PERFORM SUITE

Public Financial Management

Rapid Annual Assessment Framework

A Guidance Manual

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Acronyms and definitions

ARC	Accountable, Responsive and Capable government
BCC	Budget Call Circular
BPS	Budget Policy Statement
C&E	Customs and Excise
CIT	Companies Income Tax
COFOG	Codification of Functions of Government
CPI	Consumer Price Index
DFID	(UK) Department for International Development
ECP	Engaged Citizens Pillar
EFU-FSP-BPS	Economic Fiscal Update – Fiscal Strategy Paper – Budget Policy Statement
EXCO	Executive Council
FA	Federation Account
FAAC	Federation Accounts Allocation Committee
FSP	Fiscal Sustainability Plan
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
GFS	Government Finance Statistics
IFMIS	Integrated Financial Management Information System
IGR	Internally Generated Revenue
IMF	International Monetary Fund
JAAC	Joint Allocation Account Committee
LGCs	Local Government Councils
MDA	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MS	Microsoft
NCOA	National Chart of Accounts
NEC	National Economic Council
OBI	Open Budget Index
PEFA	Public Expenditure and Financial Accountability
PERL	Partnership to Engage, Reform and Learn
PFM	Public Financial Management
RA	Revenue Agency
RAA	Rapid Annual Assessment
RAG	Red Amber Green
SDGs	Sustainable Development Goals
SHOA	State House of Assembly
SNG	Sub National Government
TSA	Treasury Single Account
UBEC	Universal Basic Education Commission
VAT	Value Added Tax
WEO	World Economic Outlook

Executive Summary

The Public Financial Management (PFM) Rapid Annual Assessment (RAA) Framework for State Government Public Financial Management (PFM) Self-Assessment is a Nigeria-specific PFM assessment framework. It consists of an adaptation of a set of indicators that are derived from the PEFA - PFM Performance Measurement Framework indicators and other locally developed measures, points including the Fiscal Sustainability 22 Action Plans adopted by Federal and States in June 2016, the National Economic Council Resolutions on 71 actions for reviving Nigeria's economy (as they affect PFM), the Open Budget Indicators and related Partnership to Engage, Reform and Learn (PERL) Governance Indicators.

The 72 indicators of the PFM-RAA Framework are clustered into nine (9) areas that are based on the PFM Cycle as shown below.

S/N	Area	No of Indicators
1	Fiscal Performance	20
2	Budget Preparation	10
3	Budget Execution	8
4	Internal Revenue	4
5	Accounting and Reporting	8
6	Audit	3
7	Debt Position	6
8	Institutional and Legal Framework	6
9	Openness and Transparency	7
	Total	72

The PFM-RAA Framework scoring is A - D with A being the highest score and D being the lowest score – these scores are also translated into a percentage score for ease of aggregation and for inter-temporal comparison (A= 100%, B= 75%, C=50%, D= 25% and Not Assessed is a Zero score).

It is recommended that the PFM-RAA is undertaken on an annual basis (as per the title of the assessment) in a facilitated discussion environment. The assessment will be performed by the key state officials drawn from all the key PFM Ministries, Departments and Agencies (MDAs). These include the Ministry of Finance, Ministry Economic Planning & Budget, Office of Accountant General, Office of Auditor General, Debt Management Department and Board of Internal Revenue (i.e. Commissioners, Permanent Secretaries, Accountant General, Auditor General and Directors), and representatives of the State House of Assembly (particularly Appropriation and Public Accounts Committees).

It is also recommended that the self-assessment takes place before the commencement of the Budget Preparation process – which should usually start with the preparation of the Economic Fiscal Update – Fiscal Strategy Paper – Budget Policy Statement (EFU-FSP-BPS) document (or equivalent). Most states will start this process in the latter part of Quarter 2 (i.e. May-June) so the PFM-RAA would ideally be completed in April / May – providing as above the Accounts, ideally audited but if not, the Accountant Generals' Report, or at worst the budget performance figures.

The key documents that are needed for many areas of the assessment are the Budget for the current year and the prior year's accounts. The accounts for year "x-1" are typically available after the budget for year "x", so the production of the accounts should be the determining factor.

- The indicators are scored based on the information available and the word of the state, as the assessment is not designed to be overly burdensome in terms of evidence. An MS Excel template has been developed to automatically calculate and provide scores for indicators 1 (A – T). The standard assessment process would be:
  - Review previous score from last year;
  - Review proposed actions for last twelve months and comments on whether all actions were achieved, and if not, why not;
  - Present Evidence for updated score;
  - Agree on Updated score;
  - Write-up rationale for score;
  - Agree on target score for next year; and
  - Agree on an action plan with responsibilities to achieve target score for next year.

- In the first assessment, steps 1 and 2 will not be relevant, while all the steps will be relevant in subsequent assessments.

The write-up of the indicators should be concise and focus on the evidence used, the key underlying factors including the score, and detail any caveats. The explanations/justifications for the scoring should be noted in the assessment template during the facilitated discussion – the intention is the write-up is completed in the event itself based on the group discussions.

A short period for review, perhaps one week, should be allowed for state governments. This is particularly in order for any missing information to be added to the assessment, state officials who were not present at the event to be able to review the scores, and for any presentational updates.

The PFM-RAA Framework does not only assess current performance, but also provides a monitoring framework for PFM reforms required particularly by the Fiscal Sustainability Plan (FSP) and other PFM systems improvement. The proposed annual assessment allows for a 12-month period to implement an action plan aimed at improving PFM performance which would result in improved scores for the indicators on subsequent assessment.

Therefore, each of the nine clusters should be assigned an “Owner” in government who will champion the reform activities and monitor their implementation. Whilst activities might be assigned to different people within the Finance, Planning and Budget ministries, the owners should hold enough seniority to ensure that activities are implemented.

This manual is accompanied by an MS Excel tool and an MS word document template for recording and reporting on the assessment. The programme has also developed a Wazobia State example, with scoring completed using the MS Excel tool, as well as an MS Word example that depicts the assessment of Wazobia State’s performance. Both of these can be used to guide PERL- and non-PERL-supported states to undergo the annual assessment process.

The PERL programme is also developing several other tools related to the budget process, including a Budget App (to help manage and monitor the budget process), Budget Formulation and Compilation Templates (using the National Chart of Account (NCOA), a Debt Sustainability Tool and updates to some of the other materials (PFM Suite) that were developed under a previous programme. This will be made available in 2018.

Section One: Introduction

Rationale

The macroeconomic and fiscal climate in Nigeria has changed significantly over the last three years – Crude Oil prices have fallen from the record levels (above $100 per Barrel) observed between 2011 and late 2014, and production also suffered in early 2016 as a result of militancy in the Niger Delta region. The macroeconomic performance also declined, albeit with a 12-18-month lag, with 2016 seeing negative real GDP growth, devaluation of the Naira and spiralling inflation – all of which can be inconveniently labelled as "stagflation".

The above factors, together with the lack of long-term fiscal sustainability planning (e.g. Sovereign Wealth Fund) to help ride the storm, have resulted in a severe "Fiscal Crunch" across all three tiers of government. At the state level, this has had a significant impact on fiscal performance – expenditure arrears (including significant payroll arrears in some states), the build-up of short-term debt and low capital expenditure performance have been some of the symptoms.

The need to implement swift PFM reforms in order to address these challenges and stabilise public finances cannot be overemphasised; neither is the need to significantly raise revenue levels and improve spending efficiency to achieve value for money.

This assessment framework is labelled "Rapid Annual" which differentiates it from some of the traditional assessments (e.g. PEFA) because:

- There is less reliance on evidence;
- Time horizon is for one year only;
- Overall, there are less indicators when compared to the PEFA indicators and dimensions.

Comparison to other assessment Frameworks

The PFM-RAA Framework has no formal link to other assessments, but some of its indicators have been derived from PEFA, OBI and others. Annex 1 – the framework itself, shows for each indicator, where it is related (derived from) a PEFA or an OBI indicator.

PEFA Framework

The PEFA Assessment framework has 31 indicators and 94 dimensions. It is highly evidence-based and is typically undertaken every 3-5 years. Many of the PEFA indicators and dimensions cover a three-year time frame.

Where indicators / dimensions have been derived from the PEFA indicators, they have been modified in terms of time frame and also sometimes in terms of the performance criteria for scoring.

Open Budget Index (OBI)

The Open Budget Partnership undertakes surveys of Budget Transparency (Open Budget Survey) which in turn leads to the development of the Open Budget Index (OBI).

ARC Governance Assessment

The governance assessment developed by the Accountable, Responsive and Capable government pillar of the Partnership to Engage, Reform and Learn (PERL) is intended to track how supported governments make progress to be more accountable and make effective use of public resources. The governance assessment process is based on multiple criteria and indicators of capability, responsiveness and accountability, with each dimension forming the basis for producing score cards and rating the progress governments have made in improving core governance.

The PFM-RAA will feed the Budget Realism indicators within the Governance Assessment, specifically:

- Aggregate expenditure out-turn;
- Expenditure composition out-turn by function (health, education, agriculture, infrastructure, water);
- Recurrent Expenditure out-turn (salaries, overheads);
- Aggregate revenue out-turn; and
- Real IGR Growth.

A summary of the read-across from the PFM-RAAF to the Governance Assessment is provided in the figure below.

Figure 1 PFM-RAAF to Governance Assessment Read-Across

	PFM RAA		Governance Assessment
Assessment	PFM RAA	→	Governance Assessment
Timing	Mid-Year	→	First Quarter
Basis for Scoring	A-D**	→	A-D**
Example of Time Periods	2017 Assessment	→	2018 Assessment
	Undertaken in June 2017	→	Undertaken in January 2018
	2016 Financial Data (Original Budget and Actual	→	2016 Financial Data (Original Budget and Actual
Indicators	1.A Aggregate expenditure out-turn compared to original approved budget	→	Indicator 8.1: Aggregate expenditure out-turn
	1.E-1 I Aggregate expenditure out-turn compared to original approved budget (Education, Health, Agriculture, Infrastructure, Water)	→	Indicator 8.2: Expenditure composition out-turn by function (Education, Health, Agriculture, Infrastructure, Water)***
	1.C Recurrent expenditure out-turn compared to original approved budget	→	Indicator 8.3: Recurrent expenditure out-turn (salaries, overheads)
	1.J Aggregate revenue out-turn compared to original approved budge	→	Indicator 8.4: Aggregate revenue out-turns
	1.T Real IGR Growth	→	Indicator 8.5: Real IGR Growth

*** Due to timing issues, the 2018 Governance Assessment cannot use 2017 Financial Data as the 2017 accounts will not be ready until the first quarter of 2018, Hence the assessment will use two years previous.**

**** Scoring Chart**

100%	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%	45%	40%	35%	30%	25%	20%	15%	10%	5%
	A			B			C							D					

***** States will use one or more of the sectors listed under this indicator for the Governance Assessment. Therefore this indicator might have more than one score attached to it. The PFM-RAAF includes all five sectors individually.**

Linkage to National Goals and Indicators

Fiscal Sustainability Plan (FSP) 22 Action Points

In June 2016, the States and the Federal Government agreed to a 22-point Fiscal Sustainability Plan (FSP) to improve financial responsibility at the state level. The FSP highlights five key strategic objectives, followed by 22 recommended action points, with a view to achieving objectives around improved fiscal behaviour that will align both short-term and long-term sustainability objectives of the Federal and State Governments.

From 2016 onwards, all State Governments are expected to abide by the Fiscal Sustainability Plan's strategic objectives around the five key elements:

- Accountability & Transparency,
- Increase in Public Revenue,
- Rationalisation of Public Expenditure,
- Public Financial Management Reforms, and
- Sustainable Debt Management.

The Federal Ministry of Finance stated that the Budget Support Facility (a concessional loan facility currently being offered to states to ease their fiscal pressures) may be withdrawn for any State that is not progressing against the 22 action points.

The indicators in the PFM-RAA Framework will assess progress against the 22 action points (see Annex 1 for cross walk).

National Economic Council (NEC) 71 Resolutions

The National Economic Council at its retreat of March 2016, made some profound resolutions with the aim of developing a set of strategic initiatives for the diversification of the economy and addressing revenue challenges.

The Retreat sessions focused on seven key thematic areas with keynote presentations, panel discussions and key resolutions adopted. The seven thematic areas have several challenges, which, if properly addressed with the appropriate policy actions, could serve as a means to diversify the Nigerian economy and broaden the sources of revenue available to the nation, in addition to oil and gas revenues.

The seven thematic areas are:

Agriculture - The Nigerian climate and topology allow for the propagation of a plethora of agricultural crops. However, investment is required.

Solid Minerals - The abundance of solid minerals provides a potential alternative to oil revenues. However, deliberate intervention is required.

Investment, Industrialisation and Enabling Monetary Policies - A successful economy requires the participation of the majority of the people within the economy.

Infrastructure and Services - The right infrastructure meets basic needs, has long term economic benefits – job creation, revenue generation through tourism, tax, etc. and gives character to a nation.

Investing in our People - Providing basic needs to the poor and vulnerable, enhances their ability to be productive citizens and reduces the propensity for crime.

Revenue Generation and Fiscal Stability of the Federation - Falling oil prices (mono-economy) makes it crucial for Nigeria to look at other revenue sources to sustain her growing economy.

Survival of the States and Beyond - Sub-nationals need to look beyond oil to fund the cost of governance and provide the enabling environment for business activities.

The 13 specific resolutions under the Revenue Generation and Fiscal Stability of the Federation area are presented in the figure below.

