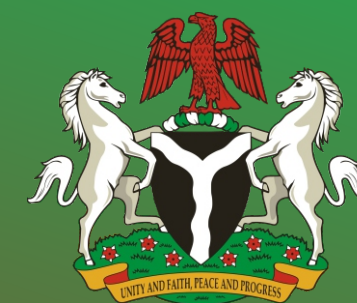




PERFORMANCE AUDIT REPORT OF THE ACCOUNTANT GENERAL FOR THE FEDERATION



FEDERAL REPUBLIC OF NIGERIA

**OFFICE OF THE AUDITOR-GENERAL
FOR THE FEDERATION**



**PERFORMANCE AUDIT ON THE
FEDERAL GOVERNMENT OF NIGERIA
BUDGET PREPARATION PROCESS
AND ITS IMPLEMENTATION**

A REPORT BY THE AUDITOR-GENERAL FOR THE FEDERATION

OCTOBER, 2020



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To audit the Nation's accounts in the most professional and transparent manner, ensuring value for money in Government's financial activities for the benefit of the Nigerian People

VISION

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VALUES

Professionalism
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LIST OF ABBREVIATION

BOF	Budget Office of the Federation
BIR	Budget Implementation Report
EO	Executive Order on Budget
FGN	Federal Government of Nigeria
FRC	Financial Reporting Council
FEC	Federal Executive Council
GIFMIS	Government Integrated Financial Management Information System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institution
ISSAI	International Standards of Supreme Audit Institutions
MDAs	Ministries Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTRF	Medium Term Revenue Framework
NASS	National Assembly
OEDC	Organization for Economic Co-operation and Development
OAuGF	Office of the Auditor General for the Federation
OAGF	Office of the Accountant General for the Federation
PEFA	Public Expenditure and Financial Accountability
SAI	Supreme Audit Institutions
WB	World Bank

AUDITOR GENERAL'S MESSAGE

22nd October, 2020.

The President of the Senate,
The Speaker, House of Representatives,
Federal Republic of Nigeria,
National Assembly Complex,
Abuja.

PERFORMANCE AUDIT ON FEDERAL GOVERNMENT OF NIGERIA BUDGET PREPARATION PROCESS AND ITS IMPLEMENTATION

In line with the provisions of Section 85 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) and Financial Regulations 109(1)(d) (Revised edition 2009), I have undertaken a performance audit on the Federal Government of Nigeria (FGN)'s Budget Preparation Process and its Implementation, and hereby submit this report.

The report contains findings of the audit, conclusions and recommendations that have focused mainly on the assessment of the adequacy of measures put in place by Budget Office of the Federation to ensure timely budget preparation, and effective implementation. While the Federal Government's budget represents less than 10% of aggregate yearly expenditure in the economy, it has a very significant accelerator effect on the financial plans of other tiers of government, and even more importantly, the private sector, which mostly operates on a January-December financial year.

The Management of Budget Office of the Federation had the opportunity to scrutinize the factual contents of the report and came-up with comments on it. I wish to acknowledge the Audited entity for the very useful and constructive discussion we had about the audit. I appreciate their fruitful interaction with my Office.

My Office intends to carry out a follow-up at an appropriate time, regarding actions taken by the Budget Office of the Federation in relation to the recommendations in this report.

**ANTHONY MKPE AYINE, FCA,
AUDITOR-GENERAL FOR THE FEDERATION**



EXECUTIVE SUMMARY

Background of the Audit

The Federal Government Budget is an annual financial plan on how the government would manage anticipated public financial resources that would accrue during an in-coming financial year for the benefit of the citizens. Section 318 of the Nigeria Constitution states that the *financial year* means any period of twelve months beginning on the first day of **January** in any year or such other date as the National Assembly may prescribe.

The Budget Office of the Federation (BOF) is responsible for the preparation, monitoring and report on implementation of the annual budget. The budget preparation process is a complete set of events occurring in the same sequence every year and culminating in the approved budget. BOF initiates and coordinate all the activities in the process. Sections 30 and 50 of Fiscal Responsibility Act (FRA) 2007 require the BOF to prepare and submit quarterly Budget Implementation Reports (BIR) to the joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC).

Reason for the Audit

This audit was motivated by the irregular budget cycle and low capital budget implementation in Nigeria over the past two decades. It is worthy of note to draw attention to the fact that delays in budget preparation, approval and implementation have persisted in the past twenty (20) years and have been a bane to effective delivery of democracy dividend to Nigeria citizens (Omolehinwa & Naiyeju, 2018).

The Nigerian economy went into recession in 2016 with a negative growth (-1.5%) as a result of the challenging fiscal environment. The execution of 2017 Federal Government Budget in the fourth quarter of the year was challenging on several fronts, due to the extension of the 2016 budget to 5th May, 2017. In 2017 capital budget did not commence until the tail end of the first half of the fiscal year, thus affecting the execution of the budget. In 2018 the capital budget implementation was extended to June, 2019.

In a bid to reverse the trend and move Nigeria towards a predictable January – December financial year, President Muhammadu Buhari, in a letter dated 25th April, 2018, directed the Budget Office of the Federation, to strengthen the budget administration process to address its current perceived weaknesses. According to Section 82 of the 1999 Constitution (as amended), it is anticipated that annual appropriation bill should be passed before the beginning of a financial year. The Constitution considers delay in budget passage as deviation, because new government expenditure is restricted to only functional spending. While the Federal budget represents less than 10% of aggregate yearly expenditures in the economy, it has a significant accelerator effect on the financial plans of other tiers of government, and even more importantly, the private sector, which mostly operates on a January – December financial year.

Despite significant economic resources committed to budget preparation, monitoring and reporting on its implementation in the past two decades, Nigeria was only able to achieve a predictable January to December financial year in 2020. It is against the background of irregular budget cycle, and low capital budget implementation which persisted over years that the OAuGF carried out this Performance audit. The topic is one of the four major subject areas affecting the lives of Nigerians articulated in the OAuGF five-year Strategic Development Plan (2017 – 2022).

The main objective of the audit was to assess whether the Budget Office of the Federation (BOF) has put in place measures to ensure timely budget preparation, passage, approval as well as effective budget implementation to mitigate the adverse effect of delayed budget and low implementation on the economy.

The audit examined the Federal Government of Nigeria (FGN) Budget preparation activities of the Budget Office from the budget planning stage to the monitoring and reporting on its implementation. It also evaluated the information contained in the Budget Implementation Report (BIR), including physical inspection of selected capital projects across the six (6) geo-political zones of the Country. The audit covered three financial years (2016 – 2018). These financial years were chosen as they represent most recent budget trend of present Government's economic direction; starting with Budget of Change in 2016, to Budget of Recovery and Growth in 2017 to Budget of Consolidation in 2018.

Summary of Major Findings and conclusion

The Management of BOF was able to effectively and efficiently put in place adequate measures to ensure timely budget preparation, passage and approval as demonstrated in the presentation of the 2020 budget proposal to the National Assembly on 8th October, 2019. The 2021 budget proposal was also laid before the National Assembly by the President, on 8th October, 2020, which is in line with the FGN

Budget calendar.

We found this is a remarkable improvement, and hopes that this development will be sustained, thus enhancing effective capital budget implementation. We arrived at this conclusion after due consideration of the economic resources made available to BOF, relevant legislation, manual and guidance provided by international financial institutions for effective budgetary governance. Our conclusion was based on critical evaluation of the activities of BOF vis-à-vis its core mandate to ensure timely budget preparation, effective monitoring and reporting on its implementation. The effectiveness of BOF is determined by its capability to facilitate the process for Mr. President to lay the annual budget before a Joint session of the National Assembly not later than 1st week of October since Section 318 of the Constitution envisages a predictable January to December financial year for the Country.

The efficiency of BOF is also measured by the closeness in the margin of forecast and actual revenue which guides Government's expenditure decision. Furthermore, BOF's effectiveness is also evaluated by the accuracy and reliability of its monitoring report to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC), as well as other stakeholders and general public. We found that BOF's success rate in the area of revenue forecast and capital budget implementation report was low, and we set below the aspects of Federal Government budget administration that needs to be improved upon for BOF to effectively achieve its objectives.

1. Operational fixed Budget Calendar

The development and adherence to a fixed budget calendar is one of the essential measures to ensure timely budget preparation. BOF has a budget process manual which contains the FGN budget calendar. In the past years up to 2018, BOF did not adhere to fixed budget calendar. However, Audit noted that there is remarkable improvement in the past two years. For instance, the 2020 draft budget was laid before the National Assembly on 8th October, 2019, and 2021 draft budget was also laid before NASS on 8th October, 2020.

2. Issuance of budget call

The issuance of budget circular is a major landmark in the budget preparation process. In the period covered by this audit, BOF did not issue the circular by the first week of July provided in the FGN budget calendar. On the contrary, call circulars were issued on 29/9/2015, 05/09/2016 and 11/08/2017 for years 2016, 2017 and 2018 respectively. In the same vein, the Executive Order 2 on Budget states that, *“All Agencies shall, on or before the end of July every year, cause to be prepared and submitted to the Minister of Finance and the Minister of Budget and National Planning their annual budget estimates, which shall be derived from the estimates of revenue and expenditure as projected in their three-year schedule”*. To give effect to this Order, BOF ought to have issued Budget Call to MDAs by first week of July. The persistent delay in issuance of budget call circular resulted in late preparation and presentation of the draft budget to NASS in the period under audit.

1. Revenue Forecast

Audit noted a wide margin between forecast and actual revenues. This indicated an over-optimistic revenue forecast by BOF. A comparison of the actual revenue with the revenue forecast showed that actual revenue performance in 2016 was 76%, while 2017 and 2018 were respectively 52% and 54%. Audit confirmed from BOF's BIR that despite shortfalls in anticipated oil and non-oil revenues projection, Government continued to meet the non-discretionary expenditures as and when due. The budget implementation did not adapt to changes in revenue. Non-adaptation of the non-discretionary expenditures to sharp short falls in revenue consequently affected the timely releases of capital budget to MDAs, hence low performance of the capital expenditure.

2. Budget Implementation Report (BIR)

The efficiency of BOF as it relates to BIR is determined by the accuracy, reliability and integrity of the content of the report. Audit confirmed from documents reviewed that BOF published the quarterly Budget Implementation Report in the years under audit. However, there were instances of inaccuracy of information contained in the reports, particularly as concerns some of the project reviewed and visited by the audit team. The implication of inaccurate budget implementation report is that it leads the users of the reports to take a wrong decision.

