critical rooms of the data centre, only regular door keys and locks are used.

vi. All four (4) CCTV cameras and monitor were not functional.

vii. The SDC walls and ceilings were soaked and crumbling due to water leakage within the office building. The walls were puffed out and some parts of the ceilings were already protruded downward and cracked, and

viii. The Data Centre was littered with combustible items (cartons and plastic ropes) which can easily intensify more damages if there is a fire outbreak.

The above anomalies were due to weak internal controls at the OAGF.

Risks

i. Loss of FG data and services in the event of a disaster or other business interruptions.
ii. Prolonged downtime of services.

Management's Response

a) Observation on Primary Data Centre (PDC): -

i. No Business Continuity Plan in Place: - A contract has been awarded to a consulting firm to prepare and submit a Business Continuity Plan for the GIFMIS & Integrated Personnel & Payroll Information System (IPPIS).

ii. The observation on the need for further fortification of the PDC power and sever rooms is noted for enhancement.

iii. Deactivation of Officers on Biometric Entrance Access System, the 17 former officers observed were no longer active but remain on the list as part of audit trail.

iv. Non-Servicing of Fire Extinguisher: - The fire extinguishers were reactivated and serviced in 2020 though the label was not updated.

v. Presence of Combustible Items in the Data Centre: - The observation is noted; however, action has been taken to decongest the Data Centre of combustible items.

vi. Blind Spots on CCTV: - The observations on blind spots at the PDC is not clear but noted for review and corrections.

vii. Absence of CCTV Terminal: The observation on absence of CCTV terminals is noted for implementation.

viii. Mismatch Hot & Cold Aisles: The data Centre architecture was designed in such a way that the equipment was arranged to face each other and the other adjacent to them were spaced for the cooling system to clear the hot air released to them.

ix. Servicing of Humid/Water Detector: - The humid and water detectors were not serviced but replaced when they become malfunctioned. The equipment was not meant to serviced but tested on regular interval fore effectiveness. Currently, the units in the Data Centre are still functioning very well.

b) Observation of Secondary Data Centre (SDC): -

i. Risk Associated with SDC Location: - Observations noted, though the associated risk could not be deciphered. However, we would investigate and fortify or mitigate the risk accordingly.

ii. Temporary Suspension of the SDC: - The SDC was temporarily suspended for security reasons. Though the room temperature went higher than the tolerable limit under non-operating condition, but the equipment was not operational to cause any damages. However, we shall investigate the ambient temperature at the same condition in the SDC and consider any structural adjustment since it will not like be proper to power a Data Centre when all infrastructure has been turned down.

iii. Faulty Power Supply to SDC: - The observation is noted. It is noteworthy that management was aware of the situation and has since procured two (2) units of 250KVA Generators as standby for the SDC to permanently address the challenges.

iv. Fire Extinguishers, Biometric Access & CCTV Cameras: - Observations listed as items iv – vi have been noted and the procurement process leading to their resolution is ongoing.

v. SDC Environment: - Though the portion warehousing has GIFMIS equipment was not affected, management has prioritised the rehabilitation of the entire building owing to the sensitive equipment resident therein.

Vi. Presence of Combustible Items in the Data Centre: - The observation is noted. However, action has been taken to decongest the Data Centre of Combustible items already.

Recommendations

The Accountant-General of the Federation is requested to:

i. Develop and implement policies on Business Continuity and Disaster Recovery in conformity with global standards like ISO 22301:2019 (Business Continuity Management System) to improve continuity and recovery mechanisms;

ii. Revive or replace deteriorating ICT equipment to facilitate the attainment of efficient and effective disaster recovery and business continuity to ensure that stored data/information, ICT processes are secured, and ICT operations are

working seamlessly; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 4: INADEQUATE BACKUP AND TESTING OF GIFMIS DATA FILES

The International Organization for Standardization (ISO) 27001:2013 Annexure A.17.2.1 on Availability of Information Processing Facilities requires that information processing facilities be implemented with redundancy sufficiency to meet availability requirements. Critical to this is the testing of redundant components and systems periodically to ensure that fail-over will be achieved in a reasonable period.

Audit observed that:

i. Backup of data was not automatically executed. As alleged by the system administrator, the secondary data system is switched on for two (2) hours daily to backup data and then switched off;

ii. Aside the Secondary Data Centre at Gombe which was deteriorating, there is no other offsite storage or facilities to secure backup data tapes and disks; and

iii. The backed-up files to the Secondary Data Centre have never been tested for once since the implementation of the GIFMIS in 2011. It is not certain that when these files need to be restored after either a system problem or a disaster occurs or, the saved data would be meaningful or complete.

These inadequacies were as a result of weak effect of internal controls at the OAGF.

Risks

i. Recovery of data during interruptions is almost impossible; and

ii. Reputational damage to the Federal Government.

Management's Response

i. Non-Execution of Auto-Back-up of Data: the GIFMIS design provided for automatic replications. However, in the event the PDC and the SDC getting out of sync, the system provides for manual intervention to bring the two centres at sync. During the ENDSARs incident and the associated security challenges, the technical team assessed the situation and came to the conclusion to shut down the SDC as an immediate solution pending a more permanent one. You may wish to appreciate that normalcy has been restored and the Treasury has put machinery in motion to update facilities accordingly.

ii. No Offsite Storage Facility at PDC & SDC: - While stressing the need to have offsite storage was part of the GIFMIS design and previously implemented, the observation is noted. Accordingly, procurement process has been initiated even

before the System Audit, on the subject thus currently at advanced stage of implementation.

iii. Failover/Failback Testing: - This is noted and it is part of the pending defect list with the vendor for resolution immediately the GIFMIS Contract is Novated. Furthermore, the upgrade currently ongoing at the SDC has factored in the challenges associated with hardware to enable periodic testing of failover/failback between the PDC to SDC to ascertain/confirm effective functioning of the application.

Recommendations

The Accountant-General of the Federation is requested to:

i. Develop and implement policies on Business Continuity and Disaster Recovery in conformity with global standards to improve continuity and recovery mechanisms;

ii. Establish a mechanism to ensure backup data files are done automatically and are held in a physically secure location on-site and off-site; and regularly tested; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 5: INADEQUATE PERSONNEL DIRECTORY MANAGEMENT ON THE GIFMIS

Paragraph 8 (7.2a) of the Civil Service Handbook requires that a public officer shall not receive or be paid the emoluments of any public office at the same time as he receives or is paid the emoluments of any other public office. In the same vein, The International Organization for Standardization (ISO) 27001:2013 Annexure A.9.2.1 on User Registration and Deregistration requires a formal user registration and deregistration process needs to be implemented. A good on-boarding and exit process should be implemented to show quick and clear add-on or removal of personnel.

Audit observed that:

i. The active directory of government officers was not designed to automatically modify or remove officers as they exit an MDA by retirement, study/sabbatical leave, decease, or transfer to other MDAs;

ii. Removal of personnel directory was done manually through correspondence between the MDA requesting the OAGF to remove affected officers from the system which could take weeks or months in most cases; and

iii. Delay in the modification process could lead to an officer receiving payments after they have exited the service or moved to another MDA.

The above anomalies were due to weaknesses in the internal control system at the OAGF.

Risks

i. Loss of government funds.
ii. Payments to unauthorised persons
iii. Payments for services not rendered.

Management's Response

The observation is noted for further improvement in the process and procedure. However, it is noteworthy that GIFMIS Application is databased which makes it feasible to detect individuals with common identify and deny payments to such persons. The human resource module also facilitates annual budget preparation as well as prevents duplication of payments system wide. Thus, leveraging on this control, multiple payments are totally avoided. Furthermore, the involvement of multiple payments are totally avoided. Furthermore, the involvement of multiple persons in payment process in line with segregation of duty principles, is an added advantage in preventing unauthorized payments.

Recommendations

The Accountant-General of the Federation is requested to:

i. Automate the personnel directory modification process by designing and implementing an automated process that will prompt deactivation of personnel directory when they exit the service temporary or permanently; and
ii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 6: INEFFECTIVE LOGICAL ACCESS CONTROL, USER AND PASSWORD MANAGEMENT

Paragraph IV (4.1.c No. 23) on Password/Security System/Audit of General Technical Requirements on the GIFMIS contract requires that the system MUST provide a facility for periodic password changes at regular intervals defined by management. Furthermore, the International Organization for Standardization (ISO) 27001:2013 Annexure A.9.2.1 on User Registration and Deregistration requires that a formal user registration and deregistration process needs to be implemented. A good on-boarding and exit process should be implemented to show quick and clear add-on or removal of personnel. In addition, ISO 27001:2013 Annexure A.9.4.3 on Password Management System requires an organization should ensure quality passwords meet the required level and are consistently applied. Password generation and management systems need to be carefully implemented to ensure adequate and proportionate levels of protection. Wherever possible users should be able to choose their own passwords as this makes them easier to remember than machine-generated ones, it needs to be up to a certain level of strength.

Audit observed that:

i. The number of days for user password to expire was zero (0) days, which means a user can use the same password for a very long time without being prompted by

the system to change it at intervals;

ii. The system does not enforce a new user to change the system-generated password at first login (or subsequent logins) for the user to change the password; most users keep using the system-generated password for as long as possible;

iii. If an unauthorized person gets hold of the users list or matrix, they can easily use the system-generated passwords to gain access into sensitive areas of the system;

iv. Users can login into the GIFMIS at the same time with different systems (up to three (3) systems - laptop, desktop, mobile phones etc.) without previous systems logging out. Associates could possess a user's password and use them to make unauthorized payments without an accurate audit trail;

v. There are major delays in the process of modifying or revoking user's privileges and access to financial transactions; and

vi. Some officers were still active users in the GIFMIS many months after they have been transferred to another department/MDA or retired.

The above anomalies were due to weaknesses in the internal control system at the OAGF.

Risks

i. Weak passwords or system generated passwords can easily be hacked into, exposing the system to malicious attacks or illegal transactions made by unauthorized persons, and

ii. Delay in deactivating users' access could result to disgruntle officers deliberately sabotaging the system.

Management's Response

While noting your observation on password rest, it is important to bring to your attention that gradual enhancement process was used for deployment of GIFMIS security similar to other modules. The level of IT literacy was low, and a full-blown deployment of policy may create more issues than the associated benefits. Thus, the reason why full activation of security architecture was done on an incremental basis. The GIFMIS Application has the full potentials for any form of control but was activated on need basis and incrementally on capacity and awareness improvement.

Your observation on the process for revoking user's privileges and access control is noted. The process will be reviewed, and necessary improvement will be made.

Recommendations

The Accountant-General of the Federation is requested to:

i. Design and implement a standardized logical access policy and user management guidelines to strengthen the logical access and password management with embedded controls according to best practices;

ii. Automate the process of creating, modifying and de-activating users from the GIFMIS system;

iii. Enforce controls to guarantee that users can log into the application with only one device at a time; and

iv. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 7: NO FORMAL CHANGE MANAGEMENT PROCESS

The International Organization for Standardization (ISO) 27001:2013 Annexure A.14.2.2 on System Change Control Procedures requires that changes to system must be controlled using formal change control procedures. Formal change management procedures are designed to reduce the risk of accidental or deliberate development of vulnerabilities that may allow systems to be compromised once the changes are put live. It is important that the system owner understands what changes are being made to their system, why and by whom.

Audit observed from the review of the database logs from Jan 2019 – Dec 2020 that:

i. GIFMIS project management does not have a Change Management Policy or documented procedures to ensure changes are duly implemented;

ii. There was no governing structure or management's committee responsible for changes within the GIFMIS system and infrastructures.

iii. There were over 20 command/statements such as “ALTER”, “DELETE”, “INSERT” found in the data logs extracted from the database which stores All transactions made and processed on the GIFMIS. These commands are used to effect major changes or delete data/information from the Database tables; and

iv. There were no documentations, or approvals for these changes. With this, audit could not ascertain the changes made, the reasons they were made and by whom.

The above anomalies were due to weaknesses in the internal control system at the OAGF.

Risks

i. Unauthorised, invalid, and undocumented changes being made to processed transactions, and

ii. Unauthorized changes to the database could be a cover-up for fraud and manipulation.

Management's Response

GIFMIS has good structure for the purpose of making modifications to the application. Accordingly, the existence of Workgroups for each of the Subsystem. These Subsystems include Budget Preparation, Budget Execution, Accounting and Reporting, Change Management, Audit and Security, ICT among others. Changes are made on the recommendations of the various Workgroups subject to approval of the GIFMIS Steering Committee. Key changes have formal procedure on the main GIFMIS Contract document under section 39 & 40 of the General Conditions of Contract and Special Conditions of Contract before deployment. These include development of Test Plan, Review of Test Plan, and Actual Testing, Training and Deployment to the production environment.

The above submission notwithstanding, the process will be reviewed, and your recommendations will be adopted where gaps exist.

Recommendations

The Accountant-General of the Federation is requested to:

i. Investigate and produce a report on the various changes made to the GIFMIS database as no authorization by management were made for them;

ii. Set-up a Change Management Board/Committee and design a Change Management Policy that would be abided by all stakeholders or responsible units; and

iii. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 8: ABSENCE OF AN APPROVED OAGF INFORMATION SECURITY POLICY

The International Organization for Standardization (ISO) 27001:2013 Annexure A.5.1.1 on Policies for Information Security requires that a set of policies for information security must be defined, approved by management, published and communicated to employees and relevant external parties. The policies must be led by business needs, alongside the applicable regulations and legislation affecting the organization. Also, ISO 27001:2013 Annexure A.16.1 on Information Security Incident Management requires that management must ensure a consistent and effective approach to the lifecycle of incidents, events and weaknesses.

Audit observed that:

i. The GIFMIS project do not have a completed and approved Information Security policy document and guideline which is a crucial governance tool;

ii. There were no security incident reports and follow-up documents to assess security incidences (e.g., threats to the Network, Database, environmental security or employees' violations of security and actions the Project Team undertook to save the situation); and

iii. This shows that security issues were not taken seriously, and this could result to serious implication in the nearest future.

These inadequacies were due to weakness in internal controls at the OAGF.

Risks

i. Absence of an IT Security Policy, documented security procedures and standards indicates the non-existence of a framework adapted for GIFMIS in terms of security and data protection.

ii. This leaves the GIFMIS systems insecure and vulnerable to cyber-attacks which, may lead to loss of confidentiality and integrity of the critical data and availability of the system and its service.

Management's Response

The observation on the subject is noted. In line with the observation, ongoing process to organize a stakeholder's workshop where gaps in the existing policy will be discussed widely, update the draft document and submit same to the AGF for approval.

Recommendations

The Accountant-General of the Federation is requested to:

i. Design and enforce a service-wide Information Security Policies, Guidelines, and Standard Operating Procedures (SOPs) for all aspects of the GIFMIS systems and its computing environment (physical and virtual);

ii. Ensure that this policy and operational procedures are communicated to all officers to attain organisation-wide knowledge and adherence;

iii. Adopt a Security Framework with good practices and global standards;

iv. Enforce regular checks on the health of its systems through the activities of the IT Security Unit and attend to any report of the assessment of risks on its systems by approving these and enforcing implementation of all the recommendations; and

v. Apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 9: OAGF IT EQUIPMENT WORTH OVER N10BN WITHOUT INSURANCE POLICY COVER

Section 7 (d) of the National Insurance Commission (NAICOM) Act 1997 stipulates “there must be adequate protection of strategic government assets and other properties.”

Audit observed that:

i. The OAGF has never taken out an insurance policy cover on any of the GIFMIS IT equipment or information processing facilities which are worth billions of Naira since the implementation of the GIFMIS project in 2012; and

ii. The OAGF does not have policies or classification of assets with respect to insurance coverage leaving the project assets vulnerable.

These inadequacies were due to lack of sound risk management strategy, as the project team has not adequately carried out a risk assessment to identity what can go wrong with the project infrastructures and how to mitigate these risks.

Risks

i. Inability to replace critical assets and information processing facilities in likely occurrences of catastrophic events.
ii. Loss without compensation.

Management's Response

The observation is noted. However, you may wish to note that the entire treasury assets have always been insured. That notwithstanding, we shall ensure that an arrangement is made to cover all assets going forward.

Recommendations

The Accountant-General of the Federation is requested to:

i. Evaluate the total IT Infrastructure and obtain an insurance cover to indemnify risks and protect the GIFMIS system from financial and economic loss; and

ii. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 10: NO PENETRATION TEST AND VULNERABILITY SCAN CARRIED OUT ON THE GIFMIS COMMUNICATION CHANNELS

The International Organization for Standardization (ISO) 27001:2013 Annexure A12.6.1 on Management of Technical Vulnerabilities requires that information about technical vulnerabilities of information systems being used must be obtained in a timely fashion, the organizations exposure to such vulnerabilities evaluated and appropriate measures taken to address the associated risk.

Audit observed that penetration test or vulnerability scanning has never been carried out on the Network since the deployment of the GIFMIS in 2012.

The failure of critical process in security management was due to lack of strategic risk assessment and weakness in internal controls.

Risks

i. Irregular or no penetration test and vulnerability scanning on a major system like the GIFMIS exposes the system to malicious attacks resulting to unexpected system downtime and data loss, and

ii. Damaged reputation to the OAGF.

Management's Response

Penetration and vulnerability test were carried out by first quarter of 2019 using non-proprietary (free) tools, result sent to AGF through the Project Manager with specific prayer to assist the team fast-track security enhancement implementation. Thus,

identified and recommended a GIFMIS Security Operations Centre (GSOC) so that test shall be carried out quarterly when the full security enhancement is implemented.

Recommendations

The Accountant-General of the Federation is requested to:

i. Conduct regular vulnerability scans and penetration testing and analysis on all communication channels connected to the GIFMIS to protect the system against cyber-threats and cyber-attacks, and include mechanisms for these processes in the Information Security Policy; and

ii. Otherwise, sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations should apply.

ISSUE 11: INADEQUATE IT ASSET MANAGEMENT

The International Organization for Standardization (ISO) 27001:2013 Annexure A.8.1.1 on Inventory of Assets requires any assets associated with information and information processing facilities need to be identified and managed over the lifecycle, always up to date. A register or inventory of those assets must be put together that shows how they are managed and controlled, based around their importance. This lifecycle of the information generally includes creation, processing, storage, transmission, deletion, and destruction stages.

Audit observed that:

i. The GIFMIS asset register did not have the necessary information specifically the value of the recorded assets, date of acquisition and life cycle of the asset;

ii. The register has not been updated since 2016, as there were ICT equipment procured from 2017 to 2020 by the OAGF, which included over eighty (80) high specification HP laptops and several other equipment for the GIFMIS project not found in the asset register; and

iii. Procurement for enhancement of both the primary and secondary data centre (Gombe State) which involved the acquisition of over 250 (Two hundred and fifty) inverter batteries amongst other ICT equipment were not found in the asset register.

Non-maintenance of asset register was due to weakness in internal control at the OAGF.

Risks

i. Assets are vulnerable to theft or damage.
ii. Loss to the Federal Government.

Management's Response

The observations on IT assets are noted and the records would be updated going forward continuously. However, we differ on the capitalization of inverter batteries as they are recurring items.

Recommendations

The Accountant-General of the Federation is requested to:

i. Ensure the asset register is updated to include All equipment procured for the support and maintenance of GIFMIS project from inception to date;

ii. Establish and implement a corporate/project policy/directive on asset management defining roles and responsibilities of various stakeholders including those from functional units; and

iii. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

NIGERIAN PORTS AUTHORITY (NPA)

At the Nigerian Ports Authority, the following observations were made:

ISSUE 1: TERMINAL OPERATORS' INDEBTEDNESS (=US$852,093,730.77 AND 1,878,560,509.57)

Agreements signed between NPA and various Terminal Operators states "A fixed annual payment of a sum as specified in the schedule below to be paid in (12) equal instalments in each operating year, the first instalment to be paid on the first day of the month after the effective date and then, on the same date of every month thereafter (the "lease fee")…"

Audit observed that:

i. The Terminal Operators failed to comply with lease agreements in terms of their obligations relating to payment of fixed and throughput fees over the period.

ii. The sum of US$852,093,730.77 (Eight hundred and fifty-two million, ninety-three thousand seven hundred and thirty dollars seventy-seven cent) and 1,878,560,509.57 (One billion, eight hundred and seventy eight million, five hundred and nine naira, fifty seven kobo) that should have been remitted to the NPA remained outstanding.

iii. The summary of unpaid fixed lease fee and throughput fees at 30th September 2018 is as shown in the Table below:

S/N	Fees	Amount (US$)	Amount (₦)
1	Fixed leased fee	778,363,995.99	1,874,690,764.32
2	Throughput fee	48,339,162.27	3,869,745.25
3	GMT	25,390,572.51	000
	Total	**852,093,730.77**	**1,878,560,509.57**

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Loss of revenue to Government
ii. Diversion of public funds to unauthorized uses

Management's Response

In 2006, Nigerian Ports Authority carried out the Concession of its Ports to Private Operators in line with Federal Government Ports Reform programme. The lease Agreements were executed in 2006 with many limitations of which some of the terms contained in the Agreements were skewed against the Authority. These impacted negatively on revenue and account receivable of the Authority. Examples are Encumbrances, Guarantee Minimum Tonnage and Volume Change.

Below are the reasons that accounted for the indebtedness:

i. Invoices processed on Encumbered areas during the periods under review which were not paid by Terminal Operators amounted to 1,609,150,534.32 out of the total outstanding debt in sum of 1,878,560,509.57 while the sum of 269,409,975.25 has been recovered.

ii. The sum of $504,663,452.37 is Volume Change on Fixed Lease fee payment by APMT arising from clauses in the Concession Agreement between the Authority and APMT out of the total sum of US$852,093,730.77.

iii. There are areas that could not be accessed by the concessionaires due to community related issues, areas occupied by other Government Agencies operating at the Port etc. bills raised on encumbered areas not paid by the Terminal Operators amounted to the sum of $19,619,459.00.

iv. Guarantee Minimum Tonnage (GMT) amounted to US$54,704,700.08, Unpaid Penalty amounted US$11,922,642.68 and Unpaid VAT amounting to US$28,693,607.07.

v. While the total sum of US$92,533,518.72 has been recovered leaving an outstanding unpaid Lease and Throughput Fees in the sum of US$139,970,637.71 (US$133,982,486.82 Unpaid Lease + US$5,988,150.89 Unpaid Throughput Fees).

   (i) Management has reinvigorated its in-house debt recovery committee to recover debts age 0 – 3 years;

   (ii) While debts from 4 years and above are being firmed out to Professional Debt Recovery Consultants which is currently undergoing procurement process.

vi. To address the imbalance associated with the concession agreements, An Inter-Agency Committee on the review of ports concessions was set up by NPA

Management in year 2017, comprising of Federal Ministry of Transportation (FMOT), Federal Ministry of Justice, Infrastructure Concession Regulatory Commission (ICRC), Bureau of Public Enterprise (BPE) and Nigerian Ports Authority (NPA).

The Committee's mandate was to examine the Concession Agreements with a view to assessing the adequacy or otherwise of the terms of the agreements, interact/negotiate with the Terminal Operators and recommend areas for necessary review.

It is pertinent to state that huge progress has been made since the commencement of the negotiations where the Negotiation Team interfaced and negotiated with fifteen (15) Terminal Operators following which twenty-one (21) draft supplemental agreements were prepared and forwarded to the relevant Ministries and Agencies for their inputs.

The review Committee has forwarded eighteen (18) copies of the supplemental agreements to the terminal operators, FMoT, FMoJ, ICRC and BPE for review in march 2020, consequent upon receipt of the responses on the supplemental agreements, the various comments were incorporated and eleven (11) draft supplemental agreements were reverted.

This is awaiting the FMoT's approval before implementation."

Recommendations

The Managing Director is requested to:

i. Justify the non enforcement of the agreement between NPA and the Terminal Operators to comply with prompt payments of lease fees.

ii. Recover and remit the sum of US$852,093,730.77 (Eight hundred and fifty-two million, ninety-three thousand seven hundred and thirty dollars seventy-seven cent) and 1,878,560,509.57 (One billion, eight hundred and seventy eight million, five hundred and nine naira, fifty seven kobo) to the CRF.

iii. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

ISSUE 2: OUTSTANDING ESTATE RENT, SHIPPING DUE AND SERVICE BOATS [(=US$67,425,429.88 AND 32,266,183,590.89)]

Paragraph 3112 (i) of the Financial Regulations states "A public officers who fails to respond to the Auditor-General's query satisfactorily within 21 days for failure to collect government revenue due shall be surcharged and be transferred to another schedule."

Audit observed, from the review of collection of revenue in respect of estate tenants, shipping companies and service boats, that:

i. Estate Tenants, Shipping Companies and Service Boats were hugely indebted to

NPA with the sum of US$67,425,429.88 (Sixty seven million, four hundred and twenty five thousand four hundred and twenty nine dollars eighty eight cent), and 32, 266,183,590.89 (Thirty two billion, two hundred and sixty six million, one hundred and eighty three thousand, five hundred and ninety thousand Naira eighty nine kobo) as summarised in Table below:

	₦	US$
ESTATE RENT	18,976,803,627.08	0
SHIPPING DUE	13,289,379,963.81	63,801,046.86
SERVICEBOAT	0	3,624,383.02
	32,266,183,590.89	**67,425,429.88**

ii. Sizeable percentages of these debts were non performing or dormant due to long period of non-settlement.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Loss of revenue to Government
ii. Diversion of government revenue to unauthorized uses

Management's Response

"The outstanding Estate Rent debt was as a result of Legacy debt/Pre-Concession periods of 2006 downward, Areas encumbered inaccessibility of lease areas and Community related issues thereby denying accessibility.

- The sum of 7,293,403,552.55 are dormant as at December 31, 2018 out of the total sum of N32,266,183,590.89 due to legacy debts/Pre-Concession periods and Community related issues while, the total sum of 7,285,339,569.18 have been recovered. Management is making concerted efforts to recover the outstanding.

- In addition, the sum of $32,800,652.18 represent legacy debt (2006 pre-concession era) dormant and out of business from the total outstanding debt in sum of $67,425,429.89 while the Authority has recovered the total sum of $6,647,297.72 (service boats debt in sum of $3,624,383.02 included). In addition, recovery mechanism has been put in place to recover the total sum of $27,977,479.97 being outstanding debts on active companies.

- Management has reviewed the debt profile into 3 (three) classes as follows to enhance the recovery mechanism:

1. 0 – 3 years
2. 4 - 10 years and
3. Above 10 years

- Debts Within 0 – 3 Years are being recovered by in-house Debt Recovery Committees.

Debts from 4 years and above are being given out to Professional Debt Recovery Consultants. The appointment of Professional Debts Recovery Consultants is undergoing Procurement Process. Meanwhile, Management has sought the advice of the Accountant General of the Federation on how to handle debts above 10 years."

Recommendations

The Managing Director is requested to:

i. Justify the Nigerian Port Authority's failure to ensure compliance with tenancy agreements.

ii. Recover the sum of US$67,425,429.88 (Sixty seven million, four hundred and twenty five thousand four hundred and twenty nine dollars eighty eight cent) and 32,266,183,590.89 (Thirty two billion, two hundred and sixty-six million, one hundred and eighty three thousand five hundred and ninety thousand naira eighty nine kobo) , and remit same without further delay.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

ISSUE 3: INABILITY TO DETERMINE THE STATUS OF LONG OUTSTANDING DEBTORS [= 5,260,158,996.33 AND US$1,250,334.68]

Paragraph 110 of the Financial Regulations states "By virtue of the responsibilities and functions of the Accountant-General and Auditor-General for the federation 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 may deem necessary for the proper performance of their function."

Audit observed, from the review of the records relating to the Authority's debtor's profile, that:

i. Debts contained in the Table below are long outstanding and all efforts to know their current status was not successful as relevant information was not provided.

DEBTORS	DETAILS	OUTSTANDING AMOUNT
FCTA	Sale of NPA Houses during monetisation	₦1,800,000,000.00
BPE	No-refundable fee for the conce ssion of Warri Port	$350,000
NNPC EXPO SHIPPING LTD	Legacy debts	$900,334.68
NNPC EXPO SHIPPING LTD	Legacy debts	₦1,695,751,286.24
NNPC Schenkar Ltd	Legacy debts	₦1,251,407,710.09
NNPC / Gocals	Legacy debts	₦141,700,000
NNPC / Daddo	Legacy debts	₦371,300,000

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. The debts may become unrecoverable.
ii. Loss of public funds.

Management's Response

"In 2006, Nigerian Ports Authority carried out the Concession of its Ports to Private Operators in line with Federal Government Ports Reform programme. This was followed by the sale of its properties under the Sale of Government Properties policy. The Authority divided its assets into two to achieve seamless disposal programme:
(1) Assets within Abuja;
(2) Assets in other locations outside Abuja.

The tripartite committee – NPA, BPE and FMOT involved in the exercise agreed that the officials of the Federal Capital Development Authority (FCDA) carry out the sale of Assets in Abuja.

The proceeds realized from the sale of Abuja assets by the FCDA is yet to be remitted to the Nigerian Port Authority.

The sum of US$350,000.00 was commencement non-refundable fee for the concession of Warri Port.

The Authority is intensifying its effort to recover the debt and is engaging professional debt recovery consultants.

On the other hand, the debts owed by NNPC and other companies are Legacy Debts which is being discussed with NNPC for settlement while Professional debt Consultant are being engaged to recover operational debts of four (4) years and above."

Recommendations

The Managing Director is requested to:

i. Justify the non release of all records and information relating to the debt status of NPA for audit scrutiny.

ii. Recover the sum of 5,260,158,996.33 (Five billion, two hundred and sixty Million, one hundred and fifty eight thousand, nine hundred and ninety six Naira, thirty three kobo) and US$1,250,334.68 (One million, two hundred and fifty thousand, three hundred and thirty four Dollars, sixty-eight cents) being outstanding debt and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 4: PAYMENTS FOR SHORE EROSION CONTROL WORKS AT AKIPELAI, AYAKORO AND OTUOKE TOWNS IN BAYELSA STATE – (= 4,547,938,353.26)

Paragraph 2933(i) of the Financial Regulations states "Subject to any regulations that may be prescribed by the Bureau from time to time, a procuring entity may grant a mobilization for which shall not exceed 15% of the contract price. The payment of mobilization fee shall be supported by, in case of national competitive bidding a guarantee issued by a reputable bank or Insurance company, and in the case of an international competitive bidding a bank guarantee issued by a reputable bank". Also, Section 36 of the Public Procurement Act, 2007 states "The provision of a performance guarantee shall be a pre-condition for the award of any procurement contract upon which any mobilization is to be paid, provided however, it shall not be less than 10% of the contract value in any case or an amount equivalent to the mobilization fee requested by the supplier or contractor whichever is higher."

Audit observed that:

i. The Contract for Shore Erosion Control works at Akipelai, Ayakoro and Otuoke Towns in Bayelsa State was awarded to a company at a contract sum of 7,503,344,599.00 (Seven billion, five hundred and three million three hundred and forty-four thousand,five hundred and ninety-nine naira) through award letter referenced HQ/GME/CP/CON/R.16/067 dated 22nd March, 2012 with 14 months completion period.

ii. As at 27/06/2016, six (6) different payments totalling 4,547,938,353.26 (60.6% of the contract value) were made as detailed in the Table below:

DATE	TRANCHES OF PAYMENT	AMOUNT PAID (₦)
2012	15% Mobilization Fee	1,125,501,659.85
Feb,2013	Certicate No.1	979,408,328.92
Jan.2014	Certificate No.2	529,808,101.49
July,2014	Certificate No.3	641,718,319.09
Nov.2015	Certificate No.4	971,501,945.91
June,2016	Certicate No.5	300,000,000.00
	Total	**4,547,938,353.26**

iii. The mobilization fee of 1,125,501,659.85 (One billion, one hundred and twenty-five million, five hundred and one thousand, eighty-five kobo) paid was supported with a conditional bank guarantee from a commercial bank with a validity period of 365 days which had expired on the 22/3/2013 contrary to the provision of Section 35(1a) of the Public Procurement Act, 2007 which allowed for unconditional bank/Insurance guarantee.

iv. There was no performance guarantee which is a pre-condition for the award of any procurement contract upon which mobilization fee is required, and

v. The contractor failed to renew the bond after 4 (four) years since the bank guarantee expired and the balance of unrecovered advance payment stood at

539,452,959.95 (Five hundred and thirty nine million, four hundred and fifty two thousand, nine hundred and fifty nine naira, ninety five kobo)

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Misapplication of public funds
ii. Payments for jobs not executed.

Management's Response

i. "The observation made on the use of conditional APG is noted and will be fully implemented going forward.
ii. The practice in NPA is to deduct APG based on payment for each milestone achieved."

Recommendations

The Managing Director is requested to:

i. Justify why Section 35(1a) and 36 of the Public Procurement Act, 2007 on the payment of mobilization fee with the support of unconditional advance payment guarantee (APG) and performance guarantee was violated;

ii. Explain why the mobilization fee paid was not recovered embloc from the first certificate issued as required by the extant rules, instead of piecemeal recovery which has left an outstanding unrecovered amount of 539,452,959.95 (Five hundred and thirty nine million, four hundred and fifty two thousand, nine hundred and fifty nine naira, ninety five kobo) even when the APG had since expired 4 years ago and the contractor had since abandoned the project;

iii. Recover and remit the sum of 539,452,959.95 (Five hundred and thirty nine million, four hundred and fifty two thousand, nine hundred and fifty nine naira, ninety five kobo) from the contractor to the Treasury.

iv. Forwarded evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular or wrong payment and failure to collect and account for Government revenue stated in paragraphs 3106 and 3112 of the Financial Regulations, respectively.

ISSUE 5: IRREGULAR PAYMENT OF CONTRACT FOR THE REHABILITATION OF PORT HARCOURT PORTS ROAD NETWORK AND WATER DISTRIBUTION SYSTEM – PORT HARCOURT (= 1,847,526,061.50)

Paragraph 415 of the Financial Regulations 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:

i. A contract for the Rehabilitation of Port Harcourt Ports Road Network and Water Distribution System – Port Harcourt was awarded to a contractor at a contract sum of 1,847,526,061.50 through award letter referenced HQ/EDCP/OP /C.8/0082 dated 18th January, 2007 with 18 months completion period;

ii. A provision of 9,500,000.00 was made and paid for Performance Bond to the contractor, whereas, it was not the responsibility of the Authority to pay for the performance bond obtained by the contractor from the bank.

iii. A total provision of 40,500,000.00 was made and paid for under listed Insurance but the Authority could not produce evidence to show that the amount was actually used for such purpose as shown in the Table below

S/N	Details	Amount (₦)
1	Insurance of works	13,500,000
2	Comprehensive general liability, workmen's compensation and Employer's liability Insurance	13,500,000
3	Insurance of Contractor's Equipment	13,500,000
	Total	**40,500,000**

iv. A provision of 50,000,000.00 was made and paid for compensation of economic crops and buildings, for removal and relocation of existing installations for electricity, telephone, water supply and other utilities on external road to UTC junction but there was no record showing how such a huge amount was utilized.

v. A provision of 9,000,000.00 was made for the purchase of 2(two) new vehicles for the project Engineer's representative. Equally, a provision of 3,000,000.00 was made for the repair, maintenance and running cost of the official vehicles for the project Engineer's representative but there was no record to show that the vehicles mentioned in the BOQ were actually purchased.

vi. A provision of 3,772,885.00 was made for service to project Engineers representatives but how such amount was utilized was not known.

vii. A provision of 4,320,000.00 was made to rent, furnish and maintain residential accommodation for the project Engineer's representative out of which the sum of N4,139,168.00 was valued and paid on IPC No.9 but there was no record to back-up such payment.

viii. Ten (10) Interim Payment Certificates (IPCs) totalling 1,608,970,319.44 (87.09%) has been issued as at 19th April, 2016, and

ix. Physical inspection carried out at the project site showed that the failed portion of the road that was observed during previous audit was now part of the work awarded to another contractor. There was no record confirming that the contract awarded to the previous contractor was evaluated and terminated before the new award which includes the road covered by the new contractor. Therefore, value cannot be said to have been derived from the huge funds expended especially on

the water distribution system that has not been put to use.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Public funds may be misapplied.
ii. Diversion of public funds to private use.

Management's Response

(1) This project was awarded in January 2007 which was prior to the enactment of the Public Procurement Act 2007. The Management of a contract is always based on the way the BEME is structured. Engineering best practices allow for items not provided for in the bill to be catered for in the unit rates. Hence, since the performance bond was already included in the preliminaries, the contractor is deemed to have taken cognisance of this in the unit rates used in bidding for the contract. However, it is pertinent to mention that the retention fee for the contract is yet to be processed.

(2) Responses accounting for the above explanation are as listed below:

(a) This is also under contractual requirement and they are RISK bearing cost which is payable to the contractor on verification of the appropriate insurance policy.

(b) This is a provision for site clearance, relocation of existing service installations and demolition of buildings. This cannot be quantified, and they are billed as lump items, payment is due to the contractor, because no qualification is attached.

(c) This is specified requirement and the specified items of 2 vehicles were purchased. (1 for the Project Manager and 1 for the Consultant.).

(d) These are time related items and since the vehicles were purchased and the completion of the project was far extended, verification of cost of fuelling and maintenance was on monthly basis and it payable to the contractor who expended it.

(3) Management granted approval for termination of the contract prior to awarding the rehabilitation of a segment of the common user road within Port & Terminal Operators Limited (PTOL) premises to a new contractor on 30th April 2018 long after the former contractor abandoned the site.

(4) The company has completed 87% of the project and was paid accordingly. However, the water reticulation segment of the project required re-scoping and a request was sent to BPP for “No Objection” but there was no response. Also, it took a long time to get the Marine Police to vacate along the road corridor. Consequently, the company abandoned the project, which led to Management's approval for termination of the contract. Meanwhile, a segment of the road earlier completed

deteriorated as a result of usage and this seriously affected Port operations. There was an urgency to rehabilitate the road, hence that segment of the road that has deteriorated was awarded to the new contractor at the cost of 244,596,125.75.

The contract was approved for termination at the Authority's 112th Parastatal Tenders Board (PTB) meeting held on December 19, 2019

Recommendations

The Managing Director is requested to:

i. Furnish reasons why due process was not complied with in the award of contracts.

ii. Recover the sum of 9,500,000.00 (Nine million, five hundred thousand naira) paid for Performance Bond as it is the responsibility of the contractor to obtain performance bond and the Authority cannot bear the cost of the performance bond instrument.

iii. Forward evidence of recovery to the Public Accounts Committees of the National Assembly.

iv. Account for the total of 110,592,885.00 (One hundred and ten million, five hundred and ninety-two thousand, eight hundred and eighty-five naira) paid for items (ii-viii) above, as the payment could not be regarded as a legitimate charge against public funds, without evidence of utilization of such funds.

v. Give explanation why a contract of 18 months duration has not been completed over 10 years now; rather, it was abandoned after 87.09% has been paid to the contractor.

vi. Explain why all necessary procedures involved in termination of contract were not followed before part of the road work was awarded to another contractor, and

vii. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 6: IRREGULAR PAYMENT FOR THE RESTORATION OF POWER SUPPLY TO TIN CAN ISLAND PORT, LAGOS (= 339,980,023.30)

Paragraph 415 of the Financial Regulations 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:

i. A Contract was awarded to a company for the restoration of power supply to Tin Can Island Port, Lagos at a Contract Sum of 339,980,023.30 through award letter reference No. HQ/AGM/(E)/CON/E.7/T.14/278 of 12th August, 2009 with 16 weeks completion period.

ii. The Scope of work includes the following:

a. Supply and laying of HT and LT armoured cables between sub-stations C,E,F,B and H.

b. Supply, installation and commissioning of high tension and low tension panels in substations A, E, F, G&H.

c. Fabrication of non-corrosive metal plate structure to cover all existing holes along underground cable tunnels and manholes along the quay apron.

d. Testing of all the cables, panels and commissioning of the entire electrical ring network.

iii. The Bills of Quantities (BOQ) contained:

a. A lump sum provision of 2,500,000.00 (i.e. 500,000.00 each) was made for 11KV accessories consisting of cable gland termination kits, insulation materials and earthing for substations A,E,F,G&H but there was no details showing how the amount was utilized for the purpose;

b. A total provision of 2,500,000.00 (500,000.00 each) was made in the BOQ and paid for tools, instrument laptop for diagnosis on HT and LT panels for substations A,E,F,G&H but physical inspection revealed that there was no evidence to show that such items were bought;

c. A total provision of 8,722,050.00 was also embedded in the BOQ under miscellaneous as detailed in the Table below:

DETAILS	AMOUNT ( )
Fabrication of non -corrosive metal structure to block all existing loopholes of Port vandals along the underground cable tunnels	6,722,050.00
General maintenance of all panels that have been idle for some time	2,000,000.00
TOTAL	**8,722,050.00**

d. The full contract sum had been paid with the release of 5% retention fee of 16,974,553.94 through payment invoice referenced HQ/CS/1059 of 26/7/2017;

e. Based on above payments, a total amount of 28,934,010.00 was added as estimated additional work (1 and 2) and the approval granted by the Authority before the execution of such additional work with the BOQ was not produced.

iv. Physical inspection carried out at the project sites showed that the project had been put to use by the Authority.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Misapplication of funds.
ii. Diversion of public funds.