Figure 2: NEC Resolutions under Revenue Generation & Fiscal Stability of the Federation

Key resolution passed include the geration of relevant data on respective state economies and Nigeria as a whole to drive revenue generation initiatives

S/N	Resolution	Key Benefits of Resolution
1	Generate relevant data on respective state economies and Nigeria as a whole to drive revenue generation initiatives	To develope comprehensive data and capture more individuals in the tax net
2	Invest in relevant technology to support efforts on improved tax collection	To improve the tax collection process
3	Develope incentive schemes for relevant revenue generation agencies	To ensure all taxable incomes are covered
4	Collaborate on initiatives to improve tax collection, including joint audits of major corporate tax payers	To improve government corporate tax revenues
5	Establish efficiency units to review and enhance expenditure process as well as plug revenue leakages	To reduce revenue leakages and improve government expenditure
6	Enforce compliance of property and consumption taxes (to increase internally generated revenue and ensure equitable wealth redistribution)	To improve governement consumption tax revenue
7	Embark on enlightenment campaignes to educate tax-payers (to avoid a back-lash from intensifying tax collection and increasing tax base)	To avoid public outcry from intensifying tax collection and increasing tax base
8	Rationalise number of Ministers, Commissioners and Permanent Secretaries to reduce Government administration costs	To reduce government recurrent expenditure and improve efficiency of civil service
9	Identify and implement cost control measures regularly and benchmark with other countries	To ensure best practice is employed in reducing revenue leakages and reduce costs
10	Diversify revenue sources through agreed concerted and consistent efforts at all levels of Government	To improve government revenue sustainability
11	Expand compliance on VAT by adopting a gradual plan for rate increase	To improve government VAT tax revenues
12	Embark on fiscal responsibility campaigns at all levels of Government (focus on fiscal responsibility as a critical element in macro-economic balance)	To ensure stakeholder buy-in for fiscal responsibility drive
13	Maintain a minimum level of capital expenditure of 30% in the budget	To increase focus on capital projects that will increase economic output

The indicators in the PFM-RAA will assess progress against most of the 13 NEC resolutions pertaining to Revenue Generation and Fiscal Stability (see Annex 1 for cross walk).

Clustering of Indicators

The 72 indicators of the PFM-RAA Framework are clustered into nine areas that are based on the PFM Cycle as follows:

1. Fiscal Performance
2. Budget Preparation
3. Budget Execution
4. Internal Revenue
5. Accounting and Reporting
6. Audit
7. Debt Position
8. Institutional and Legal Framework
9. Openness and Transparency

Scoring

As with the PFM-RAA Framework, scoring is A – D, with A being the highest score and D being the lowest score. The MS Excel file for reporting on the assessment will use the following colour coding:

Figure 3: Expended RAG Rating

A	B	C	D

Summary of Indicators

A summary of the 72 PFM-RAA Framework indicators, grouped in the nine clusters, is provided in the table below. Full details, including scoring criteria, evidence, and linkages to the NEC, FSP, PEFA and ARC governance assessment are provided in Annex 1.

Table 1: Summary of Indicators

Indicator Number	Title
	1. Fiscal Performance
1.A	Aggregate expenditure out-turn compared to original approved budget
1.B	Composition of expenditure out-turn compared to original approved budget
1.C	Recurrent expenditure out-turn compared to original approved budget
1.D	Capital expenditure out-turn compared to original approved budget
1.E	Aggregate expenditure out-turn compared to original approved budget - Education Sector
1.F	Aggregate expenditure out-turn compared to original approved budget - Health Sector
1.G	Aggregate expenditure out-turn compared to original approved budget - Agriculture sector
1.H	Aggregate expenditure out-turn compared to original approved budget - Infrastructure Sector
1.I	Aggregate expenditure out-turn compared to original approved budget – Water Sector
1.J	Aggregate revenue out-turn compared to original approved budget
1.K	Composition of revenue out-turn compared to original approved budget
1.L	Federation Account Revenue out-turn compared to original approved budget
1.M	IGR out-turn compared to original approved budget
1.N	Capital Receipts out-turn compared to original approved budget
1.O	Proportion of Recurrent Expenditure funded by IGR
1.P	Proportion of Recurrent Expenditure funded by IGR and VAT
1.Q	Capital Expenditure Ratio
1.R	Personnel Expenditure Ratio
1.S	Overheard Expenditure Ratio
1.T	Real IGR Growth
	2. Budget Preparation
2.A	Existence of and adherence to a fixed budget calendar
2.B	Multi-year fiscal forecasts and functional allocations
2.C	Existence of costed sector strategies
2.D	Timeliness of reliable information to LGCs on their allocations from central and state government for the coming year
2.E	Guidance on the preparation of budget submissions
2.F	The classification system used for formulation of the central government's budget
2.G	Scope of the legislature's scrutiny of the Budget
2.H	Adequacy of time for the legislature to provide a response to budget proposals
2.I	Timely budget approval by the legislature
2.J	Comprehensiveness of information included in budget documentation
	3. Budget Execution
3.A	Transparent and rules-based systems in the horizontal allocation to LGCs of unconditional transfers from state government
3.B	Extent to which cash flows are forecast and monitored
3.C	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs
3.D	Effectiveness of expenditure commitment controls
3.E	Extent of consolidation of the government's cash balances
3.F	Transactions are processes within the IFMIS Environment
3.G	Frequency of reconciliation of revenue accounts with Treasury
3.H	Proportion of Expenditure that is actioned through the TSA

Indicator Number	Title
	4. Internal Revenue
4.A	Implementation of Tax Identification Number (TIN)
4.B	Implementation of Automated With-holding Tax (WHT) System
4.C	Regular Updates to Tax Rates and Tariffs
4.D	Proportion of Revenue collecting MDAs that remit all their revenue to CRF Account
	5. Accounting and Reporting
5.A	Accounting standards used
5.B	The classification system used for reporting of the state government's budget
5.C	Regularity of bank reconciliations
5.D	Quality of debt data recording and reporting
5.E	Completeness of the financial statements
5.F	Income/expenditure information on donor-funded projects which are included in fiscal reports
5.G	Existence of Asset Register
5.H	Timeliness of submission of the financial statements
	6. Audit
6.A	Biometric Assessment of State Employees Undertaken
6.B	Extent of Continuous Audit
6.C	Timeliness of submission of audit reports to legislature
	7. Debt Management
7.A	Scope and frequency of debt sustainability analysis
7.B	Existence of Consolidated Debt Service Account
7.C	Ratio of Average monthly debt service deduction from FAAC revenue
7.D	Total Liabilities as percentage of total Recurrent Revenue
7.E	Stock of expenditure payment arrears and any recent change in the stock
7.F	Attainment and maintenance of a credit rating
	8. Legislative and Institutional Framework
8.A	Fiscal Responsibility Law
8.B	Organic Budget Law or equivalent
8.C	Financial Management Law
8.D	Procurement Law
8.E	Audit Law
8.F	Existence of Efficiency Unit
	9. Openness and Transparency
9.A	Public Access to EFU-FSP-BPS document
9.B	Public Access to Budget presented to SHoA
9.C	Public Access to full Appropriations Act
9.D	Public Access to Citizens Budget
9.E	Public Access to Periodic Budget Performance Report
9.F	Public Access to Financial Statements
9.G	Public Access to Audited Accounts

Section Two: Indicators and Scoring

The scoring of each indicator is done on a A-D basis with A being the highest score and D the lowest. If for any reason an indicator cannot be assessed, a rating of NA (Not Assessed) is provided. The criteria for scoring A, B, C and D are provided in the sub-sections below.
In order to be able to aggregate scores (total for the assessment, and by each of the nine clusters) – mainly for the purpose of inter-temporal comparison, the scoring of A-D (and NA) are translated into percentages. A = 100%, B = 75%, C = 50% and D = 25%. An indicator that is Not Assessed (NA) will get zero.

1. Fiscal Performance

The fiscal performance indicators assess some of the "symptoms" of the PFM system as a whole from a financial perspective (not necessarily from a Value for Money perspective) – most notably the ability of the state to budget accurately, to make positive steps in increasing revenue generation, and in the composition of expenditure both from an economic and a sectoral perspective.

Data Requirements

The following data is required for the Fiscal Performance cluster:

- Original Budget for last year;
- Final Accounts for the previous year (this can be either full-year performance report, Accountant Generals' Report or Auditor Generals' Report);
- Final Accounts for two years back (as above);
- Latest IMF World Economic Outlook.

Of the 20 indicators in this cluster, the first 19 (1.A-1.S) require just the Original Budget and Final Accounts for the previous fiscal year - if the Final Accounts show the Original Budget figures in them (this is consistent with PEFA standards) then this will be sufficient (i.e. the Budget Book itself is not needed in order to extrapolate the data).

The Final Accounts for two years back and the IMF World Economic Outlook are only required for the final indicator – Real Internally Generated Revenue (IGR) Growth (1.T).

An MS Excel template has been developed to automatically calculate and provide scores for indicators 1 (A – T). (See accompanying MS Excel workbook PFM-RAA worksheet 1).

1.A - Aggregate expenditure out-turn compared to original approved budget

The ability to implement the budgeted expenditure as originally planned is an important factor in supporting the government's ability to deliver the public services for the year as expressed in policy statements, output commitments and work plans. The indicator reflects this by measuring the actual total expenditure compared to the originally budgeted total expenditure (as defined in government budget documentation and audited accounts).

(Unlike the PEFA Assessment framework, this indicator covers ALL expenditure (i.e. including Debt Servicing and Donor funded expenditure) in order to minimise the burden of interrogating the budget and accounts data).

Table 2: 1.A - Aggregate expenditure out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.A - Aggregate expenditure out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.B - Composition of expenditure out-turn compared to original approved budget

When the composition of expenditure varies considerably from the original budget, the budget cannot be considered a true statement of policy intent. Measurement against this indicator requires an empirical assessment of expenditure out-turn against the original budget at a sub-aggregate level. The basis for this assessment is the five functions as used in indicators 1.E to 1.I below (Education, Health, Agriculture, Infrastructure and Water) as well as the remaining MDAs grouped in the four of the five main "sectors" under the NCOA (i.e. Administration, Economic, Law & Justice, and Social).

Table 3: 1.B - Composition of expenditure out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.B - Composition of expenditure out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.C - Recurrent expenditure out-turn compared to original approved budget

The ability to implement the budgeted expenditure as originally planned is an important factor in supporting the government's ability to deliver the public services for the year as expressed in policy statements, output commitments and work plans. The indicator reflects this specifically for recurrent expenditure (personnel and overheads) by measuring the actual recurrent expenditure compared to the originally budgeted recurrent expenditure (as defined in government budget documentation and audited accounts).

Table 4: 1.C - Recurrent expenditure out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.C - Recurrent expenditure out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.D - Capital expenditure out-turn compared to original approved budget

The ability to implement the budgeted expenditure as originally planned is an important factor in supporting the government's ability to deliver the public services for the year, as expressed in policy statements, output commitments and work plans. The indicator reflects this specifically for capital expenditure by measuring the actual capital expenditure compared to the originally budgeted capital expenditure (as defined in government budget documentation and audited accounts).

This indicator includes donor funded expenditures.

Table 5: 1.D - Capital expenditure out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.D - Capital expenditure out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.E - Aggregate expenditure out-turn compared to original approved budget - Education Sector

The PERL programme is focusing on Service Delivery – interventions in core government areas, for example PFM, are aimed at removing bottlenecks that compromise service delivery. The programme is keen to identify the specific symptoms by sector, hence the disaggregation of the indicator 1.A above into a sector perspective.

Measurement against this indicator requires an empirical assessment of expenditure out-turn (personnel, overhead and capital expenditure combined) against the original budget for all MDAs under the Education Sector.

Table 6: 1.E - Aggregate expenditure out-turn compared to original approved budget - Education Sector – Scoring Matrix

Indicator	Time Frame	Scoring
1.E - Aggregate expenditure out-turn compared to original approved budget - Education Sector	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.F - Aggregate expenditure out-turn compared to original approved budget - Health Sector

Measurement against this indicator requires an empirical assessment of expenditure out-turn (personnel, overhead and capital expenditure combined) against the original budget for all MDAs under the Health Sector.

Table 7: 1.F - Aggregate expenditure out-turn compared to original approved budget - Health Sector – Scoring Matrix

Indicator	Time Frame	Scoring
1.F - Aggregate expenditure out-turn compared to original approved budget - Health Sector	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.G - Aggregate expenditure out-turn compared to original approved budget - Agriculture sector

Measurement against this indicator requires an empirical assessment of expenditure out-turn (personnel, overhead and capital expenditure combined) against the original budget for all MDAs under the Agriculture Sector.

Table 8: 1.G - Aggregate expenditure out-turn compared to original approved budget - Agriculture sector – Scoring Matrix

Indicator	Time Frame	Scoring
1.G - Aggregate expenditure out-turn compared to original approved budget - Agriculture sector	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.H - Aggregate expenditure out-turn compared to original approved budget - Infrastructure Sector

Measurement against this indicator requires an empirical assessment of expenditure out-turn (personnel, overhead and capital expenditure combined) against the original budget for all MDAs under the Infrastructure Sector.

Table 9: 1.H - Aggregate expenditure out-turn compared to original approved budget - Infrastructure Sector – Scoring Matrix

Indicator	Time Frame	Scoring
1.H - Aggregate expenditure out-turn compared to original approved budget - Infrastructure Sector	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.I - Aggregate expenditure out-turn compared to original approved budget – Water Sector

Measurement against this indicator requires an empirical assessment of expenditure out-turn (personnel, overhead and capital expenditure combined) against the original budget for all MDAs under the Water Sector.

Table 10: 1.I - Aggregate expenditure out-turn compared to original approved budget – Water Sector – Scoring Matrix

Indicator	Time Frame	Scoring
1.I - Aggregate expenditure out-turn compared to original approved budget – Water Sector	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.J - Aggregate revenue out-turn compared to original approved budget

Accurate revenue forecasting is an essential element of a credible budget. Overly optimistic (or poorly forecasted) revenue forecasts can lead to unjustifiably large expenditure allocations and to expenditure arrears, debt and incomplete capital projects should spending not be reduced in response to an under-realization of revenue. On the other hand, pessimism in the forecast can result in supplementary budgets that are not necessarily prepared with the same rigor as the annual budget process.

Unlike the PEFA Assessment framework, this indicator covers ALL revenues including capital receipts (grants, loans, etc.). As with indicator 1.A above, this is to allow for ease of calculation. Also, the main categories of revenue are included in this assessment individually in indicators 1.L to 1.N below.

Table 11: 1.J - Aggregate revenue out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.J - Aggregate revenue out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.K - Composition of revenue out-turn compared to original approved budget

Measurement against this indicator requires an empirical assessment of expenditure out-turn against the original budget at a sub-aggregate level. The basis for this assessment is the following classifications of revenue:

- Federation Account revenues (as defined in indicator 1.L below);
- Internally Generated Revenue (IGR);
- Other recurrent revenues;
- Capital Receipts.