Recommendations

In the light of the above findings, it is hereby recommended that:

1. BOF should sustain the timely budget preparation which resulted in the President laying the 2020 and 2021 draft budget before NASS on 8th October, of the respective years. The budget calendar should be circulated to all role players in the budget process. They should be sensitized on the need to work within specified time line, and told the implications of delayed budget on the citizens, and economy.
2. BOF should issue the call circular to MDAs by the first week of July, in accordance with the FGN Budget calendar.
3. BOF should deploy a more efficient revenue forecast model to improve the accuracy of MDAs' revenue projection. Secondly, statutory transfers to Government Institutions, should be adapted to changes in economic environment.
4. BOF should ensure the accuracy and integrity of BIR by ensuring that capital projects are physically monitored, and report thereon reflects actual condition of the project. Where necessary, BIR should highlight capital project(s) that is at risk of abandonment for whatever reason. This will minimise high rate of abandoned projects across MDAs.

Budget Office's Response

The draft report was sent to BOF for comment. This was followed by discussion of the key audit findings with Management. BOF cherished the decision of the Auditor-General for the Federation (AuGF) to embark on the Performance Audit which would help in highlighting some of the challenges being faced in the preparation of the annual budget. Management shares the concern about the implications of delayed presentation/approval of the annual budget but stated that there was nothing BOF could do about the situation in the period under consideration. In the words of the Director-General, “BOF cannot reasonably

issue Call Circular for preparation of the budget for the following year when the budget for the current period has not been approved”. Commenting on the legal framework on budget preparation, BOF proposed that Section 81(1) of the Constitution of the Federal Republic of Nigeria 1999 needs to be amended to require the President to present the annual budget by a specific time, not 'at any time'. Audit recommendations and Management's response to specific audit findings have been included in the body of the report.

See appendix 6.

The room for Improvement

Time is of essence in the budget cycle: BOF should play its part within specified time as recommended in this report and sensitize the other role players in the budget process to act on the budget within specific time line. It is my sincere hope that if the recommendations contained in this report are implemented, the Federal Government budget will be a veritable tool for translating Government's programmes into a series of activities that would engender enhanced service delivery to citizens and stimulate economic growth.

CHAPTER ONE

INTRODUCTION

This chapter provides a brief background of the topic and describes the approach used in the conduct of this Performance Audit.

1.1 Background of the Audit

A budget is a financial plan of action, for a period, that describes the sources and uses of funds, and prepared prior to the period it relates. It is a process of translating government's programmes into a series of activities that are aimed at improving service delivery and socio-economic development. Federal Government Budget is therefore an annual financial plan on how the government would manage anticipated public financial resources that would accrue during an in-coming financial year for the benefit of the citizens. Section 318 of the Nigeria Constitution states that the Financial year means any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe.

The Budget Office of the Federation (BOF) is responsible for the preparation, monitoring and report on implementation of the annual budget. Although there is no law that specifically established the Budget Office of the Federation, the Fiscal Responsibility Act of 2007 is the only enactment that assigns the responsibility of monitoring and reporting on budget implementation in the Country to the Budget Office. Specifically, Sections 30 and 50 of the Act require the BOF to prepare and submit quarterly budget implementation Reports to the joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). The reports are also circulated to all other stakeholders and the general public through electronic and other media. Prior to the enactment of the Fiscal Responsibility Act (FRA) 2007, the duties and responsibility for budget preparation was assigned to the Budget Office by the President.

1.2 The Reason for the Audit

This audit was motivated by the irregular budget cycle and low capital budget implementation in Nigeria over the past two decades. It is worthy of note to draw attention to the fact that delays in budget preparation, approval and implementation have persisted in the past twenty (20) years and have been a bane to effective delivery of democracy dividend to Nigeria citizens (Omolehinwa & Naiyeju, 2018).

The Nigerian economy went into recession in 2016 with a negative growth (-1.5%) as a result of the challenging fiscal environment. The execution of 2017 Federal Government Budget in the fourth quarter of the year was challenging on several fronts, due to the extension of the 2016 budget to 5th May, 2017. In 2017 capital budget did not commence until the tail end of the first half of the fiscal year, thus affecting the execution of the budget. In 2018 the capital budget implementation was extended to June, 2019.

In a bid to reverse the trend and move Nigeria towards a predictable January – December financial year, President Muhammadu Buhari, in a letter dated 25th April, 2018, directed the Budget Office of the Federation, to strengthen the budget administration process to address its current perceived weaknesses. According to Section 82 of the 1999 Constitution (as amended), it is anticipated that annual appropriation bill should be passed before the beginning of a financial year. The Constitution considers delay in budget passage as deviation, because new government expenditure is restricted to only functional spending. While the Federal budget represents less than 10% of aggregate yearly expenditures in the economy, it has a significant accelerator effect on the financial plans of other tiers of government, and even more importantly, the private sector, which mostly operates on a January – December financial year.

In the three years under review, total budgetary allocation to BOF amounted to **N4,337,367,675,409** (Four trillion, three hundred and thirty-seven billion, three hundred and sixty seven million, six hundred and seventy five thousand, four hundred and nine Naira) only. Table 1 below shows the make of the amount.

Table 1: Approved Budget for BOF (2016 – 2018)

Year	Capital	Personnel	Overhead	Total BOF	Service Wide Vote (SWV)	Total inclusive SWV
	N	N	N	N	N	N
2016	286,713,517	726,459,029	499,504,100	1,512,676,646	1,137,208,681,151	1,138,721,357,797
2017	499,100,000	722,448,132	749,765,346	1,971,313,478	1,349,346,129,956	1,351,317,443,434
2018	600,700,000	624,688,153	859,765,346	2,085,153,499	1,845,243,720,679	1,847,328,874,178
Total	1,386,513,517	2,073,595,314	2,109,034,792	5,569,143,623	4,331,798,531,786	4,337,367,675,409

Source: Budget Office of the Federation

Despite significant economic resources committed to budget preparation, monitoring and reporting on its implementation in the past two decades, Nigeria was only able to achieve a predictable January to December financial year in 2020. It is against the background of irregular budget cycle, and low capital budget implementation which persisted over years that the OAuGF carried out this Performance audit. The topic is one of the four major subject areas affecting the lives of Nigerians articulated in the OAuGF five-year Strategic Development Plan (2017 – 2022).

1.3 Design of the Audit

1.3.1 Audit Objective

The main objective of the audit was to assess whether the Budget Office of the Federation has put in place measures to ensure timely budget preparation, passage, and approval in order to mitigate adverse effect of delayed budget and low implementation on the economy. The specific objectives are to:

- a) Assess whether BOF has put in place a fixed budget calendar and the extent to which it is adhered to.
- b) Ascertain if the budget preparation call circular was issued on time to MDAs, and gives adequate time for legislative consideration.
- c) Determine the extent of accuracy of revenue forecast to actual revenue as basis for expenditure, and whether expenditure adopts to changes in macroeconomic environment.
- d) Assess the extent of validity and correctness of the information contained in the periodic budget implementation report.

1.3.2 Assessment Criteria

The assessment criteria were drawn from the following sources:

- ❖ Section 81(1) of the 1999 Constitution provides that the President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the Federation for the following financial year.
- ❖ Section 318 of the 1999 Constitution defines "financial year" to mean any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe.
- ❖ Section 30(1) of the Fiscal Responsibility Act 2007, requires the Budget Office to monitor and evaluate the implementation of the annual Budget, assess the attainment of fiscal targets and report thereon on a quarterly basis to the Fiscal Responsibility Council and the Joint Finance Committee of the National Assembly.
- ❖ Section 50 of the Fiscal Responsibility Act 2007, requires the Federal Government through the Budget Office to report at the end of each quarter, publish a summarized report on budget execution.
- ❖ FGN Budget Process Manual (2018) requires Budget Office to follow a fixed budget calendar in the budget preparation process.
- ❖ According to FGN Executive Order No. 2 of May 18, 2017, MDAs are required to submit budget details to Budget Office latest by July.
- ❖ The IMF Code of Good Practices on Fiscal Transparency (2007) requires Budget Institutions to imbibe good practice on administration of Government budget preparation

- ❖ The Public Expenditure and Financial Accountability (PEFA) 2017 of World Bank provides Budget Institutions with a framework for assessing good practice in budget administration.
- ❖ OECD Guidance on budget preparation requires Budget Institutions to publish fiscal information to all role players in the budget preparation process.

1.3.3 Scope of the audit

The audit report focused on the budget preparation activities from planning stage to monitoring of its implementation by the Budget Office of the Federation (BOF) in selected MDAs across the geo-political zone of the country.

The audit covered three financial years, namely: 2016, 2017 and 2018. These financial years were chosen as they represent most recent budget trends. The recent trends in present Government's economic direction are; budget of change in 2016, to budget of recovery and growth in 2017 and budget of consolidation in 2018.

1.3.4 Sampling Methods for data collection and analysis

(i) Sampling method used

Non-probability sampling was used to select capital projects across the six-geo-political zones in the Country. First there must be approved capital project, and there was capital release to implement it. Second, it must be among capital project that was monitored and reported on its implementation in BIR. The detail of the projects inspected and states are contained in appendix 5.

(ii) Methods used for data collection

Documents reviews

The audit team collected data mainly through document reviews to have a more insight into the operations and administration of BOF budget functions. This information was obtained directly by request and those obtained from the BOF Official website. The reviews were to corroborate information obtained from other sources.

Interviews

Primary data were collected through interviews carried out with key players to obtain information about budget administration of Budget Office. Details of the Officials Interviewed is attached as appendix 4. The aims of the interviews were to capture information from interviewees through their personal experiences, particular references, opinions, and also obtaining their knowledge by the interpretation of internal documents and reports. Interviews were also used to confirm that facts are correctly understood. The interview guide was sent in advance to the Directors of Finance and Budget Officials, before the date scheduled for interview.

Observations

The team selected 26 monitored projects from BIR (2016 – 2018) out of which fifteen (15) were physically inspected. The objective of the inspection was to ascertain if the projects reported to have attained less than 100% had been completed or abandoned and to verify the accuracy of the information in BIR. The exercise entails comparing current status of the projects with implementation status reported by BOF.