Management's Response

"The job was awarded eleven years ago at the sum of 339,980,023.30 via award letter HQ/AGM/(E)/CON/E.7 dated 12th August 2009.

The lump sum of 2,500.000.00 for termination of cable ends was carried out. Before the installation were energised, earthing of the substations were equally carried out.
Tool boxes and laptops for installation were also supplied and used during the project life span.

Manholes trenches were provided with covers along the Quay Apron and within the port where jointing jobs were carried out and cables laid."

Recommendations

The Managing Director is requested to:

i. Account for the payment of a total amount of 13,722,050.00 (Thirteen million, seven hundred and twenty-two thousand, fifty naira.) on items iii(a-c) highlighted above to the contractor without detailed information/evidences showing how the amount was utilized.

ii. Justify the approval granted for the estimated additional works of N28,934,010.00 (Twenty–eight million, nine hundred and thirty-four thousand, ten naira).

iii. Remit the sum of 42,656,060.00 (Forty two million, six hundred and fifty six thousand, sixty naira) i.e. (13,722,050.00 + 28,934,010.00) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and unauthorised variation stated in paraghraphs 3106 and 3103 of the Financial Regulations respectively.

ISSUE 7: IRREGULAR PAYMENT FOR THE SUPPLY/INSTALLATION OF 33/11KV PANEL WITH SF6 BREAKERS MAIN POWER STATION AT LAGOS PORT COMPLEX (= 13,000,000.00)

Paragraph 415 of the Financial Regulations 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:

i. A contract was awarded to a company for the supply/installation of 33/11kv panel with sf6 breakers main power station at Lagos port complex at a Contract Sum of 60,690,263.00 (Sixty million, six hundred and ninety thousand, two hundred and sixty-three naira) through award letter referenced HQ/GM/PROC /CON/C.11/14/301 of 7th August, 2014 with 9 months completion period, and

ii. A lump sum of 13,000,000.00 (Thirteen million naira) was embedded in the

contract and paid for servicing of 2nos 33/11KV 7.5MVA transformers without breakdown showing how the amount was utilized for that purpose.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Misapplication of public funds
ii. Diversion of public funds for private use.

Management's Response

The sum of 13,000,000.00 (Thirteen million naira) utilized for servicing of two Nos. 33/11KV 7.5MVA transformers were analyzed as follows:

(a) Replacement of transformer oil in the two transformers.
(b) Replacement of Bucchotz relays that indicate the level of oil in the transformer.
(c) Replacement of protective relays on the transformers.
(d) Short circuit/health fault text were carried out.

Both transformers are functional and are currently being used by APM Terminal, ENL Consortium and Dangote Flour Mills.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why lump sum was included in contract cost and paid for without breakdown.

ii. Account for the sum of 13,000,000.00 (Thirteen million naira) paid for the servicing of 2nos 33/11KV 7.5MVA transformers without evidence of judicious utilization.

iii. Remit the sum of 13,000,000.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 8: IRREGULARITY IN THE AWARD OF CONTRACT FOR CONSTRUCTION, DELIVERY & COMMISSIONING OF MDPE CHANNEL MARKING BUOYS – IN FOREIGN CURRENCY (=US$867,242.25)

Financial Regulation 2914 states “All monetary values in procurement bids shall be stipulated in Naira and Kobo. Where they are expressed in foreign currency they shall be converted at the prevailing exchange rates to local currency.”

Audit observed that:

i. Contract for the construction, delivery & commissioning of 100 Nos. of "R" Class MDPE Channel Marking Buoys, was awarded to a company on 2nd June, 2011 at a contract sum of US$5,781,615.00 (Five million, seven hundred and eighty-one thousand, six hundred and fifteen Dollars);

ii. The contractor was later paid 15% advance payment as mobilization fee of US$867,242.25 (Eight hundred and sixty-seven thousand, two hundred and forty-two Dollars, twenty-five cents) which was supported with a Bank Advance Payment Guarantee (APG) dated 7th June 2011;

iii. The contract was awarded in foreign currency denomination, in contravention of Financial Regulations 2914.

iv. Despite the fact that a tenderer quoted the sum of US$3,574,216.80, being the lowest bid for the job, the Parastatal Tenders Board (PTB), however, recommended that the contract should be awarded to another tenderer who quoted US$5,781,615.00 (Five Million, seven hundred and eighty-one thousand, six hundred and fifteen Dollars), the third lowest bid, claiming that the contract may be abandoned if awarded to the tenderer with the lowest bid.

v. The preferred bidder refused to refund the advance payment of US$867,242.25 (Eight hundred and sixty-seven thousand, two hundred and forty-two Dollars, twenty-five cents) upon the termination the contract through a letter with Ref. No. HQ/GM/PROC/AD/T.4/478 dated 23rd April 2012, following a directive by the Bureau for Public Procurement, in response to a petition by the lowest bidder, and

vi. The directive by the Authority to the contractor to keep the advance payment in an Escrow account until the issues are resolved was not complied with.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Loss of Government revenue
ii. Diversion of public funds.

Management's Response

"The channels marking buoys were manufactured abroad and the contract was therefore denominated in dollars based on the quotation submitted by foreign contractors.

The Contractor has taken the Authority to Court and as such the matter is under litigation. Find attached an update on Suit No LD/190/2013 – In response to the directive of the Nigerian Ports Authority to recover the sum of $867,242.25 (Eight hundred and sixty-seven thousand, two hundred and forty-two Dollars, twenty-five cents) advanced to the contractor as Mobilization Fee.

All Authority's fund have been transferred to Treasury Single Account (TSA) with Central

Bank of Nigeria in line with Federal Government Policy on implementation of TSA."

Recommendations

The Managing Director is requested to:

i. Provide reasons for the award of contract in foreign denomination in flagrant violation of the provisions of FR 2914.

ii. Recover the 15% mobilization fee of US$867,242.25 (Eight hundred and sixty-seven thousand, two hundred and forty-two Dollars, twenty-five cents) paid the initial contractor and remit same to the Treasury, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

Iv. Otherwise, apply sanction relating to irregular award of contract stated in paragraph 3117 of the Financial Regulations.

ISSUE 9: IRREGULAR PAYMENT FOR THE SUPPLY OF FIRE ALARMS COMMUNICATION & OFFICE EQUIPMENT FOR LAGOS PORT COMPLEX (= 3,000,000.00)

Paragraph 708 of the Financial Regulations states "On no account should payment be made for services not yet performed or for goods not yet supplied."

Audit observed that:

i. Contract for the supply of Fire Alarms Communication & Office Equipment at Lagos Port Complex was awarded to a company at a contract sum of 17,561,250.00 (Seventeen million, five hundred and sixty-one thousand, two hundred and fifty naira) vide award letter with Ref. No. HQ/GM/PROC/CON/C.11/81st PTB/SN22/17/691 dated 28the December 2017 with a two-week completion period;

ii. The sum of 3,000,000.00 (Three million naira) included for 4 Nos. of Walkie Talkie storage panel, with provision for storing 10 Nos. units at 750,000.00 each, and

iii. A small wood storage was put in place instead. Despite this anomaly, the contractor was paid fully through payment Reference No. HQ/CS/292, dated 13th February 2018.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Diversion of public funds for personal use.
ii. Payment for jobs not executed.

Management's Response

Management responded that "The contract was for the supply of fire alarms and communication equipment only, implying that the contractor would have supplied the items as contained in the award letter. However, the Authority compelled the contractor to install the communication gadgets using the following additional items with additional cost that were not in the original bill of quantity.

a. Two numbers-based radio
b. Two numbers power pack
c. Antennae for repeater station
d. Antennae for based radio
e. Cabling and pipes for the installation of based radio and repeater station.

Recommendations

The Managing Director is requested to:

i. Justify payment for items other than that specified in the contractual document.

ii. Recover the sum of 3,000,000.00 (Three million naira) meant for the construction of 4nos Walkie Talkie storage panel and remit same to the Treasury, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 10: IRREGULAR PAYMENT FOR THE SUPPLY OF FIRE ALARMS COMMUNICATION & OFFICE EQUIPMENT FOR IKORODU LIGHTER TERMINAL FIRE POST, LAGOS (= 3,228,571.43)

Financial Regulation (FR) 708 states "on no account should payment be made for services not yet performed or for goods not yet supplied".

Audit observed that:

i. A contract for the supply of Fire Alarms Communication & Office Equipment at Ikorodu Lighter Terminal Fire Post, Lagos, was awarded to a company for 12,000,000.00 (Twelve Million Naira) through award letter with Ref. No. HQ/GM/PROC/CON/C.11/81st PTB/SN.16/17/689 dated 28th December 2017 with a seven-week completion period;

ii. The sum of 3,228,571.43 (Three Million, two hundred and twenty-eight thousand, five hundred and seventy-one naira, forty three kobo) included 1 No. Walkie Talkie storage panel with provision for storing 10 Nos, and

Iii. A small wood storage was put in place instead. Despite this anomaly, the contractor was paid fully through payment reference no. HQ/CS/1150 dated 3rd May 2018.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Diversion of public funds for personal use.
ii. Misapplication of public funds.

Management's Response

The contract was for the supply of fire alarms and communication equipment only, implying that the contractor would have supplied the items as contained in the award letter. However, the Authority compelled the contractor to install the communication gadgets using the following additional items with additional cost that were not in the original bill of quantity.

a. Two numbers-based radio
b. Two numbers power pack
c. Antennae for repeater station
d. Antennae for based radio
e. Cabling and pipes for the installation of based radio and repeater station.

Recommendations

The Managing Director is requested to:

i. Furnish reasons for payment for items other than that specified in the contract document;

ii. Recover the sum of 3,228,571.43 (Three million, two hundred and twenty-eight thousand, five hundred and seventy-one Naira, forty three kobo) meant for the construction of Walkie Talkie storage panel and remit same to the Treasury, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 11 IRREGULARITIES IN THE REVENUE AND EXPENDITURE RECORDS OF NPA LONDON OFFICE/SEA VIEW PROPERTIES,UK,LTD: - (=£272,931.86)

Paragraph 3112 (i) of the Financial Regulation states “A public officers who fails to respond to the Auditor-General's query satisfactorily within 21 days for failure to collect government revenue due shall be surcharged and be transferred to another schedule.”

Audit observed from the records relevant to the income and expenditure of NPA London office that:

i. Sea view Properties, UK, Ltd is a special purpose organisation established to manage NPA Properties in United Kingdom. NPA London office oversees the affair of the Company.

ii. Rental income amounting to £272,931.86 (Two hundred and seventy-two thousand, nine hundred and thirty-one pounds , eighty-six pence) was generated from Fourteen (14) London Properties from January 2016 to June 2018;

S/NO	ADDRESS	REMARKS
1	23, Manor House Drive , NW6 7DE	Management Guest House Official
2	1a Temple Road , NW2 6PJ, 2nd	Floor NPA Office UK
3	49 Peter Avenue , NW10 2DD	Occupied by NPA Staff
4	18 Rowdon Avenue , NW10 2AJ	Occupied by NPA Staff
5	302 Dollis Hill Lane, NW2 6HH	Occupied by NPA Staff
6	61 Dollis Hill Avenue, NW2 6QU	Occupied by NPA Staff
7	1 Temple Road , 2nd Flat NW2 6PJ	Occupied by NPA Staff
8	76 Strode Road, 2nd Flat, NW10 2NH	Occupied by Tenant
9	1a Temple Road , NW2 6PJ, 3rd Floor	Occupied by Tenant
10	76 Strode Road, 1st Flat, NW10 2NH	Occupied by Tenant (Under litigation)
11	67 Dollis Hill Avenue , NW2 6QU	Vacant
12	1 Temple Road, 1st Flat NW2 6PJ	Vacant
13	1a Temple Road , NW2 6PJ, Ground Floor	Vacant
14	1a Temple Road , NW2 6PJ, 1st Floor	Vacant

iv. The NPA Headquarters transferred the sum of £4,328,011.15 to London office between January 2016 and April 2018 for operational cost and other running expenses yet the Authority spent the paltry sum of £272,931.86 (Two hundred and seventy-two thousand, nine hundred and thirty-one Pounds, eighty-six pence) of the gross rental income of £272,931.86 (Two hundred and seventy-two thousand, nine hundred and thirty-one Pounds, eighty-six pence) generated during the same period, and

v. Nothing was paid to the Consolidated Revenue Fund during the period.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Waste of government scarce resources
ii. Misappropriation of Government funds.

Management's Response

“Management has engaged a private Estate Agent to manage the Authority's London Office and rented properties for efficiency that will ensure prompt collections of rental income and further improve return on Investments. This development has increased rental income.

In 2017, Management carried out a downward review of the number of staff in London Liaison Office. There was a total number of 11 (Eleven) staff in London Office before the review exercise (made of 8 locally engaged ones and 3 seconded from Lagos HQ). However, the number of staff was reduced to 6 (Six) made of 3 seconded from HQ and 3 engaged locally. This has reduced the cost of operations and freed some of the properties hitherto occupied by staff. To further reduce cost, the position of head of London Liaison Officer has been down-graded from a General Manager level to an Assistant General Manager.”

Recommendations

The Managing Director is requested to:

i. Account for the revenue of £272,931.86 (Two hundred and seventy-two thousand, nine hundred and thirty-one Pounds , eighty-six pence) which could have been remitted to the Consolidated Revenue Fund of the Federal Government.

ii. Account for the expenditure of £272,931.86 (Two hundred and seventy-two thousand, nine hundred and thirty-one Pounds, eighty-six pence) not accounted for, and

iii. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 12: UNRETIRED STANDING ORDER IN RESPECT OF BANK CORPORATE CARD USED TO THE GM-OVERSEAS REPRESENTATIVE (=£17,000.00)

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

Audit observed that:

i. The sum of £17,000.00 (Seventeen thousand pounds) was paid for the issuance of Corporate Card by a Bank in the UK to be managed by the GM-overseas Representative.

ii. The above amount was paid through PV number 10690 of 6th December, 2016 in favour of the Bank corporate card with the name of an officer vide cheque no 31/0842 issued on 6th December, 2016, and

iii. The amount was transferred for the issuance of Corporate Card to be managed by the GM-overseas Representative but remained unretired as at the time of the audit in November, 2018.

The above anomalies could be attributed to the weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Misapplication of funds.
ii. Diversion of public funds.

Management's Response

Payments through the card were official and all payment made through the card relates to day to day running activities of the London Office.

Recommendations

The Managing Director is requested to:

i. Account for the sum of £17,000.00 (Seventeen thousand pounds), and

ii. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations

ISSUE 13: IRREGULAR RECORDS OF INVESTMENT IN AGURA HOTELS

Paragraph 415 of the Financial Regulations 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:

i. The two separate records obtained from its Abuja Liaison office showed a conflicting account of NPA's shareholding in Agura Hotels. While the internal auditors' report indicates that NPA holds 73.27% of total shares of Agura Hotels, detailed shareholding analysis report obtained from Abuja Liaison Office showed that it holds 62.8% shares issued in the Hotel, and

ii. There were no documentary evidence of return on investment to the Authority in form of dividend over the years. It was gathered that the Hotels have consistently reported operational losses.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Ports Authority.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response

i. The disparity in percentage of NPA's Shareholding in Agura Hotels is as a result of some Shareholders' stakes that were not factored in. However, the correct position of NPA shareholding in Agura Hotels is 62.83% out of the 45,585,185 issued shares of the hotel.

ii. Management has engaged the services of KPMG to secure an investor and recruit a professional manager for the Management of the hotel.

iii. Management is using various law firms to resolve the litigation issues relating to the hotel.

Recommendations

The Managing Director is requested to:

i. Reconcile the conflicting percentage of ownership in Agura Hotel with documentary evidence to support the current position, by furnishing copies of the share certificate issued to the Authority.

ii. Justify the non-return on investment by the Hotel to NPA over the years, and

iii. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue in paragraph 3112 of the Financial Regulations.

NIGERIAN SECURITY PRINTING AND MINTING PLC

At the Nigerian Security Printing and Minting Plc, the following observations were made:

ISSUE 1: NON-COMPLIANCE WITH THE PROVISIONS OF IFRS IN THE PRESENTATION OF AUDITED FINANACIAL STATEMENTS (= 97,918,703,000.00)

IAS 1, Presentation of Financial Statements sets out the overall requirements for Financial Statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/ non-current distinction. The Standard requires a complete set of Financial Statements to comprise a Statement of Financial position, a Statement of Profit or Loss and other Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows.

Audit observed that:

i. The sum of 91,095,450,000.00 (Ninety-one billion, ninety-five million, four hundred and fifty thousand naira), which appeared in note 14 of the consolidated financial statements for the year ended 31st December 2018 (schedule for the Property; Plant & Equipment) could not be verified and reconciled with the Assets Register due to non-existence of proper Non-Current Asset Inventories Ledger;

ii. Inventories of Raw Materials amounting to 4,459,141,000.00 (Four billion, four hundred and fifty-nine million, one hundred and forty-one thousand naira); and Consumables amounting to 2,364,112,000.00 (Two billion, three hundred and sixty-four million, one hundred and twelve thousand naira) as shown in Note 16 of the financial statements for the year ended 31st December 2018 could not be verified due to non-existence of proper Inventory Receipts & Issues ledger; and

ii. In all, a total of 97,918,703,000.00 (Ninety-seven billion, nine hundred and eighteen million, seven hundred and three naira) reported in the company's financial statement could not be confirmed.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks

i. Non-compliance with relevant standard
ii. Loss of public fund.

Management's Response

i. This does not reflect the correct position as our financial statement have been IFRS compliant since 2013. The financial report was duly prepared and audited by the audit firm approved by the Board. They complied with IFRS standards. However, the observations raised were not brought to our notice during the audit as the external auditors would have been contacted to provide the adjustment passed and the relevant schedules and explanations when necessary.

ii. This also is not correct as the company is a manufacturing organization that

maintain its own documents on receipts and issues. There exist ledgers that capture these. It is not correct that the company is not compliant with the IFRS, IFRIC and CAMA as indicated in your report. The amount so indicated was also not brought to the attention of the process owner for proper explanations. Loss of public fund as alleged in the report cannot be established as the financial statements were dully prepared by our external auditors appointed by the Board. In 2019, KPMG were appointed as our new external auditors. They review the 2018 financial statements, stock and asset registers and pass some adjustments which were reflected in the 2019 financial statements.

Recommendations

The Managing Director/Chief Executive Officer is requested to:

i. Account for the sum of 97,918,703,000.00; and

ii. Otherwise, apply sanctions relating to irregular or wrong payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 2: DIFFERENCES BETWEEN THE FINANCIAL STATEMENT FIGURES AND THE TRIAL BALANCE FIGURES (= 48,931,124,278.37)

IAS 1, Presentation of Financial Statements sets out the overall requirements for Financial Statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The Standard requires a complete set of Financial Statements to comprise a Statement of Financial position, a Statement of Profit or Loss and other Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows.

Audit observed that;

i. The sum of 48,931,124,278.37 (Forty-eight billion, nine hundred and thirty-one million, one hundred and twenty-four thousand, two hundred and seventy-eight naira, thirty-seven kobo) was overcharged against the Statement of Financial Performance of the company for years 2016 and 2019;

ii. There were no verifiable evidences to justify these expenses as most of the figures contained in the Statement of Financial Performance were different from the balances obtained from the Trial Balance;

iii. Total expenses in the company's statement of financial performance for the year ended 31st December, 2016 were higher than the corresponding expenses obtained from the Trial Balance by the sum of 13,073,543,545.25 (Thirteen billion, seventy-three million, five hundred and forty-three thousand, five hundred and forty-five naira, twenty-five kobo);

iv. In 2019, total expenses in the company's statement of financial performance were higher than the corresponding expenses obtained from the Trial Balance by the sum of 35,857,580,733.12 (Thirty-five billion, eighty hundred and fifty-seven million, five hundred and eighty thousand, seven hundred and thirty three naira, twelve kobo); and

v. Total expenses in the company's statement of financial performance as at 31st of December 2016 and 31st of December 2019 amounted to 48,931,124,278.37

(Forty-eight billion, nine hundred and thirty-one million, one hundred and twenty four thousand, two hundred and seventy-eight naira thirty seven kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks

i. Misleading information in the Financial Statements
ii. The company may be under taxed.

Management's Response

i. We confirmed that differences exist between the Trial Balance submitted by the company to the external auditor at the year end and the final Trial Balance prepared by the external Auditor which is subsequently used for preparation of the Audited Financial Statements. The reason for this is that adjusted JVs are usually raised during the Audit exercise and thereafter, a final Trial Balance is prepared by the External Auditor.

ii. The Trial Balance provided to the Office of the Auditor-General were those generated in-house. This observation was not raised during the compliance exercise. However, we have obtained the final Trial Balances from the external Auditors.

Recommendations

The Managing Director and Chief Executive Officer is requested to:

i. Account for the sum of 48,931,124,278.37, and

ii. Otherwise, apply sanctions relating to gross misconduct in Financial Regulations 3129.

ISSUE 3: PAYMENT OF UNAPPROVED SALARIES AND ALLOWANCES (= 14,427,084,807.89)

Establishment 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, paragraph 415 of the Financial Regulations 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:

i. The Company made payments totalling 14,427,084,807.89 (Fourteen billion, four hundred and twenty-seven million, eighty-four thousand, eight hundred and seven naira, eighty-nine kobo) to staff as salaries and allowances between 2016 and 2019; and

ii. There was no evidence of approval from the National Salaries, Incomes and Wages Commission, in contravention of the above Circular.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks

i. Waste of government resources
ii. Diversion of public funds.

Management's Response

The company is registered under CAMA; hence, it does not need to go to National Salaries Income and Wages Commission for approval. However, the Board of NSPM Plc approves all remuneration of the staff.

Recommendations

The Managing Director/Chief Executive Officer is requested to:

i. Produce the approval from the National Salaries, Incomes and Wages Commission to the Public Accounts Committees of the National Assembly;

ii. Recover the sum of 14,427,084,807.89 and remit same to the Consolidated Revenue Fund; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment and overpayment of salaries in Financial Regulations 3106 and 3111, respectively.

ISSUE 4: UNDER DEDUCTION OF EMPLOYEES' CONTRIBUTORY PENSION (= 432,812,544.23)

Section 4(1) of the Pension Reform Act, 2014 states "The contribution for any employee to which this Act applies shall be made in the following rates relating to his monthly emoluments.

(a) A minimum of ten percent by the employer; and
(b) A minimum of eight percent by the employee."

Audit observed that:

i. There was over payment of salaries to members of Staff of the company from 2016 to 2019 totaling 432,812,544.23 (Four hundred and thirty-two million, eight hundred and twelve thousand, five hundred and fifty-four naira, twenty-three kobo);

ii. In line with the provision of Section 4(1) of the Pension Reform Act 2014, employees are to contribute a minimum of (that is, not less than) 8% while the employer contributes 10%. It was however observed that only 5% was deducted from employee's emolument; and

iii. This overpayment was due to under-deduction of employees' contributions to the pension scheme by 3% amounting 432,812,544.23

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks

i. Loss of public funds.
ii. Violation of the provisions of the Pension Reform Act 2014.

Management's Response

The company have been remitting pension contribution to the staff retirement savings accounts monthly. Over the years we have obtained pension clearance certificates from National Pension Commission. The clearance certificate No. 0091462 for 2020 is attached for verification. It should be noted that National Pension Commission did not observe any irregularities hence the certificate was issued. The company choose to contribute 18% while employee contribute 5% giving a total of 23% for each employee as against the total of 18% provided by the Pension reform Act 2014. The National Pension Commission is aware of this contribution rate. Hence, there is no overpayment of salary to employee.

Recommendations

The Managing Director and Chief Executive Officer is requested to:

i. Justify the under-deduction of employees' contributions to the pension scheme by 3% amounting to 432,812,544.23;

ii. Recover the sum of 432,812,544.23 from the affected employees and pay same to government treasury, forwarding evidence of recovery to the Public Accounts Committees of the National Assembly for verification; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment in Financial Regulations 3106.

ISSUE 5: ENGAGEMENT OF EXTERNAL SOLICITORS WITHOUT THE APPROVAL OF THE ATTORNEY-GENERAL OF THE FEDERATION (= 112,337,422.06)

Establishment 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:

i. The company paid the sum of 112,337,422.06 (One hundred and twelve million, three hundred and thirty-seven thousand, four hundred and twenty-two naira, six kobo) to external solicitors between 2016 and 2019;

ii. There was no document/record indicating due process in engagement of the legal Practitioners; and

iii. Evidence of prior approval of the Attorney-General of the Federation was not presented for audit.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks
i. Engagement of incompetent external solicitors.
ii. Waste of public funds.

Management's Response
Contrary to section 44 of PPA, litigations are not ascertained needs that are precise and ascertainable. Thus, the Company does not appoint legal practitioners on retainership as envisaged under S45 of PPA. Legal practitioners are only appointed by the Company whenever the need arises on grounds of urgency and competency of the legal practitioner.

Recommendations
The Managing Director and Chief Executive Officer is requested to:
i. Justify the sum 112,337,422.06 expended on the engagement of external solicitors without prior approval of the Attorney-General of the Federation; and

ii. Otherwise, apply sanctions relating to irregular or wrong payment in Financial Regulations 3106.

ISSUE 6: PROCUREMENT OF ICT FACILITIES WITHOUT CLEARANCE BY NITDA (= 91,564,782.77)

Establishment Circular No SGF/6/S.19/T/65 of 18th April 2006 directed all Public Institutions planning to embark on any IT project to obtain clearance from NITDA.

Audit observed that the company awarded six (6) contracts amounting to 91,564,782.77 (Ninety-one million, five hundred and sixty-four thousand, seven hundred and eighty-two naira, seventy-seven kobo) between 2017 and 2018 to carry out ICT related activities, without obtaining due clearance from NITDA.

The above anomaly could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks
i. Award of contract to incompetent contractors.
ii. Loss of public funds.
iii. Diversion of public funds.

Management's Response
The presidential directives on NITDA only applies to project funded from the National Budget. The NSPM Plc does not benefit from the National budget and has her thresholds that guide all approvals as an organization in business. NSPM PLC carries out the business of printing of bank notes and security documents with Central Banks as customers for the bank notes and security documents for government and interested public customers. It is not under any Ministry as stated in the directive.

Recommendations
Managing Director/Chief Executive is requested to:
i. Justify the award of ICT contracts without obtaining clearance from NITDA;

ii. Recover the sum of 91,564,782.77 and pay same to treasury, forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment in Financial Regulations 3106.

ISSUE 7: PAYMENT OF PAYE FROM COMPANY'S PROFIT (= 56,328,778.79)

Paragraph 415 of the Financial Regulations(FR) states “Federal Government requires all officers responsible for expenditure to exercise due economy, money must not be spent merely because it has been voted." Furthermore, FR112(i)(f) states “Ensure accurate collection and accounting for all public moneys received and expended." Similarly, FR 112(i)(l) states “Ensuring that any revenue collected are not spent, but remitted to the appropriate authorities promptly."

Audit observed that:

i. The sum of 45,073,290.00 (Forty-five million, seventy-three thousand, two hundred and ninety naira) was paid to the Federal Inland Revenue Services as Pay As You Earn (PAYE) vide payment voucher No. 000301 dated 5th April, 2017;

ii. The sum of 11,255,488.79 (Eleven million, two hundred and fifty-five thousand, four hundred and eighty-eight naira, seventy-nine kobo) was paid to the Federal Inland Revenue Services as PAYE vide payment voucher No. 001164 dated 20th September, 2017;

iii. The company charged the payments against its profit in 2017 income statement, instead of charging it against the emoluments of the affected management and staff; and

iv. This action reduced the company's earnings in 2017 by 56,328,778.79 and by implication reduced the corporate tax payment to FIRS and Government revenue by 16,898,633.64 (that is, 30% of 56,328,778.79).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Security Printing and Minting Plc.

Risks

i. Loss of public funds.
ii. Loss of government revenue.
iii. Understatement of profit in the financial statement.

Management's Response

Observation for compliance. Most of the staff involved have left service.

Recommendations

The Managing Director/Chief Executive Officer is requested to:

i. Justify the payment of PAYE amounting to 56,328,778.79 from the company's profit;

ii. Recover the sum of 56,328,778.79 from the beneficiaries and remit same to government treasury, forwarding evidence of remittance to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating gross misconduct and failure to collect and account for government revenue in Financial Regulations 3129 and 3112, respectively.

RURAL ELECTRIFICATION AGENCY (REA), ABUJA

At the Rural Electrification Agency (REA), Abuja, the following observations were made:

ISSUE 1: EXTRA BUDGETARY EXPENDITURE (= 394,310,534.72)

Paragraph 415 of the Financial Regulations 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.” Furthermore, paragraph 2906(ii) of the Financial Regulations states ”pursuant to sub-section (i) above, 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."

Audit observed that:

i. The sum of 394,310,534.72 (Three hundred and ninety-four million, three hundred and ten thousand, five hundred and thirty four naira, seventy-two kobo) was paid for the Electrification of some selected projects not on Parastatal Tenders' Board(PTB) approved list;

ii. There were irregularities in the procedures observed by the agency in the award of contract; and

iii. The contractors were not in the list of the 2018 budget list submitted by the PTB of the agency.

These infractions were due to the failure of the Managing Director to strictly comply with the provision of the Public Procurement Act and the provisions of Financial Regulation 415.

Risks

i. Misapplication and misappropriation of funds.
ii. Violation of the Appropriation Act renders the current budget ineffective.

Management's Response

“These projects are ongoing from the 2017 Appropriation and are contained in the 2017 Approved Tenders' Board list. The list is available for Auditors to sight and verify”.

Recommendations

The Managing Director is requested to:

i. Justify the payment of 394,310,534.72 (Three hundred and ninety-four million, three hundred and ten thousand, five hundred and thirty four naira, seventy-two kobo) for extra budgetary expenditure of the Electrification of some selected projects;

ii. Refund the sum of 394,310,534.72 (Three hundred and ninety-four million, three hundred and ten thousand, five hundred and thirty four naira, seventy-two kobo) and forward evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular award of contract in paragrapgh 3117 of the Financial Regulations.

ISSUE 2: TOYOTA HILUX VEHICLE TAKEN AWAY BY THE FORMER REA BOARD CHAIRMAN

Establishment Circular Reference number SGF.19/S.52/I/V/720 of 20/02/2017 stipulates that, as part of measures to curb the undesirable practices of taking away or conversion of government properties to personal properties by government officials, Permanent Secretaries and Chief Executives of MDA's are henceforth to ensure painstaking and strict clearance of retiring officer who should be made to submit all government properties including motor vehicles in their custody before their final disengagement from service..." Furthermore, paragraph 2001 of the Financial Regulations 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:

a. Vehicles' control register,
b. Requisition/Approval for journey,
c. Vehicle Log-Book (Gen. 59),
d. Vehicle maintenance register."

Audit observed through physical inspection carried out for various assets of the Agency that:

i. Toyota Hilux with Chassis No: AHTFX22G208026177 could not be accounted for even though they were taken on store ledger charge;

ii. The Agency did not maintain the necessary books such as Asset Register, for effective vehicle controls; and

iii. The former Chairman refused to return the vehicle at end of tenure, thereby violating extant regulations regarding ownership of assets procured with tax payers' money.

These anomalies were due to the inability of the Managing Director to adhere to extant circular and Financial Regulations guiding the use of government vehicles.

Risks

i. Loss of government asset.
ii. Conversion of government property to personal use.

Management's Response:

We have the records of the project vehicle in reference. The Toyota Hilux with Chassis No. AHTFX22G208026177 and Reg. No. FG30Q16 was allocated to the former REA Board Chairman, and the vehicle was not returned to the Agency after his tenure as Board Chairman. Several efforts were made to recover the vehicle but to no avail.

Recommendations

The Managing Director is requested to:

i. Recover the Toyota Hilux vehicle with Chassis No: AHTFX22G208026177 and furnish evidence of recovery to the Public Accounts Committees of the National Assembly;

ii. Ensure that necessary books such as Asset Register is maintained; and

iii. Otherwise, apply sanctions relating to non-payment for use of government property and misappropriation of public property in paragraphs 3113 of Financial Regulations and 030402 (w) of the Public Service Rules, respectively.

ISSUE 3: PAYMENT FOR INTERNATIONAL TRAINING WITHOUT EVIDENCE OF ATTENDANCE (= 36,573,714.43)

Establishment Circular Ref. No. HCSF/CSO/HRM/Pol.1402/1 dated 22nd January 2015, issued by the Head of the Civil Service of the Federation, states "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."

Audit observed that:

i. Five (5) officers were directed to attend a course in Dubai. Two payment vouchers CBN/18/199 and CBN/18/1988 dated 17/05/2019 and 17/05/2019 respectively, for a cumulative sum of 36,573,714.43 (Thirty six million, five hundred and seventy three thousand, seven hundred and fourteen naira, forty three kobo), were raised and paid for the trip;

ii. Approval from Head of Civil Service of the Federation for this foreign trip in line with the provision of the above circular was not obtained;

iii. The certificate of attendance was not made available for audit; and

iv. The Agency failed to provide receipt of payment to Direct Knowledge Consult Ltd., (the organisers of the training).

These anomalies were due to the failure of the Managing Director to strictly comply with the provisions of extant circulars. The agency in this case failed to seek for approval from Head of Civil Service of the Federation before embarking on an official trip abroad.

Risks

i. Loss of government funds.
ii. Payment may be made for journey not embarked on.

Management's Response

The course was scheduled to be held in Dubai. All necessary approvals from Secretary to the Federation were obtained. However, due to the change of Management in December, the training was delayed until February, 2020. The training has been completed with certificate of attendance issued.

Recommendations

The Managing Director is requested to:

i. Provide the approval of the Head of the Civil Service of the Federation to embark on the trip;

ii. Furnish receipt from the organisers of the trip (Direct Knowledge Consult Ltd.);

iii. Submit evidence of attendance to the Public Accounts Committee of National Assembly, failing which the sum of 36,573,714.43 (Thirty six million, five hundred and seventy three thousand, seven hundred and fourteen naira, forty three kobo) should be recovered; and

iv. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 4: EXTRA-BUDGETARY EXPENDITURES ON ADVERT AND PUBLICITY (4,243,209.00)

Paragraph 2906 (ii) of the Financial Regulation states “pursuant to sub-section (i) above, 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." Furthermore, paragraph 417 of the Financial Regulation 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:

i. The sum of 8,558,410.00 (Eight million, five hundred and fifty-eight thousand, four hundred and ten naira) was expended on publicity and advertisement as against 4,315,201.00 (Four million, three hundred and fifteen thousand, two hundred and one naira) appropriated for in the subhead, leaving a variance of 4,243,209.00 (Four million, two hundred and forty-three thousand, two hundred and nine naira) as extra-budgetary spending; and

ii. The excess over the overhead provision was paid from the capital budget.

These were due to the failure of the Managing Director to adhere strictly to the provisions of Appropriation Act and the Financial Regulations.

Risks

i. Misapplication and misappropriation of funds.
ii. Violation of the Appropriation Act renders the current budget ineffective.

Management's Response

"Due to the meagre budgetary provision of 92,000,000.00 on overheads, the Agency cannot do anything reasonable with the amounts provided in the sub-heads. Therefore, expenditures that are project related are financed by the 5% project management fee. The amounts spent on advert and publicity are basically procurement advert required by law to complete the procurement process for the execution of capital projects. These adverts are part of the capital expenditure required to bring the award and execution of the contract to logical conclusion. The excess over the overhead provision is paid from the capital budget (project management fee). The cost of the project management training was also paid from the project management fee, as it is a course aimed at equipping the management with modern project management tools and techniques. This was disclosed to the office of the Secretary to the Government of the Federation before approval was duly granted."

Recommendations

The Managing Director is requested to:

i. Justify the payment of 4,243,209.00 (Four million, two hundred and forty three thousand, two hundred and nine naira), as extra budgetary expenditure on publicity and advertisement;

ii. Refund the sum of 4,243,209.00 (Four million, two hundred and forty three thousand, two hundred and nine naira) and forward evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular award of contract and expenditure without authority in Financial Regulations 3117 and 301, respectively.

ISSUE 5: UNAUTHOURISED TRANSFER FROM CAPITAL TO EUROBOND LEDGER (= 969,430,459.15)

Paragraph 603 of the Financial Regulations 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 will relevant documents such as local purchase orders, invoices, special letters of authority, time sheets, etc."

Audit observed that:

i. The sum of 969,430,459.15 (Nine hundred and sixty-nine million, four hundred and thirty thousand, four hundred and fifty-nine naira, fifteen kobo) was transferred from capital ledger to Eurobond ledger and the evidence of utilization by the Agency was not provided;

ii. The payment voucher for this transfer was not presented to the audit team on request; and

iii. The purpose of the transfer was neither provided for nor the funds returned to the account.

These infractions were due to the failure of the Managing Director to strictly comply with the provisions of extant laws and regulations, especially as it relates to attaching supporting documents to payment vouchers.

Risks

i. Loss of funds.
ii. Possible diversion of funds.

Management's Response

This was a transfer from the Federal Ministry of Power, being provision for capacity development, project vehicles and other administrative expenses relating to the Energizing Education Programme (EEP). It was part of the 5% provided in the Bill of Quantities (BOQ) of the Green Bond facility for the EEP, managed by the Ministry of Power. The payment voucher is therefore kept and maintained by the Ministry of Power as the paying institution.

Recommendations

The Managing Director is requested to:

i. Account for the sum of 969,430,459.15 (Nine hundred and sixty-nine million, four hundred and thirty thousand, four hundred and fifty-nine naira, fifteen kobo) transferred from capital ledger to Eurobond ledger;

ii. Provide payment vouchers for this transfer;

iii. Submit evidence of utilization of the fund by the Agency to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to irregular or wrong payment of funds in Financial Regulations 3106.

SECTION 10

JUDICIARY
AUDIT DEPARTMENT

CODE OF CONDUCT TRIBUNAL

At the Code of Conduct Tribunal (CCT), the following observations were made:

ISSUE 1: FAILURE TO INSURE MOTOR VEHICLE (= 171,029,269.22)

Section 68 of the National Insurance Act 1997 which provides that no vehicle, inclusive of Government vehicles shall be used on roads unless a liability which may thereby be incurred in respect of damages to property of third parties is insured with a registered insurer. Also, Federal Government directives contained in circular No. CM/87/T/7 of 22nd February, 2001 requires that fixed assets in government establishments should be insured against risk/peril. Similarly, Also, Establishment Circular Ref. No. SGF/OP/I/S.3/VII/931 dated 21st July 2008 stipulates that Government Assets/Properties must be insured in accordance with Section 68 of the National Insurance Act 1997.

Audit observed that:

i. The Tribunal has fifteen (15) Motor Vehicles which were acquired between 2008 and 2018 for amounts totaling 171,029,269.22 (One hundred and seventy one million, twenty nine thousand, two hundred and sixty nine naira, twenty two kobo), and

ii. Non of the above vehicles was insured as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the CCT.

Risks

i. Financial loss in the event of accident or theft.
ii. Waste of government resources.

Management's Response

It is not intentional or the desire of the Tribunal not to have Government assets insured, but for the precarious funding challenges being faced over the years. Repeated questions have been made in our yearly budget estimates without success and since the Tribunal is not self-funding, the cost of insurance is difficult to bear.