Table 12: 1.K - Composition of revenue out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.K - Composition of revenue out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.L - Federation Account Revenue out-turn compared to original approved budget

Most states significantly depend on the Federation Account (FA) revenue to finance their budget. Unlike IGR, federation account revenues are outside the control of state governments. Therefore, the accuracy with which to forecast flows from the FA cannot be overemphasised.

FA Revenues are distributed by the Federation Account Allocation Committee (FAAC) on a monthly basis and include:

- Statutory Allocation (which is made up of Crude Oil and Gas Revenues, Companies Income Tax (CIT) and Customs and Excise (C&E));
- Net Derivation for the crude oil producing States (Crude Oil revenues);
- Value Added Tax (VAT); and
- Other Distributions, which include dividends from the Nigerian Liquefied Natural Gas (NLNG) company, excess crude distributions, Exchange Gains, Refunds from NNPC and other sources.

Some states have adopted an elasticity based macro-fiscal method to help forecast i - iii above, which has improved budget performance, but it should still be acknowledged that these revenues are largely out of the control of state governments, and the passing of the Federal Government Budget and the approval of the crude oil benchmarks will impact the revenues distributed to states; this often happens after the start of the financial year.

It should be noted that FA revenue does not include the current (as at 2016-2017) Federal Budget Support Facility nor does it include Millennium Development Goals (MDG) / Sustainable Development Goals (SDG) grants, Universal Basic Education Commission (UBEC) grants or any other form of conditional grant or loan.

Table 13: 1.L - Federal Account Revenue out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.L - Federation Account Revenue out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.M - IGR out-turn compared to original approved budget

The comments about accurate forecasting as per indicator 1.L above are also relevant to this indicator.

IGR is the only source of revenue that is within the direct control of State Governments which means budgeting should be more accurate as the State can control both the estimation as well as the performance (to a certain extent). However, the accuracy of IGR budgeting can also be adversely affected by a number of factors:

- IGR typically makes up a small proportion of most states' revenues and is some way below its potential. Since the tax net is quite small (within a state rather than the entire country), small factors and "shocks" can have a large impact.
- In order to improve performance, budgets are sometimes based on "targets" for IGR collecting agencies rather than an objective assessment of the IGR collection capacity (and citizens and business' ability to pay). IGR can also be increased during the budgeting process to accommodate capital projects.
- There is also a temptation to overestimate the short-term impact of reforms to the tax administration, tax systems, rates and tariffs, tax pay surveys and other factors that directly affect IGR collection.
- Finally, there is a lack of detailed statistical information at the state level (particularly macroeconomic time series) which means any statistical forecasting models cannot be used as part of the budgeting process.

Table 14: 1.M - IGR out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.M - IGR out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.N - Capital Receipts out-turn compared to original approved budget

The comments about accurate forecasting as per indicator 1.J above are also relevant to this indicator.

The performance of capital receipts compared to budget is notoriously poor in many Nigerian States. This can be caused by several issues and the commentary on this indicator should provide some explanation. Capital receipts are often used as a "balancing figure" in order to accommodate capital projects into the budget – meaning that the estimates are not based on genuine information (for example, signed loan and grant agreements).

On the other hand, the recording of capital receipts in the accounts is also often understated as some capital receipts are either spent completely off budget (for example, some DFID funding), or they are spent directly by an MDA without the money passing through the main treasury. In both these instances, receipts shown in the accounts may be lower than those actually received.

Table 15: 1.N - Capital Receipts out-turn compared to original approved budget – Scoring Matrix

Indicator	Time Frame	Scoring
1.N - Capital Receipts out-turn compared to original approved budget	Last Financial Year	A. Less than 15% deviation (positive or negative) B. Deviation of between 15% and 30% (positive or negative) C. Deviation of between 30% and 45% (positive or negative) D. Deviation of more than 45% (positive or negative)

1.O - Proportion of Recurrent Expenditure funded by IGR

Many states have a long-term target of funding their recurrent expenditure from IGR receipts, leaving federation account transfers to fund capital expenditure.

This indicator assesses the extent to which recurrent expenditure (which should include debt servicing) can be covered by IGR.

Table 16: 1.O - Proportion of Recurrent Expenditure funded by IGR – Scoring Matrix

Indicator	Time Frame	Scoring
1.O - Proportion of Recurrent Expenditure funded by IGR	Last Financial Year	More than 60% Between 40% and 60% Between 20% and 40% Less than 20%

1.P - Proportion of Recurrent Expenditure funded by IGR and VAT

A slight relaxation of the target mentioned in indicator 1.O above, together IGR and VAT are the only two sources of revenue that are of a "recurrent nature" (i.e. they should be collected perpetually) , and hence will always be available to fund recurrent expenditure. This would then free up Statutory Allocation, a significant proportion of which is crude oil revenue which is being depleted, to fund capital investments (several of the oil producing countries in the Middle East have set up investment foundations to invest crude oil revenues in helping ensure long term prosperity).

(It should be noted that VAT is often classified as a "Capital Receipt" in the presentation of State Government budgets because it is intended to fund capital expenditure. However, it is suggested that VAT should always be presented within the recurrent account as per the NCOA revenue coding).

Table 17: 1.P - Proportion of Recurrent Expenditure funded by IGR and VAT – Scoring Matrix

Indicator	Time Frame	Scoring
1.P - Proportion of Recurrent Expenditure funded by IGR and VAT	Last Financial Year	A. More than 80% B. Between 60% and 80% C. Between 40% and 60% D. Less than 40%

1.Q - Capital Expenditure Ratio

Capital expenditure – specifically the creation of capital assets, is a key role of State Governments. Capital investments will usually result in either facilities for service delivery, other social benefits or enabling an environment for economic development.

States often target a capital expenditure ratio of 50 or even 60% although very few states achieve it. The capital budget is usually the first to suffer in the event of revenue short-fall. There are also issues around under-reporting of capital expenditure from grant and loan funds particularly from development partners.

The write-up for this indicator should include some narrative around the reasons for under-performance.

Table 18: 1.Q - Capital Expenditure Ratio – Scoring Matrix

Indicator	Time Frame	Scoring
1.Q - Capital Expenditure Ratio	Last Financial Year	A. More than 60% B. Between 40% and 60% C. Between 20% and 40% D. Less than 20%

[1] Both Companies Income Tax (CIT) and Customs and Excise (C&E) revenues are also of a "recurrent nature" but since they are distributed within Statutory Allocation together with Mineral revenues, it is difficult to identify easily how much of the statutory allocation revenue is "recurrent" and how much is based on selling a finite asset (crude oil).

1.R - Personnel Expenditure Ratio

Salaries are often considered a first line charge/commitment that government must pay (along with its debts) on a regular basis. However, as the fiscal crunch resulting from the economic recession has taken its grip, some states are struggling to pay staff salaries and have ended up several months in arrears.

Streamlining the level of staffing should be a matter of concern for the State Governments in order to enable them to leverage resources to meet the needs for service delivery. Bearing this in mind, a key target therefore is for all states to aim at the minimisation of the level of personnel expenditure.

Table 19: 1.R - Personnel Expenditure Ratio – Scoring Matrix

Indicator	Time Frame	Scoring
1.R - Personnel Expenditure Ratio	Last Financial Year	A. Less than 30% of total expenditure B. Between 30% and 40% C. Between 40% and 50% D. More than 50% of total expenditure

1.S - Overheard Expenditure Ratio

Overhead expenditure (referred as Operation and Maintenance in many countries) is an important form of expenditure and is crucial for service delivery. As above, a significant proportion is spent on operation and maintenance of state assets, which in turn provide services within the state. Underfunding of overhead expenditure could lead to premature deterioration of assets and/or poor service delivery.

However, State Governments should ensure that overhead expenditure is subjected to best practice in public procurement (in order to achieve value for money) and should be budgeted on an activity basis as opposed to incremental – so that budgeting and expenditure are directly linked to service delivery.

Overhead expenditure in this indicator should include debt servicing, but in the narrative some explanation of the makeup of the figures should also be included.

Table 20: 1.S - Overheard Expenditure Ratio – Scoring Matrix

Indicator	Time Frame	Scoring
1.S - Overheard Expenditure Ratio	Last Financial Year	A. Less than 20% of total expenditure B. Between 20% and 30% C. Between 30% and 40% D. More than 40%

1.T - Real IGR Growth

As the price level in Nigeria rises (2016 saw the highest inflation rates in Nigeria for more than a decade) as a result of inflation, the purchasing power of government is diminished if revenues do not keep pace in real terms. Since recurrent costs – salaries and overheads - both increase as the price level increases, so should IGR to ensure there is no erosion of indicators 1.O and 1.P above.

It is suggested that the IMF World Economic Outlook (WEO) CPI inflation figures for Nigeria, which are widely available online, is used as the basis for discounting IGR growth to real terms.

Table 21: 1.T - Real IGR Growth – Scoring Matrix

Indicator	Time Frame	Scoring
1.T - Real IGR Growth	Last Financial Year	A. IGR grew by 10% more than the average national inflation rate B. IGR grew by between 0% and 10% more than the average national inflation rate C. IGR declined by between 0% and 10% compared to the average national inflation rate D. IGR declined by more than 10% compared to the average national inflation rate

Summary

The data capture for all of the indicators under the Fiscal Performance cluster (Cluster 1) is presented in Figure 4 below. As noted in the introduction to this cluster, the data will come from four main sources:

- Original Budget for last year;
- Final Accounts for previous year (this can be the full-year performance report, ... Accountant Generals' Report or Auditor Generals' Report);
- Final Accounts for two years back (as above);
- Latest IMF World Economic Outlook.

The format for the table below is available in the MS Excel workbook PFM-RAA Framework worksheet 1. The worksheet is protected so that only cells where data should be entered are unlocked.

Figure 4: Cluster 1 Fiscal Performance Data Capture

Item	Prior Year Actual (2015)	Original Budget (2016)	Actual (2016)
Revenue and Expenditure Overview			
Recurrent Revenue		**75,000,000,000**	**61,271,298,494**
Statutory Allocation		36,000,000,000	28,445,632,791
Net Derivation		0	0
VAT		18,000,000,000	15,986,332,576
Other Federation Account Receipts		6,000,000,000	4,251,669,873
IGR	8,367,412,895	15,000,000,000	12,587,663,254
Other Recurrent Revenue		0	0
Capital Receipts		78,996,000,000	12,114,558,967
Total Revenue		**153,996,000,000**	**73,385,857,461**
Aggregate Expenditure		**153,996,000,000**	**73,385,857,461**
Personnel		36,000,000,000	28,554,763,225
Overhead		18,200,000,000	16,758,996,542
Capital Expenditure		99,796,000,000	28,072,097,694
Sector Expenditure			
Total Education Sector Expenditure		19,249,500,000	8,439,373,608
Total Health Sector Expenditure		11,549,700,000	6,237,797,884
Total Agriculture Sector Expenditure		15,399,600,000	9,540,161,470
Total Infrastructure Sector Expenditure		43,118,880,000	19,080,322,940
Total Water Sector Expenditure		3,079,920,000	733,858,575
Other Social Sector Expenditure		7,699,800,000	2,935,434,298
Other Economic Sector Expenditure		23,099,400,000	11,741,737,194
Governance Sector Expenditure		23,099,400,000	8,806,302,895
Judicial Sector Expenditure		7,699,800,000	5,870,868,597
Macroeconomic Indicator			
Inflation			13.50%

Item	Prior Year Actual (2015)	Original Budget (2016)	Actual (2016)
Debt Statistics			
Debt Deductions from FAAC Allocations			2,455,879,623
Total Liabilities at end of Financial Year			20,145,247,889
Stock of Expenditure Arrears at end of Financial Year			7,458,996,235

Based on the above data-set, the scores for all indicators in the Fiscal Performance cluster are automatically calculated and presented in a table within the same worksheet. An example of the scoring matrix is presented in Figure 5 below.

Figure 5 Cluster 1 Fiscal Performance Example Scoring Matrix

Ind.	Description	Value	Score			
			A	B	C	D
1.A	Aggregate expenditure out-turn compared to original approved budget	47.7%				D
1.B	Composition of expenditure out-turn compared to original approved budget	16.0%		B		
1.C	Recurrent expenditure out-turn compared to original approved budget	83.6%		B		
1.D	Capital expenditure out-turn compared to original approved budget	28.1%				D
1.E	Aggregate expenditure out-turn compared to original approved budget - Education Sector	43.8%				D
1.F	Aggregate expenditure out-turn compared to original approved budget - Health Sector	54.0%				D
1.G	Aggregate expenditure out-turn compared to original approved budget - Agriculture sector	62.0%			C	
1.H	Aggregate expenditure out-turn compared to original approved budget - Infrastructure Sector	44.3%				D
1.I	Aggregate expenditure out-turn compared to original approved budget - Water Sector	23.8%				D
1.J	Aggregate Revenue Out-turn	47.7%				D
1.K	Composition of revenue out-turn compared to original approved budget	69.6%				D
1.L	Federal Account Revenue out-turn compared to original approved budget	81.1%		B		
1.M	IGR out-turn compared to original approved budget	83.9%		B		
1.N	Capital Receipts out-turn compared to original approved budget	15.3%				D
1.O	Proportion of Recurrent Expenditure funded by IGR	27.8%			C	
1.P	Proportion of Recurrent Expenditure funded by IGR and VAT	63.1%		B		
1.Q	Capital Expenditure Ratio	38.3%			C	
1.R	Personnel Expenditure Ratio	38.9%		B		
1.S	Overheard Expenditure Ratio	22.8%		B		
1.T	Real IGR Growth	32.5%	A			

2. Budget Preparation

The indicators under Budget Preparation assess the entire cycle from the calendar, through the Medium Term Expenditure Framework (MTEF) process (both top down and bottom up) into the annual budget preparation, review and approval (passing into Law). Generally, the indicators look at the last preparation cycle.