(iii) Methods used for data analysis

Collected data were analyzed using both qualitative and quantitative methods. Quantitative data was compiled, organized and summarized using excel spreadsheet and presented as descriptive statistics in frequency tables and simple bar-charts. Likewise, qualitative data collected through interviews and document reviews were categorized based on the main themes under each audit question and presented as summarized texts.

1.4 Data validation process

The audited entity, Budget Office of the Federation was given the opportunity to go through the draft report and comment on the information presented in the report. The Agency confirmed the accuracy of the figures used and information presented in the report.

The draft report was also given to two subject matter experts with background on the budget preparation process and its implementation with special reference to Nigeria. This was done in order to obtain an expert's opinion and ascertain on the accuracy and validity of the information presented.

1.5 Standards used for the audit

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) on Performance Auditing issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require that the audit is planned and performed in order to obtain sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. It is believed that according to the audit objectives, the evidence obtained provided a reasonable basis for the findings and conclusions.

1.6 Structure of the audit report

The subsequent chapters of this report cover the following:

Chapter Two presents the system description, process, roles and responsibilities of role players involved in the annual budget preparation process and its implementation. Chapter Three presents the audit findings based on the four specific objectives of this audit. Chapter Four provides audit conclusions; and Chapter Five outlines audit recommendations, which can be implemented towards improving the observed weaknesses for timely budget preparation, effective implementation and accurate report of its implementation to the Joint Committee on Finance of the National Assembly, the Fiscal Responsibility Commission and the Nigeria public.

CHAPTER TWO

2.0 FGN BUDGET PREPARATION PROCESS AND ITS IMPLEMENTATION

2.1 Introduction

This chapter provides a description of the annual budget preparation in Nigeria by the Budget Office of the Federation. It presents the policy and legal framework governing the annual budget preparation in the Country, the roles and responsibilities of key players involved. Furthermore, the chapter describes iterative stages in the budget preparation in the Country, and risks identified with budget preparation, approval and monitoring of its implementation in Nigeria.

2.2 Policy and legal framework

The following are the policies, laws and regulations, which govern the annual budget preparation in Nigeria.

2.2.1 Legal framework

The Constitution of the Federal Republic of Nigeria

Section 81(1) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) states that the President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year. Section 318 defines financial year as “any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe.

Fiscal responsibility Act (FRA) 2007.

Sections 30 and 50 of the FRA 2007 mandate the Budget Office of the Federation (BOF) to monitor and report on the implementation of the annual budget quarterly, and present the report to the Fiscal Responsibility Commission, the Joint Committee on finance of the National Assembly, other stakeholders and general Public.

2.2.2 Policy Framework

Federal Government Order No. 2 on Budget dated May 18, 2017.

This policy document requires all Ministries, Departments and Agencies to submit budget details to the Budget Office latest by July. The Executive order is aimed at promotion of transparency and efficiency in the business environment designed to facilitate the ease of doing business in the country, support for local contents in public procurement by the Federal Government, and requires timely submission of annual budgetary estimates by all statutory and non-statutory agencies, including companies owned by the Federal Government.

Budget Process Manual

The Budget Process Manual (2018) provides a step by step guidance on budget preparation. It contains the Federal government budget calendar which specified timeline for each role player and activities in the budgeting process. The calendar envisages a financial year which begins from 1st day in January to the 31st December of any financial year, in accordance with section 318 of the Constitution.

The Organization for Economic Cooperation and Development (OECD)

Recommendation on Budgetary Governance sets out ten principles which provide concise overview of good practices across the full spectrum of budget activity and aim to give practical guidance for designing, implementing and improving budget systems to make a positive impact on citizens' lives.

The International Monetary Fund (IMF) Code of Good Practices in Fiscal Transparency (2007) prescribes good practice on budgetary administration.

The World Bank – Budgeting and Budgetary Institutions – Public Sector Governance and Accountability series provide guide to Budget Institutions on international best practice in budget administration.

2.3 Budget Preparation process

The budget preparation process is a complete set of events occurring in the same sequence every year and culminating in the approved budget. BOF initiates and coordinates all the activities in the process. The FGN budget process manual defines the practices that the Federal Government Ministries, Departments and Agencies (MDAs) should adopt to plan and prepare annual budgets with practical step-by-step guidelines and tools to make the process easy and understandable. The manual also contains a budget calendar, which show a financial year of January – December.

In Nigeria, the budgeting system has six generic iterative stages, namely,

- Policy Review
- Strategic Planning
- Budget Preparation
- Budget Execution
- Accounting and Implementation Monitoring
- Reporting and Audit

The President articulates the Government objectives in terms of economic, social, and other welfare parameters. These policy goals are developed into Medium Term Expenditure Framework (MTEF) which form the basis for the preparation of estimates of revenue and expenditure. Once the MTEF is approved by Federal Executive Council (FEC), the Ministry of Finance, Budget and National Planning, through the Budget Office of the Federation send call circular, inviting all MDAs to submit advance proposal of their estimates for the forthcoming year, beginning in January. The Budget circular contains the budget guidelines, and requires the MDAs to submit their proposal by a specific date. On submission of the proposal, other activities in the budget process include bi-lateral

discussions between MDAs and BOF, consolidation of all MDAs proposed estimates into a single document referred to as draft budget. The draft budget is then presented by the Honorable Ministry of Finance, Budget and National Planning to the President for approval by the Federal Executive Council. After the Federal Executive Council's approval, the draft budget is submitted by the President to the National Assembly in the form of an appropriation bill. The National Assembly debates the bill and makes modification to it if needs be, and where necessary before passing the bill. The appropriation bill as amended is sent to the President for his approval.

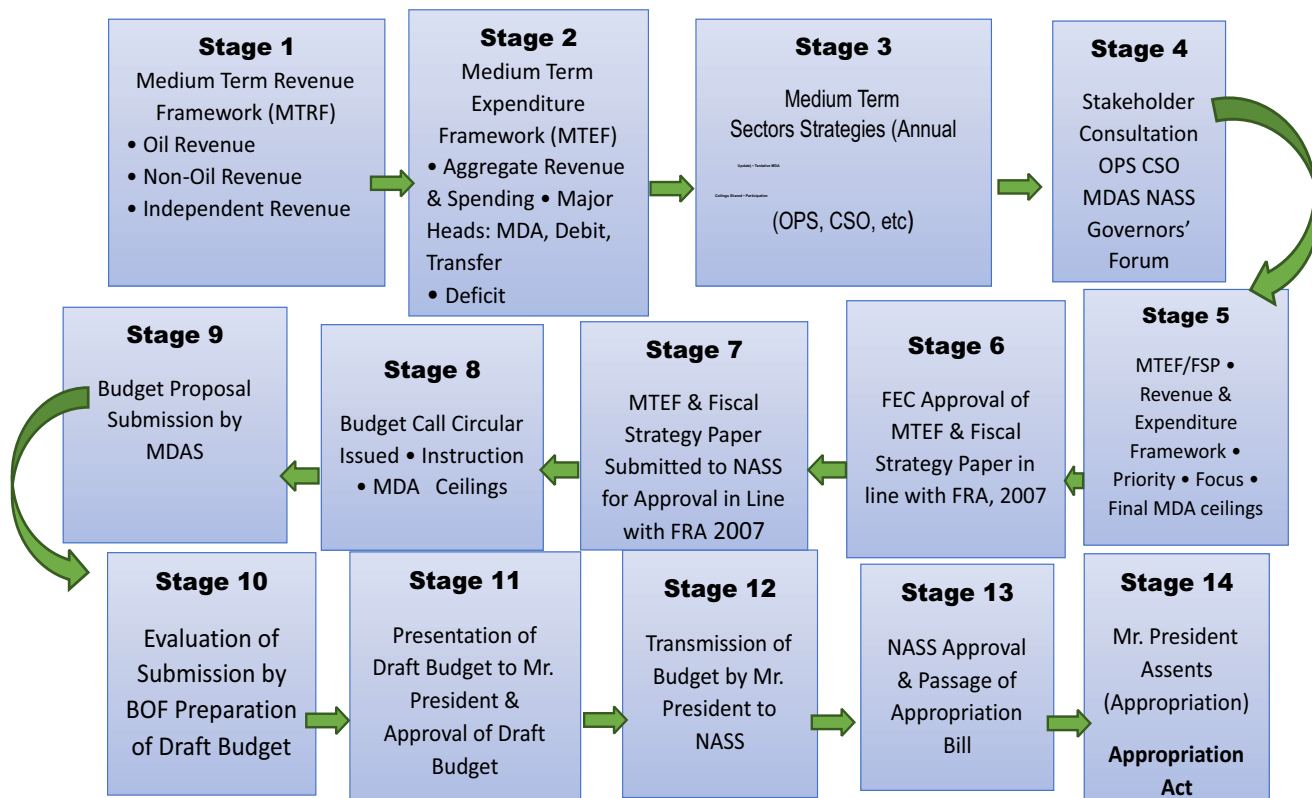
When the President gives assent to the Appropriation Bill, it becomes the Appropriation Act for the year. The Minister of Finance issues warrant to the Accountant-General to release fund from the Consolidated Revenue Fund for the purpose of implementing the estimates in the approved Appropriation Act. BOF monitors the actual execution of the approved projects at the level of the MDAs.

There are fourteen (14) distinct stages (see figure 1) in the budget preparation process. The major stages which is organized in budget calendar are:

- ✓ Strategic Planning and Policy Review
- ✓ Budget Preparation
- ✓ Budget Implementation (which span from January to December)
- ✓ Budget performance review and reporting

Appendix 1 shows the budget calendar in the FGN Budget Process Manual, and the role of each of the role players, showing timelines to achieve the desired **January to December financial year**.

Figure 1: The Federal Budget Process



Source: BOF Citizen's Guide to Budget

2.4 Key Players in the FGN budget preparation process

2.4.1 The President

Section 81(1) of the Nigeria Constitution 1999 (as amended) assigns the primary function of annual budget preparation to the President.

2.4.2 Budget Office of the Federation (BOF)

The Budget Office ensures the process that enables the President to lay the budget before the joint session of the National Assembly. The specific function include:

- ❖ Revenue estimation using current information on oil production and prices.
- ❖ Estimation of non-oil receipts and developing of a macroeconomic framework.
- ❖ Specifying fiscal policy objectives, the policy basis for the budget and identifiable major fiscal risks.
- ❖ Develops framework for annual budget preparation.
- ❖ Issuance of budget call circulars to MDAs to obtain input for the Federal Government Budget
- ❖ Consolidation of the Budgets, i.e. consolidation of budget figures from MDAs
- ❖ Monitoring and reporting on the implementation of the approved annual budget.

