



FISCAL SUSTAINABILITY OF STATES

A CASE STUDY OF LAGOS STATE

Annex 3 to the “Creating Learning Alliances” Update Note
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LEAP

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Acronyms and definitions

A&HR	Administration and Human Resources Department
BC&COA	Budget classification and chart of accounts
BOS	Branding, OSPES and Service Charter
CBN	Central Bank of Nigeria
CDF	Capital Development fund
CDSA	Consolidated Debt Service Account
CIA	Central Internal Audit
CPDVD	Centralized Payroll and Data Verification Directorate
CRF	Consolidated Revenue Fund
CRFC	Consolidated Revenue Fund Charges
CSC	Civil Service Commission
DMO	Debt Management Office
DRI	Debt Relief International
DSF	Debt Sustainability Framework
EXCO	Executive Council
FAAC	Federation Account Allocation Committee
FRA	Fiscal Responsibility Act
FSP	Fiscal Sustainability Plan
GDP	Gross Domestic Product
GPFS	General Parallel File System
HR	Human Resource
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPSAS	International Public-Sector Accounting Standards
ISA	Investment and Securities Act
ISPOs	Irrevocable Standing Payment Orders
LBIR	Lagos Board of Internal Revenue
LCDAs	Local Community Development Areas
LIRS	Lagos State Internal Revenue Service
MDAs	Ministries, Departments and Agencies
MEPB	Ministry of Economic Planning and Budget
NCoA	National Chart of Account
NIAF	Nigeria Infrastructure Advisory Facility
OAGF	Office of the Accountant General
OGP	Open Government Partnership
OTCI	Office of Transformation, Creativity and Innovation
PAYE	Pay-As-You-Earn

PPA	Public Procurement Agency
PPA	Public Procurement Act
PPP	Public Private Partnership
PSO	Public Service Office
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
RSM	Revenue Stakeholders Meeting
SBIR	State Boards of internal Revenue
SEC	Securities and Exchange Commission
SHoA	State House of Assembly
SLA	Service Level Agreement
STO	State Treasury Office
SUBEB	State Universal Basic Education Board
TSA	Treasury Single Account
VAT	Value Added Tax
WHT	With Holding Tax

Executive Summary

This study formed key material for the South West Learning event – it is not a stand alone report, but instead represents part of our broader programme of work with the Nigeria Governors' Forum as previously described to DFID.

Lagos State's compliance with recommended actions of the Fiscal Sustainability Plan (FSP) appears to have yielded strong fiscal wins for the State, indicating a significant linkage between the objectives of the FSP and fiscal sustainability. These include an expenditure performance of 85% and an annual Internally Generated Revenue (IGR) growth rate of 17% in 2016. The State also recorded moderate solvency and liquidity ratios of 211% and 28% respectively below the thresholds of 250% and 40%. Commendable practices include the State government's commitment to the biometric verification of its civil service, citizens' engagement in budgeting processes, timely publication of financial statements, and growth in public revenue which has supported a strong development process in the State.

The State has continued to maintain good credit ratings for its bond issues. Its bond ratings are provided by credit rating agencies such as Global Credit Rating, Fitch and Augusto & Co. It has also begun valuing its infrastructure assets, including bridges and roads, for which the Lagos State Valuation Office is collaborating with independent valuers to fast track its transition to IPSAS accrual. Already, some infrastructure assets have been captured in the 2016 transitional financial statements.

However, the State is not without its own challenges, some of which include the non-domestication of the FRA law, absence of a Value Added Tax (VAT)/ With Holding Tax (WHT) automation system to allow the tracking and automatic deduction/ remittance of VAT from vatable transactions and the absence of an anti-corruption commission.

Other institutional and operational gaps identified during the review include the State's non-compliance with the use of National Chart of Account (NCoA) and poor capacity to execute budget and account preparation using its IPSAS compliant software (Oracle Financials). These gaps have hindered comparability of the State's financial statement with other tiers of government and have continued to incur substantial operating costs for the State as a result of the continuous re-engagement of consultants for budget and account preparation.