2.A - Existence of and adherence to a fixed budget calendar

The State Ministry of Budget and Planning, Ministry of Finance, other MDAs, the State Executive Council, State House of Assembly and Civil Society Groups actively participate in the budget planning and preparation process. Good practice requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner. Each stage of the budget planning and preparation process must be performed in a particular manner and within a fixed timeline for the appropriation bill to be approved by State House of Assembly before the start of the financial year. A state should have a clear budget calendar that allows for sufficient time for all parties in the budget process to meaningfully perform their functions and the appropriation bill to be approved by State House of Assembly before the start of the financial year. Delays in approving the appropriation bill may create uncertainty about the level of approved expenditures and delays in some government activities, including implementation of major programmes and projects.

Table 22: 2.A - Existence of and adherence to a fixed budget calendar - Scoring Matrix

Indicator	Time Frame	Scoring
2.A - Existence of and adherence to a fixed budget calendar	Latest Approved Budget	A. A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time B. A clear annual budget calendar exists, but some delays were experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time C. An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows MDAs little time to complete detailed estimates (less than four weeks in total) D. A budget calendar is not prepared OR it is generally not adhered

2.B - Multi-year fiscal forecasts and functional allocations

Expenditure policy decisions have multi-year implications (for example, many capital projects will take more than one year to execute, and most will have a knock-on effect on recurrent expenditure (operation and maintenance of the assets that has been created), and must be aligned with the availability of resources in the medium-term perspective.

Therefore, multi-year fiscal forecasts of revenue, medium term expenditure aggregates for mandatory expenditure and potential deficit financing (including reviews of debt sustainability involving both external and domestic debt) must be the foundation for policy changes.

Table 23: 2.B - Multi-year fiscal forecasts and functional allocations - Scoring Matrix

Indicator	Time Frame	Scoring
2.B - Multi-year fiscal forecasts and functional allocations	Latest Approved Budget	A. Three-year estimates for Revenue and Expenditure by Main Economic Classifications (Fiscal Framework) and Functional / Administrative allocations (Budget Framework) are produced and the annual budget is consistent (BCC and Budget Speech) with the first year of the Multi-Year estimates B. Three-year estimates for Revenue and Expenditure by Main Economic Classifications (Fiscal Framework) are produced and the annual budget is consistent (BCC and Budget Speech) with the first year of the Multi-Year estimates C. Three-year estimates for Revenue and Expenditure by Main Economic Classifications (Fiscal Framework) are produced D. No forward estimates are produced

2.C - Existence of costed sector strategies

Expenditure policy decisions or options should be described in sector strategy documents, which are fully costed in terms of estimates of forward expenditures (including expenditures both of a recurring nature as well as those involving investment commitments and their recurrent cost implications) to determine whether current and new policies are affordable within aggregate fiscal targets. On this basis, policy choices should be made and indicative, medium-term sector allocations be established. The extent to which forward estimates include explicit costing of the implication of new policy initiatives, involve clear, strategy-linked selection criteria for investments and are integrated into the annual budget formulation process will then complete the policy-budget link.

Table 24: 2.C - Existence of costed sector strategies - Scoring Matrix

Indicator	Time Frame	Scoring
2.C - Existence of costed sector strategies	Latest Approved Budget	A. Strategies for sectors representing at least 75% of primary expenditure exist, with full costing of recurrent and investment expenditure, broadly consistent with fiscal forecasts B. Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75% of primary expenditure C. Statements of sector strategies exist for several major sectors but are only substantially costed for sectors representing up to 25% of primary expenditure OR costed strategies cover more sectors but are inconsistent with aggregate fiscal forecasts D. Sector strategies may have been prepared for some sectors

2.D - Timeliness of reliable information to LGCs on their allocations from central and state government for the coming year

Although Local Government Councils (LGCs) are autonomous, there are significant interrelations between State and Local Governments. Federation Account transfers (Statutory Allocation, VAT and other transfers) to LGCs are first transferred from the Federation Account to the Ministry of Local Government in the state, before being transferred to LGCs less any deductions for jointly-funded projects. In addition, State Governments are supposed to transfer 10% of their IGR to Local Governments. The Joint Allocation Account Committee (JAAC) is responsible for ensuring that allocations made to the Local Government Councils in the State from the Federation Account, and from the State, are promptly paid into the State Joint Local Government Account and distributed to Local Government Councils in accordance with the provisions of the State Local Government Administration Law.

This indicator is looking at the timing of information being provided to LGCs by State Government. In an ideal situation, the State would provide estimates to LGCs of their FA allocations based on the macroeconomic and mineral sector assumptions in the state EFU-FSP-BPS document, less deductions for jointly funded projects, plus the IGR share. This would allow LGCs to plan their own expenditure based on their own internal revenue base plus transfers.

Table 25: 2.D - Timeliness of reliable information to LGCs on their allocations from central and state government for the coming year - Scoring Matrix

Indicator	Time Frame	Scoring
2.D - Timeliness of reliable information to Sub National governments (SNG) on their allocations from central government for the coming year	Latest Approved Budget	A. LGCs are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes B. LGCs are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible C. LGCs estimates issued before the start of the Sub National fiscal year, but too late for significant budget changes to be made D. Reliable estimates on transfers are issued after Sub National government budgets have been finalized, or earlier issued estimates are not reliable

2.E - Guidance on the preparation of budget submissions

The formal annual budget preparation process starts with the issuance of annual budget call circular (BCC) to all MDAs. The Budget call circular should include a summary of the budget policy statement and priorities, aggregate spending limit, and MDA ceilings as approved by the ExCo.

Table 26: 2.E - Guidance on the preparation of budget submissions - Scoring Matrix

Indicator	Time Frame	Scoring
2.E - Guidance on the preparation of budget submissions	Latest Approved Budget	A. A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by ExCo prior to the circular's distribution to MDAs B. A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by ExCo. This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission C. A budget circular is issued to MDAs, including ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by ExCo only after they have been completed in all details by MDAs, thus seriously constraining ExCo's ability to make adjustments D. D. A budget circular is not issued to MDAs OR the quality of the circular is very poor and/or not approved by ExCo

2.F - The classification system used for formulation of the central government's budget

A robust budget classification system should enable the tracking of expenditure and revenues against administrative, functional/sub-functional, economic, and programme categories. The Government Finance Statistics (GFS) classification provides a recognized international framework for economic and functional classification of transactions. The National Economic Council and Federal Executive Council approved that the FAAC sub-committee produce National Chart of Accounts (NCOA) and reporting templates for use by Federal, States and Local Governments to produce an IPSAS-compliant budget and accounting statements on the cash basis of accounting from 2014, and accrual basis accounting from 2016. The NCOA has six segments (administrative, economic, functional, programme, fund and geographical) and a total of 52 digits.

Table 27: 2.F - The classification system used for formulation of the central government's budget - Scoring Matrix

Indicator	Time Frame	Scoring
2.F - The classification system used for formulation of the central government's budget	Latest Approved Budget	A. The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.) B. The budget formulation and execution is based on administrative, economic and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards C. The budget formulation and execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards D. The budget formulation and execution is based on a different classification (e.g. not GFS compatible or with administrative break-down only)

2.G - Scope of the legislators' scrutiny of the Budget

Section 120(2) of the 1999 Constitution (as amended) provides that "No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that is charged upon the fund by this Constitution or where the issue of those moneys has been authorized by an Appropriation Law, Supplementary Appropriation Law or Law passed in pursuance of section 121". If the State House of Assembly does not rigorously examine and debate the law, that power is not being effectively exercised and will undermine the accountability of the government to the electorate.

Assessing the State House of Assembly scrutiny and debate of the annual budget law will be informed by several factors. This indicator relates to whether the scrutiny and debate at the State House of Assembly cover fiscal policies, the medium term fiscal framework and medium-term priorities, as well as details of expenditure and revenue.

Table 28: 2.G - Scope of the legislators' scrutiny of the Budget - Scoring Matrix

Indicator	Time Frame	Scoring
2.G - Scope of the legislators' scrutiny of the Budget	Latest Approved Budget	A. SHoA review covers fiscal policies, medium term fiscal framework and medium-term priorities, as well as details of expenditure and revenue B. SHoA review covers fiscal policies and aggregates for the coming year, as well as detailed estimates of expenditure and revenue C. SHoA review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized D. SHoA review is non-existent or extremely limited, OR there is no functioning legislature

2.H - Adequacy of time for the legislature to provide a response to budget proposals, of both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)

This indicator flows from 2.G above; it relates to the time allowed at the State House of Assembly for the scrutiny and debate of the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates. The time allowed for the scrutiny and debate is an indication of detailed and rigorous examination and debate of the law.

Table 29: 2.H - Adequacy of time for the legislature to provide a response to budget proposals of both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle - Scoring Matrix

Indicator	Time Frame	Scoring
2.H - Adequacy of time for the legislature to provide a response to budget proposals of both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	Latest Approved Budget	A. SHoA has at least eight weeks to review the budget proposals B. SHoA has at least six weeks to review the budget proposals C. SHoA has at least four weeks to review the budget proposals D. The time allowed for the SHoA review is clearly insufficient for a meaningful debate (significantly less than four weeks)

2.I - Timely budget approval by the legislature

Good practice requires that the planning, preparation and approval of the budget must be completed on or before the start of the financial year – i.e 1st January. The first challenge of the budget process in Nigeria is that the federal, and most states' budgets are approved many months into the financial year. Late approval of the budget has been identified as a major cause for non-implementation of the budget and variation between budget and actual performance.

Table 30: 2.I - Timely budget approval by the legislature - Scoring Matrix

Indicator	Time Frame	Scoring
2.I - Timely budget approval by the legislature	Latest Approved Budget	A. The Budget was approved before the start of the Financial Year B. The Budget was passed in January of the Financial Year C. The Budget was passed in February of the Financial Year D. The Budget was passed in March or later

2.J - Comprehensiveness of information included in budget documentation

This indicator assesses how sufficient documentation received by the State House of Assembly is to allow detailed and informed scrutiny of the budget. Providing the legislature, the same underlying documents that guided the executive's preparation of the budget, promote transparency and efficiency in the budget process. Consequently, documentation presented to the Legislature should permit a complete picture of relevant fiscal forecasts, budget proposals and out-turns of the previous year. Detailed information on revenues and expenditures are important, but not sufficient to provide a complete picture of underlying factors and assumptions.

The nine essential pieces of documentation, which would give the legislature better perspective of the fiscal situation than mere revenue and expenditure estimates/projections are:

- Macro-economic assumptions, including at state level, estimates of economic growth in the SNG jurisdiction, estimates of inflation and exchange rates, and at local government level – estimates of inflation;
- Fiscal deficit (where relevant);
- Deficit financing, describing anticipated composition (where relevant);
- Debt stock, including details at least for the beginning of the current year (where relevant);
- Financial Assets, including details at least for the beginning of the current year;
- Prior year's budget outturn, presented in the same format as the budget proposal;
- Current year's budget (either the revised budget or the estimated out-turn), presented in the same format as the budget proposal;
- Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. 2.F), including data for the current and previous year; and
- Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.

The number of these items provided to the Legislature along with the budget proposal determines the indicator score.

Table 31: 2.J - Comprehensiveness of information included in budget documentation - Scoring Matrix

Indicator	Time Frame	Scoring
2.J - Comprehensiveness of information included in budget documentation	Latest Approved Budget	A. Recent budget documentation fulfils 7-9 of the 9 information benchmarks B. Recent budget documentation fulfils 5-6 of the 9 information benchmarks C. Recent budget documentation fulfils 3-4 of the 9 information benchmarks D. Recent budget documentation fulfils 2 or less of the 9 information benchmarks

3. Budget Execution

The Budget Execution indicators focus on management of cash, financial management (budget, commitment) controls and the transparency of fiscal relations between the state and local governments. It also looks at the use of an Integrated Financial Management Information System (IFMIS) in the execution of the budget.

3.A - Transparent and rules-based systems in the horizontal allocation to LGCs of unconditional and conditional transfers from State Government (both budgeted and actual allocations)

Local governments receive revenue from three sources: (i) the Federation Account; (ii) State Government and (iii) the local government's own IGR. This indicator is concerned with the revenue from State Government. State Government should pay 10% of its own IGR into the "State Joint Local Government Account" and this should be redistributed between local governments using the horizontal sharing formula of 40% equality of local governments, 30% population, 10% land mass/terrain, 10% internal revenue effort, and 10% social development factors.

Table 32: 3.A - Transparent and rules-based systems in the horizontal allocation to LGCs of unconditional and conditional transfers from State Government (both budgeted and actual allocations) - Scoring Matrix

Indicator	Time Frame	Scoring
3.A - Transparent and rules-based systems in the horizontal allocation to LGCs of unconditional and conditional transfers from State Government (both budgeted and actual allocations)	Last Financial Year	A. The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent & rules-based systems B. The horizontal allocation of most transfers from central government (at least 50% of transfers) is determined by transparent and rules-based systems C. The horizontal allocation of only a small part of transfers from central government (10-50%) is determined by transparent and rules-based systems D. No or hardly any part of the horizontal allocation of transfers from central government is determined by transparent and rules-based systems

3.B - Extent to which cash flows are forecasted and monitored

Effective execution of the budget, in accordance with the work plans, requires that the spending MDAs receive reliable information on the availability of funds within which they can commit expenditure for recurrent and capital inputs.

Predictability in the availability of funds for MDAs is facilitated by effective cash flow planning - this should be based on a bottom up expenditure profiling exercise by MDAs and a top down revenue profile undertaken by Treasury. The initial cash plan should be assessed for periods of surplus or short-fall and remedies put in place (e.g. shifting some expenditure, short-term borrowing or investment).

Monitoring and management of the actual cash flow by the Treasury should be based on regular and reliable forecasts of cash inflows.

Table 33: 3.B - Extent to which cash flows are forecasted and monitored - Scoring Matrix

Indicator	Time Frame	Scoring
3.B - Extent to which cash flows are forecasted and monitored	Last Financial Year	A. A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows B. A cash flow forecast is prepared for the fiscal year and updated quarterly on the basis of actual cash inflows and outflows C. A cash flow forecast is prepared for the fiscal year, but is not updated D. Cash flow planning and monitoring are not undertaken

3.C - Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Governments may need to make in-year adjustments to allocations in light of unanticipated events impacting revenues and/or expenditures. The impact on predictability and on the integrity of original budget allocations is minimized by specifying, in advance, an adjustment mechanism that relates adjustment to the budget priorities in a systematic and transparent manner (e.g. protection of particular votes or budget lines that are declared to be of high priority, or say "poverty related").