Presently, the BOF is headed by a Director-General who is answerable to the Minister of Finance, Budget and National Planning. There are four operational Directorates, and two service departments, that report to the Director-General. The Departments are Revenue and Fiscal Policy, Expenditure (Social), Expenditure (Economic), Budget Monitoring and

Evaluation, Human Resources Department and Finance and Accounts.
Details of the Departments are contained in the organogram in appendix 2.

Budget Office of the Federation is the Lead Institution for Nigeria as a Signatory to the Open Government Partnership with commitment to publication of budget/fiscal information.

2.4.3 The National Assembly

The National Assembly is responsible for the consideration and passage of the appropriation bill submitted by the President. The various committees of the National Assembly having oversight functions on the MDAs, invite MDAs to defend their respective budget. The Law makers make adjustment where it considers necessary to reflect the aspirations of the people they represent. Both chambers thereafter meet to reconcile their figures and once this is done, the Legislatures approved and pass the appropriation bill to the President for his Assent.

2.4.4 Ministries, Departments and Agencies (MDAs)

MDAs are the budgetary units. They formulate and submit their budgets through GIFMIS, following budgetary guideline provided in the call circular from BOF, and a GIFMIS User's manual. The GIFMIS provides integrated electronic forms for the recording of the budget estimates and budget execution transactions.

2.4.5 Ministry of Finance, Budget and National Planning

The Ministry of Finance, through its arm, Accountant-General Office, is responsible for disbursement of funds for the execution of Government programmes and Projects as contained in the approved estimates (appropriation act) for MDAs.

CHAPTER THREE

3.0 AUDIT FINDINGS

This chapter presents the audit findings on the performance of the Budget Office of the Federation in relation to measures put in place to ensure timely budget preparation, and effective monitoring of its implementation.

The findings are addressing the four specific audit objectives, covering the existence and adherence to a fixed budget calendar, timely issuance of budget call circular, extent of closeness or accuracy of forecast and actual revenue, and reliability of budget implementation report to the stakeholders. The detailed findings for each of the four sub-audit objectives are presented below.

3.1 Operational fixed budget calendar

Paragraph 2.1.1 of International Monetary Fund (IMF) Code of Good Practices on Fiscal Transparency requires all budget preparation to follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives. A budget calendar should be specified and adhered to. Adequate time is required to allow for the draft budget to be considered by the legislature. Paragraph 3.1.1 of the Code of Good Practice entails that the public should be provided with comprehensive information on past, current, and projected **fiscal activity** and on major fiscal risks.

The World Bank, in its Guidance to Budgetary Institutions also advocates that budget should be presented to legislatures in timely manner. The recommended time frame is two (2) to four (4) months to the end of the year.

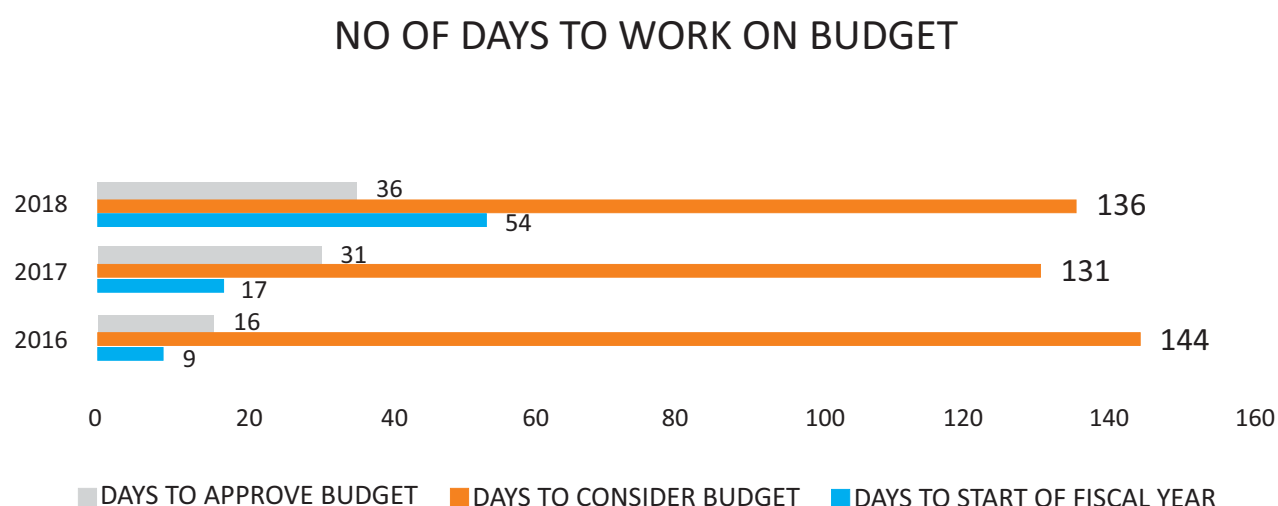
Audit established during the review of FGN Budget Process Manual that there exists a budget calendar in the manual, but BOF did not adhere to it. The manual provided for series of activities which should culminate in a financial year that begins from January to December, as defined in section 318 of the Constitution of the Federal Republic of Nigeria 1999 (as amended). Additionally, BOF also developed activity-based budget preparation work plan each year, which was not adhered to, nor communicated to the other role players in the Budget Process. Refer to appendix 1 for the budget calendar containing the series of activities in budget preparation.

In an interview with some Legislatures, it was disclosed that draft budget was usually presented for legislative debate few days to the end of the year, which does not permit informed debate. Table 2 below showed the budget preparation milestone from 2016 – 2018, and diagrammatically presented in figure 2.

Table 2: Budget preparation milestone (2016 – 2018)

Budget year	Date draft budget submitted by President	No. days to start of fiscal year.	Date budget was passed by the National Assembly	No. of days NASS used to consider and pass budget	Date budget signed into by the President	No. of days taken to sign budget into law
	(a)		(b)		(c)	(d) = b to -c
		(a) to Dec. 31		(a) to (b)		
2016	22/12/2015	9	23/5/2016	144	07/06/2016	16
2017	14/12/2016	17	11/05/2017	131	11/06/2017	31
2018	07/11/2017	54	16/05/2018	136	21/06/2018	36
Average		27 days		137 days		27 days

Source: Created by team from extract of interview with NASS members.

Figure 2: Number of days on budget process

Source: Created by the Team from Table 2.

From the figure above, the average, number of days to the end of the financial year before budget was laid before NASS was 27 days. The NASS assembly spent average of 137 days to work on the budget, and it took an average of 27 days for the President to sign the budget as represented.

The Management of BOF attributed its non-adherence to a fixed budget calendar and non-publication of budget preparation work plan to absence of legislation. It was further disclosed during interview with BOF officials that, the BOF cannot compel the Legislature or other role players, in the absence of legal provision to complete work on the budget within specific time line.

The Fiscal Responsibility Act of 2007 is the only subsidiary legislation which provides specific number of days or deadline to guide each actor in the budget process. According to section 14 of the Act, the Minister is mandated to ensure that before the end of the second

quarter of each financial year, the Medium-Term Expenditure Framework is presented to the Federal Executive Council. Meanwhile, Section 81(1) of the 1999 constitution allowed the President to present the annual budget at '**any time**' to NASS, instead of a specific time. Therefore, this accounted for why there was continuous delay by both the past and present Presidents in the presentation of budget estimates to NASS for consideration.

We observed there was remarkable improvement in the budget preparation process over the past two years. For instance, in line with the FGN Budget calendar, the 2020 draft budget was laid before the National Assembly on 8th October, 2019. The 2021 budget proposal was also presented to the National Assembly by the President, on 8th October, 2020.

Except for the year 2020 when the Government implemented the January – December, financial year, budgetary releases for capital expenditure did not start until late June in the years under audit. Service delivery in the new financial year to citizens was delayed. Other economic activities particularly business decisions from private sector which mostly operates a January – December financial year were withheld until the second quarter when the budget was eventually signed into law for implementation.

Management Comment

The BOF has been a strong advocate of the need for a legislated Budget Calendar that sets specific deadlines for every step of the Budget Process. If, and when, such a Calendar is enacted as envisaged in an Organic Budget Law, the BOF will comply. Until then, the BOF by itself cannot enforce any calendar, especially on the Legislature.

3.2 Issuance of Budget Call Circular

According to the Budget Calendar contained in the Budget Process manual, the Budget Office of the Federation has the responsibility for activity no. 2.1 (Issuance of call circular to MDAs) by July 1st. BOF is also responsible for activity no. 2.4, consolidation of draft budget in September. In addition, the Executive Order (EO 2) on Budget dated 18th May, 2017 directed that “all Agencies shall, on or before the end of July every year, cause to be prepared and submitted to the Minister of Finance and the Minister of Budget and National Planning their annual budget estimates, which shall be derived from the estimates of revenue and expenditure as projected in their three-year schedule”. The World Bank also advocates that budgetary units should be given at least six weeks i.e. (42 days) from receipt of the budget circular, to meaningfully complete their detailed estimates on time.

Audit confirmed from the review of budget call circulars that BOF kick-started the budget preparation process through issuance of call circular to MDAs between August and September contrary to 1st of July budget process manual. Therefore resulting into average of

65 days delay during the period of audit coverage. Refer to Column F in table 3 below for yearly delay. Column G of the table further shows that MDAs were given between 11 to 20 days to submit their budget proposal on-line using GIFMIS budget preparation module. Meanwhile, there exists a wide difference between the times MDAs are allowed by BOF for submission of their budget estimates when compared with the World Bank's recommended six weeks' time frame. There was at least 22 days timing difference in the recommended time and actual time allowed MDAs to submit their estimates as shown in column I of table 3.