Recommendations

The Chief Registrar is requested to:

i. Furnish reasons why motor vehicles are not insured as required by extant regulations, and

ii. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations

ISSUE 2: PAYMENTS FOR CAPITAL PROJECTS WITHOUT SUPPORTING DOCUMENTS (= 434,500,000.00)

Paragraph 603(I) of the Financial Regulation 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:

i. The sum of 434,500,000.00 (Four hundred and thirty four million, five hundred thousand naira) was paid to contractors for projects in Calabar, Kaduna, Bauchi and Enugu.

ii. There was no documentary evidence on the progress of work like Bill of Engineering Measurement and Evaluation (BEME), Consultants Interim Payment Certificate (IPC) and payment vouchers in respect of the payments, and

iii. The level of work done for which payments were made could not be ascertained due to refusal of the Tribunal to lead the auditors on inspection of project sites.

The above anomalies could be attributed to weaknesses in the internal control system at the CCT.

Risks

i. Diversion of public funds.
ii. Payment for work not done.

Management's Response

The documents in questions could not be made available as a result of official absence of the Tenders Board's Secretary who was bereaved at the time of audit exercise.

Recommendations

The Chief Registrar is requested to:

i. Furnish reasons why payments for capital projects were made without supporting documents as required by extant regulations.

ii. Provide the Original Payment Vouchers with relevant documents like Letter of Award of Contracts, Bill of Engineering Measurement and Evaluation (BEME), Consultants Interim Payment Certificate (IPC) in respect of work done in Calabar, Kaduna, Bauchi and Enugu;

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iii. Recover the sum of 434,500,000.00 (Four hundred and thirty four million, five hundred thousand naira) from the contractors and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 3: IRREGULAR AWARD OF CONTRACT(= 82,004,471.20)

Section 24(i) of the Public Procurement Act 2007 states "Except as provided by this Act, all procurement of goods and services by all entities shall be conducted by open competitive bidding.". Also, paragraph 603(i) of the Financial Regulations 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:

i. A contract was awarded for the furnishing of the Headquarters of the Tribunal in Abuja at a contract sum of 82,004,471.20 (Eighty two million, four thousand, four hundred and seventy one naira, twenty kobo) vide payment voucher Number CCT/HQ/G/VI/1006 dated 15th/11/2019.

ii. The terms of the contract showed that this contract was an additional one from an existing contract.

iii. There was no open competitive bidding in the award of the contract to the contractor.

iv. There was no certificate of 'No Objection' from the Bureau of Public Procurement on the award of the contract.

v. There was no Federal Executive Council approval despite the fact that the contract sum was above the approval threshold of the Tribunal, and

vi. Payment voucher of the existing contract was not made available for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the CCT.

Risks

i. Award of contract to unqualified contractor
ii. Payment for unexecuted work
ii. Substandard work

Management's Response

The details of the initial contract could not be supplied as at the time of audit exercise because the vouchers in question were in transit to the audit monitoring department of OAGF who prior to that time sent her audit team to carry out routine audit checks of the Tribunal's Books and records."

Recommendations

The Chief Registrar is requested to:

i. Furnish reasons why contract was awarded without following the procurement process.

ii. Account for the sum of 82,004,471.20 (Eighty two million, four thousand, four hundred and seventy one naira, twenty kobo).

iii. Recover the sum of 82,004,471.20 from the contractor and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular award of contract specified in paragraph 3117 of the Financial Regulations.

COUNCIL FOR LEGAL EDUCATION (NIGERIA LAW SCHOOL, BWARI-ABUJA)

At the Council for Legal Education, Bwari, Abuja, the following observations were made:

ISSUE 1: PAYMENTS MADE WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 182,366,477.08)

Paragraph 603(i) of the Financial Regulations 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:

i. Thirty-two (32) contractors were paid the sum of 182,366,477.08 (One hundred and eighty two million, three hundred and sixty six thousand, four hundred and seventy seven naira, eight kobo) in 2019, and

ii. The above payments were made without attaching relevant documents such as: Payment Receipts, Invoices, Quotations, Certificates of Job Completion, Requisition/Memo, Bill of Quantity (BOQ), Bidding Documents to the payment vouchers to justify efficient use of the funds.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Payments for jobs not executed.
ii. Loss of public funds.
iii. Diversion of public funds.

Management's Response

All supporting documents in respect of the above-mentioned payments i.e. the payment receipts, invoices, bidding documents, job completion certificates, acceptance letters, etc. are complete and intact and are now available for further inspection and audit scrutiny. They were filed away in user departments when the auditors visited because of their bulky nature.

Recommendations

The Director-General is requested to:

i. Furnish reasons why payments were made without relevant supporting documents attached to payment vouchers as required by extant regulations.

ii. Account for 182,366,477.08 (One hundred and eighty-two million, three hundred and sixty six thousand, four hundred and seventy seven naira, eight kobo).

iii. Recover and remit the sum of 182,366,477.08 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 2: FOREIGN TRAVELS WITHOUT APPROVAL FROM HEAD OF SERVICE OF THE FEDERATION OR SECRETARY TO THE GOVERNMENT OF THE FEDERATION (= 51,227,399.00)

Establishment Circular Ref No. HCSF/CSO/HRM/Pol.1402/1 of 22nd January, 2015 states "…proposal for 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, shall no longer be allowed except those that are fully funded by sponsoring / inviting Organizations. No Ministry, Extra-Ministerial Office, Department, Agency or Parastatal shall send staff outside Nigeria for training at Government expense whether or not that Agency draws funds from the Federal Government Budget or meets its financial needs from revenue generated by itself."

Audit observed that:

i. Eight (8) officers of the Council embarked on a foreign travel on Global Alliance for Justice Education (GAJE) World-Wide in Indonesia for which the sum of 27,959,971.00 (Twenty-seven million, nine hundred and fifty-nine thousand, nine hundred and seventy-one naira) was expended vide Payment Voucher No 1162/19 of 4th December 2019.

ii. Another seven (7) officers of the Council embarked on journeys to London, Togo and Egypt for various conferences, for which the sum of 23,267,428.00 (Twenty-three million, two hundred and sixty-seven thousand, four hundred and twenty-eight naira) was expended.

iii. In all, a total of 51,227,399.00 (Fifty-one million, two hundred and twenty seven thousand, three hundred and ninety nine naira) was expended on foreign trips, and

iv. Copies of letter of approval from the Secretary to the Government of the Federation or from the Head of Civil Service of the Federation, authorizing the journey were not produced for scrutiny.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Waste of government funds.
ii. Payment for journey not embarked on.

Management's Response

In the case of Academic Institutions, plan for International Conferences and other international engagements is not feasible as they often occur impromptu.

Recommendations

The Director-General is requested to:

i. Furnish reasons for paying for foreign trips without approval as required by extant regulations.

ii. Provide Letter of approval from the Secretary to the Government of the Federation or from the Head of Civil Service of the Federation approving conference attendance to eight (8) officers on Global Alliance for Justice Education (GAJE) World-Wide in Indonesia in which the sum of 27,959,971.00 was expended vide Payment Voucher No. 1162/19 of 4th Dec., 2019;

iii. Provide Letter of approval from the Secretary to the Government of the Federation or from the Head of Civil Service of the Federation approving conference attendance to seven (7) officers on journeys to London, Togo and Egypt in which the sum of 23,267,428.00 was expended;

iv. Recover and remit to the Treasury the sum of 51,227,399.00 (Fifty-one million, two hundred and twenty seven thousand, three hundred and ninety nine naira)

v. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

vi. Otherwise, apply sanctions relating to irregular payment and failure to manage public funds effectively specified in paragraphs 3106 and 3115 of the Financial Regulations respectively.

ISSUE 3: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT INSPECTION (= 140,864,834.76)

Paragraph 110 of the Financial Regulations states "By virtue of the responsibilities and the functions of 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. 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:

i. The sum of 140,864,834.76 (One hundred and forty million, eight hundred and sixty-four thousand, eight hundred and thirty four naira, seventy six kobo) was paid in 2019 for various expenditure as shown in the cash book through forty (40) payments vouchers.

ii. None of the payment vouchers was presented for examination thus making it difficult for the audit to validate the payments.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Misappropriation of public funds.
ii. Payment for goods not supplied or services not rendered.
iii. Diversion of public funds.

Management's Response

The payment vouchers were misfiled by officers who worked on the payment vouchers before arrival of the audit team and have now been assembled for audit examination. Auditors are hereby invited back to the school to verify and examine the vouchers.

Recommendations

The Director-General is requested to:

i. Furnish reasons why payments vouchers were not made available for examination.

ii. Account for the sum of 140,864,834.76 (One hundred and forty million, eight hundred and sixty-four thousand, eight hundred and thirty four naira, seventy six kobo) expended without raising payment vouchers.

iii. Recover and remit the sum of 140,864,834.76 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 4: NON-REMITTANCE OF STATUTORY 25% OF INTERNALLY GENERATED REVENUE TO GOVERNMENT (= 362,746,286.86)

The Federal Ministry of Finance Circular No. BO/RVE/12235/Vii/201 dated 11th November 2011 states "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 Regulations 236 states "Revenue paid into Revenue Accounts for Internally Generated Revenue (IGR) of MDA's shall be transferred to the CRF on or before the 15th of the month following the month of collection of Revenue."

Audit observed that:

i. The Council realized the sum of 1,551,756,960.47 (One billion, five hundred and fifty one million, seven hundred and fifty six thousand, nine hundred and sixty naira, forty seven kobo) as Internally Generated Revenue for 2019.

ii. The sum of 387,939,240.11 (Three hundred and eighty seven million, nine hundred and thirty nine thousand, two hundred and forty naira, eleven kobo), being 25% of the amount realized was expected to be remitted to the Consolidated Revenue Fund (CRF), and

iii. The Council remitted the sum of 25,192,953.25 (Twenty five million, one hundred and ninety two thousand, nine hundred and fifty three naira, twenty five kobo), leaving unremitted balance of N362,746,286.86 (Three hundred and sixty two million, seven hundred and forty six thousand, two hundred and eighty six naira, eighty kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Loss of government revenue
ii. Diversion of public funds.

Management's Response

The sum of 25,192,953.25 was paid to Consolidated Revenue Fund (CRF) of the Federal Government for the period. The allocation from the Federal Government is not sufficient to run the Institution, therefore remitting 25% of the institution's revenue will jeopardized its operations. As one of the federal Institutions, the Nigerian Law School has many financial obligations which are not provided for in the budget line and well beyond the capacity of the School's Overhead Allocation.

Recommendations

The Director-General is requested to:

i. Furnish reasons why 25% of Internally Generated Revenue was not remitted to the CRF in obedience to the law of the Federal Republic of Nigeria,

ii. Recover and remit the sum of 362,746,286.86 (Three hundred and sixty-two million, seven hundred and forty six thousand, two hundred and eighty six naira, eighty kobo) to the CRF.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 5: CONTRACT AWARD WITHOUT DUE PROCESS (= 891,367,842.31)

Section 20 (2) of the Procurement Act 2009 states "The accounting officer of every procurement entity have overall responsibility for the planning of, 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…"

Audit observed that:

i. Sixty-five (65) payments totaling 891,367,842.31 (Eight hundred and ninety one million, three hundred and sixty seven thousand, eight hundred and forty two naira, thirty one kobo) were made to contractors for supplies and renovations, and

ii. The above contracts were not advertised and there were no bid documents or other relevant information attached to the vouchers to ascertain that there was open competitiveness and fairness in its awards and selection of the contractors as enshrined in the Procurement Act of 2007.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Payment for job not executed
ii. Diversion of public funds.

Management's Response

Due procedure in consonance with Public Procurement Act 2007, including advertisement for projects included in 2019 Appropriation Act were observed in the award and execution of the contracts. The various minutes and documentations of Council of Legal Education Tenders Board are now available for audit inspection. Moreover, the contract was successfully executed in accordance with the guidelines stated in the award letter. However, audit recommendations is well noted as infractions against the Public Procurement Act will not be allowed regardless of extraneous pressures.

Recommendations

The Director-General is requested to:

i. Furnish reasons why contracts were awarded without due process as required by extant regulations.

ii. Account for the sum of 891,367,842.31 (Eight hundred and ninety-one million, three hundred and sixty-seven thousand, eight hundred and forty-two naira, thirty-one kobo).

iii. Recover and remit to the Treasury, the sum of 891,367,842.31

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular award of contracts specified in paragraph 3117 of the Financial Regulations.

ISSUE 6: CONTRACT AWARD AND PAYMENT MADE WITHOUT TAX DEDUCTION (= 12,883,176.47)

Paragraph 234(i) of the Financial Regulations 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 With-holding Tax (WHT) due on supply and services contract and actual remittance of same". Similarly, Financial Regulation 235 states “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:

i. The sum of 72,057,150.00 (Seventy two million, and fifty seven thousand, one hundred and fifty naira) was paid to contractors for supply of diesel.

ii. Value Added Tax (VAT) amounting to 3,751,770.00 (Three million, seven hundred and fifty one thousand, seven hundred and seventy naira) and Withholding Tax (WHT) amounting to 413,820.00 (Four hundred and thirteen thousand, eight hundred and twenty naira) were not deducted from the payments to contractors,

iii. 1% Stamp Duty was not deducted from one hundred (100) payment vouchers with a contract sum of 871,758,647.18 (Eight hundred and seventy-one million, seven hundred and fifty eight thousand, six hundred and forty seven naira, eighteen kobo) resulting to overpayment to contractors of N8,717,586.47 (Eight million, seven hundred and seventeen thousand, five hundred and eighty-six naira, forty seven kobo) for Stamp Duty (= 100 x N871,758,647.18), and

iv. The totality of non deduction of statutory taxes was 12,883,176.47 (= 3,751,770.00 + 413,820.00 + 8,717,586.47)

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

The list of items of expenditure (Diesel & Gas) listed here are on Tax Exemption Lists. The sum of 413,000.00 charged or deducted as Withholding Tax (WHT) has been remitted. However, the sum of 8,717,586.47 stamp duty tax will be remitted in due course.

Recommendations

The Director General is requested to:

i. Provide reasons why statutory taxes were not deducted from payment to contractors as required by extant regulations.

ii. Remit the sum of 12,883,176.47 (Twelve million, eight hundred and eighty-three thousand, one hundred and seventy-six naira, forty-seven kobo) to appropriate tax authorities.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 7: UNAUTHORIZED PAYMENT OF NON-REGULAR ALLOWANCES (= 186,840,944.25)

Establishment Circular Ref No. SWC/S/04/5.167/216 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, Incomes and Wages Commission for necessary evaluation and approval before implementation.

Audit observed that:

i. Payments amounting to 186,840,944.25 (One hundred and eighty-six million, eight hundred and forty thousand, nine hundred and forty-four naira, twenty-five kobo) were made on twenty-eight (28) payment vouchers to various staff as allowances in 2019.

ii. The above allowances included provisions allowance, sitting allowance and other non-regular allowances to staff of the Council.

iii. The sitting allowance was paid for holding day-to-day committee meetings for which the officers receive salaries, and

iii. Approvals for the payment of these allowances were not obtained from the National Salaries, Incomes and Wages Commission (NSIWC).

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Waste of public funds.
ii. Remuneration may be higher than the productivity level of staff.

Management's Response

The allowance on honorarium paid for marking after resit examination is approved by the Council of Legal Education, while those within the approval limit of the accounting officer is paid to deserving staff in the course of work. The expenses (non-regular allowances) were incurred on the day activities and operations of the officers in the accounts section to avoid such lapses in future engagements. However, going forward reference will be made to the Public Service Rules and National Salaries, Income and Wages Commission circular before such allowances are allowed in future.

Recommendations

The Director General is requested to:

i. Furnish reasons for the payment of non regular allowances without approvals by NSIWC.

ii. Recover and remit the sum of 186,840,944.25 (One hundred and eighty-six million, eight hundred and forty thousand, nine hundred and forty-four naira, twenty-five kobo) to the Treasury.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 8: ITEMS NOT TAKEN ON STORE LEDGER CHARGE (= 83,128,449.27)

Paragraph 2402(i) of the Financial Regulations 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." Also, Financial Regulation 2414 states in part that "All issues of stores shall be supported by a Stores Issue Voucher."

Audit observed that:

i. Store items totaling 83,128,499.97 (Eighty-three million, one hundred and twenty-eight thousand, four hundred and ninety-nine naira, ninety-seven kobo) procured through ten (10) payment vouchers were not taken on store ledger charge, and

ii. There were no Store Receipt Vouchers (SRV) and Store Issue Vouchers (SIV) found in the store or attached to the payment vouchers made in respect of the supply.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Waste of government resources.
ii. Diversion of public funds.

Management's Response

The store items purchased by the School have always been taken on ledger charge, but the items not taken on charge were those that were procured and used on the site. Store Receipt Vouchers (SRV) issued were kept away in user departments instead of attaching them to various payment vouchers. However, all the relevant store receipts vouchers have now been attached to the various vouchers for audit verification.

Recommendations:

The Director-General is requested to:

i. Furnish reasons why store items procured were not taken on store Ledger charge as required by extant regulations.

ii. Account for 83,128,499.97 (Eighty-three million, one hundred and twenty-eight thousand, four hundred and ninety nine naira, ninety seven kobo).

iii. Recover and remit the sum of 83,128,499.97 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 9: CIRCUMVENTION OF PROCUREMENT PROCEDURES (= 9,089,318.32)

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

Audit observed that:

i. Non-personal cash advances totaling 9,089,318.32 (Nine million and eighty-nine thousand, three hundred and eighteen naira, thirty-two kobo) were granted to officers of the Council through twenty three (23) payment vouchers.

ii. In each case, the cash advance to staff was in excess of the approved threshold of 200,000.0, and

iii. Use of advances instead award of contracts resulted to a cummulated loss of 908,931.83 (Nine hundred and eight thousand, nine hundred and thirty one

naira, eighty three kobo) revenue that would have accrued to government by way of Value Added Tax (VAT) and Withholding Tax (WHT)

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Loss of revenue to government
ii. Difficulty in funding budget

Management's Response

Some of these cash advances related to procurement of some not-the-shelve items and the vendors prefer cash than going through the rigours of contract award e.g. purchase of cows for cocktails. Others relate to vendors for service providers whose payment performs cannot seamlessly interface with CBN/Remitta payment gateway e.g., DSTV.

Recommendations

The Director-General is requested to:

i. Justify the granting of non personal advances above the threshold of 200,000.00 only.

ii. Recover and remit the sum of 9,089,318.32 (Nine million and eighty-nine thousand, three hundred and eighteen naira, thirty-two kobo) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 10: UNSPENT BALANCE IRREGULARLY EXPENDED (= 2,408,708,784.91)

Paragraph 415 of the Financial Regulations states “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent because it has been voted.” Also, Section 16 of Finance (Control and Management) Act LFN 1990 stipulates that all unexpended income or votes for a financial year shall lapse at the expiration of the year. Consequently, all unspent balances in recurrent expenditure cash book at the end of the financial year must be paid back to the consolidated revenue fund (CRF) account.

Audit observed that:

i. The sum of 2,408,708,784.91 (Two billion, four hundred and eight million, seven hundred and eight thousand, seven hundred and eighty four naira , ninety one kobo) was the closing balance of 2018 which was brought forward to 2019 as opening balance, and

ii. The unspent balance was utilized in 2019 contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Waste of public funds
ii. Misappropriation of funds.

Management's Response

Nigerian Law School year usually commences around October/November period and the bulk of school fees which makes up most of internally generated revenues (IGR) is collected around that period, which is just before the closure of Federal Government Financial Year of 31st December. It is not practicable to spend collection of one year within two months and continue afloat for the whole year. Besides, it is difficult to apply this provision in the dispensation of Accrual Accounting where earned income and accrued expenditure may inter-lap between fiscal years. The school decided to be proactive in ensuring continuity in the running operation of and avoid shutting down the activities of the school while awaiting the releases of the allocation for the following year. Moreover, due regard was given to economy and efficiency in the utilization of the transferred income.

Recommendations:

The Director-General is requested to:

i. Furnish reasons why unspent balances at year end were not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 2,408,708,784.91 (Two billion, four hundred and eight million, seven hundred and eight thousand, seven hundred and eighty four naira , ninety one kobo) to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

ISSUE 11: UNAUTHORIZED INVESTMENT OF DONATIONS(= 67,000,000.00)

Paragraph 739 of the Financial Regulations states “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 that:

i. The sum of 67,000,000.00 (Sixty-seven million naira) was invested in a Commercial Bank via a fixed deposit instruction.

ii. Relevant documentary evidence such as Certificate of Investment showing Interest Rate and tenure was not presented for examination.

iii. Approval of the Accountant-General of the Federation on the Investment was not made available for verification, and

iv. Approval of the President of the Federal Republic of Nigeria to operate the account with commercial bank outside the Treasury Single Account (TSA) was not presented for scrutiny.

The above anomalies could be attributed to weaknesses in the internal control system at the Council for Legal Education, Bwari.

Risks

i. Loss of revenue to government
ii. Diversion of public funds.

Management's Response

Letter has been written to the Accountant-General of the Federation requesting for authority to operate the account outside Treasury Single Account (TSA).

Recommendations

The Director-General is requested to:

i. Furnish reasons for making investment in commercial bank without complying with extant regulations on such investment.

ii. Provide authorization for the investment of 67,000,000.00 (Sixty-seven million naira) in a commercial bank.

iii. Provide approval from the President of the Federal Republic of Nigeria to operate Commercial Bank Account outside Treasury Single Account (TSA);

iii. Recover and remit the sum of 67,000,000.00 with accrued interest to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to poor cash management and gross misconduct specified in paragraphs 3115 and 3129 of the Financial Regulations respectively.

FEDERAL MINISTRY OF JUSTICE

At the Federal Ministry of Justice, the following observations were made:

ISSUE 1: MISAPPLICATION OF CAPITAL DEVELOPMENT FUNDS (= 35,776,700.00)

Paragraph 316 (iii) & (iv) of the Financial Regulations 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…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:

i. Twelve(12) payments totaling 35,776,700.00 (Thirty five million, seven hundred and seventy six thousand, seven hundred naira) were made in December 2019 to Officers of the Ministry from the capital vote.

ii. The above payments were for Air-Tickets, Boot Camp Registration, Servicing of Monthly Meetings, Workshop Fees, and Conferences.

iii. One (1) out of the twelve (12) vouchers with No. Cap/014/19 dated 24/4/19 amounting to 30,000,000.00 (Thirty million naira), was raised as cash advance to an officer of the Ministry.

iv. The retirement particulars of the cash advance of 30,000,000.00 (Thirty million naira) revealed the conference was a virtual meeting, even in 2019 financial year.

v. The officers that attended the program were from South-South States and from different agencies and commands, their offices should have catered for their logistics and other benefits instead of the Ministry.

vi. The receipts for retirement from hotels were altered at the date columns such as the Le Meridien Hotel and Golf Resort in Uyo for 13,240,000.00, Ogbolosing Transport Company Nig. Ltd. for car hiring amounting to N160,000.00 with no destinations and MC Print Ventures for 60,000.00 which raised doubts as to the authenticity of the retirement particulars.

vii. The sum of 11,960,000.00 was paid to one hundred and eighty four (184) officers from the South-South State Commands (186 x 20,000 = 3,680,000.00 as transportation subsidy) plus (186 x 45,000 = 8,280,000.00 as accommodation subsidy, i.e 15,000 per night for three nights each) contravened extant rules on DTAs of public officers in the civil service, and

viii. The above payments were made as if all the officers are on the same grade levels to collect same amounts in-terms of distance and DTAs.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Justice.

Risks

i. Misapplication of funds.
ii. Deviersion of public funds.

Management's Response

All expenditures incurred were captured in the 2019 Capital Appropriation Bill of the Ministry and they were duly approved as contained in the Appropriation Acts for the year under consideration.

Recommendations

The Solicitor-General and Permanent Secretary is requested to:

i. Furnish reasons for payment of allowances for conference that was held virtually and payment to officers of another agencies

ii. Account for the sum of 35,776,700.00 (Thirty five million, seven hundred and seventy six thousand, seven hundred naira) transferred from capital vote to finance overhead expenditure.

iii. Recover the sum of 30,000,000.00 (Thirty million naira) paid as cash advance as the retirement documents are flawed with irregularities, and

iv. Otherwise, sanction within Financial Regulation 3106 on irregular payment should apply.

ISSUE 2: PAYMENT WITHOUT SUPPORTING DOCUMENTS (= 53,797,299.50)

Paragraph 603(i) of the Financial Regulations 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:

i. Nine (9) payment vouchers amounting to 53,797,299.50 (Fifty three million, seven hundred and ninety seven thousand, two hundred and ninety nine naira, fifty kobo) for works and procurement were raised in 2019 and paid to contractors, and

ii. Relevant supporting documents such as approvals, invoices/receipts, letter of, Store Receipt Voucher (SRV), Store Issue Voucher (SIV), project files were not presented for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Justice.

Risks

i. Diversion of public funds.
ii. Difficulty in funding budget.

Management's Response

At that period of award and execution, the Ministry was under siege of possible attack by the protesters while there was an urgent need for an award and execution of those contracts in order to salvage lives and properties in public interest. We are not unaware of the facts that those contracts were supposed to go through the Procurement Planning Committee in compliance with the due process procedures.

Recommendations

The Solicitor-General and Permanent Secretary is requested to:

i. Provide reasons why items procured did not have supporting documents as required by extant regulations.

ii. Account for 53,797,299.50 (Fifty three million, seven hundred and ninety seven thousand, two hundred and ninety nine naira, fifty kobo) used to procure items without relevant supporting documents

iii. Recover and remit the sum of 53,797,299.50 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: OUTSTANDING PAYMENT VOUCHERS (= 23,581,944.20)

Paragraph 601 of the Financial Regulations 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 usually 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 fourteen (14) payment vouchers amounting to 23,581,944.20 (Twenty three million, five hundred and eighty one thousand, nine hundred and forty four naira, twenty kobo) paid between July to December 2019 were not presented for audit examination.

The above anomaly could be attributed to weaknesses in the internal control system at the Federal Ministry of Justice.

Risks

i. Misappropriation of funds.
ii. Payment for unapproved expenditure.

Management's Response
The violation of the Financial Regulations 629 as stated was not deliberate, but due to exigencies of work then that made it difficult for us to access those payment vouchers for presentation to the auditors as requested.

Recommendations
The Solicitor-General and Permanent Secretary is requested to:

i. Furnish reasons why 14 payment vouchers were not produced for examinations.

ii. Account for 23,581,944.20 (Twenty three million, five hundred and eighty one thousand, nine hundred and forty four naira, twenty kobo)

iii. Recover and remit the sum of 23,581,944.20.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment and gross misconduct specified in paragraphs 3106 and 3129 of the Financial Regulations respectively.

NATIONAL INDUSTRIAL COURT OF NIGERIA

At the National Industrial Court of Nigeria (NICN), the following observations were made:

ISSUE 1: NON-DEDUCTION AND REMITTANCE OF VAT, WHT AND STAMP DUTY AMOUNTING TO (= 2,440,000.00)

Paragraph 235 of the Financial Regulations states "Deduction of VAT, WHT, and PAYE shall be remitted to Federal Inland Revenue Service at the same time the payee who is the subject of deduction is paid". Also, Federal Treasury Circular Ref No. TRY/A12&B12/2015 and OAGF/CAD/VOL.II/390 dated 29th December, 2015 states "1% Stamp Duty chargeable on contract awards and the remittance be made to the relevant Tax Authority(Federal Inland Revenue Service)."

Audit observed that:

i. Payments were made through thirteen (13) payment vouchers amounting to 22,190,000.00 (Twenty two million, one hundred and ninety thoudand naira) in favour to some Contractors for supply of Diesel for the Court's President Official Resident/Quarters, NICN Annex Office and also on Internet Subscription, and

ii. 5% VAT, 5% WHT and 1% Stamp Duty which amounted to 1,109,500.00, 1,109,500.00, and 221,900.00 respectively were not deducted from the contracts resulting to cumulated amount of 2,440,000.00 (Two million, four hundred and forty thousand naira) contrary to extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the NICN.

Risks

i. Loss of Revenue to Government.
ii. Difficulty in funding budget.

Management's Response

The list of expenditures listed on this issue are all on tax exempt lists.

Recommendations

The Chief Registrar is requested to:

i. Furnish reasons why statutory withholding tax and value added tax and 1% Stamp Duty tax were not deducted from payment to contractors.

ii. Recover from the contractors, the sum of 2,440,000.00(Two million, four hundred and forty thousand naira) and remit same to Federal Inland Revenue Service.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

SECTION 11

LEGISLATIVE AUDIT DEPARTMENT

HOUSE OF REPRESENTATIVES

At the Federal House of Representatives of the National Assembly, the following observations were made:

ISSUE 1: UNRETIRED RUNNING COST BY THE HONOURABLE MEMBERS (= 2,550,000,000.00)

Paragraph 1011(i) of the Financial Regulations states “All standing imprests must be retired on or before the 31st December of the financial year in which they are issued while Special Imprests shall be retired immediately the reasons for which they were granted cease to exist. Retirement will be effected by the production of vouchers and/or cash for the full amount of the imprest."

Audit observed that:

i. The sum of 2,550,000,000.00 (Two billion five hundred and fifty million naira only) was granted to Honorable members as running costs between July and December 2019 as shown in the Table below:

S/NO	GEO POLITICAL ZONE	AMOUNT (₦)
1	North East	187,000,000.00
2	South South	272,000,000.00
3	South East	442,000,000.00
4	North Central	391,000,000.00
5	South West	629,000,000.00
6	North West	629,000,000.00
		2,550,000,000.00

ii. There was no evidence to show what the funds were used for, and

iii. There were no retirement documents despite requests.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal House of Representatives of the National Assembly.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why running costs granted to Honourable members were not retired.

ii. Recover unretired running costs of 2,550,000,000 (Two billion five hundred and fifty million naira only) and remit to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to non-retirement of advances and imprest specified in paragraph 3124 of the Financial Regulations.

ISSUE 2: UNRETIRED CASH ADVANCE BY STAFF (= 258,000,000)

Paragraph 1420 of the Financial Regulations states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. The sum of 258,000,000.00 (Two hundred and fifty-eight million naira) was granted as advances to officers between February and December 2019.

ii. The advances were granted to fifty nine (59) staff

iii. Additional advances were granted to officers when they have not retired the previous ones, and

iv. The advances were yet to be retired.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal House of Representatives of the National Assembly.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why advances granted to officers were not retired.

ii. Recover unretired running costs of 258,000,000 (Two hundred and fifty-eight million naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to non-retirement of advances and imprest specified in paragraph 3124 of the Financial Regulations.

ISSUE 3: CASH ADVANCES GRANTED FOR REPAIRS AND MAINTENANCE OF UNSPECIFIED QUARTERS BEYOND STATUTORY LIMIT (= 107,912,962.45)

Paragraph 1420 of the Financial Regulations states “It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. The sum of 107,912,962.45 (One hundred and seven million, nine hundred and twelve thousand, nine hundred and sixty-two naira forty-five kobo) was granted to 2 staff for repairs and maintenance of unspecified residential quarters.

ii. The advances granted were in excess of the cash advances threshold of 200,000.00 as stipulated by extant regulations.

iii. The Federal Government was deprived of the statutory VAT and WHT of 10,791,296 accruable if the work had been awarded to contractors, and

iv. There was no evidence to show the advances were retired.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal House of Representatives of the National Assembly.

Risks

i. Payment for work not done.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Justify the granting of advances in excess of the cash advance threshold of ₦200,000.00 as stipulated by extant laws.

ii. Account for the sum of 107,912,962.45 (One hundred and seven million nine hundred and twelve thousand nine hundred and sixty-two naira forty-five kobo), advances granted for unspecified purposes.

iii. Recover and refund to Treasury, the sum of 107,912,962.45.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating non-retirement of advances and imprest specified in paragraph 3124 of the Financial Regulations.

ISSUE 4: REMITTANCE WITHOUT ACKNOWLEDGEMENT RECEIPT (= 1,594,807,097.83)

Paragraph 220 (i) of the Financial Regulations states “Sub-Accounting Officers who function as Revenue Collectors will bring their collections to account direct into their cash books, the receipt being acknowledged on General Receipt Form (Treasury Book 6) or the appropriate Receipt or License form."

Audit observed that:

i. The sum of 1,594,807,097.83 (One billion, five hundred and ninety four million eight hundred and seven thousand ninety seven naira eighty-three kobo) was paid to revenue authorities between February and December 2019.

ii. The above payment included Pay As You Earn (PAYE) from six (6) Honourable members, car loan recovery from five (5) Honourable members, and Housing Loan recovered from six (6) Honourable members for (488,192,902.59, 401,201,998.92 and 705,412,193.32) respective, and.

iii. The payments were made without acknowledgment receipts from the relevant revenue authorities.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal House of Representatives of the National Assembly.

Risks

i. Diversion of government funds
ii. Loss of revenue to government.

Management's Response

No response.

Recommendations

The Clerk to the National Assembly is requested to:

i. Furnish reasons for non-acknowledgement on Treasury Book 6 of Revenue collections from Pay As You Earn deductions, car and housing loan deductions amounting to 1,594,807,097.83 (One billion five hundred and ninety-four million, eight hundred and seven thousand, ninety-seven naira eighty-three kobo).

ii. Recover and refund to Treasury the sum of 1,594,807,097.83 (One billion, five hundred and ninety-four million, eight hundred and seven thousand, ninety-seven naira eighty-three kobo), with acknowledgement Treasury Book 6 as evidence;

iii. Evidence of recovery and remittance should be forwarded to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions contained in Financial Regulation 3112 on failure to collect and account for government revenue.

ISSUE 5: PAYMENT MADE FROM SALARY ACCOUNT WITHOUT PAYMENT VOUCHERS- (= 1,010,598,610.97)

Paragraph 601 of the Financial Regulations states "All payment entries in the cash book/ Account shall be vouched for on one of the prescribed treasury forms. Voucher 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 voucher has not been raised."

Audit observed that:

i. The sum of 1,010,598,610.97 (One billion, ten million five hundred and ninety-eight thousand six hundred and ten naira ninety-seven kobo) was paid from salary account, and

ii. The above payments were made without preparation of payment vouchers as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal House of Representatives of the National Assembly.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons for making payments from salary account without payment vouchers.

ii. Account for the sum of 1,010,598,610.97 (One billion, ten million, five hundred and ninety-eight thousand, six hundred and ten naira, ninety-seven kobo).

iii. Remit the sum of 1,010,598,610.97 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

NATIONAL ASSEMBLY SERVICE COMMISSION

At the National Assembly Service Commission, the following observations were made:

ISSUE 1: UNRETIRED CASH ADVANCES (= 31,927,760)

The Treasury Circular Ref. No TRY A8.8B8/2018 OAGF/CAD/026/VILL/416 stipulates that all cash advances must be retired on or before the end of the year.

Audit observed that:

i. The sum of 31,927,760 (Thirty-one million nine hundred and twenty-seven thousand seven hundred and sixty naira) was granted as personal cash advances to fifty nine (59) staff, and

ii. There was no evidence of the retirement of the advances.

The above anomalies could be attributed to weaknesses in the internal control system at the National Assembly Service Commission.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why advances granted to officers were not retired.

ii. Recover unretired advances of 31,927,760 (Thirty-one million nine hundred and twenty-seven thousand seven hundred and sixty naira) and remit samd to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating non-retirement of advances and imprest specified in paragraph 3124 of the Financial Regulations.

ISSUE 2: NON-REMITTANCE OF 1% STAMP DUTY ON CONTRACTS (= 276,749,014.68)

The Treasury Circulars Ref.Nos. TRY A12 & B12/2015 OAGF/CAD/026/V.II/390 of 29th December 2015 and TRY A1 & B1/2017 OAGF/CAD/026/V.III/182 of 20th April 2017 require that 1% Stamp Duty be deducted on contract agreement before payment is made to the beneficiary and the deducted amount be appropriately remitted to the relevant tax authority.

Audit observed that:

i. The sum of 276,749,014.68 (Two hundred and seventy six million, seven hundred and forty nine thousand, fourteen naira, sixty-eight kobo) from twelve (12) payments vouchers was made to contractors and service providers from the project account of the Commission, and

ii. The sum of 2,767,490.14 (Two million, seven hundred and sixty-seven thousand, forty hundred and ninety naira, fourteen kobo) representing 1% Stamp Duties was not deducted.

The above anomalies could be attributed to weaknesses in the internal control system at the National Assembly Service Commission.

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why 1% Stamp Duty was not deducted from payments to contractors and service providers.

ii. Recover and remit the sum of 2,767,490.14 (Two million, seven hundred and sixty-seven thousand, forty hundred and ninety naira, fourteen kobo) to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to promptly remit tax specified in paragraph 234(ii) of the Financial Regulations.

SENATE

At the Senate of the National Assembly, the following observations were made:

ISSUE 1 UNREMITTED HOUSING LOANS DEDUCTED FROM SENATORS (= 219,645,597.08).

Paragraph 220 (i) of the Financial Regulations states "Sub Accounting officers who function as revenue collectors will bring their collection to account direct into their cash books, the receipt being acknowledged on General Receipt Form (Treasury Book 6) or the appropriate receipt or license form."

Audit observed that:

i. The sum of 219,645,567.08 (Two hundred and nineteen million, six hundred and forty-five thousand, five hundred and sixty seven naira, eight kobo) was deducted from one hundred and seven (107) Senators' salary arrears between July and December 2019 as housing loans, and

ii. There was no evidence to show that the above amount was remitted to the Treasury, acknowledged with Treasury Book 6 as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why housing loans deducted from Senators' salaries were not remitted to the Treasury as required by extant regulations.

ii. Remit the sum of 219,645,567.08 (Two hundred and nineteen million six hundred and forty-five thousand five hundred and sixty-seven naira eight kobo) to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2 NON-REMITTANCE OF RECOVERED VEHICLE LOANS GRANTED TO THE SENATORS (= 123,320,916.72)

Paragraph 220 (i) of the Financial Regulations states "Sub Accounting officers who function as revenue collectors will bring their collection to account direct into their cash books, the receipt being acknowledged on General Receipt Form (Treasury Book 6) or the appropriate receipt or license form."

Audit observed that:

i. Seven (7) payment vouchers totalling 123,320,916.72 (One hundred and twenty-three million, three hundred and twenty thousand, nine hundred and sixteen naira, seventy-two kobo) were for vehicle loan deducted from the senators' salary arrears between July and December 2019, and

ii. There was no evidence to show that the above amount was remitted to the Treasury, acknowledged with Treasury Book 6 as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why vehicle loans deducted from Senators' salaries were not remitted to the Treasury.

ii. Remit the sum of 123,320,916.72 (One hundred and twenty-three million three hundred and twenty thousand nine hundred and sixteen naira seventy-two kobo) to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 3: PAYEE DEDUCTIONS NOT REMITTED (= 176,267,255.31)

Paragraph 235 of the Financial Regulations 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:

i. The sum of 176,267,255.31 (One hundred and seventy-six million two hundred and sixty-seven thousand two hundred and fifty-five naira thirty-one kobo) was deducted as Pay As You Earn (PAYE) from staff salaries, and

ii. There was no evidence to show that the above amount was remitted to the relevant tax authorities with acknowledgment receipt as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why PAYE deducted from salaries were not remitted to relevant tax authorities.

ii. Remit the sum of sum of 176,267,255.31 (One hundred and seventy-six million two hundred and sixty-seven thousand two hundred and fifty-five naira thirty-one kobo) to relevant tax authorities, with revenue acknowledgment receipt as evidence.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to promptly remit tax specified in paragraph 234(ii) of the Financial Regulations.

ISSUE 4: NON-REMITTANCE OF VAT AND WHT DEDUCTED FROM PAYMENT FOR SERVICES (= 277,411,116.29)

Paragraph 235 of the Financial Regulations 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:

i. Value Added Tax (VAT) of 39,776,437.54 (Thirty-nine million seven hundred and seventy-six thousand four hundred and thirty-seven naira fifty-four kobo) from payment for services were deducted.

ii. With-holding Tax (WHT) of 237,634,678.75 (Two-hundred and thirty seven million six hundred and thirty four thousand six hundred and seventy eight naira

seventy five kobo) from payment for services were deducted, and

iii. There was no evidence to show that the sum of 277,411,116.29 (Two hundred and seventy seven million, four hundred and eleven thousand, one hundred and sixteen naira, twenty nine kobo) (= 39,776,437.54 + 237,634,678.75) being VAT and WHT deducted were remitted to the relevant tax authorities as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Difficulty in funding budget

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why VAT and WHT deducted from payment for services were not remitted to relevant tax authorities.

ii. Remit the sum of 277,411,116.29 (Two hundred and seventy seven million, four hundred and eleven thousand, one hundred and sixteen naira, twenty nine kobo) to relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to promptly remit tax specified in paragraph 234(ii) of the Financial Regulations.