In contrast, adjustments can take place without clear rules/guidelines or can be undertaken informally (e.g. through imposing delays on new commitments). While many budget adjustments can take place administratively with little implication for the expenditure composition out-turn at the more aggregate level of budget classifications, other more significant changes may change the actual composition at fairly aggregate administrative, functional and economic classification levels.

Table 34: 3.C - Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs - Scoring Matrix

Indicator	Time Frame	Scoring
3.C - Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs	Last Financial Year	A. Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way B. Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way C. Significant in-year budget adjustments are frequent, but undertaken with some transparency D. Significant in-year budget adjustments are frequent and not done in a transparent manner

3.D - Effectiveness of expenditure commitment controls

Commitment control involves identifying and recording future expenditure commitments (how much, when), and deducting them for the outstanding budget availability, and linking future commitments to expenditures so that once the expense is incurred and recorded it is no longer shown as a commitment (to avoid double counting).

Commitments should be entered into the State IFMIS (SIFMIS) or the vote book as soon as the commitment takes place (purchase order) thereby reducing the budget allocation and at the same time showing the balance available for further commitment. This provides an effective means for the control of commitments.

Furthermore, the treasury may also put limits (in addition to budgetary limits) on commitments over certain periods to ensure there is sufficient liquidity to meet all obligations.

Table 35: 3.D - Effectiveness of expenditure commitment controls - Scoring Matrix

Indicator	Time Frame	Scoring
3.D - Effectiveness of expenditure commitment controls	Last Financial Year	A. Comprehensive expenditure commitment controls are in place & effectively limit commitments to actual cash availability & approved budget allocations (as revised) B. Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception C. Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated D. Commitment control systems are generally lacking OR they are routinely violated

3.E - Extent of consolidation of the government's cash balances

An important requirement for avoiding unnecessary borrowing and interest costs is that cash balances in all government bank accounts are identified and consolidated (including those for extra-budgetary funds and government controlled project accounts). Calculation and consolidation of bank accounts are facilitated where a single Treasury account exists or where all accounts are centralized. In order to achieve regular consolidation of multiple bank accounts not held centrally, timely electronic clearing and payment arrangements with the government's bankers will generally be required.

Table 36: 3.E - Extent of consolidation of the government's cash balances - Scoring Matrix

Indicator	Time Frame	Scoring
3.E - Extent of consolidation of the government's cash balances	Current	A. All cash balances are calculated daily and consolidated B. Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement C. Calculation and consolidation of most government cash balances take place at least monthly, but the system used does not allow consolidation of bank balances D. Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances

3.F - Transactions are processed within the IFMIS Environment

IFMIS, the Integrated Financial Management Information System (often referred to as SIFMIS, being the State IFMIS) should be the sole system for budget execution. A fully functioning SIFMIS will cover budget preparation, procurement and payroll, revenue collection, commitment control, funds release, recording and accounting. Such a system, if used properly, will allow a state to produce real time reports on income and expenditure which will also allow for greater decisions making.

All States have some degree of automation of PFM processes but bringing all spending agencies into the SIFMIS environment is some way off in most circumstances. Often transactions are recorded in manual vote ledgers or spreadsheets and sent to the Office of the Accountant General's Final Accounts Department for ex-poste entry into SIFMIS. In some circumstances, cash releases to MDAs are coded to IFMIS and no actual transactions are ever recorded.

This indicator, whilst difficult to measure with evidence, looks at the extent which SIFMIS is the system for executing the budget (i.e. collecting and spending cash). It will rely on the explanation of the Accountant General's Department.

Table 37: 3.F - Transactions are processed within the IFMIS Environment – Scoring Matrix

Indicator	Time Frame	Scoring
3.F - Transactions are processed within the IFMIS Environment	Current	A. IFMIS is used to for payment and transaction processing within all MDAs B. IFMIS is used to for payment and transaction processing within some MDAs (at least 5 main Organisations) C. Transactions are recorded in IFMIS ex-poste D. IFMIS does not exist or only releases of cash are recorded (no transactional level recordings)

3.G - Frequency of reconciliation of revenue accounts with Treasury

Prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending. This may take place either by having a system that obliges taxpayers to pay directly into accounts controlled by the Treasury (possibly managed by a bank) or, where the Revenue Agency (RA) maintains its own collection accounts, by frequent and full transfers from those accounts to Treasury controlled accounts (time periods mentioned do not include delays in the banking system).

Table 38: 3.G - Frequency of reconciliation of revenue accounts with Treasury - Scoring Matrix

Indicator	Time Frame	Scoring
3.G - Frequency of reconciliation of revenue accounts with Treasury	Last Financial Year	A. Monthly B. Quarterly C. Half Yearly D. More than Half Yearly

3.H - Proportion of Expenditure that is actioned through the TSA

Implementation of a Treasury Single Account (TSA) for all revenue and expenditure is the most efficient way of managing the cash-based fiscal resources of a state. In a situation where MDAs each have an account for overhead expenditure, and other accounts, there can be circumstances where:

- MDAs are paying overdraft fees as the account balances are less than zero; whilst
- Other MDAs have idle balance in their accounts.
  - This indicator may be difficult to assess with evidence so the focus should be on discussing the cash management procedures of the state – which types of expenditure and processed are paid directly (either through direct transfer or cheques) and which are expended through separate, unlinked accounts. It might be that salaries and capital expenditure that is not funded through specific earmarked loans or grants are expended through the account.

Table 39: 3.H - Proportion of Expenditure that is actioned through the TSA - Scoring Matrix

Indicator	Time Frame	Scoring
3.H - Proportion of Expenditure that is actioned through the TSA	Last Financial Year	A. At least 75% of total expenditure B. At least 75% of recurrent expenditure C. Between 75% and 50% of recurrent expenditure D. Less than 50% of recurrent expenditure

4. Internal Revenue

Tax Policy and Administration in the state is key to releasing revenue in line with the level of macroeconomic activity in the state. This cluster looks at key indicators of good tax policy and administration.

4.A - Implementation of Tax Identification Number (TIN)

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. A range of control mechanisms can be introduced, including the maintenance of a taxpayer database based on a unique taxpayer identification number. This can be most effective if combined with other government registration systems that involve elements of taxable turnover and assets (such as e.g. issue of business licenses, opening of bank accounts and pension fund accounts).

The Nigeria Joint Tax Board (JTB) designed a unique Tax Identification Number to replace the TIN system used by some states. The JTB TIN is already in use within the Federal Internal Revenue Service (FIRS) and in several states in Nigeria. The major difference is that the JTB TIN has ten (10) digits, it is uniform and general across Nigeria. It is UNIQUE for every registered taxpayer in Nigeria and not limited to FIRS Taxpayers alone. The JTB TIN is presently being issued out at the point of registration and also updated by FIRS and the states which have so far adopted it. Every Taxpayer in Nigeria will ultimately be required to possess and use ONLY the JTB TIN.

Table 40: 4.A - Implementation of Tax Identification Number (TIN) - Scoring Matrix

Indicator	Time Frame	Scoring
4.A - Implementation of Tax Identification Number (TIN)	Current	A. TIN Active in state BIR and reconciled with FIRS B. TIN Active but no reconciliation with FIRS C. TIN not fully implemented D. TIN not implemented at all

4.B - Implementation of Automated With-holding Tax (WHT) System

WHT is a payment of tax in advance. Depending on the transaction that led to the withholding, it may be set against a tax bill or it may be a final tax. Either way it is critical to the government's cash flow. The automation generally considered is for the deduction and remittance of WHT from government payments to (for States) enterprises and individuals. This is rarely done properly.

But there is also the automation around getting feeds from commercial organisations such as WHT on banking transactions of individuals and WHT on rental payments. Here the automation is less about withholding by the payer (where not government) and more about getting the information, matching it up with taxpayer records and estimating what should be coming in, who should be remitting and wider compliance issues. The indicator will track the former, deductions by the government and remittance/ accounting.

Table 41: 4.B - Implementation of Automated With-holding Tax (WHT) System - Scoring Matrix

Indicator	Time Frame	Scoring
4.B - Implementation of Automated With-holding Tax (WHT) System	Current	A. Automated WHT Remittance System in place to allow immediate deduction, remittance and certification generation B. State in Process of implementing Automated WHT System C. Manual WHT system in place D. Nothing in place

4.C - Regular Updates to Non-Tax Rates and Tariffs

The Internally Generated Revenue of a state is from tax and non-tax revenue. Non-tax revenue includes fines, fees, licenses, earnings, sales, rent, etc. As indicated in 1.I, IGR typically makes up a small proportion of state revenues and is some way below its potential. In most states, non-tax revenue accounts for less than 30% of total IGR. A major factor for the low performance of non-tax revenue is the use of obsolete rates and tariffs. So many states are yet to review and update non-tax rates and tariffs to be in line with the current economic trend.

Table 42: 4.C - Regular Updates to Non-Tax Rates and Tariffs - Scoring Matrix

Indicator	Time Frame	Scoring
4.C - Regular Updates to Non-Tax Rates and Tariffs	Last Financial Year	A. All Rates and Tariffs reviewed in last 12 months B. Some rates and tariffs reviewed in last 12. Months C. Some rates and tariffs reviewed in last 24 months D. No review at all in last 24 months

4.D - Proportion of Revenue collecting MDAs that remit all their revenue to CRF Account

Section 120 (1) of 1999 Constitution, as amended states, that "All revenues or other moneys raised or received by a State (not being revenues or other moneys payable under this Constitution or any Law of a State House of Assembly into any other public fund of the State established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund (CRF) of the State". The Federal Government in 2012 introduced the Treasury Single Account (TSA) to consolidate all inflows from all MDAs into the CRF and by the end of 2015, the TSA was operational in all Federal MDAs. This indicator is to measure the level of compliance with Section 120 (1) of the Constitution by states.

Table 43: 4.D - Proportion of Revenue collecting MDAs that remit all their revenue to CRF Account - Scoring Matrix

Indicator	Time Frame	Scoring
4.D - Proportion of Revenue collecting MDAs that remit all their revenue to CRF Account	Last Financial Year	A. 90% or more of IGR collected by all MDAs is remitted of to the CRF Account B. Between 90% and 80% of IGR collected by all MDAs is remitted of to the CRF Account C. Between 80% and 70% of IGR collected by all MDAs is remitted of to the CRF Account D. Less than 70% of IGR collected by all MDAs is remitted of to the CRF Account

5. Accounting and Reporting

Accounting and Reporting are critical for both internal management of the state's resources but also allow for external scrutiny from a number of key stakeholders (civil society, the private sector, lenders and development partners). The indicators under this cluster look at the key aspects of sound accounting and reporting.

5.A - Accounting standards used

The Federal Executive Council (FEC) at its meeting on 28th July, 2010 approved that Nigeria should adopt the provisions of the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) for Private and Public Sectors respectively. The Federation Accounts Allocation Committee (FAAC) at its meeting held on 13th June, 2011 set up a Sub-Committee to provide a Roadmap for the implementation of IPSAS in the three tiers of government in Nigeria. The Sub-Committee in its desire that the three tiers of Government in Nigeria, i.e. Federal, States and Local Government Councils (LGCs) adopt the provisions of IPSAS, has commenced the process to harmonize the financial operations. The Roadmap to the adoption of IPSAS is phased as follows:

- Full Adoption of IPSAS Cash: 2014
- Adoption of IPSAS Accrual: 2016.

Table 44: 5.A - Accounting standards used - Scoring Matrix

Indicator	Time Frame	Scoring
5.A - Accounting standards used	Current	A. IPSAS Accrual Fully Used B. Mixture of IPSAS Accrual and Cash C. IPSAS Cash Fully Complied with D. IPSAS not used

5.B - The classification system used for reporting of the state government's budget

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional and program.

Where standard international classification practices are applied, governments can report expenditure in GFS format and track poverty-reducing and other selected groups of expenditure.

The international standard for classification systems is the Government Finance Statistics (GFS) which provides the framework for economic and functional classification of transactions. Under the UN-supported Classification of Functions of Government (COFOG), which is the functional classification applied in GFS, there are ten main functions at the highest level and 69 functions at the second (sub-functional) level.

Table 45: 5.B - The classification system used for reporting of the central government's budget - Scoring Matrix

Indicator	Time Frame	Scoring
5.B - The classification system used for reporting of the central government's budget	Current	A. The budget execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional) B. The budget execution is based on administrative, economic and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards C. The budget execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards D. The budget execution is based on a different classification (e.g. not GFS compatible or with administrative break-down only)

5.C - Regularity of bank reconciliations

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants – this is an important part of internal control and a foundation for good quality information for management and for external reports.

Timely and frequent reconciliation of data from different sources is fundamental for data reliability. This indicator is concerned with the reconciliation of accounting data, held in the government's books, with government bank account data held by central and commercial banks, in such a way that no material differences are left unexplained.

Table 46: 5.C - Regularity of bank reconciliations - Scoring Matrix

Indicator	Time Frame	Scoring
5.C - Regularity of bank reconciliations	Current	A. Bank reconciliation for all central government bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period B. Bank reconciliation for all Treasury managed bank accounts take place at least monthly, usually within 4 weeks from end of month C. Bank reconciliation for all Treasury managed bank accounts take place quarterly, usually within 8 weeks of end of quarter D. Bank reconciliation for all Treasury managed bank accounts take place less frequently than quarterly OR with backlogs of several months

5.D - Quality of debt data recording and reporting

The maintenance of a debt data system and regular reporting on main features of the debt portfolio and its development are critical for ensuring data integrity and related benefits such as accurate debt service budgeting, timely service payments, and well planned debt roll-over. Critical to debt management performance is also the proper recording and reporting of government issued guarantees and the approval of all guarantees by a single government entity (e.g. the ministry of finance or a debt management commission) against adequate and transparent criteria.

Table 47: 5.D - Quality of debt data recording and reporting - Scoring Matrix

Indicator	Time Frame	Scoring
5.D - Quality of debt data recording and reporting	Last Financial Year	A. There is a single department responsible for Debt Management and their debt records are updated on at least a quarterly basis B. Domestic and Foreign Debts are recorded separately but are updated on a quarterly basis C. Domestic and Foreign Debts are recorded at least annually D. Debt records are not regularly updated and reconciled

5.E - Completeness of the financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system.