Table 3: Summary of delay in issuance of capital call circular and comparison of time frame allowed MDAs by BOF with respect to World Bank recommended time

A	B	C	D	E	F	G	H	I
S/n	Budget Year	Date capital Call Circular was expected to be issued	Date capital Call Circular was issued	Date of submission	Delay in issuance capital Call Circular (D-C)	Time frame allowed MDA (E-D)	World Bank Recommended Time	Differences between BOF and World Bank Time (H-G)
1	2016	01/07/2015	29/09/2015	09/10/2015	90 days	20 days	42 days	22
2	2017	01/07/2016	05/09/2016	16/09/2016	66 days	11 days	42 days	31
3	2018	01/07/2017	11/08/2017	28/08/2017	41 days	17 days	42 days	25

Source: Created by the team

During interview sessions with Directors of Finance and DD in selected MDAs, it was revealed that the time given was usually too short. However, they were able to meet the deadline because BOF had trained the relevant officials on the use of Government Integrated Financial Management Information System (GIFMIS) module to submit their budget proposals. Audit confirmed from the review of preparation work plan developed by BOF that workshops were conducted for Budget Officials at the MDAs on the use of the GIFMIS. This training was organized across the six-geopolitical zones of the country to acquaint participants with:

- Overview of GIFMIS and classification of role players
- Revenue module on GIFMIS
- Personnel cost circular
- Preparation of an MDA Personnel Budget
- Preparation of MDAs Overhead Budget
- Preparation of MDAs capital budget.

Budget Officials interviewed disclosed that the training was impactful on the budget preparation process. They were able to upload their respective MDAs budget in the GIFMIS module within the time frame given in the call circulars, even though they have to work late and through weekends.

Management Comment

As you rightly observed, the BOF has had to conduct pre-budget preparation training for over 4,000 (four thousand) Budget Officers across all MDAs annually. This is an expensive process necessitated by the frequent changes in personnel involved in budget preparation in MDAs. We believe the optimal solution is the creation of a Budget Officer cadre in the Service, who will be pooled at the BOF. Such officers will be trained and posted to specific MDAs, and will not require re-training on the same procedures every year.

The delay in issuance of call circular was attributable to late implementation of the budget due to late signing of current budget into law by the President. BOF Management further stated that it requires at least one quarter of implementation of current budget before starting off preparation of the next year's budget. This means that once budget is approved, there has to be fund releases to MDAs, procurement activities must be concluded before actual execution. It is when these activities have been carried out that there is something to report on.

Arising from the foregoing, there was sustained non-adherence to timeline provided in the budget calendar. The constitution considers delay in budget preparation and passage as deviation, because government expenditure was restricted to only functional spending.

Management Comment

The BOF shares your concerns about the implications of delayed presentation/approval of the annual budget. However, during the period under consideration, there was nothing the BOF could do about the situation. The BOF cannot reasonably issue Call Circular for preparation of the budget for the following year when the budget for the current year has not been approved. Indeed after approval, we would normally require implementation for at least one quarter before preparation of the next year's budget.

3.4 Revenue Forecast

According to World Bank (WB), budget preparation must take as its starting point a good estimate of revenue. The accuracy of revenue forecast as manifested in closeness of actual revenue to those estimated, is the hallmark of effective budget preparation process. The World Bank also states that, effective budget execution calls for (a) ensuring that budget will be implemented in conformity with legislatures' authorization, and (b) adapting to changes in the economic environment.

A review of the budget implementation report showed that actual revenue in 2016 was 76 % while 2017 and 2018 were slightly above average (50%), therefore revenue realization was far from closeness to those estimated by BOF in the three years under audit as shown in table 4 below.

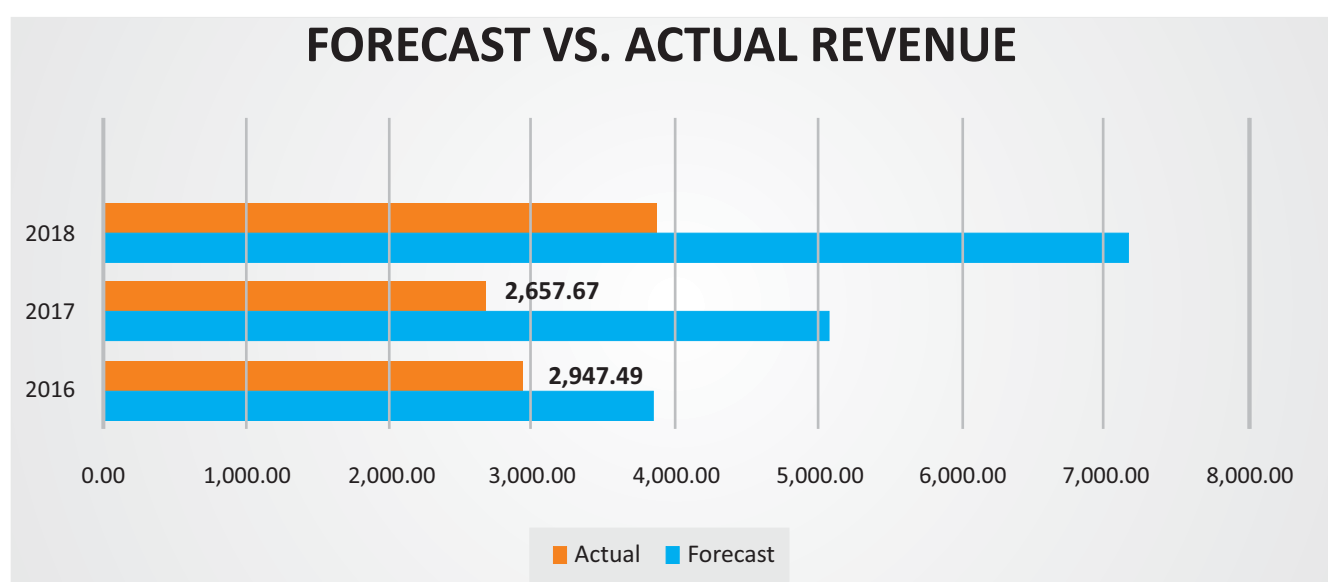
Table 4: Annual revenue forecast vs. actual revenue achieved

Year	Revenue forecast (N)trillion	Actual Revenue (N) trillion	Variance (N) trillion	Percentage achieved (%)
2016	3,855.74	2,947.49	908.25	76%
2017	5,084.40	2,657.67	2,657.67	52%
2018	7,165.87	3,866.49	3,299.38	54%

Source: Extracted from Implementation reports

DFAs and Budget Officials in selected MDAs interviewed disclosed that the attainment of actual revenue of less than 75% is an over optimistic revenue forecast as shown in figure 3, the actual revenue achieved was 76%, 52% and 54% respectively for years 2016, 2017 and 2018.

This has resulted in payment arrears, which created their own inefficiencies thus putting Government's credibility and reputation at risk.

Figure 3: Forecast and actual revenue performance

Source: Data used was extracted from budget implementation report

Furthermore, a review of BIR (2017 4th Quarter) showed that despite shortfalls in anticipated oil and non-oil revenues, Government continued to meet the non-discretionary expenditures as and when due. These non-discretionary expenditures such as (salaries, overhead costs, interest payments) and statutory transfers (to federal institutions, such as the National Assembly, which in principle can include capital expenditures) performed close to 100% on average in the three years under audit.

The gaps between the revenue forecast and actual revenue generated arose primarily from shortfall in prices of commodity goods, particularly the slump in the price of crude oil, as well as the oil production disruptions (BIR 2016 4th Quarter).

Management Comment

Your observations regarding the wide margin between forecast and actual revenues are valid, and this has also been of major concern to us. We are currently, with support from some Development Partners, working to build alternative revenue forecast models to improve the accuracy of MDAs' revenue forecasts. However, in addition to the reason adduced by you, the following factors also contribute to this budget credibility problem:

- i) The National Assembly often raises the revenue projections when it approves the fiscal framework without sufficient diligent consideration of the bases for the forecasts;*
- ii) Weak performance management system for government parastatals/enterprises results in poor performance against agreed targets, with no consequences, as well as non-remittance of funds due to the CRF; and*
- iii) Weakness in the accounting systems of some of the concerned agencies results in non-recording of revenues actually earned. For instance, while NLNG remits dividends quarterly to the FGN, you may not see these amounts recorded in the actual revenue performance report.*

3.5 Budget Implementation Report (BIR)

Sections 30 and 50 of the Fiscal Responsibility Act 2007 require BOF to monitor and report on the budget implementation. The budget implementation report is supposed to foster budget transparency and credibility consistent with Nigeria's pledge to the Open Government Partnership (OGP).

Audit found that BOF published a total of twelve (12) Budget Implementation Reports as required by law in the three years under audit. The yearly publication was made up of four distinct reports, namely, first quarter, second quarter, third quarter, and fourth quarter/consolidated.

A review of the budget implementation reports showed that, the reports contained necessary macro-economic data and physical reports of capital projects implemented across the six geo-political zones of the Country. During visit to fifteen (15) capital projects monitored by BOF, it was observed that the Budget Implementation Report (BIR) reflected true physical status of eleven (11) capital projects.

However, Audit observed during projects inspection that actual status of projects implemented at four locations were different from the information contained in the BIR.

3.5.1 Construction of 2-Mini Students Lecture Halls at University of Calabar Teaching Hospital.

According to the 2018 BIR for 4th Quarter, it was stated on page 55, that construction of 2 mini students lecture halls with 500 sitting capacity with 6nos toilets for each of the halls was executed. The picture contained in BIR is shown in picture 1 below.

During a confirmation visit to the project site, Audit found that there was only one block divided into two mini lecture rooms, with three (3) no toilets, instead of six (6) no reported by BOF. Picture 2 showed exact structure on ground as sighted by the Audit.

Picture 1 Completed Students' 2-Mini Student Lecture Halls, with 6 no. toilet at UNICAL Teaching Hospital, Calabar (BIR)



Source: BOF BIR, 2017

Picture 2 Completed Students' 1-Mini Student Lecture Halls, with 3 no. toilet UNICAL Teaching Hospital, Calabar (Audit)



Source: OAuGF Audit 2019

The Deputy Director of Works Department of the institution confirmed that the structure on ground was a one block of two-in-one lecture hall, with three (3) no toilets. Refer to appendix 3 for bill of quantities in respect of extract of project.

3.5.2 Procurement of Hospital Equipment at Federal Medical Centre, Umuahia

It was reported on page 71 of 4th Quarter 2018 BIR, that Endoscopy, **Arthroscopy**, Colonoscopy and Ophthalmic machines had been procured with HDTV optional accessories while the procurement of Bronchoscopy machine was still outstanding. Audit found during visit to the Hospital in October, 2019 that **Arthroscopy** medical equipment has not been procured in the 2018 capital budget. The Procurement Officer disclosed during interview that Arthroscopy and Bronchoscopy machines were yet to be procured due to non-release of fund.