ISSUE 5: PAYMENT VOUCHERS NOT PRESENTED FOR EXAMINATION (= 1,718,130,630.24)

Paragraph 110 of the Financial Regulations states “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.”

Audit observed that:

i. The sum of 1,718,130,630.24 (One billion seven hundred and eighteen million one hundred and thirty thousand six hundred and thirty naira twenty-four kobo) was paid between February and December 2019 for the supply of vehicle and other office equipment.

ii. The above payments were made through seventeen (17) payment vouchers, and

iii. Non of the seventeen (17) payment vouchers was made available for audit examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why payment vouchers were not made available for audit examination.

ii. Account for the sum of 1,718,130,630.24 (One billion, seven hundred and eighteen million, one hundred and thirty thousand, six hundred and thirty naira, twenty-four kobo).

iii. Remit the sum of 1,718,130,630.24 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6: UNAUDITED PAYMENT VOUCHERS (= 657,757,969.05)

Paragraph 1705 of the Financial Regulations states "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 that:

i. The sum of 657,757,969, 05 (Six hundred and fifty-seven million, seven hundred and fifty-seven thousand, nine hundred and sixty-nine naira, five kobo) was paid for supply of motor vehicles, motor cycles and other office equipments.

ii. The above amount was paid through sixteen (16) payment vouchers between July and December 2019, and

iii. Non of the payment vouchers was cleared by the Internal Audit before payment

as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Misapplication of public funds

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why payment vouchers were not cleared by the Internal Audit before payment.

ii. Account for the sum of 657,757,969,05 (Six hundred and fifty-seven million seven hundred and fifty-seven thousand nine hundred and sixty-nine naira -five kobo) paid without 100% pre-payment audit as required by extant regulations.

iii. Remit the sum of 657,757,969,05 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 7: **PAYMENT VOUCHERS WITHOUT SUPPORTING DOCUMENTS (= 423,370,000.00).**

Paragraph 603 (i) of the Financial Regulations 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:

i. The sum of 423,370,000.00 (Four hundred and twenty-three million three hundred and seventy thousand naira) was paid for the supply of utility vehicles and production of National Assembly Logo between August and November 2019 from the Capital account.

ii. The above payments were effected through four (4) payment vouchers, and

iii. No relevant supporting documents were attached to the payment vouchers to facilitate the validation of the payment.

The above anomalies could be attributed to weaknesses in the internal control system at the Senate of the National Assembly.

Risks

i. Loss of Government funds.
ii. Diversion of public funds.

Management's Response

No response.

Recommendations.

The Clerk to the National Assembly is requested to:

i. Furnish reasons why payment vouchers were processed and paid without relevant supporting documents.

ii. Account for the sum of 423,370,000.00 (Four hundred and twenty-three million three hundred and seventy thousand naira).

iii. Remit the sum of 423,370,000.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

SECTION 12

MILITARY AGENCIES AUDIT DEPARTMENT

DEFENCE INDUSTRIES CORPORATION OF NIGERIA (DICON)

At the Defence Industries Corporation of Nigeria (DICON), the following observations were made:

ISSUE 1: NON-DEDUCTION OF STATUTORY TAXES FROM MOBILIZATION FEES (= 21,321,356.37)

Paragraph 235 of the Financial Regulations and VAT Act No.102 of 1993 require that deduction of 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:

i. Four (4) payments totalling 250,407,363.67 (Two hundred and fifty million, four hundred and seven thousand, three hundred and sixty-three naira, sixty-seven kobo) were made to four contractors as mobilization fees in December, 2017 and April, 2019,

ii. 5% Statutory Withholding Tax of 12,520,368.18 (Twelve million five hundred and twenty thousand, three hundred and sixty-eight naira, eighteen kobo) and 5% Value Added Tax (VAT) of 12,520,368.18 (Twelve million, five hundred and twenty thousand, three hundred and sixty-eight naira, eighteen kobo) totalling 25,040,736.37 (Twenty five million and forty thousand, seven hundred and thirty-six naira, thirty-seven kobo) were not deducted from the amount paid to contractors, and

iii. Payment vouchers relating to subsequent payments made to three (3) of the contractors vide payment vouchers number DHQ/CBN/CAP/18/008, DHQ/CBN/CAP/18/046 & DHQ/CBN/CAP/18/051 dated 2nd February, 2018; 1st August, 2018 and 1st August, 2018 respectively showed that the tax element on the initial payment of the mobilization fees were not deducted in the subsequent payments, thereby leading to overpayment to contractors and loss of revenue to the Federal Government totalling 21,321,356.37 (Twenty-one million, three hundred and twenty-one thousand, three hundred and fifty-six naira, thirty-seven kobo) due to non-deduction of statutory taxes.

The above anomalies could be attributed to weaknesses in the internal control system at the Defence Industries Corporation of Nigeria.

Risks

i. Loss of revenue to the government.
ii. Difficulty in funding budget.

Management's Response

i. With regards to the first contractor, the taxes were deducted in the subsequent payments. 37,193,800.00 and 25,291,783.00 were paid on the 15th and 22nd of December, 2017 and the VAT of 3,471,422.00 and WHT of 3,471,422.00 were paid.

ii. With respect to the second and third contractors, letters have been written to them, requesting them to pay the sum of 7,385,988.21 and 6,575,009.16 respectively for VAT and WHT due from them to the Federal Government Account.

iii. The fourth contractor was paid 15% mobilization fee in 2019. The total tax of 7,360,359.00 will be recovered in the subsequent payments, because the contract is still on going.

Recommendations

The Director-General is requested to:

i. Justify why mobilization fees were paid without deducting statutory taxes.

ii. Recover the sum of 21,321,356.37 from the affected contractors and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to provide for VAT and WHT and failure to collect and account for Government Revenue specified in paragraphs 234(ii) and 3112 of the Financial Regulations respectively.

ISSUE 2: NON-DEDUCTION OF STATUTORY TAXES FROM PAYMENTS FOR SUPPLY OF MATERIALS FOR PRODUCTION (= 7,444,503.00)

Paragraph 234(i) of the Financial Regulations 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) on supply and services contract and actual remittance of same."

Audit observed that:

i. A contract for the supply of essential and logistic materials for the production of 7.62 x 39mm ammunition at DICON ordinance factory at a contract sum of 74,445, 030.00 (Seventy-four million, four hundred and forty-five thousand, and thirty naira) was awarded to a contractor vide award letter Reference Number DIC/HQ/ADM/REG.27 on the 8th of March, 2018.

ii. The materials were delivered by the contractor vide reference number JAKO/DIC/18/023 dated 27th March, 2018, and approval for payment was given on 30th April, 2018, and

iii. Statutory 5% Value Added Tax (VAT) of 3,722,251.50 (Three million seven hundred and twenty-two thousand, two hundred and fifty-one naira, fifty kobo), and 5% Withholding Tax (WHT) of 3,722,251.50 (Three million seven hundred and twenty-two thousand, two hundred and fifty-one naira, fifty kobo), totalling 7,444,503.00 (Seven million, four hundred and forty-four thousand, five hundred and three naira) were not deducted from the amount paid to the contractor.

The above anomalies could be attributed to weaknesses in the internal control system at the Defence Industries Corporation of Nigeria.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

This Corporation has written to the contractor to refund the sum of 3,722,251.50 and 3,722,251.50 respectively for VAT and WHT due to Federal Government Account.

Recommendations

The Director-General is requested to:

i. Justify why payments were made to contractors without deducting statutory VAT and WHT.

ii. Recover the sum of 7,444,503.00 from the affected contractors and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to provide for VAT and WHT and failure to collect and account for Government Revenue specified in paragraphs 234(ii) and 3112 of the Financial Regulations respectively.

ISSUE 3: **UNDER DEDUCTION OF STATUTORY TAXES FROM PAYMENTS RELATING TO AMMUNITION PRODUCTION TRAINING (= 8,485,400.00)**

Paragraph, 3 (a) (ii) of the Federal Inland Revenue Service Information Circular No. 9902 of 1st January, 1999 states “The withholding tax on consultancy fees, management fees, director's fees, commission and all service fees other than those mentioned in sub-paragraph (i) above remains at 10% when payable to limited liability companies."

Audit observed that:

i. The sum of 169,708,000.00 (One hundred and sixty-nine million, seven hundred and eight thousand naira) was paid to a contractor on 19th July, 2018, for conducting ammunition production training,

ii. 5% Withholding Tax (WHT) amounting to 8,485,400.00 (Eight million, four hundred and eighty-five thousand, four hundred naira) was charged instead of 10% on consultancy services, which would have amounted to 16,970,800.00 (Sixteen million, nine hundred and seventy thousand, eight hundred naira) as stipulated by law.

iii. The wrong application of WHT rate led to under deduction of WHT of 8,485,400.00 (Eight million, four hundred and eighty-five thousand, four hundred naira).

iv. Letter of award and Legal agreement binding the contractor and DICON were not attached to the payment voucher,

v. Tenders Board minutes of meeting were not produced for audit, and

vi. Payment was made to the contractor before the execution of the job contrary to section 35(2) of the Public Procurement Act 2007.

The above anomalies could be attributed to weaknesses in the internal control system at the Defence Industries Corporation of Nigeria.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

Payment is not a consultancy. Rather, it was part of the contract signed with a technology company in China to install a new production line. The payment was for the logistics of bringing in the Chinese company who supplied and installed machineries for the new production line.

Recommendations

The Director-General is requested to:

i. Furnish reasons why wrong WHT rate was applied to payment to contractors.

ii. Recover the sum of 8,485,400.00 from the affected contractor and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to provide for VAT and WHT and failure to collect and account for Government Revenue specified in paragraphs 234(ii) and 3112 of the Financial Regulations respectively.

MINISTRY OF DEFENCE

At the Ministry of Defence (MOD), the following observations were made:

ISSUE 1: CIRCUMVENTION OF PROCUREMENT PROCEDURES (= 20,500,000.00)

Treasury Circular No. TRY A2 & B2/2013/OAGF/CAD/026/vi/188, dated 9th April 2013 stipulates "All Accounting officers and officers controlling expenditures are to ensure that all local procurement of stores and services costing above 200,000.00 shall be made only by award of contracts".

Audit observed that:

i. Payments totalling 20,500,000.00 (Twenty-two million, five hundred thousand) were made to an officer of the Ministry for the digitalization of Ministry's records for scanning and printing.

ii. The above ought to have been contracted out, and

iii. Government had been deprived of legitimate revenue amounting to 2,050,000.00 (Two million and fifty thousand naira) that would have accrued by way of Withholding Tax and VAT .

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Defence.

Risks

i. Loss of revenue to government.
ii. Difficulty in funding budget.

Management's Response

Management's responded as follows: "The sum of twenty million, five hundred thousand naira (20,500,000.00) was actually paid to an individual owing to an emergency situation which endangered staff documents and records.

Due to constraints in budgetary provisions, direct labour was applied which eliminated contractors profit margin. The project was successfully completed and advance fully retired."

Recommendations

The Permanent Secretary is requested to:

i. Justify the use of staff to execute contracts instead of through contract award in accordance with extant regulations.

ii. Recover and remit to the appropriate tax authority, the sum of 2,050,000.00 (Two million and fifty thousand naira) that would have accrue to the Federal Government by way of Withholding Tax and VAT.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

Iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: FAILURE TO COLLECT RENTAL INCOME FOR THE USE OF GOVERNMENT FACILITIES

Paragraph 3112(i) of the Financial Regulations states "A public officer who fails to respond to the Auditor General's query satisfactorily within 21 days for failure to collect Government revenue due shall be surcharged and be transferred to another schedule."

Audit observed that:

i. A particular food-vending operator have been carrying out food vending business on the ground floor of ship "A" wing within the ministry's premises for the past three years.

ii. There was no evidence that the management of the ministry collected rental income from the operator for the three years, and

iii. Neither information nor documents relating to the above transaction could be traced to the ministry's revenue records.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Defence.

Risks

i. Loss of revenue to government.
ii. Diversion of public funds.

Management's Response

On the issue of non-payment of rent for the use of government facilities, a Memorandum of Understanding have been signed between the Ministry and Operators, for the operators to be paying the sum of Fifteen Thousand Naira (15,000.00) monthly to government coffers.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why government facilities were used by private operator without payment.

ii. Recover the appropriate amount of rent standing against the food vendor for the past three years and remit same to the Federal Government coffers.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to surcharge specified in paragraph 3112 of the Financial Regulations.

NIGERIA DEFENCE ACADEMY (NDA)

At the Nigeria Defence Academy, Kaduna, the following observations were made:

ISSUE 1: MISCLASSIFICATION OF EXPENDITURE SUB-HEAD (= 15,951,186.76)

Section 27(1) of the Fiscal Responsibility Act, 2007 states "The sum appropriated for a specific purpose shall be used solely for the purposes specified in the Appropriation Act". Also, paragraph 417 of the Financial Regulations 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:

i. Five (5) paid payment vouchers totalling 15,951,186.76 (Fifteen million, nine hundred and fifty-one thousand, one hundred and eighty-six naira, seventy-six kobo) were raised in favour of 102 officers of the Academy as estacode allowances and arrears of mileage claims between April and September, 2019, and

ii. The above payments were charged against personnel allocations instead of overhead allocations, going by the nature of the expenditures.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Defence Academy.

Risks

i. Misapplication of public funds
ii. Diversion of public funds.

Management's Response

The payment of the sum of 15,951,186.76 for sundry allowances was observed by the Auditors. It is however pertinent to state that payment of these allowances were legitimately made by NDA. Please note that these allowances were duly approved as contained in the Manual of Financial Administration (MAFA) for the Armed Forces of Nigeria, 2017 as part of the scales of allowances recently approved for the Armed Forces of Nigeria and contained in MAFA 2017. The provision for these allowances were captured in NDA Personnel Cost 2019.

Recommendations

The Commandant is requested to:

i. Provide reasons why payments were made from wrong sub-heads

ii. Provide instruments authorizing the virement of 15,951,186.76 (Fifteen million, nine hundred and fifty-one thousand, one hundred and eighty-six naira, seventy six kobo).

iii. Recover the sum of 15,951,186.76 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: EXTRA-BUDGETARY EXPENDITURE (= 9,344,800.00)

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 a manner prescribed by the National Assembly." Also, paragraph 417 of the Financial Regulations 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:

i. Thirteen (13) payment vouchers totalling 9,344,800.00 (Nine million, three hundred and forty-four thousand, eight hundred naira) were raised in favour of four (4) officers of the Academy between April and June, 2019.

ii. The above payments which were for financial support to some serving and retiring officers, Defence and Police Officers Wives Association (DEPOWA), academic and non-academic staff were not appropriated in the year 2019 Budget, as expenditure relating to welfare package (Sub-head 22021007) was not captured in the 2019 Appropriation Act of the Academy, and

iii. Cases of violation of the E-payment policy of the Federal Government were noticed, as payments were made to persons other than the ultimate beneficiaries, in contravention of the Federal Government Treasury Circular Ref. No. TRY/A8/B8/2008 of 22nd October 2008, which stipulates that individual benefit/claim, should be effected through their personal bank account.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Defence Academy.

Risks

i. Misapplication of public funds.
ii. Diversion of public funds.

Management's Response

It is pertinent to state that all memos are presented to the Commandant, who is the Chief Accounting Officer before any payment is executed. Please note that the payment of N9,344,800.00 was duly authorized by Commandant. The non-inclusion of the authority for payment may have been due to an oversight.

Recommendations

The Commandant is requested to:

i. Provide reasons why payments were made from wrong sub-heads

ii. Provide instruments authorizing the virement of 9,344,800.00 (Nine million, three hundred and forty-four thousand, eight hundred naira).

iii. Recover the sum of 9,344,800.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: NON-COMPLIANCE WITH EXTANT RULES ON PREPARATION AND RENDITION OF STAND-ALONE FINANCIAL STATEMENTS FOR 2019 FINANCIAL YEAR

Treasury Circular Ref: No. OAGF/CAD/026/VOL.II/240 dated 23rd October 2015 (paragraph 2.1 to 2.3) requires Public Sector Entities to prepare IPSAS accrual basis financial statements effective 1st January 2016. Also, Treasury Circular Ref. OAGF/CAD/026/VOL.III/108 dated 1st December 2016 (paragraph 5.3), requires each MDA to prepare IPSAS accrual basis annual statutory financial statements effective 1st January 2016. Specifically, the Circular states, "…For the avoidance of doubt, all MDAs are to prepare the following annual statutory financial statements:

a. Statements of Financial Performance
b. Statements of Financial Position
c. Cash Flow Statement
d. Statements of Changes in Net Assets/Equity
e. Statements of Comparison of Actual and Budget
f. Notes to the Account

The financial statements are to be forwarded to the Treasury and be in public domain (Website, Publications, etc.) after certification by the Auditor-General for the Federation…"

Audit observed that the Academy failed to prepare and render to the Office of the Auditor-General for the Federation, a stand-alone financial statements for the year ended 31st December, 2019.

The above anomaly could be attributed to weaknesses in the internal control system at the Nigeria Defence Academy.

Risks

i. Difficulty in performance measurement.
ii. Difficulty in resource allocation.
iii. Stakeholders may be deprived of timely information.

Management's Response

The Auditors observation is noted and processes leading to the production of Stand-Alone Financial Statements in (i) above is hereby attached to this document. In addition, training and retraining of the NDA staff has been activated and strictly implemented to improve compliance with International Public Sector Accounting Standard (IPSAS) provisions. The internal control system is also being strengthened and strictly implemented.

Recommendations

The Commandant is requested to:

i. Provide justifications for not producing stand-alone financial statements as required by extant regulations.

ii. Produce the Audited Financial Statements and Management Reports of the Academy for the year ended 31st December, 2019.

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 4: CIRCUMVENTION OF PROCUREMENT PROCESS (= 17,522,000.00)

Treasury Circular No. TRY A2 & B2/2013/OAGF/CAD/026/vi/188, dated 9th April 2013 stipulates "All Accounting officers and officers controlling expenditures are to ensure that all local procurement of stores and services costing above 200,000.00 shall be made only by award of contracts."

Audit observed that:

i. The sum of 17,522,000.00 (Seventeen million, five hundred and twenty-two thousand naira) was granted as cash advances to three officers of the Academy between May and June, 2015 for direct purchase of store items, renovation and other services.

ii. The advance to each of the three officers, was in excess of the approved limit of 200,000.00, and

iii. Government was deprived of legitimate revenue of 1,752,200.00 (One million, seven hundred and fifty-two thousand, two hundred naira) that would have accrued by way of Withholding Tax and VAT.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Defence Academy.

Risks

i. Loss of revenue to government.
ii. Diversion of government funds.

Management's Response

The payment of the sum of 17,522,000.00 shown in appendix … of the report for renovation and other repairs was done for the benefits and welfare of officer cadets and the entire NDA community. It is noteworthy to mention here that all the works and services have been efficiently implemented and these projects and services were duly inspected by the auditors during their assignment to NDA.

Recommendations

The Commandant is requested to:

i. Furnish reasons why advances were granted to staff above the statutory limit of 200,000.00 to circumvent procurement process.

ii. Recover and remit to the appropriate tax authority, the sum of 1,752,200.00 (One million, seven hundred and fifty-two thousand, two hundred naira) that would have accrued to the Federal Government by way of Withholding Tax and VAT.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

NATIONAL DEFENCE COLLEGE (NDC) (2018)

At the National Defence College (NDC), the following observations were made:

ISSUE 1: UNSUBSTANTIATED PAYMENT OF SITE OFFICE ESTABLISHMENT (= 9,700,000.00)

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

Audit observed that:

i. Payments totalling 9,700,000.00 (Nine million seven hundred thousand naira) were made to a contractor for the establishment of site offices.

ii. The disbursements of the above payments were made through five projects executed by the contractor.

iii. Evidence of items procured for use at those site offices were however, not made available for audit, and

iv. There was no evidence to show that the contractor returned all items procured above at the expiration of the project to the National Defence College.

The above anomalies could be attributed to weaknesses in the internal control system at the National Defence College.

Risks

i. Loss of government funds.
ii. Difficulty in funding budget.

Management's Response
Your observation is noted and necessary action will be taken to avoid future occurrence.

Recommendations
The Commandant is requested to:
i. Furnish reasons for unsubstantiated site office payments

ii. Account for the sum of 9,700,000.00 (Nine million seven hundred thousand naira).

iii. Recover the sum of 9,700,000.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

NATIONAL DEFENCE COLLEGE (2019)

At the National Defence College (NDC), the following observations were made:

ISSUE 1: NON-DEDUCTION OF STATUTORY TAXES (= 1,281,544.00)

Paragraph 234(i) of the 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) on supply and services contract and actual remittance of same."

Audit observed that:
i. The sum of 11,650,400.00 (Eleven million, six hundred and fifty thousand, four hundred naira) was paid for various contracts through six (6) payment vouchers, and

ii. The College failed to deduct and remit the sum of 1,281,544.00 (One million, two hundred and eighty-one thousand, five hundred and forty-four naira), being statutory taxes (VAT and WHT) from the payments to contractors.

The above anomalies could be attributed to weaknesses in the internal control system at the National Defence College.

Risks
i. Loss of government funds.
ii. Difficulty in funding budget.

Management 's Response
Management noted the observation, promising to take necessary corrective actions.

Recommendations

The Commandant is requested to:

i. Justify why payments were made to contractors without deducting statutory VAT and WHT.

ii. Recover the sum of 1,281,544.00 and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to provide for VAT and WHT and failure to collect and account for Government Revenue specified in paragraphs 234(ii) and 3112 of the Financial Regulations respectively.

SECTION 13

MINISTRIES
AUDIT DEPARTMENT

FEDERAL MINISTRY OF WORKS AND HOUSING

At the Federal Ministry of Works and Housing, the following observations were made:-

ISSUE 1: FAILURE TO FULLY RECOVER ADVANCE PAYMENT ON CONTRACT FOR THE CONSTRUCTION OF 15KM INTERSTATE ROAD FROM AIYEGUNLE, AKOKO EDO LGA IN EDO STATE - IMERI OSE LGA IN ONDO STATE (= 129,540,666.75)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the construction of 15KM Interstate Road from Aiyegunle, Akoko Edo LGA in Edo State to Imeri Ose LGA in Ondo was awarded to a contractor on the 17th of August, 2011 at the cost of 1,428,007,350.00 (One billion, four hundred and twenty eight million, seven thousand, three hundred and fifty naira).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of contract to commence work on 26th September, 2011 and complete same on or before 25th September, 2012.

iii. Advance payment of the sum of 204,001,050.00 (Two hundred and four million, one thousand and fifty naira) was paid to the contractor out of which the sum of 74,460,383.25 (Seventy-four million, four hundred and sixty thousand, three hundred and eighty-three naira, twenty-five kobo) was recovered from Interim Payment Certificates (IPC) generated, leaving an outstanding sum of 129,540,666.75 (One hundred and twenty nine million, five hundred and forty thousand, six hundred and sixty-six naira, seventy-six kobo).

iv. A total of 663,594,576.86 (Six hundred and sixty-six million, five hundred and ninety-four thousand, five hundred and seventy-six naira, eighty-six kobo) was certified and paid to the contractor for work done. This amount was considered reasonable to have fully paid back the advance payment.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since May 2014 for a job due for completion on 25th September, 2012 due to the Ministry's refusal to upwardly review the contract sum.

vi. In 2017, the Contractor requested for a review of contract sum on the basis that the original contract sum had become unrealistic, but the Ministry could not obtain a Certificate of No Objection, hence the Contractor demobilised and abandoned the project.

vii. At the time the request for review of contract sum was made, the completion date of 25th September, 2012 had long elapsed, and

viii. The Ministry failed to fully execute the terms of the contract agreement for over six years by not terminating the contract.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public fund.
ii. Difficulty in funding budget.

Management's Response

This project was awarded in August 2011 and the contractor commenced work in September of the same year. Work progressed smoothly and the contractor achieved up to 43.31% completion on the project to date.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 129,540,666.75 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

ISSUE 2: FAILURE TO FULLY RECOVER ADVANCE PAYMENT ON CONTRACT FOR THE REHABILITATION OF ACCESS ROAD TO FEDERAL GOVERNMENT COLLEGE IBILLO – IKPESSA – ODO – EKOR ISUA ROAD IN EDO STATE (= 46,024,413.70)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the rehabilitation of access road to Federal Government College Ibillo – Ikpessa – Odo – Ekor Isua Road, Edo State was awarded to a contractor on the 21st of December, 2010 at a contract sum of 524,708,299.50 (Five hundred and twenty-four million, seven hundred and eight thousand two hundred and ninety-nine naira, fifty kobo).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of contract to commence work on 2nd March, 2011 and complete same on or before 31st July, 2013.

iii. Advance payment of the sum of 74,958,328.50 (Seventy-four million, nine hundred and fifty eight thousand, three hundred and twenty eight naira, fifty kobo) of which the sum of 28,933,914.80 (Twenty eight million, nine hundred and thirty-three thousand, nine hundred and fourteen naira, eighty kobo) was recovered from Interim Payment Certificates (IPC) generated, leaving an outstanding of 46,024,413.70 (Forty six million and twenty four thousand, four hundred and thirteen naira, seventy kobo).

iv. The sum of 296,487,172.10 (Two hundred and ninety-six million, four hundred and eighty-seven thousand, one hundred and seventy-two naira, ten kobo) was certified and paid to the contractor for work done. This amount was considered reasonable to have fully paid back the advance payment.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since 2017 for a job due for completion on 31st July, 2013 due to the Ministry's refusal to upwardly review the contract sum.

vi. In 2017, the Contractor requested for a review of contract sum on the basis that the original contract sum had become unrealistic but the Ministry could not obtain a Certificate of No Objection, hence the Contractor demobilised and abandoned the project.

vii. At the time the request for review of contract sum was made, the completion date of 31st July, 2013 had long elapsed, and

viii. The Ministry failed to fully execute the terms of the contract agreement for over three years by not terminating the contract.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public funds.
ii. Difficulty in funding budget.

Management's Response

This project was awarded in December, 2010 and the contractor commenced work in March of the same year. Work progressed smoothly and the contractor achieved up to 53.67% completion on the project to date.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 46,024,413.70 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

ISSUE 3: FAILURE TO FULLY RECOVER ADVANCE PAYMENT ON CONTRACT FOR THE REHABILITATION OF IFON – UZEBBA – IRUEKPEN ROAD AND APPROACH TO OSE BRIDGE IN EDO STATE (= 93,538,765.08)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the rehabilitation of Ifon – Uzebba – Iruekpen – Ose Bridge in Edo State was awarded to a contractor on the 6th of April, 2009 at a contract sum of 1,990,000,000.00 (One billion, nine hundred and ninety million naira).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of contract to commence work on 20th of April, 2009 and complete same on or before 19th of April, 2013.

iii. Advance payment of the sum of 298,500,000.00 (Two hundred and ninety eight million, five hundred thousand naira) of which the sum of 190,746,949.21 (One hundred and ninety million, seven hundred and forty six thousand, nine hundred and forty nine naira, twenty-one kobo) was recovered from Interim Payment Certificates (IPC) generated leaving an outstanding of 93,538,765.08 (ninety three million, five hundred and thirty eight thousand, seven hundred and sixty five naira, eight kobo).

iv. The sum of 1,160,400,626.10 (One billion, one hundred and sixty million, four hundred thousand, six hundred and twenty-six naira, ten kobo) had been certified and paid to the company for work done. This amount was considered reasonable to have fully paid back the advance payment if the Ministry was not negligent.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since 2013 due to the Ministry's refusal to upwardly review the contract sum.

vi. At the time the request for review of contract sum was made, the completion date of 19th of April, 2013 had elapsed, and

vii. The Ministry failed to fully execute the terms of the contract agreement for over seven years by not terminating the contract.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public fund.
ii. Difficulty in funding budget.

Management's Response

This project was awarded on the 6th April, 2009 and the contractor commenced work on 20th April 2009. Work progressed smoothly and the contractor achieved up to 53% completion on the project to date. In June 2014, the contractor without any prior notice to the Ministry abandoned the project and demobilised from site. An enquiry revealed that the contractor have been placed under receivership. The contract has since been recommended for termination and re-award to another contractor to complete the outstanding works.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to the contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 93,538,765.08 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

ISSUE 4: FAILURE TO FULLY RECOVER ADVANCE PAYMENT ON CONTRACT FOR THE REHABILITATION OF AGBOR – SAKPOBA – OGHARAFE ROAD SECTION III WITH SPUR TO EWURU (4KM) IN DELTA STATE (= 84,765,790.15)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the rehabilitation of Agbor – Sakpoba – Ogharafe Road Section III with spur to Ewuru(4Km) in Delta State was awarded to a contractor on the 29th of October, 2012 at a contract sum of 848,061,742.50(Eight hundred and forty-eight million, sixty-one thousand, seven hundred and forty-two naira, fifty kobo).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of the contract to commence work on 15th of January, 2013 with a completion date of 14th July, 2014.

iii. Advance payment of the sum of 121,151,677.51 (One hundred and twenty one million, one hundred and fifty one thousand, six hundred and seventy-seven naira, fifty-one kobo) of which the sum of 36,386,887.15 (Thirty six million, three hundred and eighty six thousand, eight hundred and eighty-seven naira, fifteen kobo) was recovered from Interim Payment Certificates (IPC) generated, leaving an outstanding of 84,765,790.15 (Eighty four million, seven hundred and sixty-five thousand, seven hundred and ninety naira, fifteen kobo).

iv. The sum of 369,401,110.16 (Three hundred and sixty-nine million, four hundred and one thousand, one hundred and ten naira, sixteen kobo) had been certified and paid to the contractor for work done. This amount was considered reasonable to have fully paid back the advance payment.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since 2019.

vi. On the 8th of May 2019, the Contractor demobilised from site, complaining of the inability to obtain approvals for upward review of the contract sum and the extension of the completion period for a job that ought to have been completed on14th July, 2014, and

vii. The immediate past Federal Controller of Works, Edo State recommended the termination of the contract through letter Ref. No. HW/ED/6/5930/Vol II/133 dated 15th June 2020. This decision was already overdue.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public fund.
ii. Difficulty in funding budget.

Management's Response

This project was awarded in October, 2012 and the contractor commenced work in January, 2013 with an extended completion date of 14th July, 2014. Work progressed smoothly and the contractor achieved up to 38.09% completion on the project to date.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to the contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 84,765,790.15 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

ISSUE 5: FAILURE TO FULLY RECOVER ADVANCE PAYMENT ON THE CONTRACT FOR THE REHABILITATION OF AGBOR – SAKPOBA – OGHAREFE ROAD IN DELTA STATE (= 42,104,304.00)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the rehabilitation of Agbor – Sakpoba – Ogharefe Road in Delta State was awarded to a contractor on the 6th of October, 2009 at a contract sum of 589,460,256.00 (Five hundred and eighty nine million, four hundred and sixty thousand, two hundred and fifty six naira).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of contract to commence work on the 20th of October, 2009 and to complete same on or before 30th of December, 2012.

iii. Advance payment of the sum of the 84,208,608.00 (Eighty-four million, two hundred and eight thousand, six hundred and eight naira) of which the sum of 42,104,304.00 (Forty-two million, one hundred and four thousand, three hundred and four naira) was recovered from Interim Payment Certificates (IPC) generated, leaving an outstanding of 42,104,304.00 (Forty-two million, one hundred and four thousand, three hundred and four naira).

iv. The sum of 253,463,564.36 (Two hundred and fifty-three million, four hundred and sixty-three thousand, five hundred and sixty-four naira, thirty-six kobo) had been certified and paid to the contractor for work done. This amount was considered reasonable to have fully paid back the advance payment.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since 2017.

vi. In 2017, the Contractor requested for a review of the contract sum on the basis that the original contract sum had become unrealistic but the Ministry could not obtain a Certificate of No Objection, hence the Contractor abandoned the project.

vii. At the time the request for review of contract sum was made, the completion date of 30th of December, 2012 had elapsed, and

viii. The Ministry failed to fully execute the terms of the contract agreement for over three years by not terminating the contract.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public fund.
ii. Difficulty in funding budget.

Management's Response

This project was awarded on 6th October, 2009 and the contractor commenced work on 20th October of the same year with an extended completion date of 30th December 2017. Work progressed smoothly and the contractor achieved up to 56.21% completion on the project to date.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to the contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 42,104,304.00 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

ISSUE 6: FAILURE TO RECOVER ADVANCE PAYMENT ON THE CONTRACT FOR THE DUALIZATION OF AHOADA – OMOKU ROAD: PHASE 1, REHABILITATION OF AHOADA – OMOKU – OKWUZI ROAD IN RIVERS STATE (= 776,688,109.32)

Section 36 of the Public Procurement Act 2007 states "The provision of a Performance Guarantee shall be a precondition for the award of any procurement contract upon which any mobilization fee is to be paid…" Also, paragraph 415 of the Financial Regulations 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:

i. The contract for the dualization of Ahoada – Omoku Road: Phase 1, Rehabilitation of Ahoada – Omoku – Okwuzi Road in River State was awarded to a contractor on the 10th of November, 2010 at a contract sum of 5,117,920,728.75 (Five billion, one hundred and seventeen million, nine hundred and twenty thousand, seven hundred and twenty-eight naira, seventy five kobo).

ii. The contractor was given an Engineer's Order, in accordance with clause 41 of the standard conditions of contract to commence work on 13th of December, 2010 and complete same on or before 12th of June, 2012.

iii. The Ministry has not recovered the sum of 776,688,109.32 (Seven hundred and seventy six million, six hundred and eighty-eight thousand, one hundred and nine naira, thirty two kobo) which represent the unrecovered advance granted for the project from the contractor.

iv. The sum of 1,192,523,564.46 (One billion, one hundred and ninety two million, five hundred and twenty three thousand, five hundred and sixty four naira, forty six kobo) had been certified and paid to the contractor for work done so far. This amount was considered reasonable to have fully paid back the advance payment.

v. Physical inspection of the project site in February 2020 revealed that the contractor demobilized from the project site since 2012 and NDDC had since taken over the construction of the road, and

vi. Rivers State Controller of Works recommended that the project should be terminated but the Ministry was yet to take any action.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Works and Housing.

Risks

i. Loss of public fund.
ii. Difficulty in funding budget.

Management's Response

This project was awarded on the 10th of December 2010 and the contractor commenced work on the 13th of November, of the same year. The Contractor commenced work and achieved up to 8.40% completion when the Ministry noticed that NDDC had awarded the contract for the construction of the entire stretch of the road against the phased construction by the Ministry. In order to avoid duplication of government contract and allow the construction of the entire stretch of the road, the Ministry had to withdraw her contractor from the road and recommended transfer to another road. However, the BPP turned down the Ministry's request for transfer of the contractor to another road for continuation of the contract. The contract has therefore been recommended for termination.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why advance payment made to the contractor was not backed by required unconditional advance payment bank guarantee in accordance with extant regulations.

ii. Recover and remit the sum of 776,688,109.32 to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payment for job not executed in paragraph 3104(i) of the Financial Regulations.

FEDERAL MINISTRY OF WOMEN AFFAIRS, ABUJA

At the Federal Ministry of Women Affairs Abuja, the following observations were made:

ISSUE 1 INTERNATIONAL TRAVELS WITHOUT EVIDENCE OF APPROVAL (= 34,652,621.60)

Treasury Circulars Ref. Nos.: HCSF/PS/SD/164/1 dated 12th July, 2016 and HCSF/CSO/HRM/POL.1402/1 dated 22nd January, 2015, from the Office of the Head of the Civil Service of the Federation (OHCSF), require that all international travels must be approved by the Head of the Civil Service of the Federation (HCSF) before they can be embarked upon.

Audit observed that:

i. Five (5) payments totalling 34,652,621.60 (Thirty-four million, six hundred and fifty-two thousand, six hundred and twenty-one naira, sixty kobo) were made to Officials of the Ministry as Estacode and passage allowance to enable them attend seminars and workshops in different countries, and

ii. There were no letters of approval from the Head of Civil Service of the Federation as required by extant circular.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Women Affairs Abuja.

Risks

i. Diversion of public fund for private use.
ii. Loss of public fund.

Management's Response

i. The seminars and workshops attended by officers of the Ministry were Global events meant for International/Worldwide development of the vulnerable in the Society and participants were drawn from various Countries all over the world including Nigeria.

ii. All Foreign Trips undertaken by officers of the Ministry are done on the authority and approval of the assigned Government authorities in accordance with extant circulars.

iii. Some payments are made on a composite voucher wherein the officers who are beneficiaries are not on the GIFMIS platform hence the payment vouchers were prepared in the names of the beneficiaries but payments made to Officers in the Ministry that are registered on the GIFMIS payment platform for onward transfer/disbursement to the respective beneficiaries.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why payments for international travels were made without approval by the Head of the Civil Service of the Federation.

ii. Account for the sum of 34,652,621.60 (Thirty four million, six hundred and fifty two thousand, six hundred and twenty one naira, sixty kobo).

iii. Recover the amount from the officers and remit same to Treasury, forwarding evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments and poor cash management specified in paragraphs 3106 and 3115 of the Financial Regulations respectively.

MINISTRY OF FOREIGN AFFAIRS (OVERSEAS MISSION)

THE EMBASSY OF NIGERIA, ADDIS-ABABA ETHIOPIA,

At the Embassy of Nigeria, Addis-Ababa Ethiopia, the following observations were made:

ISSUE 1: DENIAL OF ACCESS TO BANK ACCOUNTS RECORDS OF THE EMBASSY

Section 85(2) of the 1999 Constitution of the Federal Republic of Nigeria, 1999 (as amended) states "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 Regulations 709 state "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:

i. Critical documents and records relating to the undermentioned Accounts kept at the Mission were not made available for examination despite repeated requests:

   a. Defence Attaché's Accounts (In spite of Auditor-General's letter reference No. OAuGF/D&SAD/MOD/AIT/Vol.III/065 dated 23/08/2019 to Chief of Defense Staff for "Access")

   b. The off-shore accounts with ECOBANK in Nairobi, Kenya are:
      i. Research Library Dollar Account with account number 0221055025782507 and current balance of XXX USD;

      ii. Non-resident (Birr)

   c. The on-shore accounts with Commercial Bank of Ethiopia in Addis Ababa, Ethiopia are:

      i. Non-resident (Birr) account 1000001113937 and current balance of XXX (Birr)

      ii. Revenue (Birr) account (New) 1000173906335 and current balance of XXX Birr), and

      iii. MFA Research Library (Birr) account 1000001100266 and current balance of XXX (Birr)

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i Misapplications and misappropriations of budgeted funds.

ii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Permanent Secretary, Ministry of Foreign Affairs (MFA) is requested to;

i. Justify why the Ambassador, the Head of Mission/Head of Chancery and the Financial Attaché at the Embassy of Nigeria, Addis Ababa should not be sanctioned, first, with recall for serious misconduct of unauthorized removal of public records, suppression of records, withholding of files and obstruction of legitimate audit,

ii. Forward all Books, Records, Returns and other documents relating to the accounts of the Embassy of Nigeria, Addis Ababa, to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to failure to prepare bank reconciliation statement, failure to render detailed statement of account and irregular payment prescribed in paragraphs 3121, 3122 and 3106 of the Financial Regulations respectively.