To be complete, they must be based on details for all MDAs. The financial statements should also include full information on revenue, expenditure and financial assets/liabilities.

Table 48: 5.E - Completeness of the financial statements - Scoring Matrix

Indicator	Time Frame	Scoring
5.E - Completeness of the financial statements	Last Financial Year	A. A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities B. A consolidated government statement is prepared annually. It includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities C. A consolidated government statement is prepared annually. Information on revenue, expenditure and bank account balances may not always be complete, but the omissions are not significant D. A consolidated government statement is not prepared annually, OR essential information is missing from the financial statements OR the financial records are too poor to enable audit

5.F - Income/expenditure information on donor-funded projects which are included in fiscal reports

Loan and Grant funded expenditure, financed by the donor community (also known as the International Development Partners) is usually laid out in the budget documentation but actual receipts and expenditures are sometimes not captured in the accounts. This is usually for one of two reasons:

- Donor funded expenditures are contracted directly by the donor – for example technical assistance from DFID including the PERL suite of programmes. Since no money actually flows through the state, the figures are often not captured (this is as much an issue with the donors themselves as it is with the State).
- Other expenditures for which receipts and expenditures are processed through a dedicated account, not part of the main treasury banking system, are also often missed from the fiscal reporting as returns are not made by the spending MDAs.

This indicator will be difficult to assess from an evidence perspective – it is suggested that the budget for donor funded expenditure for the previous year is reviewed together with the accounts, and an estimate is provided based on what is understood to have been drawn down but not accounted for.

Table 49: 5.F - Income/expenditure information on donor-funded projects which are included in fiscal reports - Scoring Matrix

Indicator	Time Frame	Scoring
5.F - Income/expenditure information on donor-funded projects which are included in fiscal reports	Last Financial Year	A. Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure) B. Complete income/expenditure information is included in fiscal reports for all loan financed projects and at least 50% (by value) of grant financed projects C. Complete income/expenditure information for all loan financed projects is included in fiscal reports D. Information on donor financed projects included in fiscal reports is seriously deficient and does not even cover all loan financed operations

5.G - Existence of Asset Register

The federal government, as part of the measures for complete adoption and migration to accrual-based IPSAS, directed all MDAs to prepare an inventory of all assets held as of 31st December, 2016. Existence of the Asset Register at all MDAs will enable the government to know and monitor, in real time, online information on the inventory of government assets. Maintaining an Asset Register will also make planning and control easier and improve accountability of assets.

Table 50: 5.G - Existence of Asset Register - Scoring Matrix

Indicator	Time Frame	Scoring
5.G - Existence of Asset Register	Current	A. In place across at least 75% of MDAs B. In place for more than 25% of MDAs C. In place for less than 25% or planned D. Not in place nor planned

5.H - Timeliness of submission of the financial statements

This indicator flows from indicator 5.E which provides that consolidated year-end financial statements are critical for transparency in the PFM system. In addition to the completeness of the financial statement, the ability to prepare year-end financial statements in a timely fashion is a key indicator of how well the accounting system is operating, and the quality of records maintained.

Table 51: 5.H - Timeliness of submission of the financial statements - Scoring Matrix

Indicator	Time Frame	Scoring
5.H - Timeliness of submission of the financial statements	Current	A. The statement is submitted for external audit within 6 months of the end of the fiscal year B. The consolidated government statement is submitted for external audit within 10 months of the end of the fiscal year C. The statements are submitted for external audit within 15 months of the end of the fiscal year D. If annual statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year

6. Audit

Internal and External audit are significant components of the PFM system in any country or state. This cluster concentrates on three key areas for state governments in Nigeria – biometric assessment (with the view of eliminating ghost workers in order to rationalise the public payroll), continuous audit and timely submission of the audited accounts to the legislature.

6.A - Biometric Assessment of State Employees Undertaken

The payroll is underpinned by a personnel database (in some cases called the "nominal roll" and not necessarily computerized), which provides a list of all staff, who should be paid every month and which can be verified against the approved establishment list and the individual personnel records (or staff files).

The link between the personnel database and the payroll is a key control. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps and identify control weaknesses.

Table 52: 6.A - Biometric Assessment of State Employees Undertaken - Scoring Matrix

Indicator	Time Frame	Scoring
6.A - Biometric Assessment of State Employees Undertaken	Last Financial Year	A. Carried out in last 12 months B. Carried out in last 24 months C. Planned D. Neither planned nor carried out in last 24 months

6.B - Extent of Continuous Audit

Continuous audit is usually technology-driven and designed to automate error checking and data verification in real time (ideally) or at least on a regular ongoing basis (say monthly). A continuous audit driven system generates alarm triggers that provide advance notice about anomalies and errors detected by the system.

Continuous audit in state government will require audit departments either within MDAs or a central audit department in MoF that are embedded or provide audit services to MDAs. This should be the basis for scoring this indicator (existence of audit departments or embedded audit services in MDAs).

Table 53: 6.B - Extent of Continuous Audit - Scoring Matrix

Indicator	Time Frame	Scoring
6.B - Extent of Continuous Audit	Last Financial Year	A. In place across at least 75% of MDA B. In place for more than 25% of MDAs C. In place for less than 25% or planned D. Not in place nor planned

6.C - Timeliness of submission of audit reports to legislature

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Key elements of the quality of actual external audit comprise the scope/ coverage of the audit, adherence to appropriate auditing standards including independence of the external audit institution (ref. INTOSAI and IFAC/IAASB), focus on significant and systemic PFM issues in its reports, and performance of the full range of financial audit, such as reliability of financial statements, regularity of transactions and functioning of internal control and procurement systems. The inclusion of some aspects of performance audit (such as e.g. value for money in major infrastructure contracts) would also be expected of a high-quality audit function.

The important of timeliness is for two main reasons:

- Audited Financial Statements are a source of reliable information for planning and budget purposes. The budget preparation process should ideally start in early Q2 of a fiscal year so having the audit financial statements available in this time frame is important; and
- The audit report may have areas for follow-up that could be obsolete or have escalated during the time between the end of the financial year and the submission of the audit report – this time frame should therefore be minimised to the extent possible.

Table 54: 6.C - Timeliness of submission of audit reports to legislature - Scoring Matrix

Indicator	Time Frame	Scoring
6.C - Timeliness of submission of audit reports to legislature	Last Financial Year	A. Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor B. Audit reports are submitted to legislature within 9 months of end of period covered and in the case of financial statements from their receipt by the auditor C. Audit reports are submitted to legislature within 12 months of end of period covered (for audit of financial statements from their receipt by the auditors) D. Audit reports are submitted to legislature more than 12 months from end of period covered (for audit of financial statements from their receipt by the auditors)

7. Debt Position

Debt management, in terms of contracting, servicing and repayment is often major elements of overall fiscal management. Poor management of debt and guarantees can create unnecessarily high debt service costs and can create significant fiscal risks. The maintenance of a debt data system and regular reporting on main features of the debt portfolio and its development are critical for ensuring data integrity and related benefits such as accurate debt service budgeting, timely service payments, and well-planned debt roll-over. Poor debt management procedures can lead to increased costs of borrowing, poor decision making and possible default on its debt with associated consequences.

7.A - Scope and frequency of debt sustainability analysis

A Debt Sustainability Assessment (DSA) is a key piece of information that guides decision making both in budget preparation as well as budget execution. In order to carry out a DSA, a state must have a database (for example CS-DRMS or a simple MS Excel spreadsheet) that lists all current outstanding debts and current debt facilities (i.e. loans for which agreements have been signed but the funds are yet to be drawn down), amortisation and servicing schedules (both historical and forwards looking). This itself relies on a comprehensive flow information from both the Accountant General (who typically manages domestic debts) as well as spending agencies who draw down loans from International Development Partners.

The DSA should contain information on both domestic and foreign debts and its analysis should include liquidity and solvency ratios and, from a budgeting perspective, should provide guidance on whether a state is in a position to fund a budget deficit or, if it needs to, run a surplus in order to repay some of its outstanding debt.

Ideally a DSA should be undertaken on an annual basis, in the first quarter of the year, so it can feed into the MTEF stage of the budget preparation process.

Table 55: 7.A - Scope and frequency of debt sustainability analysis - Scoring Matrix

Indicator	Time Frame	Scoring
7.A - Scope and frequency of debt sustainability analysis	Current	A. DSA for External and Internal Debt has been undertaken in the last 12 months B. DSA for External Debt has been undertaken in the last 12 months C. No DSA has been undertaken in the last 12 months but has in the last 24 months D. No DSA has been undertaken in the last 24 months

7.B - Existence of Consolidated Debt Service Account

A consolidated debt service account is critical for ring fencing recurrent revenues for the purposes of servicing state domestic debts. Whilst the proportion of IGR that would be sufficient for a given state will depend very much on the level of domestic debt in the State. The FSP requires the 5% benchmark.

Table 56: 7.B - Existence of Consolidated Debt Service Accountant - Scoring Matrix

Indicator	Time Frame	Scoring
7.B - Existence of Consolidated Debt Service Accountant	Last Financial Year	A. In place and funded with 5% of IGR B. In place but not regularly funded C. In process of being established D. Nothing in place

7.C – Ratio of average monthly debt service deducted from FAAC revenue

The sub-national borrowing framework provides for federal oversight of sub-national fiscal and borrowing decisions through a combination of rule-based controls, and direct administrative controls requiring disclosure of all borrowing operations and prohibiting sub national governments from directly accessing external finance. Thus, Nigerian sub-nationals can freely borrow in Naira, within the established debt limits, while Federal approval and guarantee are required for loans or bonds in foreign currencies and markets. The repayment of such loans is tied to the State's FAAC allocation. Therefore, the repayment of external debt and internal borrowing from commercial banks and capital market with an irrevocable standing payment order tied to the State's FAAC transfer are some of the reasons for the shortfall in states' FAAC revenue. There is a significant divergence between the gross and net FAAC revenues of states. This indicator serves as a liquidity ratio of average monthly debt service deducted from FAAC revenue for the preceding financial year to the FAAC total monthly average revenue for the preceding financial year (i.e. average monthly debt service deduction - external and internal debt for the preceding financial year divided by the average total FAAC revenue - Statutory allocation, derivation, VAT and other FAAC revenue transfers for the preceding financial year).

The ratio is automatically calculated using the MS Excel workbook PFM-RAA Framework in worksheets "1. FP Previous Year" and "1. FP Current Year".

Table 57: 7.C – Ratio of average monthly debt service deducted from FAAC revenue - Scoring Matrix

Indicator	Time Frame	Scoring
7.C – Ratio of average monthly debt service deducted from FAAC revenue	Last Financial Year	A. Less than 10% of total monthly average total FAAC revenue for the preceding year B. Between 10% and 25% C. Between % and 25% - 40% D. More than 40%

7.D - Total Liabilities as percentage of total Recurrent Revenue

There is need to ensure strategic and efficient management of State Government debt by reversing the trend in rapid growth of public debt, particularly domestic debt. The Fiscal Responsibility Act, 2007 requires the President, subject to approval by the National Assembly, to set overall limits on the amounts of consolidated debt of the Federal and State Governments. The FSP provides that the total liabilities (i.e. external and internal debt) of a State do not exceed 250% of total revenue for the preceding year.

The ratio is automatically calculated using the MS Excel workbook PFM-RAA Framework in worksheets "1. FP Previous Year" and "1. FP Current Year".

Table 58: 7.D - Total Liabilities as percentage of total Recurrent Revenue - Scoring Matrix

Indicator	Time Frame	Scoring
7.D - Total Liabilities as percentage of total Recurrent Revenue	Last Financial Year	A. A. Less than 50% B. B. Between 50% and 150% C. C. Between 150% and 250% D. D. More than 250%

7.E - Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year)

Expenditure payment arrears are expenditure obligations that have been incurred by the government, for which payment to the employee, supplier, contractor or loan creditor is overdue, and constitutes a form of non-transparent financing. A high level of arrears can indicate a number of different problems such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, under-budgeting of specific items and lack of information. Expenditure arrears assume that the outstanding payment is due under a specific legal obligation or contractual commitment, which the government has entered, and may include due but unpaid claims for salaries, pensions, supplies, services, rents, interest on the domestic and external debt. Delays or reductions in transfers of subsidies and grants to autonomous government agencies and other levels of government would not constitute arrears unless they are part of a legal obligation (specifying amount and timing of each payment) or contractual agreement.

A provision for a transfer in the annual budget law or appropriations law would not in itself constitute a legal obligation. Unpaid amortization of loan principal is not considered an arrear for this indicator, since amortization is not an expenditure, but a financing transaction.

Any salary arrears should be treated as arrears but other creditor invoices over 30 days should be treated as arrears.

The ratio is automatically calculated using the MS Excel workbook PFM-RAA Framework in worksheets "1. FP Previous Year" and "1. FP Current Year".

Table 59: 7.E - Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) - Scoring Matrix

Indicator	Time Frame	Scoring
7.E - Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year)	Last Financial Year	A. A. Less than 2% of aggregate actual expenditure B. B. Between 2% and 5% of actual expenditure C. C. Between 5% and 10% of actual expenditure D. D. More than 10% of actual expenditure

7.F – Attainment and Maintenance of a credit rating

A credit rating estimates ability to repay debt. A credit rating is a formal assessment of a corporation, autonomous governments, individuals, conglomerates or even a country. The credit rating is evaluated on the basis of financial transactions carried in the past and assets and liabilities at present. The credit rating allows a lender or accredited granter to evaluate the ability of the borrower to repay a loan. States who participate in the capital market maintain a credit rating.

Attainment and maintenance of a credit rating by each state are very important. Ideally a credit rating should be undertaken on a bi-annual basis. The rating system will indicate whether a state has been rated positive/favourable or unfavourable.

Table 60: 7.F – Attainment and maintenance of a credit rating - Scoring Matrix

Indicator	Time Frame	Scoring
7.F – Attainment and maintenance of a credit rating	Last 12 months	A. A credit rating has been undertaken in the last 24 months and with a positive/favourable rating B. A credit rating has been undertaken in the last 36 months and with a positive/favourable rating C. A credit rating has been undertaken in the last 36 months and with an unfavourable rating D. No credit rating has been undertaken in the last 36 months

Data Capture

The data used to score indicators 7.C-7.E is captured in the MS Excel spreadsheet (see Section five for more information) in the same worksheet as the scoring for Cluster 1 (fiscal performance). The three items of data are presented in Figure 6 below.