3.5.3 Construction of Primer Cap Production Line at the Defence Industries Corporation of Nigeria (DICON), Kaduna

BIR reported in the 4th Quarter 2016 that the project had achieved 40% level of completion. Subsequent years' reports (2017 and 2018) did not report any progress on the project that was supposed to have been completed in December 2017.

Audit observed during visit to the Project site that no work was on-going. The contract for the Project was awarded in 2016 with expected completion date of December, 2017. Pictures 3a to 3c below show the status of the project as at time of audit. Meanwhile, BIR did not highlight the project challenges especially in 2016 and as at 2017 third quarter report, given the completion date of December, 2017. The non-follow up report on project that had exceeded its completion date in subsequent years report may hide projects that faces risk of abandonment.

Picture 3a: Construction of Primer Cap Production Line at the Defence Industries Corporation of Nigeria (DICON).



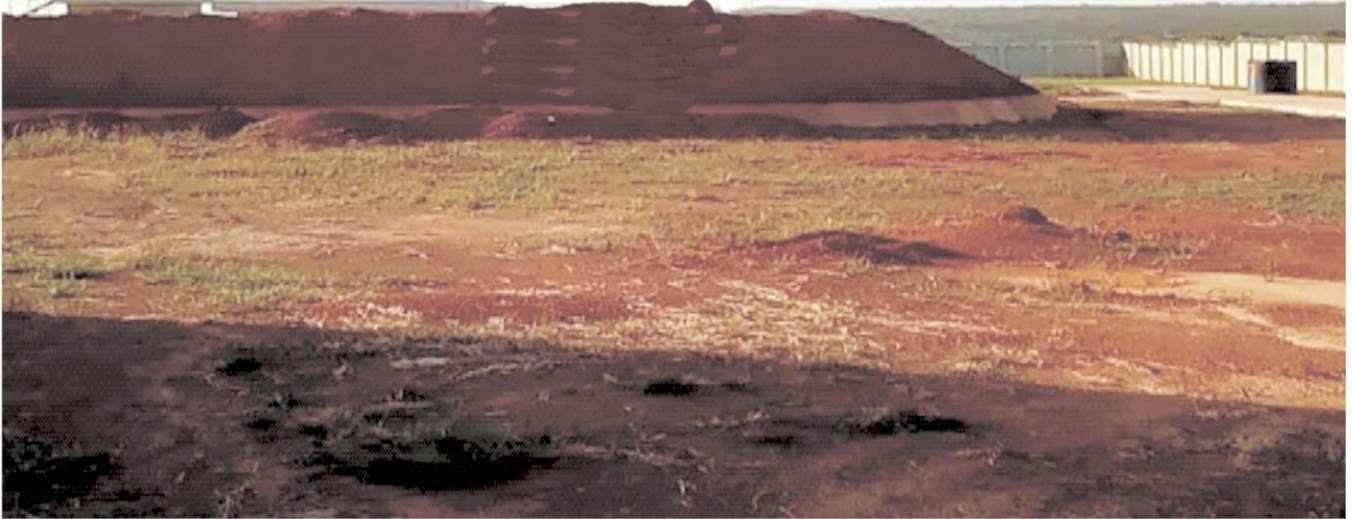
Source: OAuGF Audit 2019

Picture 3b: Construction of Primer Cap Production Line at the Defence Industries Corporation of Nigeria (DICON) side view.



Source: OAuGF Audit 2019

Picture 3c: Construction of Primer Cap Production Line at the Defence Industries Corporation of Nigeria (DICON) area view.



Source: OAuGF Audit 2019

3.5.4 Completion of Slipway for MAN Boatyard at Nigeria Maritime Academy, Oron

The 2017 4th Quarter BIR indicated that the project achieved 95% completion. It was disclosed to the Audit, during inspection visit in October, 2019 that the project was completed in 2016 and has been put to use. This was verified with the capital budget implementation monitoring template Form A, which indicated that the project had achieved 100% completion, but not paid for. Inaccurate information in the BIR has the consequence of conveying wrong information about budget implementation to the Joint Committee of the National Assembly, the Fiscal Responsibility Commission, and the Nigerian Citizens. In addition, omission of vital information on projects that were not completed on their due completion date may result in abandoned projects.

Management Comment

The observed discrepancies between the BIR prepared by BOF and your physical inspection reports with respect to the four listed projects is being investigated by the BOF Management, and our findings will be communicated to you in due course.

CHAPTER FOUR

4.0 AUDIT CONCLUSION

This chapter presents the conclusion on the overall objectives and specific objectives of the audit as detailed hereunder.

4.1 Overall Conclusion

The Budget Office of the Federation has not put in place adequate measures to achieve the predictable January to December financial year enshrined in the constitution. Despite economic resources available to BOF, and the existence of budget process manual (administrative framework), guidelines from the World Bank and IMF, BOF was unable to effectively, and efficiently achieve its objective of timely budget preparation and effective monitoring of its implementation in the period covered by this audit. This is because BOF neither adhere to its own manual nor follow the guideline provided by International Bodies for effective discharge of budgetary function. Secondly, the absence of legislation (organic budget law) that specify definite time for role players in the budget preparation process creates room for inefficiencies. There are lot more that BOF needs to do for effective budgetary governance. Based on the facts presented in chapter three of this report, we conclude that the Management of Budget Office of the Federation was unable to put in place adequate measure to ensure timely budget preparation, effective monitoring and accurate reportage of budget implementation in the period covered by this audit.

Our conclusion was based on critical evaluation of the activities of BOF vis-à-vis its core mandate to assess how fiscal policies and controls, through budget implementation, impacted developments during the period. The BIR by BOF is used to foster budget transparency, accountability and probity consistent with Nigeria's commitments to the Open Government Partnership (OGP). Audit determined the efficiency and effectiveness of BOF on the following yardstick.

- a) Capability to lay the annual budget before a Joint Meeting of the National Assembly not later than 1st week of October as stated in the budget calendar since Section 318 of the Constitution envisages a predictable January to December financial year for the Country.
- b) Use of effective forecast model, and the closeness in the margin of forecast and actual revenue which guides Government's expenditure decision
- c) The accuracy and reliability of its monitoring report to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC), as well as other stake holders and general public.

The BOF's success rate in these regards was low, and we set below the factors we considered to be responsible for the failure of BOF to achieve its objective.

4.2 Specific conclusions

4.2.1 Adherence to fixed Budget Calendar

BOF has demonstrated improved performance by its adherence to existing fixed budget calendar in the 2021 budget preparation, having laid the Budget before the National Assembly by 8th October, 2020.

4.2.2 Delayed issuance of Budget Call Circular to MDAs

BOF did not issue budget Call circulars to MDAs in line with the Budget Calendar in the FGN Budget process manual, as such issuance of call circular had spill-over effect on the other activities in the budget process.

4.3 Over optimistic Revenue Forecast

Government was unable to effectively implement its capital budget expenditures due to consistently over optimistic revenue forecast. Statutory transfers to Government Institutions, was not adaptive to changes in economic environment, even when target revenue was not achieved. From the BOF's comment, it appeared the audited entity is handicap when NASS decided to raise the revenue projection without diligent consideration of the bases for revenue forecast, and revenue generating agencies failed to record actual revenue.

4.4 Inaccurate Budget Implementation Report

BOF Budget implementation monitoring report did not reflect actual condition of the project in some cases. The inconsistencies in BIR particularly on the executed projects visited could mislead the Government and other users of the report to taking a wrong decision on vital matters.

CHAPTER FIVE

AUDIT RECOMMENDATION

5.1 Introduction

The audit findings and conclusion indicate the presence of weaknesses in the Federal Government budget preparation and its implementation. Suggestions for improvement of the audited areas have been identified, and presented in this chapter.

The Office of the Auditor General for the Federation believes that the recommendations that have been provided in this report, if fully implemented, will improve the operational efficiency of the Budget Office of the Federation, especially in the area of timely budget preparation, and effective monitoring of its implementation. The suggested audit recommendations take into account the assurance for the presence of economy, efficiency, and effectiveness in the use of the available public resources.

As Lead Government Institution, BOF should advance Nigeria's commitments to the Open Government Partnership (OGP), through budget transparency, accountability and probity.

5.2 Main Audit Recommendations

5.2.1 To enhance predictable fiscal information and promote open budget process, The Budget Office of the Federation should:

- a) Initiate an Executive bill that will give the budget calendar a legal backing.
- b) Ensure the Budget calendar is appropriately publicised to all role players.
- c) Organize public enlightenment for role players on the implications of delayed budget presentation, consideration and approval and its implementation on the economy.
- d) The BOF, through the Minister, should issue an administrative circular on budget calendar which specify deadlines for every step of the Budget Process.

5.2.2 To ensure timely take off of the budget preparation activities,

Budget Office of the Federation should issue the Budget Call Circular according to the specified time line.

5.2.3 To achieve accurate revenue forecast,

BOF should ensure that:

- a) Fiscal data model meets accepted data quality standards.
- b) Budget forecasts and updates should reflect recent achievable revenue and expenditure trend sand underlying macroeconomic developments.
- c) Adapt expenditures to changes in macroeconomic environment including statutory transfers to Government Institutions particularly when targeted revenue is not being achieved.

- d) BOF through the Honourable Minister of Finance, Budget and National Planning should engage the National Assembly, such that the latter liaise with BOF for guidance in case of any upward adjustment in the revenue projections on the fiscal framework.

5.2.4 To ensure the accuracy and integrity of the BIR,

Budget Office of the Federation should:

- a) Ensure that monitoring team actually visit the capital project sites, and obtain vital information about the project.
- b) Meticulously check budget performance report sent by MDAs to ensure it accuracy.
- c) Ensure that the BIR reflects actual project condition at time of monitoring, and report any under performance by the Contractor or MDAs.
- d) Reflect actual quantity of goods supplied where it is related to supplies.
- e) Diligently monitor capital projects and report on the actual performance
- f) Highlight capital projects that are at risk of abandonment in subsequent quarterly reports, particularly after its due completion date had lapsed.

Acknowledgment

I would like to thank Dr. Adewale Owolo, FCA, Director of Audit (Programmes and Performance Audit Department), who coordinated the audit activities. I appreciate the efforts of the Audit team: Mr. Clement A. Ojile, FCA – Team Leader, Mr. Yusuf O. Atoshi –Team member, Mrs. Patricia Udontre, Team Member, the Supervisor Mr. Abdulfatahi Abioye, FCA – Assistant Director of Audit, and Mr. Shaakaa K.C. – Deputy Director of Audit, Co-Supervisor.