ISSUE 2: REFUSAL TO PROCEED ON RETIREMENT AFTER 35 YEARS IN SERVICE

Public Service Rule (PSR 020810) states "The compulsory retirement age for all grades in the Service shall be 60 years or 35 years of pensionable service whichever is earlier and “No officer shall be allowed to remain in service after attaining the retirement age of 60 years or 35 years of pensionable service whichever is earlier"

Audit observed as follows;

i. That the Ambassador was duly advised as per Tel. No. A.206 dated 02/10/2018 to proceed on retirement with effect from (w.e.f) 15/02/2019 on 35 years of service.

ii. On December 11, 2018, he was issued a letter of recall on account of retirement, advised to wind up affairs, take formal Leave of host authorities and depart post not later than March 08, 2019

iii. On 15/02/2019 the Amb in. letter reference No. NEA/PERS/417/1 notified the Ministry that he was pleased to retire from service w.e.f 15th February 2019.

iv. On 28/06/2019, he was paid the sum of US$3,806,291.89 (=ETB 352,082.00) to enable him proceed on home-leave for self and spouse to Lagos/Abeokuta at government expense in line with extant regulation and as reflected in his letter of appointment as Amb/PR, and

v. The retired Ambassador refused to recognize the roles of CDA ai as his successor in the absence of Mr President appointing a substantive Ambassador which is tantamount to gross misconduct.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i. Loss of government fund.
ii. Flagrant violation of the Provisions of PSR 020810 (PSR 020810).
iii. Illegal elongation of service is capable of destroying staff moral and career prospect.

Management's Response

No response.

Recommendations

The Permanent Secretary MFA is requested to:

i. Justify why the Ambassador refused to proceed on retirement after 35 years in service in accordance with extant regulations.

ii. Immediately enforce the recall of the Ambassador.

iii. Direct immediate handover of the affairs of the Embassy of Nigeria, Addis Ababa Ethiopia to CDAai,

iv. Recover and refund the Consolidated Foreign Service Allowance (CFSA) paid to the Ambassador after February 15, 2019, cumulatively to the last month paid at post, and

v. Recover and pay to chest the sum of US$78,346.455 being CFSA wrongly paid to the retired Ambassador from February 15, 2019 to October 31, 2019.

vi. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

vii. Otherwise, apply sanctions relating to gross misconduct specified in paragraph 3129 of the Financial Regulations.

ISSUE 3: IRREGULARITIES IN THE AWARD OF CONTRACT FOR PRESIDENTIAL LODGE (= 124,217,038.73 AND US$794,989.05)

Paragraph 2921(i) of the Financial Regulations (2009) states "Except as exempted under the Procurement Act, all procurements of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractor/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:

i. A consultant, vide NEA/AD/S.393 was appointed July 13, 2013 for Technical and Financial Tender Evaluation of the Integrated Projects.

ii. Lot 1-Presidential Lodge was awarded to a company at the sum of ETB105,618,300.04 (=US$5,678,403.22) for completion in 52 weeks while Lot 2-Presidential Guest House/Gate House was awarded to the same company at the sum of ETB53,411,333.82 (=US$2,871,577.08) for completion in 60 weeks.

iii. The consultant was paid 6,968,750.00 (=US$44,600), 406,250.00 (=US$2,600) and 7,718,750.00 (=US$49,400.00) on 15/08/2014, 28/10/2014 and 09/11/2015, respectively.

iv. The Second consultant was paid the following amounts being cost of drawings and BOQ 37,500,000.00 (=US$240,000), 26,562,500.00 (=US$170,000) and 7,812,500.00 (=US$50,000) on 17/12/2013, 09/09/2014 and 16/06/2015 respectively.

v. Advance Payment Certificate No.1 dated 27/10/2014 in favour of the contractor was paid on 18/11/2014 to the company in the sum of 35,217,038.73 (=ETB4,300,000). Similarly, Interim Payment Certificate No.2 dated 15/11/2015 to the same company was paid on 26/11/2015 in the sum of 9,843,750 (=US$63,000).

vi. Grand total payments as at time of audit amounted to 124,217,038.73 (=US$794,989.05) which was 66,632,893.73 in excess of the A.I.E No. MFA/CAP/003/2014 for US$57,584,145.00 dated 26/03/2014, and

vii. On 16/05/2018, a Closure Order for the Integrated projects was conveyed to the Mission vide NEA/AD/S.393/1 which contravened the Provisions of Public Procurement Act 2007 and the mandate conveyed in A.I.E No. MFA/CAP/003/2014 for 57,584,145.00 dated 26/03/2014.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i. Misappropriation of funds.
ii. Payment for job not executed.
iii. Diversion of public funds.

Management's Response

No response.

Recommendations

The Permanent Secretary MFA is requested to:

i Furnish reasons for violation of Public Procurement Act on award of contracts.

ii. Recover and refund to Treasury, the sum of 124,217,038.73 (One hundred and twenty four million, two hundred and seventeen thousand and thirty eight naira, seventy three kobo) wasted on the integrated projects.

iii. Furnish the source of 66,632,893.73 (Sixty six million, six hundred and thirty two thousand, eight hundred and ninety three naira, seventy three kobo) spent in excess of the A.I.E No. MFA/CAP/003/2014 for 57,584,145.00 dated 26/03/2014 for the projects.

iv. Forward evidence of remittance to the Public Accounts CommitteeS of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payments and poor cash management specified in paragraphs 3106 and 3115 of the Financial Regulations.

ISSUE 4: PAYMENTS WITHOUT SUPPORTING DOCUMENTS (= 31,757,471.07)

Paragraph 603(i) of the Financial Regulations (FR) 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.” Furthermore, paragraph 631 of the FR states "Commencing 1st January 2009, all payments except where exemption has been granted, shall be made through electronic payments.”

Audit observed that:

i. Seventeen (17) payment vouchers for amounts totalling 31,757,471.07 (Thirty-one million seven hundred and fifty-seven thousand, four hundred and seventy-one-naira, seven kobo. (=US$155,923.00) were raised and paid to four (4) officers of the Embassy and others between 31/1/18 and 13/7/18 under Current Account in respect of various estacode to attend meetings and conferences, and

ii. These payments were not supported with vital documents such as invitation letters for the various meetings and conferences, invoices, letter of authority to sign for others, evidence of participation in these conferences and meetings, due process were not adhered to in the procurement of some items thereby violating paragraphs 603 and 631 of the Financial Regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks
i. Diversion of public funds.
ii. Loss of public funds.

Management's Response
No response.

Recommendations
Permanent Secretary MFA is requested to:
i. Furnish reasons why payments were made without adequate supporting documents in accordance with extant regulations.

ii. Recover the sum of 31,757,471.07 (Thirty-one million seven hundred and fifty-seven thousand four hundred and seventy-one-naira seven kobo (=US$155,923.00) and remit same to the Treasury

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: CIRCUMVENTION OF PROCUREMENT PROCESS (= 49,436,671.85)

Paragraphs 2921 (i) of the Financial Regulations (FR) states "…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…" Furthermore, paragraph 2922 (ii) states "…International competitive bidding shall be advertised in at least two (2) national newspapers, one internationally recognized publication websites of the procuring entity and....procurement journal at least 6 weeks before the deadline for the submission of bids."

Audit observed that:
i. Seven (7) payment vouchers for amounts totalling 49,436,671.85 (Forty-nine million, four hundred and thirty-six Thousand, six hundred and seventy-one naira, eighty- five kobo (=ETB 4,444,357.01) were raised and paid to an officer of the Embassy on September 15, 2018 for the renovation works at the Presidential Guest House, and

ii. There was flagrant violation of the provisions of FRs 2921 and 2922 (2009) on due process in the award of contracts.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks
i. Payment for Jobs not executed.
ii. Loss of public funds

Management's Response
No response.

Recommendations
The Permanent Secretary MFA is requested to:

i. Furnish reasons why procurement procedure was circumvented.

ii. Recover the sum of 49,436,671.85 (=ETB 4,444,357.01) from the officer and pay back to Treasury,

iii. Forward payment details to Public Accounts CommitteeS of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6: PAYMENT FOR CONTRACT WORKS THROUGH STAFF (= 9,203,763.44)

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:

i. Two (2) payment vouchers for amount totaling 9,203,763.44 (Nine million, two hundred and three thousand, seven hundred and sixty-three-naira forty-four kobo), (8,343,993.33+ 859,770.11) (=ETB 824,925) were raised and paid to two officers; the Mission Head of Chancery and the Admin Attaché' on Payment Voucher number 008 with dept number AA/NR/416 of 12/12/18 and payment voucher number 0011 with dept number AA/NR/420 of 28/12/18, respectively under NR Account for the painting works at the Chancery Apartment Buildings, Ambassador's Residence, Deputy Head of missions Apartment, Head Chancery Apartment, Guest House, Ministerial Guest House and Presidential Guest House and Renovation work (painting, electrical work, plumbing, fixing of damaged tiles and general cleaning), and

ii. The payment vouchers and the supporting documents revealed that the jobs did not go through open competitive bidding or tendering processes rather the two payments were made to the two officers of the mission.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i. Loss of public funds.
ii. Payment for job not executed.

Management's Response
No response

Recommendations
Permanent Secretary MFA is requested to:

i. Justify the use of staff to execute contracts instead of through contract award in accordance with extant regulation.

ii. Recover and remit to Treasury, the sum of 8,343,993.33 from Head of Chancery and 859,770.00 from the Admin Attaché.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 7: STORE ITEMS NOT TAKEN ON LEDGER CHARGE (= 6,574,151.04)

Paragraph 2402(ii) of the Financial Regulations states "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)". Also, Treasury Circular Reference Number TRY/A2&B2/2009/OAGF/CAD/026/ V of 24th March 2009 provides 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:

i. Eleven (11) payment vouchers for amounts totaling 6,574,151.04 (Six million, five hundred and seventy-four thousand, one hundred and fifty- one naira four kobo) (=ETB 561,964 .04) were raised and paid to two firms and five officers of the Embassy between 15/2/2018 and 31/10 20/18 for procurement activities, and

ii. The procurement did not go through open competitive bidding or tendering processes and items were not taken on store ledger charge.

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i. Loss of public fund
ii. The works might be partially executed and of sub-standard quality

Management's Response
No response

Recommendations

The Permanent Secretary MFA is requested to:

i. Justify the use of staff to execute contracts instead of through contract award and failure to take items procured on charge in accordance with extant reulations.

ii. Recover the sum of 6,574,151.04 (=ETB 561,964.04) from the two firms and the five officers of the Embassy and remit same to the Treasury, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 8: MISAPPLICATION OF THE INTERVENTION FUND (= 26,510,759.15)

Paragraph 415 of the Financial Regulations (2009) 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 funds were not meant for current expenses as arrangements were on for the release of allocations for current year (CIRTEL No T. 34 of 20/2/2018. For purpose of emphasis as per CIRTEL No S.66 of 03/04/2018, Missions were instructed to utilise the Funds for purposes only for which approval were already granted by the Headquarters.

Audit observed that:

i. The Mission received Intervention Fund totalling 310,046,870.73 from 2 (two) releases as shown in the Table below:

S/N	Date	AIE NO	
1	22/2/2018	AIE NO MFA/MS/OH/856/2017	60,106,550.73
2	10/7/2018	-	249,940,320.00
Total			**310,046,870.73**

ii. Total capital receipts for the 2018 financial year was US 271,624.41 (= 82,310,427.25).

iii. The sum of US$207,034.35 (= 62,708,681.80) was specifically set aside for renovation of Office Buildings.

iv. The sum of 26,510,759.15 was wrongly paid to an Officer under Presidential Intervention Fund for renovation of Office Building covered under the Capital receipts A.I.E for 2018 financial year.

v. As at 14/09/2018, the entire renovation works as approved by Amb/PR for various Buildings within the Chancery was to cost ETB 4,444,356.80 as detailed below:

Details	ETB
GH1	1,041,225.20
GH2	1,061,008.00
GH3	399,125.00
GH	698,281.10
Pre GH	891,567.05
Min GH	51,400.00
Community Hall	301,750.00
Total	**ETB 4,444,356.80 (= 47,436,671.86)**
	ETB= 0.0897

The above anomalies could be attributed to weaknesses in the internal control system at the Ministry of Foreign Affairs.

Risks

i. Loss of public fund
ii. The works might be partially executed and of sub-standard quality

Management's Response

No response

Recommendations

The Permanent Secretary MFA is requested to:

i. Furnish explanations for the irregular award of contracts to an officer for renovation of Office Buildings covered under the Capital receipts A.I.E for 2018 Financial year.

ii. Recover from the officer the sum of 26,510,759.15 wrongly paid to him under Presidential Intervention fund for renovation of Office Buildings covered under the Capital receipts A.I.E for 2018 Financial year, and

iii. Remit 26,510,759.15 recovered to the Treasury;

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

SECTION 14

PARA MILITARY AUDIT DEPARTMENT

NIGERIAN CORRECTIONAL SERVICE

At the Nigerian Correctional Service Headquarters, Abuja, the following observations were made:

ISSUE 1: UNDER DEDUCTION OF WHT CHARGED ON CONSULTANCY SERVICES (= 7,470,125.00)

Paragraph 3(a)(ii) of the Federal Inland Revenue Service Information Circular No. 9902 of 1st January1999 states "the withholding tax on consultancy fees, management fees, director's fees, commission and all service fees other than those mentioned in sub-paragraph (i) above remains at 10% when payable to limited liability companies."

Audit observed that:

i. Three payments totalling 149,402,500.00 (One hundred and forty-nine million, four hundred and two thousand, five hundred naira) were made to three contractors for various consultancy services vide Vouchers No. 3721, 4320 and 4218, respectively.

ii. The statutory 10% Withholding Tax (WHT) amounting to 14,940,250.00 (Fourteen million, nine hundred and forty thousand, two hundred and fifty naira) was not deducted, and

iii. Only 5% WHT of 7,470,125.00 (Seven million four hundred and seventy thousand one hundred and twenty-five naira) was deducted leaving a balance of 7,470,125.00 (Seven million, four hundred and seventy thousand, one hundred and twenty-five naira) undeducted.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Correctional Service.

Risks

i. Loss of revenue to government
ii. Difficulty in funding budget.

Management's Response

Your observations are noted. The lapses is as a result of lack of experience on the part of the desk officer. On that note, the Controller-General of Corrections has approved immediate training of the officer and other necessary measures to forestall reoccurrence. However, effort is on ongoing to recover the said amount.

Recommendations

The Comptroller-General is requested to:

i. Furnish reasons for the under-deduction of WHT from payment to contractors.

ii. Recover the sum 7,470,125.00 (Seven million, four hundred and seventy thousand, one hundred and twenty-five naira) from the Contractors and remit same to the relevant tax authorities.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 2: PAYMENT VOUCHERS NOT PRESENTED FOR EXAMINATION (= 181,932,518.49)

Paragraph 601 of the Financial Regulations 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:

I. Ten (10) capital expenditure payment vouchers that were raised and paid between January to December 2019 amounting, to 79,035,069.24 (Seventy-nine million, thirty-five thousand, sixty-nine naira, twenty-four kobo) were not presented for examination.

ii. Ninety (90) recurrent expenditure payment vouchers that were raised and paid between January to December 2019, amounting to 102,897,449.25 (One hundred and two million, eight hundred and ninety-seven thousand, four hundred and forty-nine naira, twenty-five kobo) were not presented for examination, and

iii. A total of One Hundred (100) payment vouchers totalling 181,932,518.49 (One hundred and eighty-one million, nine hundred and thirty-two thousand, five hundred and eighteen naira, forty-nine kobo) (79,035,069.24 + 102,897,449.25) raised and paid between January to December 2019, were not presented for audit examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Correctional Service.

Risks

i. Payments for unapproved expenditures.
ii. Payments for fictitious transactions.
iii. Diversion of public funds for private use.

Management's Response

The officers concerned have been instructed to trace these payment vouchers as soon as possible for onward submission to the Auditors for audit verification.

Recommendations

The Comptroller-General is requested to:

i. Furnish reasons why 100 payment vouchers were not made available for examination.

ii. Account for the sum of 181,932,518.49 **(**One hundred and eighty-one million, nine hundred and thirty-two thousand, five hundred and eighteen naira, forty-nine kobo).

iii. Recover the sum 181,932,518.49 and remit same to the Treasury

iv. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: IRREGULAR REMITTANCE OF 1% STAMP DUTY AND OTHER TAXES (= 33,662,378.97)

Paragraph 6 of the Treasury Circular Ref: No TRY A12 & B12 /2015 OAGF/CAD/026/V.11/390 of 29th December, 2015 requires all Accounting Officers, Directors of Finance and Accounts/Head of Accounts and Directors of Internal Audit to ensure immediate and total compliance with the provisions of Stamp Duty Act. Also, paragraph 234(i) of the Financial Regulations states "It is mandatory for accounting officers to ensure full compliance with the dual roles of making provision for Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same."

Audit observed that:

i. A total of 33,662,378.97 (Thirty-three million, six hundred and sixty-two thousand, three hundred and seventy-eight naira, ninety-seven kobo) was deducted as Stamp duty, Value added tax and Withholding tax respectively, and

ii. The total collection of 33,662,378.97 was remitted into a CBN account No. 3000069807 with the Nigeria Prison Service (now Nigerian Correctional Service) as the beneficiary, instead of actual remittance to the appropriate tax authorities.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Correctional Service.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

Following your observations, the Controller-General of Correctional Service has implored necessary measures to checkmate further reoccurrence.

Recommendations

The Comptroller-General is requested to:

i. Furnish reasons why Stamp duty, Value added tax and Withholding tax deducted were not remitted to relevant tax authorities as required by extant regulations.

ii. Recover and remit the sum of 33,662,378.97 (Thirty-three million, six hundred and sixty-two thousand, three hundred and seventy-eight naira, ninety-seven kobo) and all accrued interest to appropriate tax authorities.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 (ii) of the Financial Regulations.

ISSUE 4: UNAUTHORIZED VIREMENT ON OVERHEAD EXPENDITURE (= 623,722,064.33)

Paragraph 301 of the Financial Regulations states "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 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:

i. Payments amounting to 623,722,064.33 (Six hundred and twenty-three million, seven hundred and twenty-two thousand, and sixty-four naira, thirty-three kobo) were made from various sub-heads without recourse to 2019 Appropriation Act approved for each sub-head;

ii. The above payments included payment of 1st 28 days allowances, farm manager's expenses, out of pocket expenses and DTAs were charged to maintenance services subhead. In another instance, payment of DTA, out of pocket expenses and fueling costs were charged to security subhead. Similarly, payment of 1st 28 days' allowances, budget monitoring, DTA, LT&T and out of pocket expenses were charged to maintenance of office/IT equipment subhead, and

iii. There was no evidence of virement from one Sub-head of Account to another.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Correctional Service.

Risks
i. Misappropriation of funds.
ii. Diversion of public funds

Management's Response
No response

Recommendations
The Comptroller-General is requested to:
i. Furnish reasons for incurring unbudgeted expenditure and violation of virement approval process.

ii. Account for 623,722,064.33 (Six hundred and twenty-three million, seven hundred and twenty-two thousand, and sixty-four naira, thirty-three kobo).

iii. Recover and remit the sum of 623,722,064.33 to the Traesury.

iv. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

NIGERIA IMMIGRATION SERVICE (NIS) 2018 AUDIT REPORT

At the Nigeria Immigration Service (NIS), the following observations were made:

ISSUE 1: OVER STAY IN THE SERVICE OF THE NIGERIA IMMIGRATION SERVICE (= 37,955,366.04)

Paragraph 020810 (ii) of the Public Service Rules (PSR) states “No officer shall be allowed to remain in service after attaining the retirement age of 60 years or 35 years of pensionable service whichever is earlier.”

Audit observed that:
i. Three officers who ought to have retired from the Service between 2010 and 2017, upon attaining the compulsory retirement age of 60 years were still in service as at the time of audit in January, 2020.

ii. The affected officers were born in 1950, 1956 and 1957 respectively, and

iii. The continued stay in service of the officers had cost government avoidable payment of salaries of 37,955,366.04 (Thirty-seven million nine hundred and fifty-five thousand three hundred and sixty-six naira four kobo) .

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks
i. Loss of public funds
ii. Waste of government resources.

Management's Response
No response received.

Recommendations
The Comptroller General is requested to:
i. Furnish reasons why officers who ought to have retired were in service beyond the statutory retirement dates.

ii. Recover the sum of 37,955,366.04 (Thirty-seven million, nine hundred and fifty-five thousand, three hundred and sixty-six naira, four kobo) and remit same the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to prosecution by the EFCC specified in paragraph 3110 of the Financial Regulations.

ISSUE 2: PAYMENTS MADE WITHOUT ADEQUATE SUPPORTING DOCUMENTS: (= 54,336,776.21)

Paragraph 603 of the Financial Regulations 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."

Audit observed that:
i. Fifteen (15) payment vouchers totaling 54,336,776.21 (Fifty-four million, three hundred and thirty-six thousand, seven hundred and seventy-six naira, twenty-one kobo) were raised and paid between December 2017 and December, 2018 for various transactions including rent of office/residential accommodations, payment for electricity bill, training programmes, and

ii. Relevant supporting documents such as receipts from the landlords or their agents, acknowledgment of payment of electricity bills, certificate of attendance for the training, etc. were not attached to the payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks
i. Payment for services not rendered.
ii. Diversion of public funds.

Management's Response
No response received.

Recommendations
The Comptroller General is requested to:
i. Provide reasons why payments were made without adequate supporting document as evidence of payments.

ii. Account for the sum of 54,336,776.21 (Fifty-four million, three hundred and thirty-six thousand, seven hundred and seventy-six naira, twenty-one kobo), and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment stated in paragraph 3106 of the Financial Regulations.

ISSUE 3: OVERPAYMENT OF 2018 SALARY ARREARS (= 2,397,826.31)

Paragraph 3111 of the Financial Regulations states "A public officer who receives a query involving an overpayment of public funds in respect of salaries and allowances to staff, shall be given 21 days within which to reply to the query and refund the amount overpaid. He shall' also be disciplined in accordance with Public Service Rules and if need be, the matter should be referred to the police for prosecution."

Audit observed that:
i. There was an over-payment of 2,397,826.31 (Two million three hundred and ninety-seven thousand eight hundred and twenty-six naira thirty-one kobo only) in 2018 promotion arrears, and

ii. There was no evidence to show that there was recast of figures before the above payments were made.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks
i. Payment for services not rendered.
ii. Diversion of public funds.

Management's Response
No response received.

Recommendations

The Comptroller General is requested to:

i. Furnish reasons why promotion arrears were over paid.

ii. Recover the sum of 2,397,826.31 (Two million three hundred and ninety-seven thousand eight hundred and twenty-six naira thirty-one kobo only) from the affected beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraphs 3106 and 3111 of the Financial Regulations and 030402(m) of the Public Service Rules.

ISSUE 4: MISAPPLICATION OF ALLOCATION FOR PERSONNEL EMOLUMENT IN YEAR 2018 (= 26,892,979.35)

Paragraph 417 of the Financial Regulation 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:

i. Five (5) payments amounting to 26,892,979.35 (Twenty-six million eight hundred and ninety-two thousand nine hundred and seventy-nine naira thirty-five kobo only) were made from Allocation for Personnel Cost, and

ii. The above payments were for items of expenditure that were not related to the Personnel Cost.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks

i. Misapplication of funds
ii. Virement without approval by National Assembly.

Management's Response

No response received.

Recommendations

The comptroller General is requested to:

i. Provide reasons why payments for items not related to personnel were made from allocation for personnel cost.

ii. Recover the sum of 26,892,979.35 (Twenty-six million eight hundred and ninety-two thousand, nine hundred and seventy-nine naira, thirty-five kobo) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: FUNDING OF THE ACTIVITIES OF THE SUPERVISING MINISTRY OF INTERIOR BY THE NIGERIA IMMIGRATION SERVICES (= 7,557,813.00)

Paragraph 2 of Government Circular Ref. No. SGF/.6/VIII/ of 8th May, 2008 states "Similarly, the practice of Ministers and Ministries accepting or requesting for funds and financial support of any form, including loans and purchase of vehicles from the parastatals under their supervision should be stopped henceforth. Chief Executives of Parastatals will be held accountable for such lapses including provision of facilities and vehicles to Ministers or Ministries." Paragraph 3 further states in part, "… such violation of extant financial laws and regulations constitute criminal offences."

Audit observed that:

i. Five (5) paid vouchers totaling 7,557,813.00 (Seven million, five hundred and fifty-seven thousand, eight hundred and thirteen naira) were raised by the Nigeria Immigration Service (NIS) to fund overseas trips of selected staff of the supervising Federal Ministry of Interior (FMI), and

ii. The above payments were not provided in the budget of NIS.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks

I. Misapplication of funds
ii. Waste of government scarce resources.

Management's Response

No response received.

Recommendations

The Comptroller-General is hereby requested to:

i. Furnish reasons why oversea trips of staff of Ministry of Interior were paid by NIS.

ii. Recover the sum of 7,557,813.00 (Seven million five hundred fifty-seven thousand, eight hundred and thirteen naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment and failure to manage public funds effectively specified in paragraphs 3106 and 3115 of the Financial Regulations respectively.

ISSUE 6: PAYMENTS MADE TO INSURANCE BROKERS WITHOUT DEDUCTING 10% WITHHOLDING TAX (= 3,200,000.00)

Paragraph 234 (i) of the Financial Regulations 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:

i. Two payment vouchers Ref. Nos. IMM/FIN/432/2018 for 25,500,000.00 (Twenty-five million, five hundred naira) and IMM/FIN/418/2018 for 6,500,000.00 (Six million, five hundred thousand naira), totaling 32,000,000.00 (Thirty-two million naira) were raised and paid in favour of an insurance broker in March, 2018 to cover some policies undertaken by the Service, and

ii. The statutory 10% Withholding tax totaling 3,200,000.00 (Three million, two hundred thousand naira) was not deducted from the two payments.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service.

Risks

i. Loss of revenue to the Federal Government.
ii. Difficulty in funding budget.

Management's Response

No response.

Recommendations

The Comptroller General is requested to:

i. Furnish reasons why withholding tax was not deducted from payment to insurance brokers as required by extant regulations.

ii. Recover the sum of 3,200,000.00 (Three million, two hundred thousand naira) and remit same to the relevant Tax authority.

iii. Forward evidence of remittance particulars to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

SECTION 15

POLICE AFFARIS AUDIT DEPARTMENT

NIGERIA POLICE FORCE HEADQUARTERS

At the Nigeria Police Force Armament, the following observations were made:

ISSUE 1: IRREGULARITIES IN THE AWARD AND EXECUTION OF CONTRACTS FOR THE PROCUREMENT OF SECURITY ITEMS (= 1,136,715,200.00)

Section 16 (8) of the Public Procurement Act 2007 states "Whenever it is established by a procuring entity or the Bureau that any or a combination of the situations set out exist, a bidder may have its bid or tender excluded from any particular procurement proceedings if:…(g) "the bidder fails to submit a statement regarding its dominating or subsidiary relationships with respect to other parties to the proceedings and persons acting on behalf of the procuring entity participating in same proceeding or whom remains in subordinate relationship with other participants to the proceedings."

Audit observed that:

i. Ten (10) contracts totalling 1,136,715,200.00 (One billion, one hundred and thirty six million, seven hundred and fifteen thousand, two hundred naira) were awarded to a single proprietor in the name of different companies.

ii. In the companies' profiles, the contact phone numbers and email addresses of the three companies were the same, and

iii. The three companies did not disclose their relationship in accordance with the fundamental principles of procurement as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Award of contract to incompetent contractor
ii. Payments for jobs not executed.
iii. Diversion of public funds.

Management's Response

No response received from the management.

Recommendations

The Inspector-General of Police is requested to:

i. Furnish reasons why contracts were awarded to companies owned by same persons.

ii. Account for the sum of 1,136,715,200.00 (One billion, one hundred and thirty six million, seven hundred and fifteen thousand, two hundred naira).

iii. Remit the sum of 1,136,715,200.00 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular award of contract and punishment for contravening any of the offences in the Public Procurement Act and in paragraphs 3117 and 3126 of the Financial Regulations respectively.

ISSUE 2: PAYMENT FOR CONTRACTS NOT EXECUTED (= 924,985,000.00)

Paragraph 708 of the Financial Regulations states "On no account should payment be made for services not yet performed or for goods not yet supplied."

Audit observed that:

i. The sum of 924,985,000.00 (Nine hundred and twenty-four million, nine hundred and eighty-five thousand naira) was paid for eleven (11) contracts involving construction of three (3) units of Gunshot Spotter System, supply of fifty (50) units of Ballistic Roller Trolley and twenty (20) units of Ballistic Mobile Surveillance House in some selected Commands and Formations.

ii. Final payments were made in March, 2019 without evidence of execution

iii. Documents such as End User Certificate, Store Receipt Voucher (SRV), Store Issue Voucher (SIV), Job Completion Certificate were not presented for audit examination, and

iv. The items claimed to have been constructed/supplied at the Force Headquarters, Federal Capital Territory (FCT) Command, Explosive Ordinance Disposal (EOD) unit and Police Mobile Force (PMF) unit as specified in the award letters revealed that the contracts were not executed as at the time of physical verification of the purported items in June, 2020 .

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

No response received from the management.

Recommendations

The Inspector-General of Police is requested to:

i. Furnish reasons why payments were made for contracts not executed.

ii. Recover the sum of 924,985,000.00 (Nine hundred and twenty-four million, nine hundred and eighty-five thousand naira) being payment for unexecuted contracts and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payments for poor quality of work and prosecution by the EFCC prescribed by paragraphs 3105 and 3104(iii) of the Financial Regulations, respectively.

ISSUE 3: LOSS OF FIRE ARMS AND AMMUNITION

Paragraph 2603 of the Financial Regulations states "in the event of any loss of stores, the officer in charge of the store in which the loss occur shall:

a. Report immediately to the head of department or unit but not later than three (3) days, by the fastest means possible if the loss occurs away from headquarters.

b. Report to the nearest police station if there is any suspicion of fraud or theft. Initiate action on Treasury Form 146 by completing Part 1 thereof and forward in duplicate to his head of division or unit, without delay…"

Audit observed from the review of Arms Movement Register, Monthly Returns of Arms and Ammunition and Ammunition Register at the Armoury section that:

i. The total number of lost firearms as reported as at December 2018 stood at 178,459 (One hundred and seventy eight thousand, four hundred and fifty nine) pieces.

ii. Out of this number, 88,078 (Eighty eight thousand and seventy eight) were AK-47 rifles.

iii. 3,907 (Three Thousand Nine Hundred and Seven) assorted rifles and pistols across different police formations could not be accounted for as at January 2020 as shown in the Table below.

S/N	LOCATION	TOTAL NO MISSING	UNSERVICEABLES FIREARMS
1	15 Training Institutions	601	Not reported
2	23 Formations	42	Not reported
3	37 Police Command	1514	Not reported
4	Zone 1-12	29	Not reported
5	PMF 1-68	1721	Not reported
	TOTAL	**3907**	

Source: Extract from schedule of returns of arms/loss of arms as at January, 2020.

iv. Formal report on the loss of firearms through dully completed Treasury Form 146 (loss of stores) were not presented for examination.

v. Records obtained from force armament at the Force headquarters showed 21 Police Mobile Force (PMF) Squadron, Abuja did not report a single case of missing firearm, whereas, schedule of missing arms obtained from the same PMF showed a total number of forty six (46) missing arms between year 2000 and February 2019, and

vi. The value of the lost firearms could not be ascertained because no document relating to their cost of acquisition was presented for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Mishandling of firearms/firearms getting to the wrong hands.
ii. Conversion of firearms to illegal use
iii. Loss of government funds.

Management's Response

No response received from the management.

Recommendations

The Inspector-General of Police is requested to:

i. Furnish reasons why firearms could not be accounted for and why 21 Police Mobile Force (PMF) Squadron, Abuja did not report a single case of missing firearm.

ii. Account for the 3,907 (Three thousand nine hundred and seven) assorted rifles and pistols across different police formations missing firearms, and

iii. Forward evidence of compliance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanction relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 4: UNAPPROVED SETTLEMENT OF 2017 LIABILITIES FROM 2018 ALLOCATION (= 38,731, 491.30)

Paragraph 314 of the Financial Regulations states "If provision is required to complete payment for an item for which provision was made in the previous year's estimates and which cannot be contained within the current year's estimate an application for supplementary provision or for virement must be made. An unspent balance on a current expenditure vote cannot be revoted."

Audit observed that:

i. The Force made three payments totaling 38,731,491.30 (Thirty-eight million, seven hundred and thirty-one thousand, four hundred and ninety-one naira, thirty kobo) to two contractors in 2018 to cover 2017 liabilities on procurement of Ballistic Helmet Grade III A, and Riot Gun 38mm, and

Ii. There was no evidence to confirm that the expenditures were provided for in year 2018 approved Estimates.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Misappropriation of funds.
ii. Diversion of funds.

Management Response

No response received from the management.

Recommendations

The Inspector-General of Police is requested to:

i. Furnish reasons why unapproved expenditure in the budget were paid for

ii. Recover the sum of 38,731,491.30 and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 5: MISAPPLICATION OF FUNDS FROM OVERHEAD EXPENDITURE (= 7,092,997.00)

Paragraph 417 of the Financial Regulations 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 shall be disallowed."

Audit observed that:

i. Seven (7) payments totalling 7,092,997.00 (Seven million and ninety-two thousand, nine hundred and ninety-seven naira) were made from sub-head 0406(L)-Maintenance of Ammunitions and Riot Control Equipment and Subhead 0406 (M) - Maintenance of Armory and Ranges for purposes that are not related such as procurement of cartons of A4 papers, purchase of Laser Jet printer and inkjet, and supply of red, blue and black biro, and

ii. Evidence of approved virement, in compliance with extant regulations was not provided. Consequently, the payment of 7,092,997.00 cannot be accepted as a legitimate charge against public funds and hence disallowed.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Misappropriation of public funds.
ii. Payment for jobs not executed.

Management's Response
No response received from the management.

Recommendations
The Inspector-General of Police is requested to:

i. Provide reasons why payments were made from wrong subheads without approved virement.

ii. Recover the sum of 7,092,997.00 (Seven million and ninety-two thousand, nine hundred and ninety-seven naira) and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 6: PAYMENT FOR CONTRACTS NOT EXECUTED (= 613,580,000.00)

Paragraph 708 of the Financial Regulations states "On no account should payment be made for services not yet performed or for goods not yet supplied."

Audit observed that:

i. Six (6) contracts totaling 613,580,000.00 (Six hundred and thirteen million, five hundred and eighty thousand naira) were awarded to two contractors on 17th January 2019 for procurement of Ballistic Roller Trolley, construction of Gunshot spotter and Ballistic Mobile Surveillance House.

ii. There was no evidence of execution, as relevant documents such as invoice, SRV, SIV, Ledger entry, etc. were neither presented to the team nor the items found in the location indicated in the vouchers.

iii 100% advance payment was made to the two contractors before execution of the contracts. This act contravened the provision of paragraph 2933 (i) of Financial Regulations which requires payment of mobilization fee not to exceed 15% of the contract price.

iv. There was a contract for the Supply of 20 units of Ballistic Mobile Surveillance in Borno State at a contract sum of 249,980,000.00, which was beyond the approval threshold of both the Force and its supervising ministry. It is noteworthy to state that contract for supplies above 100,000,000.00 requires approval of the Federal Executive Council (FEC).

v. Both contractors obtained Performance Bonds from Sovereign Trust Insurance Plc and the validity of the Bond terminated on 28th June 2019. By implication relieving the Insurance Company of any liability in event of legal action arising from non-performance on the part of the Contractors. This practice contradicted the contract agreement (Article III) terms of payment signed and sealed between

Nigeria Police Force and the contractors. Specifically, Article III Paragraph 3.1C required payment to be made to contractors after satisfactory production of certificate of inspection and acceptance duly signed by the Buyer's representative, and

vi. The two contractors did not participate in the pre-qualification process, while tax clearance certificates were not presented for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Procurement of substandard good or services.
ii. Diversion of public funds.

Management's Response

No response received from the management.

Recommendations

The Inspector-General of Police is required to:

i. Furnish reasons why payments were made for contracts not executed.

ii Recover the sum of 613,580,000.00 (Six hundred and thirteen million, five hundred and eighty thousand naira) being payment for unexecuted contracts and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to payments for poor quality of work and prosecution by the EFCC prescribed by paraphs 3105 and 3104 (iii) of the Financial Regulations respectively.

ISSUE 7: VIOLATION OF APPROVAL THRESHOLD ON PROCUREMENT CONTRACTS (= 500,335,000.00)

Establishment Circular Ref. No. SGF/OP/I/S.3/XI/849 dated 14th January 2016 on Implementation of Approved Prior Review Threshold for Procurement of Goods, Works and Services for Service-Wide Application requires that contract for supplies above 100,000,000.00 should pass through the Federal Executive Council (FEC) for approval.

Audit observed that:

i. Two (2) contracts totaling 500,335,000.00 (Five hundred million, three hundred and thirty-five thousand naira) approved by the Nigeria Police Force Purchasing and Tenders Board as shown in the Table below, and.

S/N	DATE	PV NO	DESCRIPTION	AMOUNT ( )
1	06-02-18	CEXP/7472/067/FQ/ARM/2018	Supply of 20 units of Ballistic Mobile Surveillance in Lagos State	249,985,000.00
2	06-12-18	NP/2449/18	Cost of supply of 500,000 rounds of 7.62*39mm live Ammunition to NPF	250,350,000.00
		TOTAL		**500,335,000.0**

Source: Extract from Payment Vouchers

ii. The contracts of such magnitude should have passed through the Federal Executive Council (FEC) for approval, as they were above the approval threshold of both the Nigeria Police Force Tenders Board and that of the supervising Ministry of Police Affairs.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Misappropriation of public fund.
ii. Diversion of public funds.

Management's Response

No response received from the management.

Recommendations

The Inspector General of Police is requested to:

i. Provide reasons why contracts which were above the approval threshold of Tenders Boards of both the Police Headquarters and that of Ministry of Police Affairs were not forwarded to the Federal Executive Council for approval.

ii. Account for the sum of 500,335,000.00 (five hundred million, three hundred and thirty-five thousand naira).

iii. Recover the sum of 500,335,000.00 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to payments for poor quality of work and prosecution by the EFCC prescribed by paragraphs 3105 and 3104 (iii) of the Financial Regulations respectively, and demotion of rank and immediate transfer to another schedule as in FR 3117.

ISSUE 8: LACK OF COMPREHENSIVE RECORDS OF UNSERVICEABLE/ EXPIRED FIREARMS AND AMMUNITION

Paragraph 2505 of the Financial Regulations requires the officer in charge to record such items in a separate expendable tools' ledger.

Audit observed that:

i. Several numbers of firearms from the review of Arm Issue Register, monthly returns of arms and ammunitions obtained from Force Armament, Force headquarters for various States Commands, Formations, Zonal offices, Training Institutions, squadrons and physical inspection of firearms and ammunition at the Force Headquarters have become unserviceable and dysfunctional.

ii. Records of the total number of unserviceable firearms were not produced for examinations, and

iii. There were no returns from Adamawa State Command, Police Mobile Force (PMF) 46, 56,64 and 68 for the period under review. Similarly, returns were not submitted by some Police Training Institutions and some Formations, and Physical verification of firearms and ammunition at the Force Armament, Force Headquarters showed large quantity of damaged and obsolete firearms which needed to be destroyed. The damaged and obsolete firearms and ammunition should be treated in line with Financial Regulations 2618 which requires the destruction to be carried out in such a manner as to render the firearms unusable for their original purpose.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Police Force Armament.

Risks

i. Conversion of firearms for illegal use.
ii. Loss of public funds.

Management's Response

No response received from the management.

Recommendations

The Inspector-General of Police is requested to:

i. Provide reasons why records of unserviceable and expired firearms and ammunition were not maintained.

ii. Forward a comprehensive record of all unserviceable firearms and ammunition and up to date record/schedule of expended ammunition to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanctions relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

SECTION 16

REVENUE AND ECONOMIC SECTOR AUDIT DEPARTMENT

BANK OF AGRICULTURE (BOA)

At the Bank of Agriculture (BOA), the following observations were made:

ISSUE 1: RISING NON-PERFORMING LOAN (= 75,595,161,603.91)

Article 8.3.2 of the Regulatory and Supervisory Guidelines for Development Finance Institutions in Nigeria 2015 states "The limit of the DFI's Non-Performing Loans (NPL) shall be as prescribed in the prudential guidelines for banks in Nigeria." Furthermore, Article 12.3 of the Prudential Guidelines for Licensed Banks in Nigeria 2010 states "The classifications and provisioning for specialized loans such as Agricultural finance, Project finance, Object finance, Real estate Finance, SME finance and Mortgage finance takes into considerations the cash flows and gestation periods of the different loan types".