Figure 6: Data for Assessment of Indicators 7.C, 7.D and 7.E

Item	Prior Year Actual (2015)	Original Budget (2016)	Actual (2016)
Debt Statistics			
Debt Deductions from FAAC Allocations			2,455,879,623
Total Liabilities at end of Financial Year			20,145,247,889
Stock of Expenditure Arrears at end of Financial Year			7,458,996,235

The scoring of indicators 7.C-7.E is automatically calculated in the same worksheet as per the Figure 7 below.

Figure 7 Assessment of Indicators 7.C, 7.D and 7.E

Ind.	Description	Value	Score			
			A	B	C	D
7.C	Ratio of average monthly debt service deducted from FAAC revenue	5.0%	A			
7.D	Total Liabilities as percentage of total Recurrent Revenue	32.9%	A			
7.E	Stock of expenditure payment arrears	10.2%				D

8. Institutional and Legal Framework

The institutional and legal frameworks for Public Financial Management are keen foundations for a strong PFM system. Legislation flows into regulations and manuals that are core to the day-to-day operation of government whilst institutions, and relationships between institutions, are also key to sound PFM practices. Best practice in PFM in Nigeria has evolved in recent years with the introduction of fiscal responsibility legislation and commissions, whilst the recent squeeze on resources has highlighted the need for efficiency in expenditure.

8.A - Fiscal Responsibility Law

The Nigeria Governors' Forum (NGF) in 2007 committed that individual states will enact the Fiscal Responsibility Law (FRL) to: ensure prudence and transparency in the management of financial resources of the state, encourage proper accountability by all organs of government in respect of state resources, make all arms of government, agencies and parastatals subject to and answerable to the provisions of the law in conducting the fiscal affairs of the state, channel expenditure of the state towards provision of pubic goods, infrastructures, social and economic services, and premise government spending on a credible expenditure management framework.

However, the assessment will not be restricted to the existence of an FRL but will also review the State FRL to ascertain whether the 8 key elements of the FRL are in the State Law.

The 8 key elements of a Fiscal Responsibility Law are:

- Statement of Fiscal Principles (how a state will conduct fiscal policy);
- Medium-Term Fiscal Framework (making it mandatory for Governors to make public and lay before the legislature State Medium-Term Fiscal Framework);
- Annual Budget (clarity that funds can only be disbursed within the limit set in the Appropriation Law and that projects identified therein must be executed within a fiscal year);
- Savings and Assets Management Rules (particularly rules for setting aside a proportion of, for example, additional earnings as savings);
- Conditions for borrowing (guidelines for borrowing that are in line with requirements of the Debt Management Office Act);
- Fiscal Transparency Rules (preparation of the state quarterly budget execution report as well as making available the report to the public);
- Application of FRL to Local Governments; and
- Measures to enforce compliance.

Table 61: 8.A - Fiscal Responsibility Law - Scoring Matrix

Indicator	Time Frame	Scoring
8.A - Fiscal Responsibility Law	Current	A. FRL in place and adhered to. The FRL covered up to 5 of the 8 key elements B. FRL in place and adhered to. The FRL covered less than 5 of the 8 key elements C. FRL in place and partially adhered to D. Nothing

8.B - Organic Budget Law or equivalent

The Organic Budget Law regulates the principles governing the basic procedures of the budgetary system of the state and regulates the process of budgeting, time when each budget activity will be performed, and responsibilities for budget preparation and implementation. This indicator will ascertain whether and Organic Budget Law is in place and reviews whether the 6 key elements of an Organic Budget Law are in the law.

The 6 key elements are:

- Stating the Budget System;
- Budget Rules;
- Budget process and activities;
- Timeline for each activity (budget calendar),
- Responsible entities for each activity; and
- Measures to enforce compliance.

Table 62: 8.B - Organic Budget Law or equivalent - Scoring Matrix

Indicator	Time Frame	Scoring
8.B - Organic Budget Law or equivalent	Current	A. In place and adhered to. The law covered the 6 key elements B. In place and adhered to. The law covered between 3 - 5 of the key elements C. In place and adhered to. The law covered less than 3 of the key elements D. Nothing

8.C - Financial Management Law

Financial Management Law is the law that regulates the public financial management operations of the state. The Financial Management Law in Nigeria dates back to 1958 with the enactment of the Finance (Control and Management) Act, 1958 by the Federal Government. The three regions reproduced the law as the Laws of the Region (in the Northern Region, it was reproduced as Finance Control and Management Law of Northern Nigeria, 1963). States created from 1967 onwards, were empowered to replicate the regional laws in their states with modifications were necessary. Some States are yet to modify or amend the Finance (Control and Management) Law to take into consideration the current social, economic, administrative and political changes particularly as the laws were originally enacted prior to independence in 1960, a period Nigeria was operating a parliamentary form of government that is different from Presidential system of government practiced in Nigeria.

This indicator will ascertain whether the state has modernized its Financial Management Law to be in line with the economic, administrative and political changes in Nigeria.

Table 63: 8.C - Financial Management Law - Scoring Matrix

Indicator	Time Frame	Scoring
8.C - Financial Management Law	Current	A. Financial Management Law enacted after 1999 and adhered to B. Financial Management Law enacted after 1999 and only partially adhered to C. In draft or out of date Financial Management Law (i.e. prior to 1999) D. Nothing

8.D - Procurement Law

Public procurement is also a major component of the PFM system, which directly impacts efficiency and economy of expenditures. The Public Procurement Law (PPL) is to promote competition, transparency and value for money in the use of public funds.

This indicator will ascertain whether the State has a PPL that promotes competition, transparency and value for money as well as an effective control, remedy and feedback mechanism. The assessment will also review whether the 6 key elements of a due process mechanism in procurement are provided for in the PPL.

The six key elements of a due process mechanism in procurement are:

- Roles and Responsibilities in Procurement Process;
- Procurement Thresholds;
- Competitive, Transparent and Value for Money Bidding and Award Processes;
- Control Mechanism;
- Feedback Mechanism; and
- Penalties and Sanctions.

Table 64: 8.D - Procurement Law - Scoring Matrix

Indicator	Time Frame	Scoring
8.D - Procurement Law	Current	A. In place and adhered to. The PPL covered at last 5 key elements of due process mechanism in procurement B. In place and adhered to. The PPL covered between 3 – 4 of the key elements C. In place and adhered to partially or covered less than 3 of the key elements D. Nothing

8.E - Audit Law

Section 125 (1) of 1999 Constitution as amended provides that “there shall be an Auditor-General for each State who shall be appointed in accordance with the provisions of section 126 of this Constitution.” The public accounts of a state and of all offices and courts of the state shall be audited by the Auditor-General for the State who shall submit his reports to the House of Assembly of the state concerned, and for that purpose the Auditor-General or any person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts. The State Audit Law will provide for the functions of the Auditor General, audit process, types of audit, code of conduct and ethics in auditing in accordance with the Constitution, and for connected purposes.

Table 65: 8.E - Audit Law - Scoring Matrix

Indicator	Time Frame	Scoring
8.E - Audit Law	Current	A. In place and adhered to B. In place and only partially adhered to C. In draft or out of date D. Nothing

8.F - Existence of Efficiency Unit

The Federal Government in 2015, established the Efficiency Unit (E-Unit) to monitor its agencies and ensure all expenditures are necessary and represent the best possible value for money. The E-Unit is domiciled at the Federal Ministry of Finance and is expected to review all government overhead expenditure, to reduce wastage, promote efficiency and ensure quantifiable savings for the country. The E-Unit will introduce more efficient processes and procedures that will ensure that the Government’s revenues are deployed in an efficient manner that translates to Value for Money and Savings to Government. The activities of the Unit are currently supervised by a Steering Committee which is composed of distinguished Nigerians from the public and private sectors. The Steering Committee is chaired by the Honourable Minister of Finance. The Federal Government has saved billions of Naira as a result of the work of the E-Unit. Some states have established an Efficiency unit within the state structure because of the benefit of the unit at the Federal level.

Table 66: 8.F - Existence of Efficiency Unit - Scoring Matrix

Indicator	Time Frame	Scoring
8.F - Existence of Efficiency Unit	Current	A. In place, fully staffed and operational B. In place but not fully staff nor operational C. In process of being established D. Nothing

9. Openness and Transparency

The budget is a government's ex-ante plan for how it is going to use the public's resources to meet the public's needs, and is based on the policy priorities of the incumbent administration. At the same time, accounts provide confirmation of what resources were mobilized and where they were spent – both in-year and ex-poste. Transparency means people can access information on how much is allocated to different types of spending, what revenues are collected, and how international donor assistance and other public resources are used.

While providing the public with comprehensive and timely information on the government's budget and financial activities can strengthen oversight and improve policy choices, keeping the process closed can have the opposite effect. Restricting access to information creates opportunities for governments to hide unpopular, wasteful, and corrupt spending, ultimately reducing the resources available to fight poverty.

9.A - Public Access to EFU-FSP-BPS document

A key element of FRL is that the Medium –Term Expenditure Framework as approved by the Assembly shall be published and available to the public. This indicator sets out to examine whether or not the public has access to EFU-FSP-BPS. There is no single way of doing this as it is up to states to decide the best way to propagate or disseminate fiscal information to a wider audience. It will also be appropriate to seek opinions from outside Government to score this indicator.

Table 67: 9.A - Public Access to EFU-FSP-BPS document - Scoring Matrix

Indicator	Time Frame	Scoring
9.A - Public Access to EFU-FSP-BPS document	Latest Approved Budget	A. Available online and in hard copy B. Available online only C. Available hard copy only D. Not available

9.B - Public Access to budget presented to SHoA

Transparency will depend on whether information on fiscal plans, positions and performance of the government is easily accessible to the general public at that location or at least the relevant interest groups. The budget documentation submitted to the State House of Assembly will be available to the Public. The budget documentation will include all the information listed in indicator 2.L above.

Table 68: 9.B - Public Access to budget presented to SHoA - Scoring Matrix

Indicator	Time Frame	Scoring
9.B - Public Access to budget presented to SHoA	Latest Approved Budget	A. Available online and in hard copy B. Available online only C. Available hard copy only D. Not available

9.C - Public Access to full Appropriations Law

Same as 9.B above but in this indicator, relates to approved Budget.

Table 69: 9.C - Public Access to full Appropriations Law - Scoring Matrix

Indicator	Time Frame	Scoring
9.C - Public Access to full Appropriations Law	Latest Approved Budget	A. Available online and in hard copy B. Available online only C. Available hard copy only D. Not available

9.D - Public Access to Citizens Budget

A Citizens Budget is a non-technical presentation of a budget document. It can take many forms, but its distinguishing feature is that it is designed to reach and be understood by as large a segment of the population as possible. It is designed to present key public finance information to a general audience. It is typically written in accessible language and incorporates visual elements to help non-specialist readers understand the information.

While Citizens Budget versions of the Executive Budget Proposal and the Enacted Budget are most common, each key document in the budget cycle can and should be presented in a way that the public can understand.

Table 70: 9.D - Public Access to Citizens Budget - Scoring Matrix

Indicator	Time Frame	Scoring
9.D - Public Access to Citizens Budget	Current	A. In place and adhered to B. In place and only partially adhered to C. In draft or out of date D. Nothing

9.E - Public Access to Periodic Budget Performance Report

The ability to "bring in" the budget requires timely and regular information on actual budget performance to be available to the Ministry of Finance (including Ministry of Budget and Planning), to monitor performance, and if necessary to identify new actions to get the budget back on track; to the MDAs for managing the affairs for which they are accountable and to the Public to hold Government accountable. The reports are routinely made available to the public through appropriate means within one month of their completion.

Table 71: 9.E - Public Access to Periodic Budget Performance Report - Scoring Matrix

Indicator	Time Frame	Scoring
9.E - Public Access to Periodic Budget Performance Report	Current	A. Quarterly Budget Performance Report is available online and in hard copy B. Quarterly Budget Performance Report is available online or in hard copy (only one medium) C. Quarterly Budget Performance Report Prepared but not available to public D. Quarterly Budget Performance Report not prepared

9.F - Public Access to Financial Statements

Consolidated year-end financial statements are critical for transparency in the PFM system as explained in 5.E above. In addition to the technical considerations of being comprehensive and being understandable to the reader, the financial statements must be accessible to the Public. The statements are made available to the public through appropriate means within six months of completed audit.

Table 72: 9.F - Public Access to Financial Statements - Scoring Matrix

Indicator	Time Frame	Scoring
9.F - Public Access to Financial Statements	Current	A. Available online and in hard copy B. Available online only C. Available hard copy only D. Not available

9.G - Public Access to Audited Accounts

All reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit.

Table 73: 9.G - Public Access to Audited Accounts - Scoring Matrix

Indicator	Time Frame	Scoring
9.G - Public Access to Audited Accounts	Latest Approved Budget	A. Available online and in hard copy B. Available online only C. Available hard copy only D. Not available

Section Three: Assessment

Introduction

The ultimate aim of the PFM-RAA framework is for states to be able to self-assess themselves on an annual basis – likely in a focus group discussion environment. The PFM-RAA should not replace the need for a PEFA assessment on a 4 to 5-year cycle – this is a far more rigorous and evidence-based assessment.

Templates

In addition to this manual, the following materials have been developed:

- MS Excel workbook for scoring and write up;
- MS Word document template for reporting on the assessment; and
- Proposed PFM-RAA Self-Assessment Event Agenda.

The MS Excel workbook and MS Word document are explained in more detail in section five.

Process

Timing and Environment for Assessment

It is recommended that the PFM-RAA is undertaken on an annual basis. The key documents that are needed for many areas of the assessment are the Budget for the current year and the prior year accounts. The accounts for year "x-1" are typically available after the budget for year "x", so the production of the accounts should be the determining factor.

It is recommended that the assessment takes place before the commencement of the Budget Preparation process – which should usually start with the preparation of the EFU-FSP-BPS (or equivalent) document. Most states will start this process in the later part of Quarter 2 (i.e. May-June) so the **PFM-RAA would ideally be completed in April/May** – providing as above the Accounts, ideally audited but if not the Accountant Generals' Report or at worst the budget performance reports, are used.