I would also like to thank the Members of the National Assembly, Directors of Finance in Ministries, Departments and Agencies, Budget Officers at various MDAs for their useful input. My thanks also go to the Resident Federal Auditors in the selected MDAs for the assistance offered to the staff during the period of the Audit.

**ANTHONY MKPE AYINE, FCA,
AUDITOR-GENERAL FOR THE FEDERATION**

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APPENDICES

Appendix 1: FGN Budget Calendar

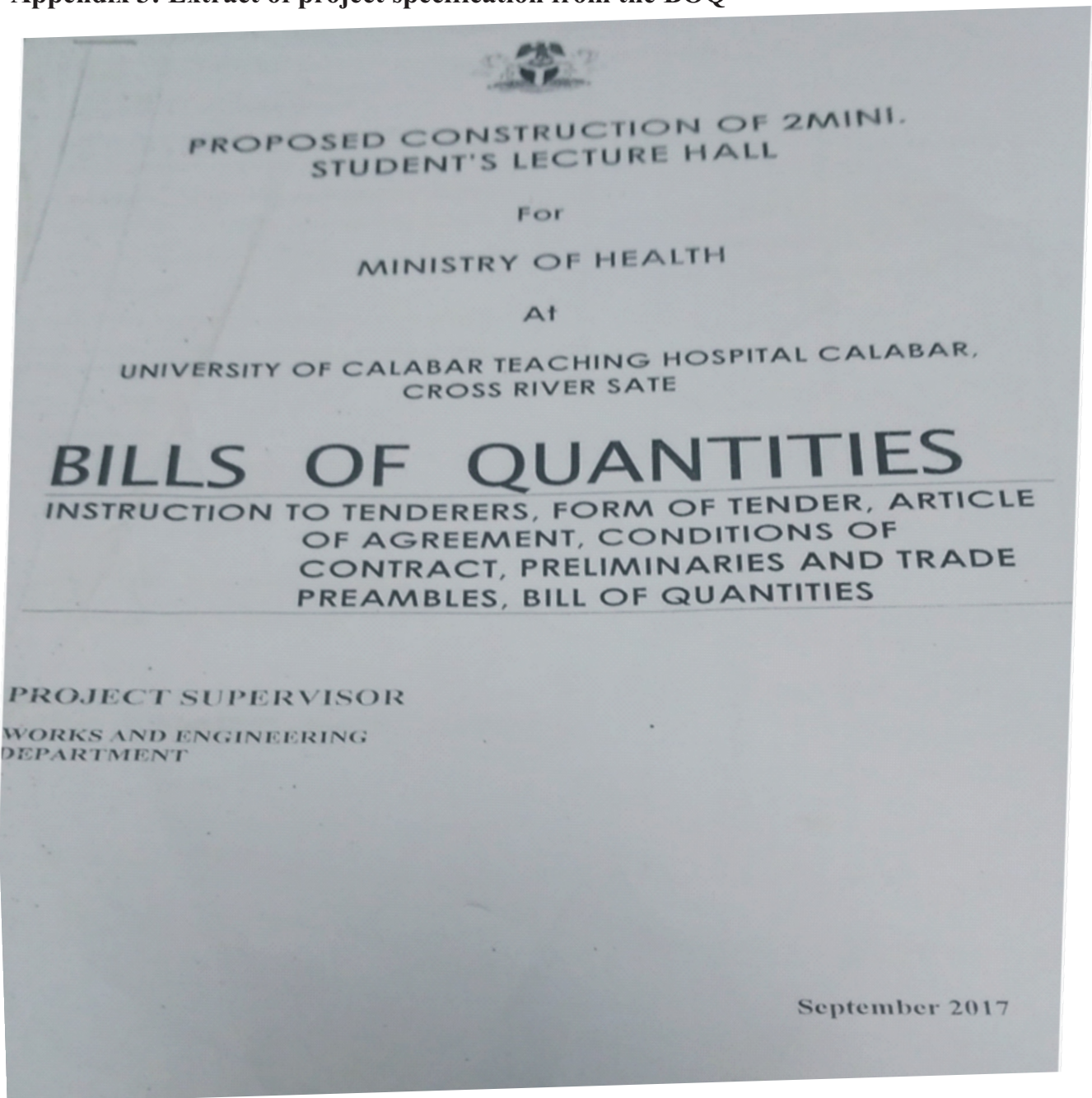
S/N	Activity	Timeline	Responsible Entity
1.0	Strategic Planning and Policy Review		
1.1	Annual Sector Performance Reviews (SPRs).	February – April.	MBNP.
1.1.1	Issue concept note for preceding year's Sector Performance Review by each sector and timetable for completion of process.	February.	MBNP.
1.1.2	Provide technical and quality assurance support to the sectors in preparing SPRs; review & consolidate SPRs within first half of the month.	February – March.	MBNP/MDAs.
1.1.3	Conduct session on outcome of SPRs; identify key achievements and challenging / emerging issues, etc. that will inform MTEF/FSP, MTSS/ERGP -IP and budget.	April.	MBNP/MDAs.
1.2	Design of the MTEF.	April – June.	MBNP/FMF.
1.2.1	Call for Information and Data on Macro-economic framework, FSP, revenue and expenditure framework, and economic, social and development priorities.	April.	MBNP.
1.2.2	Call for Personnel Details from MDAs/ Submission of Personnel Details by MDAs.	April.	MBNP/MDAs.
1.2.3	Preparation of draft MTEF.	May.	MBNP/FMF.
1.2.4	Hold Stakeholders Consultation on the draft MTEF.	May.	MBNP/FMF.
1.2.5	FEC Consideration of MTEF.	June.	MBNP/FMF.
1.2.6	Presentation of Macro-Economic Framework setting out the macro-economic projections for the next three financial years, and revenue and expenditure framework to NEC.	June.	MBNP/FMF.
1.2.7	Presentation of MTEF to NASS for Review and Approval.	June.	MBNP/FMF.
1.3	Preparation of ERGP-IP/MTSS.	April – June.	MNBP.

2.0	Budget Preparation		
2.1	Call for Personnel Details from MDAs/Submission of Personnel Details by MDAs. Issue Budget call circulars to MDAs.	April. July 1 st	MBNP.
2.2	Preparation and Submission of Budget Proposals by MDAs.	July to August.	MDAs.
2.3	Bilateral budget discussions with MDAs.	August.	Budget Committee.
2.4	Consolidation of Draft Budget	September.	MBNP.
2.5	FEC review and approval of Executive Budget.	September.	FEC.
2.6	Laying of Budget before a Joint Meeting of the National Assembly.	Not later than first week of October.	President.
2.7	Budget consideration by Committees of the NASS and budget defence by MDAs.	October December.	Senate and Federal House of Representatives and MDAs.
2.8	Passage of the Appropriation Bill by the National Assembly and transmittal to the President.	Second week of December.	Joint Committee of the Whole National Assembly; Clerk of the National Assembly.
2.9	Review of the Appropriation by the Executive.	Third week of December	MBNP and FEC.
2.10	President as sends the approved budget.	Last week of December.	President.
2.11	Public Presentation and Analysis of Approved Budget	Last week of December/First week of January	Hon Minister, MBNP in collaboration with Head of PFM Institutions.
3.0	Budget Implementation		
3.1	Request for work plan from MDAs.	December.	MBNP.
3.2	MDAs submit work plan to MBNP/FMF.	First Week January.	MDAs.
3.3	Revenue Forecast.	First week January.	MBNP/OAGF.
3.4	Preparation of Cash Plan	First week January.	OAGF/FMF

3.5	Preparation of Disbursement Plan	First week January.	MBNP/FMF
3.6	Budgetary Releases and Implementation.	January - December.	FMF/OAGF/MDAs/ BPP.
4.0	Budget Performance Review and Reporting		
4.1	Receive first, second and third quarter budget performance reports from MDAs.	April, July and October.	MDAs.
4.2	Issue consolidated first, second and third quarter budget performance reports.	April, July and October.	MBNP.
4.3	Receive budget performance report for fourth quarter of preceding year.	January.	MDAs.
4.4	Issue consolidated preceding year's budget performance report	Last week of January.	MBNP.
4.5	Results-Based Monitoring and Evaluation.	January – December.	MBNP/MDAs

Source: FGN Budget Process Manual

Appendix 3: Extract of project specification from the BOQ



PUNCH
OPINION

QUANTITIES FOR CONSTRUCTION OF PROPOSED 2MINI STUDENT'S LECTURE HALL

	DESCRIPTION OF WORKS	QTY	UNIT	RATE	AMOUNT N:K
ELEMENT NO. 2					
PLUMBING INSTALLATION					
A	Allow the provisional sum of N350,000 (Three hundred and fifty thousand Naira only) for all pipe work to be executed complete as directed				350,000.00
<u>Supply and fix the following sanitary appliances</u>					
B	Low level W.C twyford or other approved quality	3	No	18000	54,000
C	Wash Hand basin double Drainer	3	No	10500	31,500
D	Ditto Towel rail	3	No	3500	10,500
E	Shower Tray and roses complete with all accessories		No		
F	50 litre Ariston water heater fixed complete with all accessories and connected to power		No		
G	Toilet roll holder	3	No	1800	5400
<u>Foul Drainage</u>					
	Allow the provisional sum of N250,000 (Two hundred and fifty Thousand Naira only) for soil and waste drainage pipe and fitting above ground to the satisfaction of the Engineer			Sum	250,000.00
	Allow a provisional sum of N100,000.000 (two hundred thousand naira only) for builder's work in connection with plumbing installation			Sum	100,000.00
ELEMENT NO. 2					
PLUMBING INSTALLATION CARRIED TO SUMMARY					801,400.00
B2/12					N