Audit review of reports from Risk Asset Management Department of BOA Ltd. on Non-Performing Loans (NPL) observed that:

i. The NPL as at 31st December, 2018 stood at 49,149,835,902.37 (Forty-nine billion, one hundred and forty-nine million, eight hundred and thirty-five thousand, nine hundred and two naira, thirty-seven kobo) representing an NPL ratio of 55.86 as against the industry average of 30%;

ii. The NPL as at 31st December, 2019 was 75,595,161,603.91 (Seventy five billion, five hundred and ninety five million, one hundred and sixty one thousand, six hundred and thirteen naira, ninety one kobo) representing an NPL ratio of 83.51 as against the industry average of 30%; and

iii. The age analysis of the NPL was not disclosed as shown on the Table below.

		2018		2019	
S/N	**ZONE**	**NPL ( )**	**NPL RATIO**	**NPL ( )**	**NPL RATIO**
1	North Central	7,380,683,122.14	87.51	6,672,456,621.95	89.64
2	North East	16,186,569,889.63	61.67	27,867,390,507.57	89.16
3	South East	3,290,697,653.12	69.65	4,201,388,395.45	98.00
4	South West	4,213,774,671.22	63.82	3,400,611,482.18	62.00
5	North West	13,126,053,890.71	37.11	27,311,591,761.31	76.74
6	South South	4,952,056,675.55	74.94	6,141,722,845.46	95.08
	TOTAL	**49,149,835,902.37**	**55.86**	**75,595,161,613.91**	**83.51**
	PRODUCT	**NPL ( )**	**NPL RATIO**	**NPL ( )**	**NPL RATIO**
1	Short Term Agric.	41,138,639,973.32	51.75	69,645,932,765.13	82.59
2	Long Term Agric.	6,413,505,205.69	94.48	5,787,448,325.15	97.44
3	Non-Agric.	1,597,690,723.36	93.87	161,780,523.63	64.74
	TOTAL PROVISION	**49,149,835,902.37**	**55.86**	**75,595,161,613.91**	**83.51**

Source: *Non Performing Loans Report 2018/2019*

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA)

Risks

i. Difficulty in funding Bank's operations.
ii. Threat to the Bank's continuation as a going concern
iii. The bank could become distressed due to inability to pay its obligations
iv. Loss of stakeholders' funds/investments

Management's Response

i. Joint recovery outing of the Head Office, Zonal and Branch offices to intensify loan recovery, the use of courts to prosecute chronic defaulters.

ii. Taking advantage of the recently introduced Global Standing Instruction (GSI) by the CBN on non-collateralized loans. With this, BOA will recover all outstanding principal and interest upon defaulting farmers, (Non - Collateralized) through the deductions.

iii. Setting up of Recovery Taskforce at the Head Office and Zonal Offices to consolidate recovery Bank-wide.

iv. Recovery targets have been assigned to staff at all levels, the targets will form basis of staff performance evaluation.

v. Waiver concessions. In a bid to improve collections and consequently reduce NPL, the Bank's Management introduced waiver concessions on interest elements of the loan to encourage defaulters to pay off.

vi. Litigation. Bank is prosecuting defaulting clients through various courts.

Recommendations

The Managing Director is requested to:

i. Justify the rising non-performing loans to the Public Accounts Committees of the National Assembly;

ii. Furnish evidence of recoveries from the non-performing loans of 75,595,161,613.91 made to the Public Accounts Committees of the National Assembly;

iii. Furnish the list of all litigations brought against the defaulting clients through various courts to the Public Accounts Committees of the National Assembly;

iv. Provide details of the age analysis of the non-performing loans to the Public Accounts Committees of the National Assembly;

v. Furnish the strategic action plan to turn-around the bank and return it to the part of profitability; and

vi. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 2: INDICATION OF GOING CONCERN PROBLEM DUE TO CONTINUOUS LOSS-MAKING POSITION (= 49,582,978,000.00)

Going concern is one of the very fundamental principles of accounting. It assumes that the entity will continue to remain in business for the foreseeable future. Conversely, it also means that the entity does not plan to, or expect to be forced to, liquidate its assets. If the going concern assumption did not hold true, then it would not be possible to record prepaid or accrued expenses as such.

Audit observed, from the review of the Bank of Agriculture Management Accounts Statement of Comprehensive Income for the year ended 31st December, 2017 and 2019 that:

i. A loss of 10,108,455,000.00 (Ten billion, one hundred and eight million, four hundred and fifty-five thousand naira) was reported in 2017;

ii. Similarly, a loss of 8,077,637,000.00 (Eight billion, seven-seven million, six hundred and thirty-seven thousand naira) was reported for the year ended 31st December, 2018;

iii. A loss of 31,396,886,000.00 (Thirty-one billion, three hundred and ninety-six million, eight hundred and eighty-six thousand naira) was also reported for the year ended 31st December, 2019; and

iv. The capital adequacy ratio is below the regulatory minimum of 10%, which indicates the existence of material uncertainty which casts significant doubt on the Bank's ability to continue as a going concern.

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA)

Risks

i. Threat to the Bank's continuation as a going concern
ii. The bank could become distressed due to inability to pay its obligations
iii. Loss of stakeholders' funds/investments
iv. Inability of Bank of Agriculture to provide meaningful service to the public.

Management's Response

Repositioning Bank of Agriculture (BOA):

1. AFDB PROJECT

As part of effort to reposition the Bank for greater effectiveness and efficiency. The Federal Government of Nigeria has received an initial grant USD 1.2 million for institutional strengthening and capacity building from African Development Bank. The Bank through the grant has engaged the services of Developer Financial Consulting Ltd, Ontario, Canada, in association with FDHL-MT Group, Lagos, to provide institutional advisory services for BOA. The consultant has since commenced work at our Head Office on 8th February, 2018. In accordance, with the timetable of deliverable of ToR. At the end of the project, it is expected that the bank will be well positioned to access funds from CBN, AFDB and global financial market.

2. BPE

The Federal Government of Nigeria (FGN), through the Bureau for Public Enterprises (BPE) is also carrying out a project for restructuring, recapitalization and partial privatization of BOA. The objective of the project is to bring private equity investment into the Bank ebbed good competitive culture in the bank.

3. EQUITY INJECTION BY SHAREHOLDERS

The Bank's Management has been pursuing with vigor the payment of the Bank's outstanding equity by its shareholders Ministry of Finance Incorporated (MOFI), and the Central Bank of Nigeria (CBN). As at last audit, the outstanding equity, in the sum of 16,391,595,860 (Sixteen billion, three hundred and ninety-one million, five hundred and ninety-five thousand, eight hundred and sixty naira) is owed as follows:

Ministry of Finance Incorporated (MOFI)	418,517,860
Central Bank of Nigeria (CBN)	15,973,078,000
Total	**16,391,595,860**

These efforts have started yielding result. The Ministry of Finance Incorporated (MOFI) has reduced its outstanding balance. Discussion is at high level with CBN to pay their outstanding balance.

Recommendations

The Managing Director is requested to:

i. Furnish the Public Accounts Committees of the National Assembly with strategies put in place to reverse the trend and return the Bank to profitability; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 3: NON-PAYMENT OF OUTSTANDING EQUITY BY SHARE HOLDERS [CENTRAL BANK OF NIGERIA AND MINISTRY OF FINANCE INCORPORATED (MOFI)] (= 16,391,595,860.00)

After the merger of the old Nigerian Agricultural Cooperative Bank (NACB), Peoples Bank of Nigeria (PBN) and Risk Assets of the Family Economic Advancement Program (FEAP) to become the Nigerian Agricultural Co-operative and Rural Development Bank Ltd. (NACRDB) which was later changed to Bank of Agriculture (BOA) Ltd., on the 5th December, 2001, the President and Commander in Chief of the Armed Forces, Federal Republic of Nigeria approved the recapitalization of the Bank to the tune of 50,000,000,000.00 (Fifty billion naira) to be injected in four (4) equal instalments of 12,500,000,000.00 (Twelve billion, five hundred million naira) each payable in four (4) years from 2001 by the Federal Ministry of Finance Incorporated and Central Bank of Nigeria at the ratio of 60:40 respectively.

Audit observed that:

i. Despite the approval of Mr. President in 2001, Ministry of Finance Incorporated (MOFI) paid a total of 27.7 Billion in instalment over a period of 14 years, with additional 1.5Billion paid in 2018, while Central Bank of Nigeria paid 3.6 Billion in

2003 having earlier paid 400Million between April 1980 and October, 1993 as shown in the Table below.

S/N	SHAREHOLDERS	PERCENTAGE (%)	PLANNED (₦)	PAYMENT (₦)	BALANCE (₦)
1	Ministry of Finance Incorporated (MOFI)	60	30,000,000,000	29,581,482,140	418,517,860
2	CENTRAL BANK OF NIGERIA (CBN)	40	20,000,000,000	4,026,922,000	15,973,078,000
	TOTAL	**100**	**50,000,000,000**	**31,734,468,176**	**16,391,595,860**

Source: BOA Records;

i. The amount of 16, 391,595,860.00 (Sixteen billion, three hundred and ninety-one million, five hundred and ninety-five thousand, eight hundred and sixty naira) is outstanding equity yet to be paid by the shareholders.

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA)

Risks

i. Inadequate capital base.
ii. Difficulties in fulfilling BOA mandate.

Management's Response

Management is engaging the various stakeholders to provide adequate funding to boost the Bank capital base.

Recommendations

The Managing Director is requested to:

i. Furnish evidence of engagement with the shareholders on the provision of adequate funding to boost the BOA capital base to the Public Accounts Committees of the National Assembly, and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 4: UNRECOVERED LOAN FROM FEDERAL MINISTRY OF WATER RESOURCES (= 2,411,806,663.00)

Audit observed, from the review of a letter with Reference No: BOA/MD/HMF/BOSAM/2018/98, dated April 17, 2018, addressed to the Honourable Minister of Finance on the status of three (3) loans disbursed to the Federal Ministry of Agriculture and Water Resources (FMA&WA) and its Parastatals between 1981 and 1992, that:

i. Between 1981 and 1982, the Federal Executive Council directed the Bank to disburse the sum of 5,000,000.00 (Five million naira) each to the eleven (11) River Basin Development Authorities totaling 55,000,000.00 (Fifty-five million naira) for On-Lending to Farmers in their areas of jurisdiction. Due to the poor servicing of the loan, the debt position stood at 634,405,323.00 (Six hundred

and thirty-four million, four hundred and five thousand, three hundred and twenty-three naira) as at December 31, 2000;

ii. In 1989, the Bank led a syndication which provided the Federal Ministry of Agriculture and Water Resources (FMA&WR) with loans of 221,776,307.00 (Two hundred and twenty-one million, seven hundred and seventy-six thousand, three hundred and seven naira) and 75,624,236.00 (Seventy-five million, six hundred and twenty-four thousand, two hundred and thirty-six naira) for the completion of Kampe and Swash Dams and Irrigation projects respectively. The debt position stood at 152,144,006.58 (One hundred and fifty-two million, one hundred and forty-four thousand- and six-naira, fifty-eight kobo) as at December 31, 2000;

iii. In 1992, BOA granted a loan of $5,240,662.50 (Five million, two hundred and forty thousand, six hundred and sixty-two dollars, fifty cent) as down payment to the FMA&WR for the construction of Middle and Lower Ogun Dam and Irrigation projects. The debt position stood at 1,625,257,333.42 (One billion, six hundred and twenty-five million, two hundred and fifty-seven thousand, three hundred-and thirty-three-naira, forty-two kobo) as at December 31, 2000;

iv. The Federal Executive Council set up a Committee comprising officials of the Ministries of Water Resources, Finance and BOA in 1999 to carry out reconciliation, which arrived at the total outstanding balance of 2,411,806,663.00 (Two billion, four hundred and eleven million, eight hundred and six thousand, six hundred and sixty-three naira) as at December 31, 2000; and

v. In April, 2001, the Ministry was granted waiver of 1,043,806,663.00 (One billion, forty-three million, eight hundred and six thousand, six hundred and sixty-three naira) and requested to pay the sum of 1,368,000,000.00 (One billion, three hundred and sixty-eight million naira) as full and final settlement but the amount has not been settled.

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA)

Risks

i. Difficulty in funding BOA's operations.
ii. Threat to the Bank's going concern status.

Management's Response

i. All efforts made by the Bank and the committee constituted by the Federal Executive Council has yielded no result at recovering this loan.

ii. The Bank got a breakthrough when it appointed a Solicitor, D.D. Azura and Co. in 2019. The Solicitor has so far recovered 350,000,000.00 from the Water Resources Ministry through the assistance of the present Minister who is desirous of settling the debt.

iii. The repayment stopped temporarily as a result of the adjustments made in the budget of 2020 due to the outbreak of Covid 19.

iv. We hope that with the improvement of the economic situation in the country and the reduction in the incidence of Covid 19, the Ministry will start remittance to the Bank until full liquidation.

Recommendations

The Managing Director is requested to:

i. Furnish evidence of the recovery of 350,000,000.00 by D.D. Azura and Co. in 2019 to the Public Accounts Committees of the National Assembly;

ii. Furnish evidence of additional recoveries made, especially from Ministry of Water Resources indebtedness of 1,368,000,000.00 from 2,411,806,663.00 to the Public Accounts Committees of the National Assembly, and

Otherwise, apply sanction relating to failure to collect and account for government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 5: NON-RENDITION OF 2019 AUDITED FINANCIAL STATEMENTS TO THE AUDITOR-GENERAL FOR THE FEDERATION

Paragraph 3210 of the Financial Regulations states "(i) (v) 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:

i. The last set of audited annual financial statements submitted to the Auditor-General for the Federation was for the year ended 31st December, 2018.

ii. The 2019 is in arrears as at time of the audit.

The above anomalies could be attributed to weaknesses in the internal control system in Bank of Agriculture Limited.

Risks

i. Failure of stewardship.
ii. Delay in decision-making.

Management's Response

The 2019 Audited Accounts was not ready as at the time of visit. The delay is as a result of the manual nature of our operations which require more audit time than automated operation. The audit of 2019 Account is in progress and this will also be submitted as soon as the audit is completed. The bank noted the provision of financial regulation 3210 for compliance.

Recommendations

The Managing Director is requested to:

i. Provide the audited financial statements of BOA for the year ended 31st December, 2019 to the Public Accounts Committees of the National Assembly;

ii. Furnish evidence of submission to the Auditor-General for the Federation of the financial statements of BOA for the year ended 31st December, 2019 to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 6: OVERDUE TENURE OF EXTERNAL AUDITORS

Extant Circular with reference No 1212/2008/CONF./VOL I/1 dated 28th October, 2008 from the Office of the Auditor–General for the Federation on the Guidelines on the appointment of Auditors to audit the accounts of Federal Government Parastatals, Agencies and Commissions stipulates in paragraph (b) "The tenure of the Appointed Auditor should be one year in the first instance, renewable annually subject to satisfactory performance for 3 years and on no account should annual renewal extend the total tenure of the appointed firm or firms beyond 5 years. This is to ensure that the independence of the auditors is not placed in jeopardy".

Audit observed that:

i. The Audit Committee of BOA recommended at its 39th meeting held on 13th September, 2011 and approved the appointment of a firm of Chartered Accountants to audit the books of accounts for the year 2011;

ii. The audit firm have spent a total of nine (9) years as at the time of the periodic checks in 2020 as appointed auditors of the Bank contrary to the provisions of the above stated Extant Circular from the Office of the Auditor – General for the Federation; and

iii. The tenure of 9 (nine) years for the External Auditors quoted from the CBN Regulations is in contravention of FR 3208 which states "Except the enabling Act relating to a particular Parastatal provides otherwise, the provisions of Financial Regulations shall apply. Where any provision of the Financial Regulations conflicts with the Act relating to any particular Parastatal, the immediate advise of the Accountant General should be sought."

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA).

Risks

i. Independence of the auditor may be jeopardized.
ii. Integrity of reports of the Auditors may be negatively affected.

Management's Response

BOA is a Government owned Development Financial Institution (DFI). It is registered with Corporate Affairs Commission as a limited liability company with Central Bank of Nigeria (CBN) and Ministry of Finance Incorporated (MOFI) as Shareholders in the ratio of 40:60 respectively. Being a DFI, the Bank is being regulated by CBN. Section 9.1 of CBN Regulatory and Supervisory Guideline stipulates that appointed Auditors shall serve continuously for a period not more than 10 years from the date of first engagement. Ernest and Young was engaged in 2011 and had served for seven (7) years by the Audit of 2017 Account which was ready at the time of AuGF visit.

Recommendations

The Managing Director is requested to:

i. Justify the retention of the External Auditors for more than five years as prescribed by the extant circular; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 7: NON-CONSTITUTION OF THE GOVERNING BOARD

Article 65 of the Companies and Allied Matters Act of 1990 CAP 59 (Article of association of Bank of Agriculture Limited) states "Unless otherwise determined by the Company in General meeting, the Number of Directors (including the Managing Director) shall not be more than 9, one of whom shall be appointed as Chairman by the Federal Republic of Nigeria. In order to ensure that all interests are represented, the following shall comprise the Board:

i. Chairman;
ii. Representative of the Federal Ministry of Agriculture & Rural Development not below the rank of a Director;
iii. Representative of the Federal Ministry of Finance not below the rank of a Director;
iv. Representative of Office of the Secretary to the Government of the Federation not below the rank of a Director;
v. Representative of the Central Bank of Nigeria not below the rank of a Director;
vi. Managing Director/Chief Executive; and
vii. Four (4) Executive Directors".

Audit observed that the Bank of Agriculture Limited is without a constituted Board after the dissolution of the last Board in 2015.

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA).

Risks

i. Lack of strategic direction/guidance for the entity
ii. Absence of oversight function.

Management's Response

Management is liaising with the Federal Ministry of Agriculture and Rural Development (FMA&RD) for the prompt constitution of Governing Board of the Bank of Agriculture Ltd.

Recommendations

The Managing Director is requested to:

i. Furnish evidence of engagement with the Federal Ministry of Agriculture and Rural Development (FMA&RD) for the constitution of Governing Board of the Bank of Agriculture Ltd to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 8: HIGH TURNOVER OF THE BANK'S MANAGING DIRECTOR

Article 70 of Memorandum and Article of Association of Bank of Agriculture Limited states "There shall be a Managing Director who shall be the Chief Executive and Executive Directors. He shall be appointed by the President of the Federal Republic of Nigeria".

Audit observed that:

i. Between 2010 and 2020, Bank of Agriculture have had five (5) Managing Director/Chief Executive Officer as shown on the Table below

S/N	NAME	STATUS	TENURE
1	Mohammed K. Santuraki	MD/CEO	September, 2010- September, 2014
2	Babatunde M. T. Sadiku	Ag. MD/CEO	October, 2014 - October, 2015
3	Danbala Danju	MD/CEO	July, 2015 - March, 2017
4	Kabir Mohammed Adamu	MD/CEO	April, 2017 - May, 2020
5	Alwan A. Hassan	Ag. MD/CEO	May, 2020 - Date

i. Among the MD/CEO appointed before 2020, only Mohammed K. Santuraki served a full tenure of four (4) years.

The above anomalies could be attributed to weaknesses in the internal control system at the Bank of Agriculture (BOA).

Risks

i. High turnover of MD/CEO may result to operational inefficiencies.
ii. Going concern status of the bank may be threatened.

Management's Response

Noted, Management is already engaging with the supervising Ministry.

Recommendations

The Managing Director is requested to:

i. Furnish evidence of engagement with the Federal Ministry of Agriculture and Rural Development (FMA&RD) for the constitution of Governing Board of the Bank of Agriculture Ltd to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

FEDERAL INLAND REVENUE SERVICE (FIRS)

At Federal Inland Revenue Service (FIRS), the following observations were made:

ISSUE 1: PAYMENT VOUCHERS NOT SUPPORTED WITH ADEQUATE AND RELEVANT DOCUMENTS (= 138,541,586.62)

Paragraph 603 of the Financial Regulation 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 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 payment vouchers totaling 138,541,586.62 (One hundred and thirty eight million, five hundred and forty one thousand, five hundred and eighty six naira, sixty one kobo) were not supported with relevant documents such as receipts, originating memos, Store Receipt Vouchers (SRV), invoices etc.

The above anomalies could be attributed to weaknesses in the internal control system at Federal Inland Revenue Service (FIRS).

Risks

i. Loss of funds.
ii. Payment for services not rendered or job not executed.

Management's Responses

No response

Recommendations

The Executive Chairman is requested to:

i. Furnish the relevant supportive documents such as receipts, originating memos, Store Receipt Vouchers (SRV), invoices, etc. to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to gross misconducts in paragraph 3129 of the Financial Regulations.

ISSUE 2: FAILURE TO DEDUCT STATUTORY TAXES FROM CONTRACTOR'S FEES (= 4,264,099.30)

Paragraph 235 of the Financial Regulation 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". Furthermore, Section 40 of the Federal Inland Revenue Service Establishment Act 2007 states "Any person who being obliged to deduct any tax under this Act or the laws listed in the First Schedule to this Act, but fails to deduct, or having deducted, fails to pay to the Service within 30 days from the date the amount was deducted or the time the duty to deduct arose, commits an of fence and shall, upon conviction, be liable to pay the tax withheld or not remitted in addition to a penalty of 10 per cent of the tax withheld or not remitted per annum and interest at the prevailing

Central Bank of Nigeria minimum re-discount rate and imprisonment for period of not more than three years."

Audit observed that:

i. Contract for the provision of marketing communication services was awarded to a contractor at the sum of 75,000,000.00 for a one year period (1st August, 2016 to 31st July, 2017);

ii. The part payment of 42,640,993.00 was made to the contractor without statutory tax deductions; and

iii. The amount of 4,264,099.30 was statutory taxes not deducted from the contractor's payment.

The above anomalies could be attributed to weaknesses in the internal control system at Federal Inland Revenue Service (FIRS).

Risks

i. Loss of revenue to government.
ii. Difficulty in funding government budget.

Management's Responses

No response

Recommendations

The Executive Chairman is requested to:

i. Furnish evidence of the statutory tax deductions and remittance of 4,264,099.30 (Four million, two hundred and sixty-four thousand, ninety-nine naira, thirty kobo) to the Public Accounts Committee of the National Assembly; and

ii. Otherwise, apply sanctions relating to failure to collect and account for government revenue in paragraph 3112 of the Financial Regulations

ISSUE 3: IRREGULAR PAYMENT OF DUTY TOUR ALLOWANCES TO STAFF WITHOUT PROPER DESCRIPTION OF PURPOSE (= 21,300,000.00)

Paragraph 603 (i) of the Financial Regulations 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 Service made payments of Duty Tour Allowances (DTA) to staff amounting to 21,300,000.00 (Twenty one million, three hundred thousand naira) without proper narrations of purpose to justify that the payments were made in public interest.

The above anomalies could be attributed to weaknesses in the internal control system at Federal Inland Revenue Service (FIRS).

Risk
i. This may lead to Fraud.
ii. Loss of public funds.

Management's Responses
No response

Recommendations
The Executive Chairman is requested to:
i. Furnish evidence to justify the official assignments purportedly carried out by the affected officers to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 4: NON COMPLIANCE TO LIMIT ON COST OF MEALS AND REFRESHMENT DURING OFFICIAL MEETINGS (= 40,234,099.50)

Extant Circular from the Office of the Head of Civil Service of the Federation with reference No. OHCSF/SPSO/CSTD/11214/1/39 dated 6th February, 2017 issued by the Head of the Civil Service of the Federation requires Ministries, Departments and Agencies to limit expenditure on Ministers/Permanent Secretaries, Directors-General/Chief Executive Officers to 2,000.00 on Tea-Break, 3,000.00 on Lunch and Dinner each. Officers on Grade Level 15-17 including SAs and SSAs should be limited to 1,000.00 on Tea-Break, 2,000.00 on Lunch and Dinner each. While other officers should be limited to 500.00 on Tea-Break, 1,000.00 on Lunch and Dinner each.

Audit observed from the review of fourteen (14) payment vouchers that the Federal Inland Revenue Service (FIRS) made provisions for meals and refreshments during official meetings in excess of the approved limits for various meetings amounting to 40,234,099.50 (Forty million, two hundred and thirty four thousand, ninety nine naira, fifty kobo) contrary to the provisions of the Extant Circular.

The above anomalies could be attributed to weaknesses in the internal control system at Federal Inland Revenue Service (FIRS).

Risk
Loss of public funds.

Management's Responses
No response.

Recommendations

The Executive Chairman is requested to:

i. Provide reasons for the non compliance with the provisions of the Extant Circular to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 5: NON COMPLIANCE WITH STOPPAGE ON PAYMENT OF ANNUAL SUBSCRIPTIONS, FEES AND OTHER RELATED CHARGES TO PROFESSIONAL BODIES ON BEHALF OF OFFICERS IN SERVICE (= 26,268,640.00)

Establishment Circular from the Office of the Head of the Civil Service of the Federation (OHCSF) with reference No. HCSF/PSO/784/III/2 of 23rd January, 2009 states "Attendance of courses leading to professional qualifications shall be at the expenses of the officers themselves. As a matter of emphasis MDAs shall no longer pay for course fees and allowances for officers attending training programmes arranged or sanctioned by their respective professional bodies". Furthermore, Establishment Circular from OHCSF with reference No. 1138/2005/CONF/III/77 of 7th April, 2009 states "Ministries, Departments and Agencies of Government shall no longer pay annual membership subscriptions, professional fees and other related charges which are linked to the career progression of individual officers to professional bodies/organizations, on behalf of officers in the Service. Henceforth, such professional fees/annual subscriptions should be borne by the affected officers."

Audit observed from the review of seven (7) payment vouchers that Federal Inland Revenue Service (FIRS) made payments on behalf of staff to their respective professional bodies annual subscriptions, fees and other related charges which are linked to the career progression of the individual officers to professional bodies/organizations amounting to 26,268,640.00 (Twenty six million, two hundred and sixty eight thousand, six hundred and forty naira).

The above anomaly could be attributed to weaknesses in the internal control system at Federal Inland Revenue Service (FIRS).

Risks

i. This may lead to Fraud.
ii. Loss of public funds.

Management's Responses

No response

Recommendations

The Executive Chairman is requested to:

i. Provide reasons for the non compliance to the provisions of the Extant Circular to the Public Accounts Committees of the National Assembly;

ii. Recover the sum of 26,268,640.00 (Twenty six million, two hundred and sixty eight thousand, six hundred and forty naira), forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

FEDERAL MINISTRY OF FINANCE (YOUTH ENTERPRISE WITH INNOVATION IN NIGERIA – YouWiN)

At the Federal Ministry of Finance (You WiN Connect) for the years 2018 and 2019, the following observations were made:

ISSUE 1: NON-RETIREMENT OF CASH ADVANCES (= 20,466,744.00)

Paragraph 2302 (ii) of the Financial Regulations states "On no account shall special imprest or cash advance be used in place of local purchase order or job order for the procurement of stores locally." Furthermore, Treasury Circular Reference Number OAGF/CAD/026/VOL.1/188 of March, 2009 states "all local procurement of stores and services above 200,000.00 (Two hundred thousand naira) only, shall only be made through contract awards."

Audit observed that:

i. The sum of 10,801,244.00 (Ten million, eight hundred and one thousand, two hundred and forty-four naira) and 9,665,500.00 (Nine million, six hundred and sixty-five thousand, five hundred naira), totalling 20,466,744.00 (Twenty million, four hundred and sixty-six thousand, seven hundred and forty-four naira), granted as cash advances were yet to be retired;

ii. Furthermore, amounts totalling 10,801,244.00 (Ten million, eight hundred and one thousand, two hundred and forty-four naira) were granted as cash advances to Staff of You-Win between 8th February, and 18th December, 2018 in excess of the 200,00.00 threshold. The advances were granted for the purchase of store items, repairs and other services that would have been made through the award of contract, by Local Purchase Orders (LPOs), or Job Orders. As a result, government suffered the loss of 1,080,124.40 (One million, eighty thousand, one hundred and twenty-four naira, forty kobo) which would have accrued as 5%WHT and 5%VAT had these jobs been undertaken through award of contracts;

iii. Similarly, an officer of the YOU-WIN was granted three (3) cash advances totalling 9,665,500.00 (Nine million, six hundred and sixty-five thousand, five hundred naira) between March and April, 2019 for services above 200,000.00 (Two hundred thousand naira) in contravention of extant circular. The advances were granted to subscribe for Zoho platform, google cloud engine, cloud data and Qualtrics platform to ensure seamless project tracking and provide up to date situation analysis. As a result, government suffered the loss of 966,550.00 (Nine hundred and sixty-six thousand, five hundred and fifty naira) which would have accrued as 5%WHT and 5%VAT had these jobs been undertaken through award of contracts; and

iv. In all, a total of 2,046,674.40 (Two million, forty-six thousand, six hundred and seventy four naira, forty kobo) was lost as government revenue as a result of the above infractions.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Finance (You WiN Connect)

Risks

i. Loss of government funds.
ii. Loss of revenue.

Management's Response

All cash advance given to the various officers were been utilized judiciously and all expenses incurred were in public interest and are retired as required accordingly as required by extant rules. This can also be verified with the Finance & Account Department.

Recommendations

The Permanent Secretary is requested to:

i. Recover the sum of 20,466,744.00 unretired cash advance and pay same to Consolidated Revenue Fund of the Federal Government and forward evidence of recovery to the Public Accounts Committees of the National Assembly;

ii. Remit the sum of 2,046,674.40 (Two million, forty-six thousand, six hundred and seventy-four naira, forty kobo) that would have accrued by way of VAT and WHT; and

iii. Otherwise, apply sanctions relating to non-recovery and non-retirement of cash advances in line with paragraphs 3118 and 3124 of the Financial Regulations respectively.

ISSUE 2: PAYMENT WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 15,471,850.00)

Paragraph 603 (i) of the Financial Regulations states “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:

i. The sum of 15,471,850.00 (Fifteen million, four hundred and seventy-one thousand, eight hundred and fifty naira) was paid to two (2) consultants for capacity building in Kano and Adamawa States; and

ii. The payments were made without relevant supporting documents such as lists of participants for the training in Kano and Adamawa states, contract files, contract agreements, terms of references etc.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Finance (You WiN Connect)

Risks

i. Loss of funds.
ii. Payment for unapproved expenditure.

Management's Response

The two (2) payment vouchers amounted to 15,471,959.00 being the cost of contract for Face-to Face sensitization training for Capacity Building workshop were being processed with the relevant supporting documents. It is worthy to note that there was a check-list issued before any payment is made.

Recommendations

The Permanent Secretary is requested to:

i. Account for the sum of 15,471,850.00 (Fifteen million, four hundred and seventy-one thousand, eight hundred and fifty naira) paid without attaching relevant supporting documents; or

ii. Pay the sum of 15,471,850.00 to Consolidated Revenue Fund of the Federal Government and forward evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

FEDERAL INSTITUTE OF INDUSTRIAL RESEARCH, LAGOS

At the Federal Institute of Industrial Research, the following observations were made:

ISSUE 1: PAYMENTS VOUCHERS WITHOUT SUPPORTING DOCUMENTS (= 159,870,465.71)

Paragraph 603(i) of the Financial Regulations states “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.”

Audit observed that:

i. The sum of 159,870,465.71 (One hundred and fifty-nine million, eight hundred and seventy-thousand, four hundred and sixty-five naira, seventy-one kobo) was paid in 2018 and 2019 for procurements, consultancy services, etc. through twenty-seven (27) payment vouchers, and

ii. Relevant supporting documents such as receipts, Job Completion Certificates, SRVs etc. were not attached to the Payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Institute of Industrial Research.

Risks

i. Payments may be made for unapproved expenditures.
ii. Payments may be made for non-existent transactions.
iii. There may be diversion of funds for private use.

Management's Response

Supporting documents were available and had been attached.

Recommendations

The Director-General is requested to:

i. Provide reasons why relevant supporting documents were not attached to payment vouchers before payments.

ii. Account for the sum of 159,870,465.71 (One hundred and fifty-nine million, eight hundred and seventy-thousand, four hundred and sixty-five naira, seventy-one kobo), and

iii. Remit the sum of 159,870,465.71 to the Treasury

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 2: PAYMENT VOUCHERS NOT PRESENTED FOR AUDIT (= 31,718,800.00)

Paragraph 601 of the Financial Regulations states “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/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:

i. Sixty-one (61) payments totalling 31,718,800.00 (Thirty-one million, seven hundred and eighteen thousand, eight hundred naira) were made and entered accordingly in the Institute's cash-book between April and December, 2018, and

ii. Payment vouchers and supporting documents in respect of those payments were not presented for audit.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Institute of Industrial Research.

Risks
i. Payments could be made for unapproved expenditures.
ii. Payments could be made for non-existent transactions.
iii. There could be diversion of funds for private use.

Management's Response
The payment vouchers were not paid due to insufficient funds to cater for all the requests in the year 2018.

Recommendations
The Director-General is requested to:
i. Provide reasons why payment vouchers were not presented for audit examination.

ii. Account for the sum of 31,718,800.00 (Thirty-one million, seven hundred and eighteen thousand, eight hundred naira).

iii. Remit the sum of 31,718,800.00 to the Treasury

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.

ISSUE 3: UNRETIRED NON-PERSONAL CASH ADVANCE (= 2,821,000.00)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring the prompt repayment of all advances by installments or otherwise." Furthermore, paragraph 1420 of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:
i. Nine (9) non-personal advances amounting to 2,821,000.00 (Two million, eight hundred and twenty-one thousand naira) that were granted to nine (9) officers of the Institute between November and December, 2018, for the procurement of stores, maintenance and servicing of meetings remained unretired as at the time of audit in 2020, and

ii. Some officers were granted advances in excess of the approved threshold of 200,000, thereby, circumventing procurement procedures.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Institute of Industrial Research.

Risks
i. Payments for items not supplied or services not rendered.
ii. Diversion of public funds.

Management's Response
The retirement details have been attached to the relevant vouchers.

Recommendations
The Director-General is requested to:

i. Provide reasons why advances granted to staff were not retired as required by extant regulations.

ii. Recover the sum 2,821,000.00 (Two million, eight hundred and twenty-one thousand naira) from the affected officials and remit to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and surcharge prescribed by paragraphs 3118 and 3124 of the Financial Regulations respectively.

INVESTMENT AND SECURITIES TRIBUNAL

At the Investment and Securities Tribunal, the following observations were made:

ISSUE 1: PROCUREMENT IRREGULARITIES ON IT SOFTWARE CONTRACTS WITHOUT MANDATORY CLEARANCE FROM NITDA (= 66,033,826.00)

Paragraph 3 (a) of the Establishment circular issued by National Information Technology Development Agency (NITDA) on IT policy and development with Ref: No. SGF.6/S.19/T/65 dated 18th August, 2007 states

i. "Consult NITDA before embarking on any IT project.

ii. Consult NITDA for the specific guidelines and prerequisites for their software upgrade to the new "windows vista" and office 2007.

iii. Consult NITDA for their entire software requirement to prevent undue duplication on the purchase of software upgrade to NITDA.

iv. Consult NITDA for advice on their required IT training, and

v. Make formal request on their software requirement."

Audit observed from the review of procurement payments that:

i. The sum of 66,033,826 (Sixty-six million, thirty-three thousand, eight hundred and twenty-six naira) was made to two (2) contractors for the upgrade and installations of IT software at the Tribunal in the year 2018;

ii. There was no clearance obtained from NITDA;

iii. There was no evidence of advertisement in two (2) national dailies and tender journals as stipulated by Financial Regulations (FR) 2922(iii); and

iv. No letter of award of contract to the contractors was made available for audit teams.

The above anomalies could be attributed to weaknesses in the internal control system at Investment and Securities Tribunal.

Risks

i. Duplication of software upgrade.
ii. High cost of installation.
iii. Loss of funds.

Management's Response

The Tribunal was not aware of the provisions of the Federal Government Circular with reference No. (59736/S.2/C.II/125) which was dated 31st August, 2018, until the 8th of October, 2019 when it received a letter from NITDA informing the Tribunal on the need to obtain requisite clearance and approval on all intended ICT procurement. Please find attached copy of the letter designated appendix 2a.

Once the Tribunal received the letter, it immediately compiled the list of all the ICT equipment captured in its advert for tender and submitted same to NITDA for their necessary clearance and approval. Please find copy of the letter conveying list of Tribunal's ICT need attached and designated as appendix 2b.

While waiting for NITDA's approval of the list of ICT equipment sent to it, the Tribunal received a letter three months later requesting it to resend another list on NITDA's portal in softcopy. Please see appendix 2c attached. It must be stated here that before this can be achieved, the Tribunal was asked by NITDA to nominate staff who are to be trained as Data Entry Officers and Approving Officers from the Tribunal's Procurement department and ICT department respectively.

Recommendations

The Chief Registrar is requested to:

i. Furnish the clearance obtained from NITDA for the procurement of IT Software in 2018 to the Public Accounts Committees of the National Assembly;

ii. Furnish evidence of newspapers advert placements in line with the provisions of FR 2922

iii. Furnish evidence of the letter of award of contract to the two (2) contractors for the IT software and upgrade at the Tribunal to the Public Accounts Committees of the National Assemby.

iv. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 2: EXTRA-BUDGETARY EXPENDITURE 0N THE PROCUREMENT OF OPERATIONAL VEHICLES (= 4,010,834.76)

Paragraph 417 of the Financial Regulations 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:

i. Three (3) operational Toyota vehicles were supplied by company via contract award ref. IST/PROC/ 167 and IST/PROC/166 dated 2nd May 2018 and June 27th, 2018 respectively at a cumulative sum of 55,010,834.76 (Fifty-five million, ten thousand, eight hundred and thirty-four naira, seventy-six kobo);

ii. The amount of 51,000,000.00 (Fifty-one million naira) was the appropriation for the procurement of operational vehicles in the year; and

iii. Extra budgetary expenditure of 4,010,834.76 (Four million, ten thousand, eight hundred and thirty-four naira, seventy-six kobo) was made contrary to the provisions of FR 417.

The above anomalies could be attributed to weaknesses in the internal control system at Investment and Securities Tribunal

Risks

i. Misapplication of funds.
ii. Loss of fund.
iii. Diversion of fund.

Management's Response

The Tribunal humbly submit that in its desire to provide for its most urgent need which is the provision of utility vehicles, and the fact that the rule off date by the Office of the Accountant General of the Federation was imminent, there was urgent need to acquire the utility vehicles for the use of the Tribunal's Judges to enable them execute their adjudicatory functions without hindrance to their mobility in terms of local transportation in the cause of carrying out their statutory responsibilities.

However, the observation of the OAuGF team of Inspectors is noted for compliance in moving forward.

Recommendations

The Chief Registrar is requested to:

i. Furnish evidence of the approved virement of 4,010,834.76 (55,010,834.76- 51,000,000.00) to the Public Accounts Committees of the National Assembly, and

ii. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

NATIONAL INSURANCE COMMISSION (NAICOM)

At the National Insurance Commission (NAICOM), the following observations were made:

ISSUE 1: NON-REMITTANCE OF ARREARS OF OPERATING SURPLUS (= 1,224,817,894.80)

Treasury Circular Ref No TRY/10A/10B/2016 OAGF/CAD/026/VIII/101 of 22nd November, 2016 paragraph 3b required partially-funded federal government Agencies/Parastatal to limit their annual budgetary expenditure to no more than 75 percent of their gross revenue, and remit 25 percent to CRF or pay 80 percent operating surplus computed according to the approved template to CRF, whichever is higher.

Audit observed that:

i. There was a credit entry of 1,224,817,894.80 (One billion, two hundred and twenty four million, eight hundred and seventeen thousand, eight hundred and ninety four naira, eighty kobo) in December cash book, being remittance of arrears of operating surplus using General journal vide GJLP008498 dated 31/12/2019;

ii. There was no evidence of remittance as the Commission failed to produce the relevant Treasury Receipt and statement to confirm that the transfer was made to the Consolidated Revenue Fund Account (CRF); and

iii. There was no breakdown of the revenue generated for the period showing the year's making up the arrears.