First Iteration – under the ARC programme, the first assessments were scheduled for March/April 2017 for the three ARC partner states plus Yobe. Other states in the South East, South West and North East regions might be supported in the latter part of 2017.

Subsequent Assessments – as noted above, the typical timing of the assessment would be April / May. After the first assessment, the subsequent assessment would clearly look at a single year time frame (i.e. only one assessment, not two) but would also consider actual progress compared to the action plan, and improvements to the indicators. This is covered in more detail in the assessment process below.

Evidence Gathering (prior to the event)

As noted elsewhere, the concept of "Rapid" is that the assessment is not overly burdensome in terms of evidence. Whist the PEFA assessment would provide a score of D (lowest score) or not rated the dimension, the aim of the PFM-RAA is to score the indicators based on the information available and the word of the state.

Assessment Process

- The standard assessment process would be:
  - Review previous score from last year;
  - Review proposed actions for last twelve months and comments on whether all actions were achieved, and it not, why not;
  - Present Evidence for updated score;
  - Agree on Updated score (A-D or NA);
  - Write-up rationale for score;
  - Agree on target score for next year;
  - Agree on an action plan with responsibilities to achieve target score for next year.

- In the first iteration of the assessment in 2017, steps 1 and 2 will not be relevant. However, since the intention is to undertake a double assessment in 2017 (for current, and backwards looking by 12 months), steps 3-5 will be repeated (once for last year, and once for this year).
- In the first iteration of the assessment, ARC will provide two facilitators to guide the process. In subsequent iterations, the state should nominate its own facilitators (in addition to the Cluster Owners) – ARC may or may not provide an observer to subsequent iterations of the assessment.

Write-up

The write-up of the indicators should be concise and focus on the evidence used, the key underlying factors including the score, and detail any caveats. The explanations/justifications for the scoring should be noted in the assessment template during the focus group discussion session – the intention is the write-up is completed in the session itself based on the discussions of the group discussions.

Review

A short period for review, perhaps one week, should be allowed for state governments. This is particularly in order for any missing information to be added to the assessment, state officials who were not present at the event to be able to review the scores, and for any presentational updates.

Finalisation

In the first iterations, the review comments will be provided back to ARC facilitators who will then update and finalise the assessment report. In subsequent years the state will take on this role themselves.

Section Four: PFM Reform ACT

The intention of the PFM-RAA is not just to assess current performance but also to provide a monitoring framework for PFM reforms required particularly by the Fiscal Sustainability Plan (FSP).

The proposed annual assessment allows for a 12-month period to implement an action plan aimed at improving PFM performance which would result in improved scores for the indicators on subsequent assessment.

Owners

Each of the nine clusters should be assigned an "Owner" in government who will champion the reform activities and monitor their implementation. Whilst activities might be assigned to different people within the Finance, Planning and Budget ministries, the owners should hold enough seniority to ensure that activities are implemented.

The table below provides some suggestions on possible owners.

Table 74: Proposed Government Owners by Cluster

Cluster	Proposed Owner
Fiscal Performance	PS Planning and Budget or equivalent
Budget Preparation	PS Planning and Budget or equivalent
Budget Execution	Accountant General
Internal Revenue	Chairman Board of Internal Revenue
Accounting and Reporting	Accountant General
Audit	PS Finance
Debt Position	PS Finance
Institutional and Legal Framework	PS Finance
Openness and Transparency	PS Planning and Budget or equivalent

Targets

The general principle for target setting is the SMART criteria:

Specific – the targets will be specifically captured within the PFM-RAA framework (i.e. a score A - D for 12 months' time);

Measurable – measurement is achieved via the PFM-RAA scoring;

Achievable – this is the most important criteria. Targets should be achievable. There is little point in trying to achieve an A grade for all indicators in twelve months, particularly when some are outside the control of State Government to some extent;

Relevant – relevance is already confirmed by the including of the indicator in the PFM-RAA framework; and

Time bound – since the intention is the updated the PFM-RAA scoring again in 12 months, the actions are time bound within the 12-month period.

Actions

As with the assessment, the action plan should be concise for each indicator. The should identify responsibilities and timings which should be monitored by the proposed owner of the cluster.

Support to the PFM Reform process

The PERL programme is also developing several other tools related to the budget process including a Budget App (to help manage and monitor the budget process), Budget Formulation and Compilation Templates (using the National Chart of Account (NCOA), a Debt Sustainability Tool and updates to some of the other materials (PFM Suite) that were developed under a previous programme. This will be made available in 2018 and will support states in some of the potential reform areas that might be identified during the PFM-RAA.

Section Five: Assessment Templates

There are two templates to support the assessment and reporting process:

- MS Excel template (PFM-RAA MS Excel Tool)
- MS Word template (PFM-RAA MS Word Report Template)

The two templates are described below.

MS Excel Template

The primary purpose of the MS Excel spreadsheet is to capture the scores and justifications for the assessment, the targets and actions for the subsequent year, and to provide a number of graphs, tables and boxes for the PFM-RAA report itself.

During the assessment itself, the "event" worksheet should be presented on an overhead projector and scores/justifications for each indicator recorded. The template is designed to hold a number of assessments and targets (from years 2016 to 2025).

The structure of the MS Excel template is summarised in Table 75 below.

Table 75: MS Excel template structure

Worksheet Name	Content	Type
Configuration	Brief Instructions on using the template and selection of State and Year of the PFM-RAA from drop down boxes	Input only
Summary of Scores	Provides two graphs showing the mean and modal scores for the current year and the previous year These are for pasting into section 2 of the MS Word template for the report	Output only
Score Dynamic	Provides two graphs showing the progression of scores (improvements, static, worsening and not applicable) between the current and previous assessments, and the targeted dynamic for next the following year These are for pasting into section 2of the MS Word template for the report	Output only
Speedo	Provides two graphs scoring the mean score for the current year and the previous year in the form of a speedometer These are for pasting into the Executive Summary of the MS Word template for the report	Output only
Cluster Scores	Provides two sets of graphs comparing the current year with the previous year mean score for each of the nine clusters	Output only
Framework	A list of all indicators, time frame and evidence required, scoring criteria, linkage to PEFA, NEC71, OBI and FSP indicators (this could be used as a hand-out to assessment participants)	Information
FP Previous Year	Budget and Accounts data is entered into this sheet in order to score Cluster 1 and part of Cluster 7 The table where data is entered and the scoring table is both pasted into section 3 of the MS Word template for the report	Input and Output
FP Current Year	Budget and Accounts data is entered into this sheet in order to score Cluster 1 and part of Cluster 7 The table where data is entered and the scoring table is both pasted into section 3 of the MS Word template for the report	Input and Output
Summary of All Indicators	Provides the scores for each indicator for the current assessment, the previous assessment and the target scores for one year ahead	Output only
Report Section 4	These are to be pasted into section 3 of the MS Word template for the report in nine segments	Output only
Workshop	This worksheet should be used to capture the scoring and justification for each indicator during the assessment process and the target scores and actions plans for one year ahead	Input only

Configuration

In order to use the template for an assessment, the user must first enter the state name and the year of the assessment within the "Configuration" worksheet from the two dropdown boxes.

Assessment Process

The worksheet "Framework" includes a list of all 72 indicators, the scoring criteria, evidence, time frame and the linkages to the related frameworks (FSP, NEC, OBI, PEFA, etc.) – it is suggested that this sheet is printed (probably over a number of pages) and given to all participants in the assessment process.

Based on the year selected in the configuration worksheet, the relevant columns in worksheet "Workshop" will be highlighted blue. These will be the current year assessment score and justification and the subsequent year targets and actions. In the instance of a first-time assessment, it is suggested that an assessment of the previous year is also undertaken in order to assess progress (the previous year assessment period score and indicator columns will not be highlighted blue) – this is required to generate the score dynamic visuals.

The moderator in the workshop process may wish to hide redundant columns in the worksheet in order to show the indicator title and scoring criteria and assessment score and justification.

Reporting

Once the assessment (and validation) is complete, the scoring and justifications provided in the "Event" worksheet are automatically used to produce a number of graphs and tables for the assessment report itself.

These graphs and tables will be copied and pasted into the MS Word report template (see next section) together with some explanatory text.

It should be noted that the format of the graphs and tables assumes that two years of assessments (current year and previous year) are available as well as targets for the subsequent year.

Notes / Clarifications to the MS Excel template

"Summary of Scores" worksheet – row 37 provides the modal score. In the case where there are two modal scores, this box will need altering manually.

"Score dynamics" worksheet – scores not comparable are indicators where one or more years in question have been scored as NA.

Protection – each worksheet is protected so that the formula cannot be deleted. The password to unprotect is "PFM" but it is strongly advised not to unprotect the worksheets as the risk of comprising the integrity of the formulas is significant.

MS Word document

As noted in the introductory section of the manual, the concept of PFM-RAA is a less onerous assessment process than a PEFA. The preparation of assessment report should not be seen as a verbose and cumbersome task – it should be more a summary of the findings of the assessment workshop, discussion on the dynamics between the previous and current assessment, and an overview of the forward-looking targets and actions.

The MS Word report template has been prepared in a neutral format, and has a table of contents, list of tables and figures, and a set of common abbreviations which should be reviewed and updated after the report is finished. The front cover will need replacing with the cover of the state and should reflect the state and time period assessed.

The template has five main sections as described below.

Executive Summary

The executive summary should be a maximum of two pages and should include the following items from the MS Excel tool:

- Paste in the two graphs from the MS Excel worksheet "Speedo" under and top table from the worksheet "Score Dynamics" under the Figure 1 caption, and
- Paste the bottom table from the worksheet "Score Dynamics" under the Figure 2.

The narrative in the executive summary should be prepared after the main report has been drafted and should focus on the key findings – where is the state performing well or poorly and why, what has been the dynamic between the two time periods observed, and where is the focus on actions and reforms in the next 12 months to achieve the targets for the subsequent year.

Introduction

The introduction section is fairly generic – it describes the PFM-RAA process (some of the text is lifted from this manual) and the content of the report. The main areas the state must update are period of the assessment and the list of Cluster leads in Table 1.

Scores

There are a number of graphs and tables to be copied and pasted from the MS Excel tool into the MS Word template scores section:

- The two tables in MS excel worksheet "Summary of Scores" should be pasted together under Figure 3;
- The top table from worksheet "Score Dynamics" should be pasted under Figure 4;
- The bottom graph in the worksheet "Cluster Scores" should be pasted under Figure 5;
- The bottom table from worksheet "Score Dynamics" should be pasted under Figure 6;
- The table in worksheet "Summary All Scores" should be pasted under Table 2. This will need to be pasted in two stages – the first part should be clusters 1-3 and the second part (on the following page) should be cluster 4-9;
- Each of the nine clusters has a write-up area within the sub-section "Cluster Scores" – before each write up, paste in the relevant part of the top table from the worksheet "Cluster Scores."

Once all of the above tables and graphs are pasted in, the write-ups in the various sections should focus on the aggregate scores and their dynamic, the scores by cluster and their dynamics (and reasons for their dynamic), any lessons learned, and the reasons and focus for the following period actions and targets. The write-up should not be voluminous – the section in total (including all tables and graphs should be 6-8 pages.

Detailed Assessment

The information for the detailed assessment is provided from MS Excel worksheet "Report Detail". The detailed assessment is split up into nine sub-sections – one for each cluster. For all nine clusters, the relevant portions of the table (columns A:E) should be pasted (standard paste not paste special) into the relevant section under the Table caption called "Scoring and Targets for Fiscal Performance indicators". The column widths will need adjusting once the table it pasted in. Once the table is pasted in, also specify the cluster leader within the template narrative.

For Clusters 1 and 7 there are additional graphs/tables to paste in:

- From the MS Excel worksheet "1. FP Previous Year" the left-hand table (row 1-28) should be pasted in under the caption Table 3, and the right-hand table (rows 1-22) should be pasted in under caption Table 4 (Cluster 1).
- From the MS Excel worksheet "1. FP Current Year" the left-hand table (row 1-28) should be pasted in under the caption Table 4, and the right-hand table (rows 1-22) should be pasted in under caption Table 6 (Cluster 1).
- From the MS Excel worksheet "1. FP Previous Year" the left-hand table (row 30-35) should be pasted in under the caption Table 13, and the right-hand table (rows 24-28) should be pasted in under caption Table 15 (Cluster 7).
- From the MS Excel worksheet "1. FP Current Year" the left-hand table (row 30-35) should be pasted in under the caption Table 14, and the right-hand table rows (rows 24-28) should be pasted in under caption Table 16 (Cluster 7).

Event Participants

The list of event participants (name, designation, MDA at least) for both the assessment and validation, as well as any facilitators, should be included in Section 4.

Tips on MS Excel and MS Word

When pasting tables and graphs from MS Excel to MS Word, in most circumstances it is best to paste a Picture (Metafile) from the paste special menu. The exceptions to this are:

- Within the detailed assessment section as described above, when pasted in the tables from the MS Excel worksheet "Report Detail" these should be normal pastes;
- When pasting in the two graphs from the worksheet "Speedo" into the Executive Summary, it is advisable to first paste the graphs (one at a time) into the programme Paint, then reselect the graphs cutting out all the redundant area;
- In some instances, it will be necessary to hide rows in a spreadsheet in order to paste in the table rows along with text further down (lower parts of the tables in MS Excel worksheets 1. FP Previous Year, 1. FP Current Year and Summary of Scores). In order to hide rows, the worksheet must be unprotected (using the review menu – unprotect worksheet and the password PFM. It is very important that the rows are unhidden again afterwards and that the worksheet is re-protected with the same password;
- Use the Styles menu in MS Word (within the home menu section) to select styles of new sections of text (headings, bullets, normal paragraphs, etc.).

Annex I - PFM-RAA Framework

The PFM-RFA framework contains a summary of the 72 PFM-RAA Framework indicators, grouped in the nine clusters, is provided in the table below. Full details, including scoring criteria, evidence, and linkages to the NEC, FSP, PEFA and ARC governance assessment are provided in Annex 1 (in a separate document that accompanies this manual).

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