Engineering Dept. Construction of 2mini students lec

Appendix 4: List of Officials Interviewed

S\N	NAME OF MDAs	OFFICIALS INTERVIEWED	NO. OF PERSONS IN ATTENDANCE	DATE OF INTERVIEW
1.	Budget office Federation	DBO/BM	2	12/9/2019
2.	Ministry of Education	Budget officers	4	2/10/2019
3.	Ministry of works and Housing	DFA/ DBO	2	23/9/2019
4.	Ministry of water and Resources	DBO/DFA	2	25/09/2019
5.	Ministry of Defense	DDB/CEOB/CCSB/ADB	4	19/09/2019
6.	Ministry of Agriculture	CEO Budget/BO	3	18/09/2019
7.	Ministry of Transport	BO/DFA	3	20/09/2019
8.	Ministry of Interior	BO/DFA	2	23/09/2019
9.	The National Assembly	DBO/AG Sec/DDFB	6	24/09/2019
10.	The Permanent Secretary State House	DFA, DD Budget, AD Budget	3	9/10/2019
11.	The Accountant General for Federal	DD EXP	2	25/09/2019
12.	Federal Ministry Of Mine & Steel	DD Budget	1	15/10/2019
13.	Federal Ministry of Education	DFA, DD Budget, AD Bgt	3	02/10/2019
14.	Federal Ministry of Health	DDB/DD FMC/DD/A	3	8/10/2019
15.	NITT ZARIA	Deputy BURSER/ACA/ACA	1	5/11/2019
16.	Ministry of Environment, Abuja	Budget Officer	2	16/10/2019
17.	NAFRC, LAGOS	DFA/ADFA/BO	3	24/10/2019
18.	NRC LAGOS	Principal PPO, PP officer/ PO	1	24/10/2019
19.	MAN ORON	DFA/ACT. BURSER, CA/SA/BO	3	28/10/2019
20.	DICON Kaduna	AD Budget/SPO	2	6/11/2019
21.	UNICAL , Teaching Hopsital	DFA, and Deputy Director, Works		29/10/2019
22.	Federal Medical Centre, Umuahia Abia	Chief Med. Director, DD Procurement	2	2/11/2019
23.	Alex Ekweme, Fed. University, Alike, Ebonyi State	Vice Chancellor, DD (Budget)	2	30/10/2019
24.	Metallurgical Institutes Onitsha	Deputy Reg, Asst Director, Procurement/Works Superintendent	4	01/11/2019

Appendix 5: List Of Capital Projects Visited

S/ N	MDA/TITLE OF PROJECT	PROJECT DATE		BIR FINDINGS ON PROJECT STATUS	AUDIT FINDINGS ON PROJECT STATUS
		START	DUE COMPLETI ON		
	2016 BIR				
	DEFENCE SECTOR				
	NIGERIA ARMED FORCES RESETTLEMENT CENTRE, LAGOS				
1	Construction of 2 storey building for corporal below quarters	Oct. 2016	Oct. 2017	70% completion as at 4 th Quarter, 2016 (page 66)	BIR findings confirmed. Audit observed Project completed 100% and put to use as at time of visit Oct. 2019.
2.	Construction of Trainees Officers Mess	Nov. 2016	Dec. 2019	63% Completion as at 4 th Quarter, 2016 (page 66)	BIR findings confirmed. Audit observed Project completed 100% and put to use as time of visit Oct. 2019.
	DEFENCE INDUSTRIES CORPORATION OF NIGERIA (DICON), KADUNA				
3	Construction of primer Cap Production Line	Nov. 2016	Dec. 2017	40% completion as at 4 th Quarter 2016 (page 68)	BIRs for 2017 and 2018 did not mention progress on Project that was supposed to have been completed by Dec. 2017. No work was going on site as time of visit, Oct. 2019. Audit observed first floor work done. There is risk to project completion
	FEDERAL MINISTRY OF MINES & STEEL				
	METALLURGICAL TRAINING INSTITUTE, ONITSHA				
4	Refurbishing & Repairs of Training Equipment/Machines	Aug. 2016	Dec. 2016	74% completion as at 4 th Quarter, 2016 (page 77)	BIRs for 2017 and 2018 did not mention progress on work. Audit observed work completed 100% and put to use as time of visit.
5	Flood and Erosion Control	Aug. 2016	Dec. 2016	50% completion as at 4 th Quarter, 2016 (page 78)	BIRs for 2017 and 2018 did not mention progress on work. Audit observed work 100% completed as at time of visit.

S/ N	MDA/TITLE OF PROJECT	PROJECT DATE		BIR FINDINGS ON PROJECT STATUS	AUDIT FINDINGS ON PROJECT STATUS
		START	DUE COMPLETION		
	2017 BIR				
	TRANSPORT SECTOR				
	NIGERIAN RAILWAY CORPORATION (NRC), LAGOS				
6	Completion of Ajaokuta-Itakpe-Warri Railway Project	Dec. 2007	Dec. 2018	70% completion as at 4 th Quarter, 2017 (page 34)	BIR findings confirmed. Audit informed work is progress as time of visit to Railway Headquarters.
	MARITIME ACADEMY OF NIGERIA, ORON				
7	Completion of Slipway for MAN Boatyard	Dec. 2011	Dec. 2018	95% completion as at 4 th Quarter, 2017 (page 36)	BIR findings do not correspond with Project facts regarding financial commitment and completion status verified during visit to MAN. Audit observed project was 100% completed in 2016, as evidence on capital project monitoring form A, BOF, and sighted by Audit as at time of visit.
8	Completion of Phase 1 of the Boat Building Maintenance workshop	Dec. 2011	Dec. 2017	95% completion as at 4 th Quarter, 2017 (page 36)	BIR findings confirmed. As at time of visit, project has been completed but not put to use yet.
	AVIATION SUB-SECTOR				
	NIGERIA INSTITUTE OF TRANSPORT TECHNOLOGY (NIIT), ZARIA				
9	Construction of Workshop and Fire Fighting Equipment	Oct. 2016	Sept. 2017	70% completion as at 4 th Quarter, 2017, (page 37)	BIR findings confirmed. 2018 BIR did not mention status of Project. However, Audit observed Construction of workshop and Fire fighting Equipment are two different projects, not one. As at time of visit, workshop and firefighting equipment were 100% completed.

S/ N	MDA/TITLE OF PROJECT	PROJECT DATE		BIR FINDINGS ON PROJECT STATUS	AUDIT FINDINGS ON PROJECT STATUS
		START	DUE COMPLETION		
	2017 BIR				
	HEALTH SECTOR				
	UNIVERSITY OF CALABAR TEACHING HOSPITAL, CALABAR				
10	Construction of 2-Mini Students Lecture Halls	June, 2017	Dec. 2017	100% completion as at 4 th Quarter, 2017 (page 55)	BIR findings do not correspond with executed project. Audit observed 1-no. lecture hall executed, with 3 no. toilets, and not 2no. lecture halls with 6 no.s toilet for each of the halls as reported in BIR. Copy of BOQ indicated 3no. toilet to the block. See picture in main report. As at time of visit, the 1no.block of student 2 lecture hall has been put to use.
	FEDERAL MEDICAL CENTRE, UMUAHIA (2018 CAPITAL PROJECT)				
11	Procurement of Hospital Equipment	Nov. 2018	Dec. 2018	75% completion as at 4 th Quarter, 2018 (page 71)	BIR findings do not correspond with actual equipment supplied. At the time of visit, Audit observed that Arthroscopy equipment had not been procured. Procurement Officer disclosed that Arthroscopy has not been procured due to funding.
12	Procurement of Medical Equipment for the Intensive Care Unit (ICU):	Nov. 2018	Dec. 2018	80% cumulative completion as at 4 th Quarter, 2018. (page 72)	BIR findings confirmed. Audit observed equipment installed and put to use as at time of visit.

S/ N	MDA/TITLE OF PROJECT	PROJECT DATE		BIR FINDINGS ON PROJECT STATUS	AUDIT FINDINGS ON PROJECT STATUS
		START	DUE COMPLETION		
	2018 BIR EDUCATION SECTOR				
	FEDERAL UNIVERSITY, NDUFU- ALIKE, ABAKALIKI (018 CAPITAL PROJECT)				
13	Construction of College of Medicine Academic Block	Sept 2018	May, 2019	100% completion as at 4 th Quarter, 2018. (page 97)	BIR findings confirmed. As at time of visit, project is in use.
	NATIONAL METALLURGICAL TRAINING INSTITUTE, ONITSHA.				
14	Renovation of 18nos existing but Totally Dilapidated Students' Hostels and its Surroundings	Nov. 2018	Nov. 2019	70% completion as at 4 th Quarter, 2018 (page 110)	BIR findings confirmed. As at time of visit, it was observed 12 hostels completed and work yet to start on six (6) hostels.
15	Installation of Solar Energy Systems (Powering of Institutes Workshops & Equipment)	Nov. 2018	June, 2019	70% completion as at 4 th Quarter, 2018 (page 111)	BIR findings confirmed. As at time of audit visit, equipment has been connected to the workshops and observed to be in use by students / instructors.

Appendix 6: List of Recommendations and Responses from Auditee

This part provides details on the general comment and the list of responses on the planned actions and implementation timelines based on the issued audit recommendations.

General Comment

Important issues were raised in the performance audit and those critical areas that impacts on timely budget preparation, passage approval and implementation as well as report on its implementation were covered and areas that needs improvement revealed. BOF appreciates the decision of the Auditor General to embark on the performance audit and commits itself to implementing agreed solutions within its mandate and available resources.

Specific Comment

S/n	Recommendations to BOF	Comments from BOF	Planned Action(s)	Implementation Timeline(s)
1.	Specify and adhere to fixed budget calendar and disseminate to other role players in the budget preparation process.	<i>The BOF has been a strong advocate of the need for a legislated Budget Calendar that sets specific deadlines for every step of the Budget Process. If, and when, such a Calendar is enacted as envisaged in an Organic Budget Law, the BOF will comply. Until then, the BOF by itself cannot enforce any calendar, especially on the Legislature.</i>	With effect from 2020, budget office will work towards adhering to fixed budget calendar.	Budget 2020
2.	Issuance of budget call circular by 1 st July,	The BOF cannot reasonably issue call circular for preparation of the budget for the following year when the budget for the current year has not been approved. Indeed after approval, we would normally require implementation for at least one quarter before preparation of the next	Action dependent on time budget was approved and implementation observed for at least one quarter before issuance of call circular.	At least three months after implementation of current year before preparation for the next year's budget.

3.	Ensure accurate and realistic revenue forecast	We are working to build alternative revenue forecast models to improve the accuracy of MDA's revenue Forecast.	Seeking support from some Development Partners	Undefined.
4.	Improve integrity of BIR	Observed discrepancies between the BIR prepared by BOF and your physical inspection reports with respect to	Investigation team set up to investigate discrepancies.	On completion of investigation . Time not