The above anomalies could be attributed to weaknesses in the internal control system at the National Insurance Commission (NAICOM)

Risks

i. Loss of Government revenue.
ii. Difficulty in funding budget

Management's Response

National Insurance Commission gave two mandates to Office of the Accountant General of the Federation for 683m as Operating Surplus for year 2017 and 540m as arrears of operating surplus for 2010 – 2015 as stated in the demand notice to be used to offset our balances of N1.6bn with OAGF. However, reconciliation is currently going on with Office of the Accountant General of the Federation to resolve the issue.

Recommendations

The Commissioner for Insurance is requested to:

i. Provide the evidence of remittance of the sum of 1,224,817,894.80 (One billion, two hundred and twenty four million, eight hundred and seventeen thousand, eight hundred and ninety four naira, eighty kobo) being arrears of operating

surplus claimed to have been remitted to CRF; or

ii. Remit the sum of 1,224,817,894.80 to Treasury and produce the treasury receipt obtained from Accountant General of the Federation, supported with REMITA payment receipt to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanction relating to failure to collect and account for government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 2 PAYMENT FOR FOREIGN TRIP WITHOUT APPROVAL BY THE HEAD OF CIVIL SERVICE OR SECRETARY TO GOVERNMENT OF THE FEDERATION (=US$100,377.30)

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:

i. Nineteen (19) payments totaling US$100,377.30 (One hundred thousand three hundred and seventy-seven dollars thirty cents) were made in respect of Estacode and other related expenses to officers of the Commission for various meetings, training, conferences and seminar outside the country;

ii. Relevant approvals from the Head of Civil Service of the Federation, or the President or Secretary to the Government of the Federation were not obtained before embarking on foreign trip as required by the Extant Law;

iii. These approvals together with programme and invitation letters from the organizers were not attached to the payment vouchers as required by paragraph 603 of the Financial Regulations; and

iv. There was no evidence to show that the officers embarked on the various meetings, training, conference and seminar as there were no reports on the programme in line with Circular No. HCSF/CS/BUD/33/1/38 dated 19/7/2011 which stipulates, "all attendance of both local and International Conference and Training are to produce certificate of full participation from the organizers, report on the program and evidence of course fee."

The above anomalies could be attributed to weaknesses in the internal control system at the National Insurance Commission (NAICOM).

Risks

i. Payment for trips not embarked upon.
ii. Loss of government funds.

Management's Response
The Commission is under the supervision of Federal Ministry of Finance, Budget and National Planning which has the responsibility for approval of the foreign trips embarked by the Commission's staff.

Recommendations
The Commissioner for Insurance is requested to:

i. Recover and refund to Treasury, the sum of US$100,377.30 (One Hundred Thousand Three Hundred and Seventy-Seven Dollars Thirty Cents), being amount expended on foreign trips by officers of the Commission without the approval of the SGF/HCSF.

ii. Forward the treasury receipt obtained from Accountant General of the Federation, supported with REMITA payment receipt to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 3: ENGAGEMENT OF EXTERNAL SOLICITORS WITHOUT THE APPROVAL OF THE ATTORNEY GENERAL OF THE FEDERATION (= 10,875,000.00)

Extant circular by the Solicitor-General of the Federation dated 16th July 2003, Ref. No. SGF/PS/CIR/025/1/1 requires that the consent of the Attorney General of the Federation be obtained before engaging any external solicitor.

Audit observed that the Commission engaged and paid external solicitors to the tune of 10,875,000.00 (Ten million eight hundred and seventy five thousand naira) in respect of various legal cases between the Commission and other parties without the consent of the Attorney General of the Federation as required by extant rules.

The above anomaly could be attributed to weaknesses in the internal control system at the National Insurance Commission (NAICOM)

Risks
i. Engagement of incompetent external solicitors.
ii. Loss of government funds.

Management's Response
Observation noted.

Recommendations
The Commissioner for Insurance is requested to:

i. Recover and refund to Treasury, the sum of 10,875,000.00 (Ten million eight hundred and seventy-five thousand naira), being amount spent on legal services without the approval of the Attorney-General of the Federation.

ii. Forward the treasury receipt obtained from Accountant General of the Federation, supported with REMITA payment receipt to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

NIGERIA CUSTOMS SERVICE, HEADQUARTERS, ABUJA

At the Nigeria Customs Service (NCS) Headquarters Abuja, the following observations were made:

ISSUE 1: UNDER-REMITTANCE OF REVENUE INTO THE FEDERATION ACCOUNT FOR THE YEAR 2017 (= 62, 242,980,006.87)

Section 62(1) of the Constitution of Federal Republic of Nigeria, 1999 (as amended) states in part, "The Federation shall maintain a special account called the Federation Account into which shall be paid all revenues collected by the Government of the Federation…."

Audit was presented with two separate reports namely, NCS Summary of Monthly Revenue Collection 2017 and NCS Collections and Remittance into Federation Account 2017.

Audit observed that:

i. In the report of NCS Summary of Monthly Revenue Collection 2017, total collections for Federation Account were 691,266,115,031.44 (Six hundred and ninety-one billion, two hundred and sixty-six million, one hundred and fifteen thousand, thirty-one naira, forty-four kobo);

ii. However, the report of NCS Collections and Remittance into Federation Account 2017 showed actual remittance into Federation Account with the CBN for the year under review to be 629,023,135,024.57 (Six hundred and twenty-nine billion, twenty-three million, one hundred and thirty-five thousand, twenty-four naira, fifty-seven kobo); and

iii. A comparison of these two documents revealed an under remittance of 62,242,980,006.87 (Sixty-two billion, two hundred and forty-two million, nine hundred and eighty thousand, six naira, eighty-seven kobo).

iv. There was no footnote or any form of additional information attached to the two reports, showing the reason(s) for the discrepancy, neither was any form of communication of management's intention for future reconciliation or remittance.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Loss of government revenue.
ii. Increase in government borrowing to finance its budget.
iii. Diversion of public fund.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Account for the unremited sum of 62,242,980,006.87 (Sixty-two billion, two hundred and forty-two million, nine hundred and eighty thousand, six naira, eighty-seven kobo);

ii. Remit the sum of 62,242,980,006.87 (Sixty-two billion, two hundred and forty-two million, nine hundred and eighty thousand, six naira, eighty-seven kobo) to the Federation Account, forwarding evidence of remittance to the Public Accounts Committee of the National Assembly; and

iii. Otherwise, apply sanction relating to failure to collect and account for government revenue in paragraph 3112 of the Financial Regulations.

ISSUE 2: DISCREPANCIES IN REPORTED REVENUE FIGURES, RESULTING IN UNDER-REMITTANCE OF REVENUE (= 63, 601,805,270.67)

Section 62(1) of the Constitution of Federal Republic of Nigeria, 1999 (as amended) states in part, "The Federation shall maintain a special account called the Federation Account into which shall be paid all revenues collected by the Government of the Federation…."

Audit observed the following:

i. From the examination of the Summary of Monthly Revenue Collection, the sum of 691,266,115,031.44 (Six hundred and ninety-one billion, two hundred and sixty-six million, one hundred and fifteen thousand, thirty-one naira, forty-four kobo), details as shown in the Table below, was collected by the Service in 2017;

Summary of Monthly Collection by the NCS

S/No	SUB-HEADS UNDER THE FEDERATION ACCOUNT HEAD	AMOUNT (₦)
1	Import Duties	533,558,212,691.56
2	Excise Duties	45,231,291,985.42
3	Fees	1,750,930,762.56
4	Federation Account Levies	110,725,679,591.90
	TOTAL	**691,266,115,031.44**

Source: NCS Summary of Monthly Revenue Collection, 2017.

ii. The NCS Collections and Remittance into Federation Account in 2017 report showed that the sum of ₦627,664,309,760.77 (Six hundred and twenty-seven billion, six hundred and sixty-four million, three hundred and nine thousand, seven hundred and sixty naira, seventy-seven kobo), net was collected;

iii. This resulted to an unremitted difference of ₦63, 601,805,270.67 (Sixty) three billion, six hundred and one million, eight hundred and five thousand, two hundred and seventy naira, sixty-seven kobo); and

iv. There was no footnote nor additional information attached to the two reports, showing reason for the discrepancy, neither was there any form of communication of management's intention for future reconciliation or remittance.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja.

Risks

i. Loss of government revenue.
ii. Increase in government borrowing to finance its budget.
iii. Diversion of public fund.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Account for the unremitted sum of ₦63,601,805,270.67 (Sixty-three billion, six hundred and one million, eight hundred and five thousand, two hundred and seventy naira, sixty-seven kobo);

ii. Remit the sum of ₦63,601,805,270.67 (Sixty-three billion, six hundred and one million, eight hundred and five thousand, two hundred and seventy naira, sixty-seven kobo) to the Federation Account.

iii Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for government revenue stated in paragraph 3112 of the Financial Regulations.

ISSUE 3: UNDER-DISCLOSURE OF OUTSTANDING REMITTANCE FOR THE YEAR 2016 (=₦10, 473,681.51)

Section 62(1) of the Constitution of Federal Republic of Nigeria, 1999 (as amended) states "...The Federation shall maintain a special account called the Federation Account into which shall be paid all revenues collected by the Government of the Federation..."

Audit observed from the review of records of revenue collection and remittance into the Federation Account for the year 2016 that :

i. A total of ₦550,760,605,975.75 (Five hundred and fifty billion, seven hundred and sixty million, six hundred and five thousand, nine hundred and seventy-five naira, seventy-five kobo) was net collection for the year 2016;

ii. The sum of ₦550,229,485,590.01 (Five hundred and fifty billion, two hundred and twenty-nine million, four hundred and eighty-five thousand, five hundred and ninety naira, one kobo) was remitted into the Federation Account net of the bank charges;

iii. Unremitted net collection was ₦531,120,385.74 (Five hundred and thirty-one million, one hundred and twenty thousand, three hundred and eighty-five naira, seventy-four kobo) which, when added to the opening balance of ₦455,917,932.81 (Four hundred and fifty-five million, nine hundred and seventeen thousand, nine hundred and thirty-two naira, eighty one kobo) being under-remittance for 2015, brought the under-remitted balance to ₦987,038,318.55 (Nine hundred and eighty-seven million, thirty-eight thousand, three hundred and eighteen naira, fifty-five kobo);

iv. The Service reported a closing under-remittance of ₦976,564,637.04 (Nine hundred and seventy-six million, five hundred and sixty-four thousand, six hundred and thirty seven-naira, four kobo); and

v. The actual under-remittance of ₦987, 038,318.55 which when compared to sum of ₦976,564,637.04 reported by the Service, gave an under-disclosed amount of ₦10,473,681.51 (Ten million, four hundred and seventy-three thousand, six hundred and eighty-one naira, fifty-one kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja.

Risks

i. Loss of government revenue.

ii. Information contained in the Financial Statements of the Service may be misleading.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Account for the unremitted sum of ₦10,473,681.51 (Ten million, four hundred and seventy-three thousand, six hundred and eighty-one naira, fifty-one kobo);

ii. Remit all unremitted balances amounting to ₦10,473,681.51 to the Federation Account and forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iii. Otherwise, apply sanction relating to failure to collect and account for government revenue stated in paragraph 3112 of the Financial Regulations.

ISSUE 4: NON-MAINTENANCE OF BANK STATEMENTS AND BANK RECONCILIATION STATEMENTS

Paragraph 806 of the Financial Regulations states "...Where a bank account is maintained, a bank reconciliation statement and certified bank statement as at the last business day of the month shall be attached to the cash book..."

Audit observed that:

i. The Commands could not confirm any form of collection made on their behalf by the collecting banks. The self-auto assessment window by NCS and direct online payments to the collection accounts in the collecting banks have made it largely necessary that Commands should obtain monthly statements of all the collection accounts in the collecting banks;

ii. The prepared schedules by the collecting banks were not enough evidence and confirmation of the actual collections for the commands. There was need for bank statement in addition to the monthly schedules of returns sent by the banks to the commands; to facilitate reconciliation, confirmations and tracking of revenue collection by the Commands;

iii. None of the commands had ever collected bank statements for the past years and has not prepared any bank reconciliation statements thereof. This made the revenue collections unconfirmed and therefore, audit could not express opinion on the veracity of Commands' collections as reported on the platform; and

iv. If revenue figures cannot be traced to bank statements of participating banks, it will be difficult for audit to ascertain revenue figures collected and remitted. For instance, audit could not confirm the banks that were paid the sum of ₦188,355,799.67 (One hundred and eighty-eight million, three hundred and fifty-five thousand, seven hundred and ninety-nine naira, sixty-seven kobo) as bank charges for the year 2017. This contravened the provisions of IPSAS as regarding disclosure of financial information.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja.

Risks

i. Weakness in the internal control.
ii. Loss of revenue.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Ensure that all Commands of the Service obtain certified bank statements from their collecting banks on monthly basis;

ii. Prepare and maintain Bank Reconciliation Statement as at the last day of each month;

iii. Provide details of banks that were paid the sum of ₦188,355,799.67 (One hundred and eighty-eight million, three hundred and fifty-five thousand, seven hundred and ninety-nine naira, sixty-seven kobo) as bank charges for the year 2017; and

iv. Otherwise, apply sanctions relating to failure to collect and account for government revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 5: NON MAINTENANCE OF REVENUE COLLECTOR'S RECEIPT

Paragraph 208(i) of the Financial Regulations states “Except where receipt or licence books are specially printed for a particular purpose or where receipting machines are used, Revenue Collectors; Receipt (Treasury Book 6A) shall be used by all Revenue Collectors. These books each contain fifty set of original, duplicate and triplicate receipts.”

Audit observed that:

i. None of the Commands visited maintained copies of Treasury Book 6A or the equivalents for collections made in 2017, as required by extant regulations, and

ii. None of the Commands visited maintained any revenue cash book for the same period.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja.

Risks

i. Loss of government revenue.
ii. Diversion of government funds.

Management's Response

No response.

Recommendation

The Comptroller-General NCS is requested to:

i. Justify the non-maintenance of Treasury Book 6A and revenue cash book for 2017; and

ii. Otherwise, apply sanction relating to gross misconduct stated in paragraph 3129 of the Financial Regulations.

ISSUE 6: VIOLATION OF E-PAYMENT POLICY OF THE FEDERAL GOVERNMENT (=₦2,654,500.00)

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

Audit observed that:

i. The sum of ₦2,654,500.00 (Two million, six hundred and fifty-four thousand, five hundred naira) was paid to an officer for fuelling of eighty (80) official vehicles used by the compliance team for the period May to July, 2017, vide Payment Voucher No. 0206 of 15th September, instead of the fuel station where the fuel was purported to have been purchased; and

ii. The transaction could not be traced to the fuel station, as the address did not reflect on the receipts.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Diversion of public funds for private uses.
ii. Loss of public funds.

Management's Response
No response.

Recommendations
The Comptroller-General NCS is requested to:
i. Account for the sum of 2,654,500.00 (Two million, six hundred and fifty-four thousand, five hundred naira) paid for fuelling of eighty (80) official vehicles used by the compliance team, and

ii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 7: SPLITTING OF CONTRACTS TO CIRCUMVENT TENDERS PROCEDURES: (= 38,120,000.00)

Paragraph 3125 (d) of the Financial Regulations prohibits "splitting of tenders to enable the evasion of monetary threshold set."

Audit observed that:
i. The Service awarded eighteen (18) contracts at a total contract sum of 38,120,000.00 (Thirty-eight million, one hundred and twenty thousand naira) to eight (8) Contractors for the supply of ten thousand (10,000) litres of diesel each;

ii. The contracts were for the supply of the same product that ought to have been awarded as a single contract but was rather split into eighteen contracts at a price that was within the Comptroller General's threshold, in other to circumvent tenders' procedures;

iii. Twelve of the contracts were awarded on the same day (27th March, 2017), while five were awarded the next day (28th March, 2017);

iv. Seventeen of the contracts were awarded at a contract price of 2,100,000.00 each, while one was awarded at the sum 2,420,000.00, falling within the threshold of less than 2,500,000.00; and

v. Efforts to ascertain the following documents in order to ascertain the validity of the transactions proved abortive:
   a. Store Receipt Vouchers for the receipt of the diesel.
   b. Store Issue Vouchers for distributing the diesel.
   c. Records of the officers who received the diesel.
   d. Location of the generators that consumed the diesel.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja.

Risks
i. Payments may be made for fictitious transactions.
ii. Possible diversion of public funds for private uses.

Management's Response
No response.

Recommendations
The Comptroller-General NCS is requested to:
i. Justify the split of contracts to evade the approval threshold;

ii. Account for the sum of 38,120,000.00 (Thirty-eight million, one hundred and twenty thousand naira) purportedly paid for the supply of diesel; and

iii. Otherwise apply sanctions relating to split of contracts and irregular or wrong payment in paragraphs 3116 and 3106 of the Financial Regulations respectively.

ISSUE 8: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 22, 396,768.00)

Paragraph 603 (i) of the Financial Regulations 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, e.t.c."

Audit observed that Twenty-four (24) payment vouchers totalling 22,396,768.00 (Twenty-two million, three hundred and ninety-six thousand, seven hundred and sixty-eight naira) were raised between November and December, 2017, with payments made to the respective beneficiaries. However, relevant documents such as official receipts, Store Receipt Vouchers, Store Issue Vouchers, Stock Verifiers Certificates, etc, were not attached.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks
i. Payments may be made for unapproved expenditures.
ii. Payments may be made for job not executed.
iii. Possible diversion of public funds.

Management's Response
No response.

Recommendations
The Comptroller-General NCS is requested to:
i. Account for the sum of 22,396,768.00 (Twenty-two million, three hundred and ninety-six thousand, seven hundred and sixty-eight naira); and

ii. Otherwise, apply sanction relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 9: UNRETIRED CASH ADVANCES (= 12,431,199.63)

Paragraph 1405 of the Financial Regulations states "Accounting Officers are responsible for ensuring the prompt repayment of all advances by instalments or otherwise." Furthermore, paragraph 1420 of the Financial Regulations states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Forty-six (46) cash advances totaling 12,431,199.63 (Twelve million, four hundred and thirty-one thousand, one hundred and ninety-nine naira, sixty-three kobo) that were granted to thirty-eight (38) officers of the Service in 2017 remained unretired as at the time of audit in May 2018;

ii. Four officers were granted multiple cash advances without retiring previous ones;

iii. Nine (9) officers were granted cash advances totaling 7,521,399.62 (Seven million, five hundred and twenty-one thousand, three hundred and ninety-nine naira, sixty-two kobo) in excess of the approved threshold of 200,000.00, thereby circumventing procurement procedures; and

iv. Government had been deprived of the sum of 752,139.96 (Seven hundred and fifty-two thousand, one hundred and thirty-nine naira, ninety-six kobo) that would have accrued by way of Value Added Tax (VAT) and Withholding Tax (WHT).

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Funds may be advanced for items not supplied or services not rendered.
ii. Funds may be diverted for personal use.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Recover the sum 7,521,399.62 (seven million, five hundred and twenty-one thousand, three hundred and ninety-nine naira, sixty-two kobo) from the beneficiaries;

ii. Remit to the appropriate tax authorities, the sum of 752,139.96 (Seven hundred and fifty-two thousand, one hundred and thirty-nine naira, ninety-six kobo); and

iii. Otherwise, apply sanctions relating to non-recovery and non-retirement of cash advances in paragraphs 3118 and 3124 of the Financial Regulations respectively.

ISSUE 10: NON-SUBMISSION OF AUDITED FINANCIAL STATEMENTS FOR 2016, 2017 AND 2018 FINANCIAL YEARS

Paragraph 3210 (V) of the Financial Regulations 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 NCS failed to submit its audited Financial Statements for the years 2016, 2017 and 2018, together with Management Reports for vetting and Auditor-General's comments as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. The constitutional duties of the Auditor-General of vetting and incorporating comments on the annual accounts and management report of Nigerian Customs, to the Public Accounts Committees of the National Assembly may be hindered.

ii. Other relevant stakeholders may be denied information contained in the Financial Statements for their use.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Submit seven (7) copies each of the Agency's Audited Accounts with Management Reports for the years 2016, 2017 and 2018 for vetting; and

ii. Otherwise, apply sanction relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 11: UNACCOUNTED EXPENDITURE ON PUBLICITY FOR PROPOSED E-AUCTION PORTAL & E-BONDED VEHICLE TERMINALS (= 10,880,941.00)

Paragraph 2619 of the Financial Regulations states, "Accounting Officers shall make arrangement for the sale of the unserviceable and obsolete stores by a licensed public auctioneer, or, where appropriate, by public tender in accordance with Financial Regulation 2964". Furthermore, paragraph 2620 of the Financial Regulations states "(I) The Officer in charge of the public auction or public tender shall pay the net proceeds of the auction after the deduction of the auctioneer's commission, to the nearest Sub – Treasury or Central pay Office for classification to the appropriate Sub-Head of the Miscellaneous Revenue Head. He shall inform the Accounting Officers concerned of the details of the proceeds of sale and quote the reference and date of the relevant Treasury Receipts. The Accounting Officers shall inform the Accountant-General and the Auditor-

General of the reference number, date and amount of the Treasury Receipts for the proceeds of the sales of articles disposed of. (ii) The Officer in-charge off the auction or tender shall ensure that the net proceeds referred to in sub-section (i) above is paid to the nearest Sub-Treasury or Central pay Office within 48 hours of collection."

Audit observed that:

i. The sum of 10,880,941.00 (Ten million, eight hundred and eighty thousand, and nine hundred and forty-one naira) was paid to an officer vide payment voucher No. 0283/25/4/17 of 25th April, 2017 for publicity for E-Auction portal and E-Bonded Vehicle Terminals.

ii. However, this expenditure could not be substantiated due to the following:
   a. Evidence of how the auctioneer was selected could not be ascertained.
   b. Details of vehicles sold and their prices were not provided.
   c. The evidence of remittance of sales proceeds to the Consolidated Revenue Fund was not provided.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Sales proceeds may be diverted for personal use.
ii. Loss of government funds

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Justify the sum of 10,880,941.00 expended on publicity for E-Auction portal and E-Bonded Vehicle Terminals by providing relevant documents in respect of the above transaction;

ii. Account for the sum of 10,880,941.00 (Ten million, eight hundred and eighty thousand, and nine hundred and forty-one naira) by providing the documents listed in ii(a-c) above to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment in paragraph 3106 of the Financial Regulations.

ISSUE 12: PAYMENTS FOR ASSET, GROUP LIFE AND GROUP PERSONAL ACCIDENT INSURANCE POLICY NOT ACCOUNTED FOR (= 420,390,726.47)

Paragraph 415 of the Financial Regulations 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." Furthermore, Section 50 (1) of the Insurance Act 2003 states “The receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium paid in advance."

Audit observed that:

i. The sum of 420,390,726.47 (Four hundred and twenty million, three hundred and ninety thousand, seven hundred and twenty-six naira, forty-seven kobo), being second tranche of a total of 1,984,471,019.24 (One billion, nine hundred and eighty-four million, four hundred and seventy-one thousand, nineteen naira, twenty-four kobo) was paid to an insurance broker vide payment voucher No CHQ/ACCT/EXP/2017/PV/903 of 23rd March, 2017 as “settlement of claims/payables under the asset insurance policy for the period Jan to Dec, 2016”;

ii. The terms and conditions for the successful delivery of the contract, Reference to Article 1 (definition), Article 4 (Scope of work) and Article 5 (Obligation of the Nigeria Customs Service) failed to reflect the details of Asset Insured on which the payment of 420,390,726.47 (Four hundred and twenty million, three hundred and ninety thousand, seven hundred and twenty-six naira, forty-seven kobo) was made;

iii. The premium of 420,390,726.47 (Four hundred and twenty million, three hundred and ninety thousand, seven hundred and twenty-six naira, forty-seven kobo) was paid in arrears (i.e 23rd March, 2017) for “settlement of claims/payables under the asset insurance policy for the period Jan to Dec, 2016” contrary to the provision of Insurance Act 2003 that states no premium no cover. This is tantamount to payment for services not rendered as the Service had no Insurance Cover because the premium was not paid; and

iv. Efforts to obtain details of assets insured for audit purpose yielded no result.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Funds may be paid for services not rendered.
ii. Funds may be diverted for personal use.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Recover and refund to the Treasury, the sum of 420,390,726.47 (Four hundred and twenty million, three hundred and ninety thousand, seven hundred and twenty-six naira, forty-seven kobo) being payment to insurance brokers for non-existent insurance policy, forwarding evidence of payment to the Public Accounts Committees of the National Assembly, and

ii. Otherwise, apply sanctions relating to irregular or wrong payment and payment for job not executed in paragraphs 3106 and 3104(iii) of the Financial Regulations respectively.

ISSUE 13: AWARD OF CONTRACT WITHOUT DUE PROCESS (= 27,800,000.00)

Section 24 (1) of the Public Procurement Act, 2007 states, "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:

i. A contract was awarded to a contractor to carry out additional works at Customs Hospital Karu, Abuja at a cost of 27,800,000.00 (Twenty-seven million, eight hundred thousand naira) vide award letter reference number NCSB/ABJ/NCSTB/01/S.1A/VOL.XXVI/208 of 4th August, 2017;

ii. Evidence of advert placement on at least (2) National Newspaper as required under section 25 (2) (ii) of the Public Procurement Act, 2007 was not produced;

iii. No bill of quantity to determine the scope of work carried out and materials used;

iv. Minutes of Tender Board's meeting ratifying the contract was not presented for audit; and

v. Retention fee was paid same day the final payment was made.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Customs Service Headquarters Abuja

Risks

i. Award of contract to incompetent contractor.
ii. Poor quality of work.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Justify the award of contract amounting to 27,800,000.00 (Twenty-seven million, eight hundred thousand naira) without following due process;

ii. Recover the sum of 27,800,000.00 and pay same to government treasury, forwarding payment particulars to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment and irregular award of contract in paragraphs 3106 and 3117 of the Financial Regulations respectively.

NIGERIA CUSTOMS SERVICES LAGOS/WESTERN COMMANDS (2017)
MURITALA MOHAMMED INTERNATIONAL AIRPORT AREA COMMAND, LAGOS

At the Muritala Mohammed International Airport Area Command, Lagos, the following observation was made:

ISSUE 1: DENIAL OF ACCESS TO AUDIT THE NIGERIA CUSTOMS SERVICE ARMOURY

Section 85(2) of the 1999 Constitution of the Federal Republic of Nigeria,1999 (as amended) states "The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on to 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." Furthermore, paragraph 110 of the Financial Regulations states in part “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 of the Armoury could not be carried out because access was denied. Relevant books and records were also not made available.

The above anomalies could be attributed to weaknesses in the internal control system at the Muritala Mohammed International Airport Area Command, Lagos.

Risks

i. Arms and ammunitions could be lost without being detected.
ii. Proliferation of Arms and ammunitions due to poor control.

Management's Response

No response.

Recommendations

The Comptroller-General NCS is requested to:

i. Justify the denial of access of the Auditor-General for the Federation to the Armoury and refusal to make the relevant documents and records available;

ii. Furnish the relevant documents and records of the Armoury to the Public Accounts Committees of the National Assembly.

iii. Provide access to the Armoury, and

iv Otherwise apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

NIGERIA EXPORT PROCESSING ZONES AUTHORITY FOR 2018 AND 2019 FINANCIAL YEAR

At the Nigeria Export Processing Zones Authority (NEPZA), the following observations were made:

ISSUE1: IRREGULAR TRANSFER OF FUNDS FROM NIGERIA SPECIAL ECONOMIC ZONES INVESTMENT COMPANY LIMITED (NSEZCO) TO NIGERIA EXPORT PROCESSING ZONES AUTHORITY (NEPZA) (= 15,299,287,129.20)

Paragraph 3106 of the Financial Regulations 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."

Audit observed that:

i. The sum of 15,299,287,129.20 (Fifteen billion two hundred and ninety nine million two hundred and eighty seven thousand one hundred and twenty nine naira twenty kobo) was moved from the Nigeria Special Economic Zones Company Limited (NSEZCO) into the account of Nigeria Export Processing Zones Authority (NEPZA);

ii. The movement of funds was effected vide the GIFMIS Payment Report from 2017 to 2020. NEPZA did not provide justification for the movement as at the time of audit;

iii. NEPZA paid the sum of 1,311,500.00 (One million three hundred and eleven thousand, five hundred naira) as incorporation expenses for NSEZCO based on a letter forwarded to it by Federal Ministry of Industry, Trade and Investment;

iv. There was no approval from the President for the establishment of Nigeria Special Economic Zones Company Limited (NSEZCO) as required by Section 1 (1) of the NEPZA Act;

v. Section 4 (a) of the NEPZA Act 1992 states "In addition to any other functions conferred on the Authority by this Decree, the functions and responsibilities of the Authority shall include: (a) the administration of the Authority and management of all the Export Processing Zones." The Federal Ministry of Industry, Trade and Investment could not have initiated and/or establish a company as a Special Economic Free Trade Zone which appeared to be a duplication or usurpation of the powers of NEPZA; and

vi. The promoters, directors and registered address of NSEZCO was not made available to the audit team for verification.

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks

i. Loss of funds.
ii. Diversion of funds.

Management's Response

This expenditure was incurred on the instruction of the Honourable Minister and it was charged to Project MINE Account which is under the control of the Honourable Minister.

Recommendations

The Managing Director is requested to:

i. Provide the approval to establish NSEZCO from the President to the Public Accounts Committees of the National Assembly for examination;

ii. Provide the incorporation documents including Articles of Association and Memorandum of Association of NSEZCO to the Public Accounts Committees of the National Assembly for examination;

iii. Provide bank statement of account in respect of NSEZCO from inception to date to the Public Accounts Committees of the National Assembly;

iv. Provide documentary evidences showing that the sum of N15,299,287,129.20 (Fifteen billion two hundred and ninety nine million two hundred and eighty seven thousand one hundred and twenty nine naira twenty kobo) transferred from NSEZCO account originally belonged to NEPZA.

v. Provide the budget approvals for the release and utilization of the fund to the Public Accounts Committees of the National Assembly; and

vi. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 2: INFLATION OF CONTRACT AND PAYMENT BEFORE APPROVAL FOR VARIATION OF CONTRACT (= 50,279,348.41)

Paragraph 3102 (i) of the Financial Regulations states “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.”

Audit observed that:

i. The contract for the Construction of Internal Roads E,N,M,DC,D & 8 with associated drainage work (Lot 3) at Kano Free Trade Zone was awarded to a contractor at the sum of 1,042,149,950.10 (One billion, forty two million, one hundred and forty nine thousand, nine hundred and fifty naira, ten kobo). The status report shows that the contract is 100% completed and fully paid for. The examination of the payment vouchers and contract file shows that this contract suffered variation in its course;

ii. The contractor wrote for variation of the contract to the tune of 59,185,794.15 (Fifty nine million one hundred and eighty five thousand seven hundred and ninety four naira fifteen kobo) on 12th November 2018 as additional excavation and earthworks cost. To this effect, the sum of 52,777,806.94 (Fifty two million seven hundred and seventy seven thousand eight hundred and six naira ninety four kobo) was included in Interim Payment Certificate No.7 dated 13th December 2018 as variation/additional works to date. This was without recourse to Federal Executive Council which approved the contract. No Ministerial Tenders Board's approval was attached to the voucher at the time of raising this Interim Payment Certificate No. 7. The Authority did not justify what the variations were meant for.

iii. Paragraph 5 of the letter of award dated 20th April, 2018 stated inter alia "please note that this is a fixed sum contract and the Authority will not entertain any request for review of contract rates".

iv. On the 26th June 2019, NEPZA prepared Interim Certificate No. 8 as Final payment for the construction work. Payment made on this certificate was 51,520,691.04 (Fifty one million five hundred and twenty thousand six hundred and ninety one naira four kobo). This payment meant that the sum of 1,092,429,298.51 (One billion and ninety two million four hundred and twenty nine thousand two hundred and ninety eight naira fifty one kobo) was paid on the whole contract. This shows that the sum of 50,279,348.41 (Fifty million, two hundred and seventy nine thousand, three hundred and forty eight naira, forty one kobo) was paid in excess of the original contract sum of 1,042,149,950.10

v. The Federal Executive Council (FEC) at the meeting held on 18th March, 2020 approved the contract variation sum of 50,279,348.41 (Fifty million, two hundred and seventy nine thousand, three hundred and forty eight naira, forty one kobo). This was communicated to the Authority on the 18th May, 2020 via Federal Ministry of Industry, Trade and Investment letter with reference number FMITI/PROC/FEC/NEPZA/472/2020.

vi. The implication of the above analysis is that although the approval of FEC was obtained for the variation of the contract eventually, it was done nine months after the contract sum and the variation sum have been fully paid to the contractor.

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks

i. Loss of government funds.
ii. Diversion of public funds.
iii. Negative and undue pressure on government budget.

Management's Response

The submission was ready for presentation for FEC approval but when the delay was persistent at our parent Ministry, the Contractor presented a Bank bond thus saving the Authority funds that would have gone to the Contractor account. FEC approval was eventually given.

Recommendations

The Managing Director is requested to:

i. Justify the payment of 50,279,348.41 (Fifty million, two hundred and seventy nine thousand, three hundred and forty eight naira, forty one kobo) without approval from the Federal Executive Council;

ii. Provide the revised Bill of Engineering Measurement and Evaluation (BEME) on the variation and evidence of work done to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to inflation and unauthorized variation of contract in paragraphs 3102 and 3103 of the Financial Regulations.

ISSUE 3: IRREGULAR PAYMENT OF LEGAL AND AGENCY FEES FOR A RENTED APARTMENT (= 2,400,000.00)

Paragraph 415 of the Financial Regulations 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:

i. The sum of 14,600,000.00 (Fourteen million, six hundred thousand naira) was paid to a Solicitors & Advocates for a four bedroom all ensuite duplex apartment with room self-contain boys quarter at No. 5 Iwuanya Ugborgor off Durosimi Etti, Lekki Phase 1, Lagos for an office accommodation;

ii. The letter from the Solicitors & Advocates dated 21st October, 2019 demanded for a two year rent at 6,000,000.00 (Six million naira) annually. This is against Section 4 (3) of the Lagos Tenancy Law 2020 which states "It shall be unlawful for a landlord or his agent to demand or receive from a new or would be tenant rent in excess of one (1) year in respect of any premises.";

iii. NEPZA paid the two years upfront amounting to 12,000,000.00 (Twelve million naira) as against Section 4 (4) of the Lagos Tenancy Law 2020 which states "It shall be unlawful for a new or would be tenant to offer or pay rent in excess of one(1) year in respect of any premises; and

iv. The Solicitors being the landlord agent equally demanded for 10% legal fee and 10% agency fee all amounting to 2,400,000.00 (Two million, four hundred thousand naira) which NEPZA equally paid for. This contravenes section 11 of the Lagos Tenancy Law 2020 which states "From the commencement of a tenancy it shall be the duty of the party who engages the services of a professional in respect of the tenancy agreement to pay the fees for such professional services."

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks
i. Loss of funds.
ii. Diversion of public funds.

Management's Response
The circumstances under which we found ourselves at the time of making the payment was such that we couldn't help it as the landlord had even locked the Authority out of the premises. If we didn't pay we would have not been allowed to move out our properties.

Recommendations
The Managing Director is requested to:
i. Justify the payment of 12,000,000.00 (Twelve million naira) paid as two (2) years rent upfront to the Solicitors & Advocates;

ii. Recover the sum of 2,400,000.00 (Two million four hundred thousand naira) from the Solicitors & Advocates, forwarding evidence of recovery to the Public Accounts Committees of the National Assembly for verification; and

iii. Otherwise, apply sanctions relating to irregular or wrong payment in Financial Regulations 3106.

ISSUE 4: IRREGULAR ENGAGEMENT OF EXTERNAL SOLICITORS WITHOUT THE CONSENT OF THE MINISTER OF JUSTICE & ATTORNEY GENERAL OF THE FEDERATION (= 28,524,000.00)

Establishment circular from the Office of the Secretary to the Government of the Federation with Reference No. SGF/PS/UR/625/1/1 dated 16th July, 2003 directed among other things that the approval of the Honourable Attorney-General of the Federation should be obtained before external solicitor and advocates are hired and legal fees agreed upon by the ministries and their Parastatals /Agencies for the service rendered.

Audit observed that the sum of 28,524,000.00 (Twenty eight million five hundred and twenty four thousand naira) was paid as legal services fees to external solicitors without the approval of the Attorney General of the Federation.

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks
i. Incompetent solicitors may be engaged.
ii. Diversion of public funds.

Management's Response
We didn't violate any law in the engagement of external Solicitors. We complied with the extant circulars from the office of the Honourable Minister of Justice and Attorney-General of the Federation.

Recommendations

The Managing Director is requested to:

i. Recover and pay back to the Treasury the sum of 28,524,000.00 (Twenty eight million five hundred and twenty four thousand naira) spent on legal services without the consent of the Attorney-General of the Federation and forward evidence of recovery to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 5: VIOLATION OF FEDERAL GOVERNMENT E-PAYMENT POLICY (= 1,274,489.48)

Treasury circular Ref No OAGF/CAD/026/VOLII/465 dated 22nd October 2008 on implementation of e-payment states "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:

i. The sum of 1,274,489.48 (One million two hundred and seventy four thousand four hundred and eighty nine naira forty eight kobo) was paid to a staff from the capital vote for a contract of advertising for 2019 capital projects;

ii. A staff was paid to withdraw cash to make payment for the advertisement contrary to the extant laws. This amounts to an abuse of the e-payment policy of government as staff are not supposed to be awarded contract from the capital vote; and

Iii. There was no evidence that this money was utilized for the intended purpose. The copies of the advertisement were not attached and no receipt was obtained from the advertising companies.

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks

i. Loss of government funds.
ii. Value for money may not be received.

Management's Response

There is no records in our books showing that we violated the e-payment policy.

Recommendations

The Managing Director is requested to:

i. Account for the sum of 1,274,489.48 being money meant for an advertisement agency paid into a staff account;

ii. Refund to the treasury, the sum of 1,274,489.48 (One million, two hundred and seventy four thousand, four hundred and eighty nine naira, forty eight kobo) paid

into a staff account for advertisement;

iii. Evidence of compliance should be forwarded to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to gross misconduct in paragraph 3129 of the Financial Regulations.

ISSUE 6: ILLEGAL CUSTODY OF GOVERNMENT MOTOR VEHICLES

Establishment Circular Reference number SGF.19/S.52/I/V/720 of 20th February, 2017 states in part, "as part of measures to curb the undesirable practices of taking away or conversion of government properties to personal properties by government officials, Permanent Secretaries and Chief Executives of MDA's are henceforth to ensure painstaking and strict clearance of retiring officer who should be made to submit all government properties including motor vehicles in their custody before their final disengagement from service...." Furthermore, Paragraph 2001 of the Financial Regulations states "The Accounting Officer shall be responsible for ensuring that there are effective controls in the use of Government vehicles." Similarly, Paragraph 3113 of the Financial Regulations states "A public officer who fails to pay for the use of government property shall be given 30 days to offer explanation for the query issued for this purpose. If this explanation is unsatisfactory, the amount involved shall be recovered from him/her, and be sanction under the Public Service Rules."

Audit observed from the Authority's vehicle records that eight (8) motor vehicles, details as shown in the Table below, were retained by former Board Members and retired staff. It should be noted that motor vehicles used by government officials are not supposed to be in their custody immediately they leave office or be retained for their personal use on a permanent basis

MOTOR VEHICLES RETAINED BY EX-BOARD MEMBERS AND STAFF

S/N	DESCRIPTION	REG. NO.	CHASIS NO.	ENGINE NO.	COLOUR
1	TOYOTA PRADO V6	FZA 72 FG	JTEBU3FJ9HK130725	NA	BLACK
2	TOYOTA LAND CRUISER	FZA 60 FG	JTFBL9FJ9DK148498	2TN8550767	BLACK
3	TOYOTA COROLLA	FZA 92 FG	RKLBL9HE8F5217010	32RX408693	GREY
4	FORD EXPLORER	FZA 98 FG	1FM5K8F85JGA93534	JGA93534	BLACK
5	TOYOTA COROLLA	FZA 67 FG	RKLBB9HE7F5072870	IZRY107673	BLACK
6	TOYOTA LAND CRUISER V8	NA	JTMHX01J4J5091820	NA	BLACK
7	TOYOTA LAND CRUISER V6	FZA 73 FG	JTEBU9FJ8JK135035	307JKI35035	BLACK
8	TOYOTA PRADO V6	NA	JTEBU3FJIKK156226	2TRII88061	BLACK

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks

i. Loss of public asset.
ii. Vehicle may be diverted for personal use.

Management's Response
The Authority has taken steps to recover all the vehicles and this is still being enforced.

Recommendations
The Managing Director is requested to:

i. Recover the vehicles from the affected officers at the exact value they were at the time they were taken away, failing which, they should be recovered at their purchase price/value (to be provided by the Authority);

ii. Forward evidence of compliance with (i) above to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to gross misconduct and non-payment for use of government property in paragraphs 3129 and 3113 of the Financial Regulations respectively.

ISSUE 7: UNDUE INTERFERENCE BY PARENT MINISTRY

Establishment Circular reference number ECD/P/230 of 18th October 1996, prohibits Supervising Ministries from interfering in the finances of Parastatals under her. Furthermore, Paragraph 3113 of the Financial Regulations states "A public officer who fails to pay for the use of government property shall be given 30 days to offer explanation for the query issued for this purpose. If this explanation is unsatisfactory, the amount involved shall be recovered from him/her, and be sanction under the Public Service Rules."

Audit observed that:

i. Four (4) NEPZA vehicles were in the custody of the supervising ministry, Federal Ministry of Industry Trade and Investment (FMITI); and

ii. There was no official document showing exchange of these vehicles between NEPZA and FMITI. FMITI utilized its supervisory powers over NEPZA to hijack these vehicles for its use. The details of the vehicles are as shown in the Table below:

NEPZA VEHILES WITH FMITI

DESCRIPTION	COLOUR	REG NO .	CHASIS NO.	YEAR OF PURCHASE	ALLOCATION
TOYIOTA HILUX	WHITE	FG 125 FZA	AHTFX22G08009991	2009	MINISTER PILOT VEHICLE
TOYOTA COROLLA	BLACK	FZA 65 FG	RKLBB9HE4F5073619	2015	FMITI
TOYOTA LANDCRUISER V8	BLACK	NIL	JTMHX01J5J5093432	2019	FMITI
TOYOTA COROLLA	GRAY	NIL	NMTBB9JE8JR231789	2019	FMITI

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks

i. Loss of public asset.
ii. Vehicle may be diverted for personal use.

Management's Response

The Authority has initiated actions toward this as letters has been forwarded to the Federal Ministry of Industry, Trade and Investment accordingly.

Recommendations

The Managing Director is requested to:

i. Recover the vehicles from the Federal Ministry of Industries, Trade and Investment at the exact value they were at the time they were taken away, failing which, they should be recovered at their purchase price/value (to be provided by the Authority);

ii. Forward evidence of compliance with (i) above to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to gross misconduct and non-payment for use of government property in paragraphs 3129 and 3113 of the Financial Regulations respectively.

ISSUE 8: IRREGULARITIES ON FUELLING EXPENSES AT CALABAR FREE TRADE ZONE (= 16,156,036.00)

Paragraph 1004(ii) of the Financial Regulations states “On no account shall personal advance be used in disguise of special imprest in the procurement of stores which is governed by the provision of chapter 23 of these Regulations.”

Audit observed from the records at Calabar Free Trade Zone (CFTZ) that:

i. The sum of 16,156,036.00 (Sixteen million one hundred and fifty-six thousand and thirty-six naira) was paid for fueling of CFTZ motor vehicles and trucks;

ii. Payments were made into the personal account of a staff on monthly basis to purchase fuel for the vehicles; and

iii. Two of the vehicles fuelled monthly are not in the vehicle list of NEPZA. They are CD 161 AOI belonging to the Nigeria Custom Service and NPF 250 SC belonging to the Nigeria Police Force. It was gathered that these two vehicles were grounded, yet CFTZ collects money for their fuelling monthly.

The above anomalies could be attributed to weaknesses in the internal control system at Nigeria Export Processing Zones Authority (NEPZA)

Risks
i. Loss of government funds.
ii. Diversion of government funds.

Management's Response
Management has stopped this practice and the officers concerned have been redeployed from this schedule.

Recommendations
The Managing Director is requested to:
i. Justify the fuelling of vehicles CD 161 AOI belonging to the Nigeria Custom Service and NPF 250 SC belonging to the Nigerian Police Force;

ii. Account for the sum of 16,156,036.00 (Sixteen million one hundred and fifty-six thousand and thirty-six naira) irregularly paid into personal account of staff for fuelling, and forward evidence of compliance to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to poor cash management and irregular or wrong payment in paragraphs 3115 and 3106 of the Financial Regulations respectively.

ISSUE 9: PAYMENT OF UNAPPROVED ALLOWANCES (= 207,071,683.71)

Establishment 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, paragraph 415 of the Financial Regulations 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:
i. The sum of 207,071,683.71 (Two hundred and seven million, seventy-one thousand, six hundred and eighty-three naira, seventy-one kobo) was paid to management staff of the Authority in 2017 as Management Overseas Vacation and Children Education Support Allowances, and

ii. There was no evidence of approval from the National Wages, Incomes and Salaries Commission to justify the above payment.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Export Processing Zones Authority (NEPZA).

Risks
i. Waste of government resources.
ii. Diversion of public funds.

Management's Response

NEPZA is an Extra-Ministerial Agency of the Federal Government, which has a Governing Board. Management is also governed by policies and decisions of the Board. The Authority has Staff Conditions of Service, which approved Overseas Vacation for management Staff.

Recommendations

The Managing Director is requested to:

i. Provide reasons why unapproved allowances were paid to staff.

ii. Recover the sum of 207,071,683.71 (Two hundred and seven million, seventy-one thousand, six hundred and eighty-three naira, seventy-one kobo) from the benefiacries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment and failure to manage public funds effectively stated in paragraphs 3106 and 3115 of in Financial Regulations respectively.

ISSUE 10: CIRCUMVENTION OF PROCUREMENT PROCEDURE (= 12,478,838.44)

Federal Government Treasury Circular No: TRY/A2FB2/2009/OAGF/CAD/0226 dated 24th march 2009 states "All Accounting Officers controlling expenditure are to ensure that all level procurement of stores and services costing above N200,000.00 shall be made through award of contract."

Audit observed that:

i. Fourteen (14) cash advances totalling 12,478,838.44 (Twelve million, four hundred and seventy-eight thousand, eight hundred and thirty-eight naira, forty-four kobo) were granted to eleven (11) officers in 2017 to carry out various services.

ii. The advances were in excess of the approved threshold of 200,000.00 as required by the above extant regulations, and

iii. Government have been deprived of the sum of 1,247,883.84 (One million, two hundred and forty-seven thousand, eight hundred and eighty-three naira, eighty-four kobo) that would have accrued by way of 5% Value Added Tax (VAT) and 5% Withholding Tax (WHT), and

iv. Two officers were granted multiple cash advances without retiring previous ones.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Export Processing Zones Authority (NEPZA).

Risks

i. Misapplication of public funds.
ii. Diversion of public funds.

Management's Response

The Authority is aware of the provisions in the Public Procurement Act, 2007. The cases where procurements for goods and services above 200,000.00 have been undertaken are premised on Sec. 42 of public Procurement Act, 2007 which stipulates that: 42 (i) A procuring entity may carry out any emergency procurement where:

(b) There is an urgent need for the goods, works or services and engaging in tender proceedings or any other methods of procurement is impractical due to unforeseeable circumstances giving rise to the urgency which is not the result of dilatory conduct on the part of the procuring entity.

Therefore, the Authority is not liable for any wrong doing as those procurements were for the urgencies of their needs.

Recommendations

The Managing Director is requested to:

i. Provide reasons why advances were granted to staff in excess of the approved threshold.

ii. Remit the sum of 1,247,883.84 (One million, two hundred and forty-seven thousand, eight hundred and eighty-three naira, eighty-four kobo) that would have accrued by way of Withholding Tax and VAT to relevant authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

ISSUE 11: NON DEDUCTION OF 1% STAMP DUTIES (= 8,723,499.43)

Treasury Circular Ref. No. TRY A1 & B1/2017 OAGF/CAD/026/V.III/182 dated 20th April, 2016 emphasized on the need to deduct and remit 1% as Stamp Duty on contract agreement by Ministries, Departments and Agencies (MDAs).

Audit observed that:

i. The sum of 872,349,943.43 (Eight hundred and seventy-million, three hundred and forty-nine thousand, nine hundred and forty-three naira, ten kobo) was paid for twenty-five (25) contracts between January and March, 2018, and

ii. 1% Stamp Duties totalling 8,723,499.43 (Eight million, seven hundred and twenty three thousand, four hundred and ninety-nine naira, forty-three kobo) was not deducted from payment made to the contractors.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Export Processing Zones Authority (NEPZA).

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

The Authority by virtue of Sec. 18 of Nigeria Export Processing Zones Act No. 63 of 1992 is exempted from this and other similar taxes.

Recommendations

The Managing Director is requested to:

i. Furnish reasons why statutory 1% stamp duty was not deducted from payment made to contractors.

ii. Recover the sum of 8,723,499.43 (Eight million, seven hundred and twenty three thousand, four hundred and ninety-nine naira, forty-three kobo) and remit same to the relevant tax authorities.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue specified in paragraph 3112 of the Financial Regulations.

NIGERIAN EXPORT PROMOTION COUNCIL

At the Nigerian Export Promotion Council (NEPC), the following observations were made:

ISSUE 1: PAYMENTS WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 115,680,415.61)

Paragraph 603 (i) of the Financial Regulations 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, e.t.c."

Audit observed that:

i. The sum of 115,680,415.61 (One hundred and fifteen million, six hundred and eighty thousand, four hundred and fifteen naira and sixty-one kobo) was raised and paid through thirty (30) payment vouchers by the Council between January and December, 2017 for supplies and renovation, and

ii. Relevant supporting documents such as original copy of award letter, invoice and Store Receipt Voucher attached to authenticate the payment were not attached to the payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Export Promotion Council.

Risks

i. Payments for jobs not executed.
ii. Diversion of public funds.

Management's Response

The observation is noted but these sets of Payment Vouchers all went through procurement procedures with the NEPC Tenders Committee. However, upon this observation, all the originals of these documents have been transferred from the Procurement files and attached to the Payment Vouchers kept with the Central Pay office of the Council as requested. It is a coincidence that Procurement Examiners on each visit also requested for Original documents to be kept in Procurement files for upward of 10 years.

Recommendations

The Managing Director is requested to:

i. Provide reasons why payments were made without relevant supporting documents.

ii. Account for the sum of 115,680,415.61 (One hundred and fifteen million, six hundred and eighty thousand, four hundred and fifteen naira and sixty-one kobo).

iii. Remit the sum of 115,680,415.61 to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payment specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: NON-RETIREMENT OF PERSONAL ADVANCES (= 148,816,737.03)

Paragraph 1405 of the Financial Regulations (FR) states "Accounting Officers are responsible for ensuring the prompt repayment of all advances by installments or otherwise." Furthermore, paragraph 1420 of the FR states "It is the responsibility of all Accounting Officers to ensure that all advances granted to officers are fully recovered."

Audit observed that:

i. Three hundred and seven (307) personal advances amounting to 148,816,737.03 (One hundred and forty-eight million, eight hundred and sixteen thousand, seven hundred and thirty-seven naira, three kobo) were granted to officers of the Council between May and September, 2017, for the procurement of stores, maintenance and servicing of meetings.

ii. These personal advances remained unretired as at the time of audit in April, 2018, and

iii. Some officers were granted advances in excess of the approved threshold of 200,000, thereby, circumventing procurement procedures.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigerian Export Promotion Council.

Risks

i. Payment for items not supplied or services not rendered.
ii. Diversion of public funds.

Management's Response

The retirement of operational payment advanced to Officers was on-going at the time of the audit exercise. The retirement have all been updated and the PVs cleared by the Internal Audit Unit for compliance."

Recommendations

The Managing Director is required to:

i. Furnish reasons why advances granted were not retired as required by extant regulations.

ii. Recover the sum 148,816,737.03 (One hundred and forty-eight million, eight hundred and sixteen thousand, seven hundred and thirty-seven naira, three kobo) of from the beneficiaries and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to recover advances and surcharge specified in paragraphs 3118 and 3124 of the Financial Regulations respectively.

FEDERAL MINISTRY OF INDUSTRY, TRADE AND INVESTMENT

At the Federal Ministry of Trade and Investment, the following observations were made:

ISSUE 1: AWARD OF CONTRACTS TO COMPANIES NOT REGISTERED WITH THE CORPORATE AFFAIRS COMMISSION (= 181,666,749.09)

Paragraph 2909 of the Financial Regulations states "All bidders in a contract for public procurement must show proof of eligibility for the award of the contract…" Also, Section 16 (6) (b) of of the Public Procurement Act, 2007 states "All bidders, in any solicitation documents, shall possess the legal capacity to enter into the procurement contract".

Audit observed that:

i. The Ministry awarded contracts amounting to 181,666,749.09 (One hundred and eighty-one million, six hundred and sixty-six thousand, seven hundred and forty-nine naira, nine kobo) to ten (10) companies in 2016 and 2017 for supplies and renovation, and

ii. The registration status of those companies could however, not be confirmed by the Corporate Affairs Commission.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Trade and Investment.

Risks

i. Non-performance
ii. Difficulty in recovery of amount paid to the contractors

Management's Response

The Ministry has always been conscious of the need to follow all procurement processes as enshrined in the public procurement Act Section 16(6) which stipulates that all bidders shall possess the legal capacity to enter into procurement contract.

The confirmation process was an oversight on the part of the procurement unit. Please find attached… the entire supporting document as were raised to justify the award of the contract.

It has always been Management's stand to ensure compliance with all extant rules. We appeal to the auditors for understanding as the case in question was not a deliberate negligence on the part of the unit concerned."

Recommendations

The Permanent Secretary is requested to:

i. Provide reasons why contacts were awarded to unregistered companies.

ii. Recover the sum of 181,666,749.09 paid to ten (10) companies and remit same to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments, poor cash management and demotion in rank and transfer to another schedule specified in paragraphs 3106, 3115 and 3117 of the Financial Regulations respectively.

ISSUE 2: PAYMENT FOR FOREIGN TRIPS WITHOUT APPROVAL (= 6,043,556.00)

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:

i. A total of 6,043,556.00 (Six million, forty three thousand, five hundred and fifty-six naira) was paid to four (4) officers of the Ministry in February, 2017 to embark on foreign trips.

ii. The was no evidence of approval from the relevant authorities as prescribed by the extant regulations, and

iii. The breakdown of how the sum of 6,043,556.00 was arrived at, authorization pages, letters of invitation, etc, were not attached to the payment vouchers, thereby making it impossible for audit to confirm the genuineness of the expenditure.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Trade and Investment.

Risks

i. Waste of government resources.
ii. Difficulty in funding budget

Management's Response

In the first instance, payment vouchers only carry the approval page. The supporting documents relating to evidence of authorization is hereby attached for verification and confirmation. All authorization for such trips was based on Financial Regulation 603 and in public interest.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why payments for international travels were made without approval by the Head of the Civil Service of the Federation.

ii. Account for the sum of 6,043,556.00 (Six million, forty three thousand, five hundred and fifty-six naira) purportedly expended on foreign trips.

iii. Recover the amount from the officers and remit same to Treasury, forwarding evidence of remittance to the Public Accounts Committee of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments and poor cash management specified in paragraphs 3106 and 3115 of the Financial Regulations respectively.

ISSUE 3: PAYMENT VOUCHERS WITHOUT RELEVANT SUPPORTING DOCUMENTS (= 17,768,525.50)

Paragraph 603 of the Financial Regulations states "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 variably be supported by relevant documents such as local purchase orders, invoice, special letters of authority, time sheets etc."

Audit observed that:

i. Five (5) Payment Vouchers amounting to 17,768,525.50 (seventeen million, seven hundred and sixty-eight thousand, five hundred and twenty-five naira, fifty kobo) were raised and paid in 2016 as estacode allowances and for settlement of debt, with payments subsequently made, and

ii. Relevant supporting documents such as invitation letters, air-tickets, etc. were not attached to the Payment vouchers.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Ministry of Trade and Investment.

Risks

i. Payments could be made for unapproved expenditures.
ii. Payments could be made for non-existent transactions.
iii. Diversion of funds for private use.

Management's Response

Please find also attached the payment vouchers and supporting documents in this regard. Management has noted the issues as raised. Appropriate measures will be taken to avoid future re-occurrence.

Recommendations

The Permanent Secretary is requested to:

i. Furnish reasons why payments were made without supporting documents in accordance with extant regulations.

ii. Account for the sum of 17,768,525.50 (Seventeen million, seven hundred and sixty-eight thousand, five hundred and twenty-five naira, fifty kobo), and

iii. Recover the sum of 17,768,525.50 and remit same to the Treasury.

iv. Forward evidence of remittance to the Public Accounts Committee of the National Assembly, and

v. Otherwise, apply sanctions relating to irregular payments specified in paragraph 3106 of the Financial Regulations.

SECTION 17

STATES DIVISION
AUDIT DEPARTMENT

FEDERAL GOVERNMENT COLLEGE, ENUGU

At the Federal Government College Enugu, Enugu State, the following observations were made:

ISSUE 1: PAYMENT FOR ITEMS NOT SUPPLIED (= 3,074,000.00)

Paragraph 708 of the Financial Regulations states "On no account should payment be made for services not yet performed or for goods not yet supplied."

Audit observed that:

i. The sum of 3,074,000.00 (Three million and seventy-four thousand naira) was paid to four (4) officials of the College for direct procurement of various food items for the feeding of students in November 2019; and

ii. The items procured by the staff could not be traced to the store records.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College, Enugu.

Risks

i. Loss of government funds.
ii. Payment for items not supplied.

Management's Response

No response.

Recommendations

The Permanent Secretary Federal Ministry of Education (FMoE) is requested to:

i. Furnish reasons why items procured were not taken on Store Ledger Charge as required by extant regulations;

ii. Recover the sum of 3,074,000.00 (Three million and seventy-four thousand naira), being payment for food items not supplied and remit same to the Treasury;

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly; and

iv. Otherwise, apply sanctions relating to payment for job not executed specified in paragraph 3104 of the Financial Regulations.

ISSUE 2: CIRCUMVENTION OF PROCUREMENT PROCEDURES (= 99,245,839.15)

Paragraph 2921(i) of the Financial Regulations 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 riot vary from one contractor/supplier to the other; they shall be the same". Furthermore, Treasury Circular Ref No TRY/A2&B2/2009/OAGF/CAD/026/v of 24th March, 2009 states "All Accounting Officers controlling expenditure are to ensure that all procurement of stores and services costing above N200,000.00 shall be made through award of contract."

Audit observed that:

i. One hundred and five (105) payment vouchers totalling 99,245,839.15 (Ninety nine million, two hundred and forty five thousand, eight hundred and thirty nine naira, fifteen kobo) were raised between July, 2019 and December, 2019 and paid to three (3) officers of the institution for the direct procurement of food stuff meant for the feeding of students; and

ii. The payments deprived government of 5% Value Added Tax and 5% Withholding Tax(WHT) totaling 9,924,583.91 (Nine million, nine hundred and twenty four thousand, five hundred and eighty three naira, ninety one kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College, Enugu.

Risks

i. Loss of revenue to government.
ii. Diversion of public fund.

Management's Response

The purchase of food for the student in the college is done by direct purchase on employee payable on the GIFMIS of the Office of Accountant General of the Federation…The Food Committee of the College authorized three (3) officers to receive money for direct food purchase for students of the College.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Justify the sum of 99,245,839.15 (Ninety nine million, two hundred and forty five thousand, eight hundred and thirty nine naira, fifteen kobo) granted as advances above the 200,000,00 threshold;

ii. Recover and payback the sum of 9,924,583.91 (Nine million, nine hundred and twenty four thousand, five hundred and eighty three naira, ninety one kobo), forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payments specified in paragraph 3106 of the Financial Regulations.

ISSUE 3: PAYMENTS WITHOUT SUPPORTING DOCUMENTS (= 12,365,610.00)

Paragraph 603(i) of the Financial Regulations 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:

i. Eleven(11) payment vouchers amounting to 12,365,610.00 (Twelve million, three hundred and sixty-five thousand, six-hundred and ten naira) were raised and paid in November 2019 for the purchase of food stuffs, cultural creative project items and sundry goods and services; and

ii. The vouchers were not supported with documents such as invoices, delivery notes required of a valid the payments.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College, Enugu.

Risks

i. This may lead to diversion of public funds.
ii. Payment may be made for food not supplied.

Management's Response

During the period under review there was a mix up during the period that resulted that certain documents were not attached to the said vouchers or that the Audit could not site.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Account for the sum of 12,365,610.00 (Twelve million, three hundred and sixty-five thousand, six-hundred and ten naira) for purchase of food stuffs, cultural relevant creative project items and sundry goods and services not supported with documents.

Ii. Recover and payback the sum of 12,365,610.00 (Twelve million, three hundred and sixty-five thousand, six-hundred and ten naira), forwarding evidence of recovery/remittance to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payments specified in paragraph 3106 of the Financial Regulations.

FEDERAL GOVERNMENT COLLEGE, OTOBI

At the Federal Government College, Otobi, Benue State, the following observations were made:

ISSUE 1: IMPROPER AWARD OF LOCAL PROCUREMENT TO MEMBERS OF STAFF (= 18,112,100.00)

Establishment Circular Ref No. TRY/A2 &B2/2009/OAGF/CAD/028/V dated 24th March 2009 states "All local procurement of stores and services costing above 200,000.00 shall be made only through award of contract."

Audit observed that:

i. Twelve(12) payment vouchers totaling 18,112,100.00 (Eighteen million, one hundred and twelve thousand one hundred naira) raised between January 2019 and October 2019 were paid to two (2) officials of the College for direct procurement of food stuff for the feeding of Students;

ii. The payments for the procurement were not made through award of contracts.

The above anomalies could be attributed to weaknesses in the internal control system and non-compliance with the Procurement Act at the Federal Government College, Otobi.

Risks

i. This may lead to diversion of public funds.
ii. Payment may be made for food not supplied.

Management Response

The purchase of food items was done directly through the Food Committee and most of these procurements were supplied by vendors on debt(credit) awaiting release of meal subsidies by the government.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Justify the sum of 18,112,100.00 (Eighteen million, one hundred and twelve thousand one hundred naira) for the irregularities in the procurement of food stuff for the feeding of students;

ii. Recover and pay back of 18,112,100.00 (Eighteen million, one hundred and twelve thousand one hundred naira), forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

iii. Otherwise, apply sanctions relating to irregular or wrong payments specified in paragraph 3106 of the Financial Regulations.

ISSUE 2: NON-SUBMISSION OF BANK RECONCILIATION STATEMENTS (= 164,033,614.64)

Paragraph 716 of the Financial Regulations (FR) states "All officers authorised to keep bank accounts must compare on weekly basis, and at the close of each month, the entries appearing in the bank statements with those in their cash books and effect early clearance of outstanding items. At the end of the month, a bank statement signed by the manager of the bank shall be submitted with the monthly transcript and accompanied with a reconciliation statement signed by the Sub-Accounting Officer." Furthermore, paragraph 806 of FR states "Where a bank account is maintained, a bank reconciliation statement and certified bank statement as at the last business day of the month shall be attached to the cash book."

Audit observed that:

i. The sum of 164,033,614.64 (One hundred and sixty four million, thirty three thousand, six hundred and fourteen naira, sixty four kobo) was disbursed through the Remita payment platform for the provision of sundry goods and services; and

ii. The Monthly Bank reconciliation Statement and Bank Statement relating to the above disbursement were not produced for examination.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College, Otobi.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

The delay in preparing or non-preparation of monthly bank reconciliations of the TSA account was due to network issues. The management is making efforts to ensure that the statements are printed on monthly basis for the purpose of reconciliation with the cashbook.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Produce the Monthly Bank Reconciliation statement relating to the disbursement of the sum of 164,033,614.64 (One hundred and sixty four million, thirty three thousand, six hundred and fourteen naira, sixty four kobo) to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to failure to prepare bank reconciliation statement in paragraph 3121 of the Financial Regulations.

FEDERAL GOVERNMENT COLLEGE, VANDEIKYA

At the Federal Government College Vandeikya, Benue State, the following observations were made:

ISSUE 1: NON-RETIREMENT OF CASH ADVANCES (= 6,163,925.00)

Paragraph 1420 of the Financial Regulations states "It is the duty of all accounting officers to ensure that all advances granted to officers are fully retired."

Audit observed that:

i. Advances totalling 6,163,925.00 (Six million, one hundred and sixty-three thousand, nine hundred and twenty-five naira) were granted to staff for the purpose of making purchases, maintenance and provision of sundry services to the college for the period January to December 2019; and

ii. The advances were not retired as at the time of writing this report.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College Vandeikya.

Risks

i. Loss of government funds.
ii. Misappropriation of funds.

Management's Response

Officers who were granted cash advances have been informed to retire the advances granted to them on or before the next audit visit.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Recover the sum of 6,163,925.00 (Six million, one hundred and sixty-three thousand, nine hundred and twenty-five naira) from the beneficiaries and pay same to government chest, forwarding evidence of recovery to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to non-recovery of advances and non-retirement of advances in paragraphs 3118 and 3124 of the Financial Regulations, respectively.

ISSUE 2. IMPROPER AWARD OF LOCAL PROCUREMENT TO MEMBERSS OF STAFF (= 22,928,216.68)

Paragraph 2917 of the Financial Regulations states "All Ministries and Extra-ministerial Department offices and other arms of government shall ensure in any financial year the establishment of a procurement planning committee."

Audit observed that:

i. The processes and procedures put in place for the procurement of food items for student consumption was inadequate. The College failed to constitute Food Committee to supervise the procurement of food items for the College; and

ii. Meal subsidy releases totalling 22,928,216.68 (Twenty two million, nine hundred and twenty eight thousand, two hundred and sixteen naira, sixty eight kobo) for the period under review were expended without recourse to due diligence.

The above anomalies could be attributed to weaknesses in the internal control system at the Federal Government College, Vandeikya.

Risks

i. Loss of government funds.
ii. Diversion of public funds.

Management's Response

During your visit to the school, a copy of Food Committee Minutes was presented to your team for sighting.

Recommendations

The Permanent Secretary FMoE is requested to:

i. Justify the disbursement of 22,928,216.68 (Twenty two million, nine hundred and twenty eight thousand, two hundred and sixteen naira, sixty eight kobo) without the award of contracts contrary to the provisions of extant regulations to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to irregular or wrong payments in paragraph 3106 of the Financial Regulations.

NIGERIA IMMIGRAITION SERVICE MINNA, NIGER STATE COMMAND

At the Nigeria Immigration Service, Minna, Niger State Command, the following observations were made:

ISSUE 1: LACK OF ACCOUNTABILITY ON PASSPORT DELIVERY CHARGE (= 19,102,000.00)

Paragraph 619 of the Financial Regulations states “Any payment due to or receipted by government official in his official capacity shall be paid to the treasury for which official receipt shall be issued.”

Audit observed that:

i. The sum of 19,102,000.00 (Nineteen million, one hundred and two thousand naira) accrued from the levy of 2,000.00 (Two thousand naira) collected from 9,551 passport applicants between January and December 2019 tagged "Home Delivery Service" for processed International Passport; and

ii. This amount was not paid to the Treasury Single Account (TSA) and there were no Treasury Receipts issued in contravention of the Financial Regulation.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Immigration Service, Minna.

Risk

i. Loss of revenue.
ii. Loss of funds.

Management's Response

No response.

Recommendations

The Comptroller-General NIS is requested to:

i. Justify and account for the sum of 19,102,000.00 (Nineteen million, one hundred and two thousand naira) to the Public Accounts Committees of the National Assembly; and

ii. Otherwise, apply sanctions relating to failure to account for government revenue in paragraph 3112 of the Financial Regulations.

SECTION 18

TREASURY
AUDIT DEPARTMENT

NIGERIA MINING CADASTRAL OFFICE, ABUJA

At the Nigeria Mining Cadastral Office (NMCO), Abuja, the following observations were made:

ISSUE 1: STOCK OF REVENUE RECEIPTS AND LICENCE FORMS LEFT IN THE CUSTODY OF REVENUE COLLECTORS

Paragraph 1210 of the Financial Regulations (2009) states "Issues of receipt and license forms to Revenue Collectors shall not exceed the number required for their daily use. Individual revenue collector must not hold a stock of receipts and license forms."

Audit observed that the staff of NMCO responsible for revenue collection was also the staff that take delivery of revenue receipt booklets, issue receipts to customers, also in custody of used and unused receipt booklets contrary to FR1210 which prohibits holding stock of used and unused receipt booklets and license forms at the same time". This is a clear indication of failure of internal control.

The above anomaly could be attributed to weaknesses in the internal control system at the Nigeria Mining Cadastral Office.

Risks

i. There is the possibility of abuse.
ii. Loss of revenue to government

Management's Response

The Director General stated that the unused treasury receipts have been retrieved from the revenue collector accordingly and the normal procedures for custody of unused treasury receipts and allocation to the revenue collector are now in place.

Recommendations

The Director General is requested to produce documentary evidence of the action taken for audit confirmation, otherwise, sanction in line with FR3128 on sanctions for other violations, should apply.

ISSUE 2: POOR ACCOUNTABILITY FOR RECEIVABLES AND ARREARS OF REVENUE

Paragraph 224 (iii) of the Financial Regulations (FR) (2009) states "Where payment is outstanding a system of following – up by means of reminders and final demand through courier service shall be made….".Furthermore, paragraph 227 (i) of the FR states "Accounting officers who are responsible for the collection of revenue will furnish annually a return of arrears of revenue due at the 31st December in each year which remains uncollected by the following 31st March. The return, which will be submitted by the 31st May, shall be prepared in triplicate, one copy each sent to the Accountant-General, and the Auditor-General while the third retain for record purposes. In cases where there is no outstanding revenue a NIL returns should be rendered…" Similarly, paragraph 227 (ii) of the FR states "It is the responsibility of Accounting Officers to follow

up outstanding items of revenue and to take all necessary steps to ensure collection or, where collection is no longer possible, to apply to the Ministry of Finance for authority for a write-off, explaining the circumstances."

Audit observed that:

i. The NMCO failed to proactively issue bills in advance to its customers so as to adequately follow up with demand for the due payments.

ii. There was no policy of sending mails or using other easy and convenient means of contacting NMCO clients contrary to extant regulations, and

iii. NMCO has not been forwarding copies of its returns of arrears of revenue due from the time of inception to 31st December, 2019 (i.e 14 years) to the Auditor General for the Federation as required by extant regulations.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Mining Cadestral Office.

Risks

i. Loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

The Director General stated that:-
Compliance to annual return to Auditor General for the Federation on arrears of revenue due from debtor-customers has been noted for adherence and :

On the follow up process to notify defaulting customers, an upgrade of the investors' database is going on at the end of which they would electronically be notified promptly of their indebtedness through email and sms messages prior to the due dates. This is in addition to the routine annual publication in 3 national dailies of NMCO 'Intention to Revoke' to inform the defaulting companies/individuals of their financial status and the consequences of non-compliance and actual 'Revocation'

Recommendations

The Director-General of NMCO is requested to:

i. Justify the non-compliance with extant regulations on revenue collections.

ii. Produce 14 years outstanding annual returns on arrears of revenue.

iii. In addition, sanctions in line with FR 3129 on sanctions for other offences, should apply.

ISSUE 3: FAILURE TO COLLECT TREASURY RECEIPTS FOR REMITTANCES OF REVENUE TO MINISTRY OF MINES AND SOLID MINERALS DEVELOPMENT (= 2,379,520, 315.00)

Paragraph 210 of the Financial Regulations (2009) states "The Revenue Collector will obtain an official receipt or all moneys paid in by him and will paste this receipt in his cash book, recording its date and number, on the payment side of the cash book."

Audit observed that:

i. The monthly revenue remitted by NMCO were not supported by cash receipt from Ministry of Mines and Steel Development as required by extant regulations.

ii. Remittances of revenues amounting to 2,379,520,315.00 (Two billion, three hundred and seventy nine million, five hundred and twenty thousand, three hundred and fifteen naira) only as shown in the Table below were done electronically without acknowledgment of receipts by the Ministry of Mines and Steel. Development, and

MONTH	AMOUNT ( )
JANUARY	162,983,000.00
FEBRUARY	240,692,815.00
MARCH	245,314,500.00
APRIL	134,403,000.00
MAY	179,584,000.00
JUNE	82,916,500.00
JULY	485,422,000.00
AUGUST	129,149,500.00
SEPTEMBER	182,260,000.00
OCTOBER	239,334,500.00
NOVEMBER	118,606,500.00
DECEMBER	178,854,000.00
TOTAL	**2,379,520,315.00**

iii. There was no evidence to show that the Ministry remitted the above revenue to the Consolidated Revenue Fund.

The above anomalies could be attributed to weaknesses in the internal control system at the Nigeria Mining Cadestral Office.

Risks

i. Loss of government revenue.
ii. Diversion of public funds.

Management's Response

The Director General stated that evidences of remittance of the 2,379,520,315 (Two billion, three hundred and seventy nine million, five hundred and twenty thousand, three hundred and fifteen naira) are available in GIFMIS generated printouts. Therefore, and in compliance with FR 210, the supervising Ministry (Mines and Steel Development) has been engaged through an official letter to assist in the process of collecting treasury receipts for the total sum of 2, 379,520,315.00 as evident in the enclosed letter.

Recommendations

The Director-General is requested to:

i. Provide reasons why there were no receipts acknowledging revenue remitted to the Ministry of Mines and Solid Minerals Development.

ii. Account for the sum of 2,379,520,315.00 (Two billion, three hundred and seventy nine million, five hundred and twenty thousand, three hundred and fifteen naira)

iii. Remit the sum of 2,379,520,315.00 to the Treasury

iv. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

v. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue prescribed by paragraph 3112 of the Financial Regulations.

NIGERIA NATIONAL PETROLEUM CORPORATION (NNPC)

At the Nigeria National Petroleum Corporation (NNPC), the following observation was made:

ISSUE 1: PAYMENT WITHOUT ADEQUATE SUPPORTING DOCUMENTS (= 1,925,388,991.70)

Paragraph 603(i) of the Financial Regulations (FR) 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, e.t.c..."

Audit observed that:

i. The sum of 1,925,388,991.70 (One billion, nine hundred and twenty five million, three hundred and eighty eight thousand, nine hundred and ninety one naira, seventy kobo) was paid in favour of seventeen (17) contracts on charter hire, and

ii. There were no adequate supporting documents like evidence of vessels transhipment of products, clearance certificate from appropriate inspection agency, among others to show that the payments were valid charges against public funds.

The above anomalies could be attributed to the weaknesses in the internal control system at the NNPC.

Risks

i. Illegitimate payments.
ii. Payments for services not rendered

Management's Response

No response.

Recommendations

The Group Managing Director of NNPC is requested to:

i. Provide reasons why payments were made without adequate supporting documents.

ii. Account for the sum of 1,925,388,991.70 (One billion, nine hundred and twenty five million, three hundred and eighty eight thousand, nine hundred and ninety one naira, seventy kobo) paid for charter hire to the seventeen contractors without adequate supporting documents.

iii. Furnish evidence of vessels transhipment of products, clearance certificate from appropriate inspection agency for the contractors to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payments in paragraph 3106 of the Financial Regulations.

SECTION 19

UNIVERSITY TEACHING HOSPITALS AND ALLIED INSTITUTIONS

LAGOS UNIVERSITY TEACHING HOSPITAL, (LUTH), IDI ARABA

At the Lagos University Teaching Hospital, Idi-Araba, Lagos, the following observations were made:

ISSUE 1: UNDER - REMITTANCE OF INTERNALLY GENERATED REVENUE (= 30,406,888.04)

Federal Treasury Circular No HCSF/428/S.1/120 dated 7th August, 2015, Re Introduction of Treasury Single Accounts (TSA) (e-Collection of Government Receipts) requires Teaching Hospitals (MDAs partially funded through the Federal Government Budget but generate additional revenues) to pay all revenues collected into the TSA except Union Dues.

Audit observed that:

i. The Hospital generated the sum of 35,474,325.00 (Thirty-five million, four hundred and seventy-four thousand, three hundred and twenty-five naira) as its Internally Generated Revenue for the year, 2019, and.

ii. The Hospital remitted the sum of 5,067,436.96 (Five million, sixty-seven thousand, four hundred and thirty-six naira ninety-six kobo), leaving an unremitted balance of 30,406,888.04 (Thirty million, four hundred and six thousand, eight hundred and eighty-eight naira, four kobo).

The above anomalies could be attributed to weaknesses in the internal control system at the Lagos University Teaching Hospital.

Risks

i. Loss of revenue to government.
ii. Diversion of public funds for personal use.

Management's Response

The balance of 3,801,144.29 on LUTH IGR for the year 2019 would be remitted and evidence of payment forwarded to your office.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why revenue generated were not remitted in full to the Treasury as required by extant regulations.

ii. Remit the sum of 30,406,888.04 (Thirty million, four hundred and six thousand, eight hundred and eighty-eight naira, four kobo) plus all accrued interest to government treasury, and

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue and demotion in rank prescribed by paragraphs 3112 and 3117 of the Financial Regulations respectively.

ISSUE 2: NON-DEDUCTION OF VALUE ADDED TAX (= 1,491,637.72)

Paragraph 234(i) of the Financial Regulation states "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."

Audit observed that the sum of 1,491,637.72 (Òne million, four hundred and ninety one thousand, six hundred and thiry seven naira, seventy two kobo) for Value Added Tax (VAT) was not deducted from payment to contractors in respect of contract for supplies as as shown below.

Contracts under Capital Development Fund	244,046.10
Contracts under Overhead	1,247,591.62
Total	**1,491,637.72**

The above anomaly could be attributed to weaknesses in the internal control system at the Lagos University Teaching Hospital.

Risks

i. loss of government revenue.
ii. Difficulty in funding budget.

Management's Response

We have cross your observation and confirm that 5% VAT was deducted from the transaction. The sum of N244,046.10 calculated as deductible VAT from the payment of N5,125, 000.00 by your office on Capital Development Fund has been paid by LUTH as part of N4,750,000.00 VAT and WHT deducted and paid to FIRS on behalf of West Africa Infrastructure Nig. Ltd. However, the sum of N5,125,000.00 was final payment on a bill of N49,875,000.00 from which 4,750,000.00 was paid as WHT and VAT to FIRS.

However, your observed outstanding VAT of N1,247,591.62 on overhead shall be remitted to FIRS.

Recommendations

The Chief Medical Director is requested to:

i. Provide reasons why VAT was not deducted from payment to contactors.

ii. Recover and remit 1,491,637.72 (Òne million, four hundred and ninety one thousand, six hundred and thiry seven naira, seventy two kobo) to appropriate Tax Authority

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

Iv. Otherwise, apply sanctions relating to failure to collect and account for Government Revenue and demotion in rank prescribed by paragraphs 3112 and 3117 of the Financial Regulations respectively.

ISSUE 3: PAYMENT OF SALARY ARREARS WITHOUT EVIDENCE OF APPROPRIATION (= 2,274,544.67)

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 a manner prescribed by the National Assembly." Also, paragraph 417 of the Financial Regulations 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:

i. Five (5) staff of the Hospital were paid 2011 and 2018 arrears amounting to 2,274,544.67 (Two million, two hundred and seventy-four thousand, five hundred and forty-four naira, sixty-seven kobo) from 2019 allocation, and

ii. There was no evidence to show the arrears were captured in the 2019 appropriation as required by extant regulations..

The above anomalies could be attributed to weaknesses in the internal control system at the Lagos University Teaching Hospital.

Risks

i. May lead to misappropriation.
ii. Fiscal Indiscipline.

Management's Response

These were 2018 salaries due to staff as at December 2018 but were not paid because the documentation process were yet to be completed. The arrears were paid in 2019 when the documentation process were finalized.

Recommendations

The Chief Medical Director is requested to:

i. Furnish reasons why salary arrears not appropriated for were paid.

ii. Recover the sum of 2,274,544.67 (Two million, two hundred and seventy-four thousand, five hundred and forty-four naira, sixty-seven kobo) and remit to the Treasury.

iii. Forward evidence of remittance to the Public Accounts Committees of the National Assembly, and

iv. Otherwise, apply sanctions relating to irregular payment prescribed by paragraph 3106 of the Financial Regulations.