The State highlighted the failure of the federal government to refund funds expended to reconstruct/rehabilitate federal roads. They explained that such expenditures depleted the resources that would have been deployed to capital development projects.

Interviewed officials also expressed the need for capacity building on budget preparation using their Oracle Financials software, revenue forecasting and tax administration for the informal sector.

Table 1: Summary of Findings

S/N	Fiscal Sustainability Plan (FSP)/ Open Government Partnership (OGP) Objective	Actions Implemented	Actions not Implemented	Work in Progress
1	Accountability and Transparency	<p>Publication of audited financial statement, adoption of IPSAS</p> <p>Publication of budget</p> <p>Adoption of IPSAS compliant software</p> <p>Open competitive bidding (OGP)</p>	<p>Publication of budget implementation/performance report</p> <p>Establishment of public compliant and anti-corruption commission (OGP)</p>	-
2	Public Revenue	<p>Set realistic IGR target, implementation of TSA</p> <p>Attend quarterly financial reconciliation meeting</p>	<p>Introduction of automatic VAT/WHT issuance system</p>	<p>Review of revenue related laws and tariffs</p>
3	Public Expenditure	<p>Set personnel expenditure limit (including biometric capture)</p> <p>Establish efficiency unit, implement continuous audit</p> <p>Conduct community needs assessment to inform budget (OGP)</p>	-	-
4	Public Financial Management	<p>Establish capital development fund</p>	<p>Privatization of State owned enterprises to improve efficiency</p> <p>Domestication of Fiscal Responsibility Act</p>	<p>Create fixed asset register</p>
5	Sustainable Debt Management	<p>Attain and maintain good credit rating</p> <p>State's access to capital market funds</p> <p>Compliance with debt threshold (Solvency and liquidity ratio)</p> <p>Establishment of a sinking fund and consolidated debt service account</p>	<p>Receipt of bench mark rate for municipal loans from FGN</p>	-

Introduction

The fiscal sustainability of States has become a subject of increasing concern for several reasons and, as such, has been and continues to be a major thrust of LEAP's focus. First, is the slide in revenue in recent times, which has contracted governments' fiscal space. Second, the rising fiscal deficits of States with mounting domestic debts consisting of salary and pension arrears, contractors' arrears, commercial bank loans and other liabilities. Lastly, the absence of policies to manage revenue volatility and ensure fiscal independence has continued to destabilize government budgets. To stem the free-fall of the economies of these states, and specifically to enable States to pay the mounting arrears of salaries of their workers, and pensions of retirees the federal government authorised bailout fund to States. A bailout of about N338 billion for all the States that were in dire financial straits was released in September 2015.

In May 2016, the federal government in announcing additional budget support of N90 billion, unfolded the Fiscal Sustainability Plan (FSP). The FSP is a disciplined approach to managing public funds, ensuring the maximisation of revenues and the minimisation of the cost of governance. The FSP has five strategic objectives with 22 action points.

Background

Lagos State is the most populous city in Nigeria and the second fastest-growing city in Africa. The population of the State is estimated as 21 million people according to the National Population Commission of Nigeria, making Lagos the largest city in Africa. Lagos is a port which originated on islands separated by creeks, such as Lagos Island, fringing the southwest mouth of Lagos Lagoon while protected from the Atlantic Ocean by barrier islands and long sand spits such as Bar Beach, which stretch up to 100 kilometres (62 miles) east and west of the mouth. From the beginning, Lagos has expanded on the mainland west of the lagoon and the conurbation, including Ikeja (which is the capital of Lagos State) and Agege, now reaches more than 40 kilometres (25 miles) northwest of Lagos Island. Some suburbs include Ikorodu, Epe and Badagry, and more local councils have recently been created, bringing the total number of local governments to 57 (this includes local community development areas or LCDAs).

Lagos is amongst the largest economic hubs of Nigeria, generating a significant portion of the country's GDP. Most commercial and financial businesses are carried out in the central business district situated on the island. This is also where most of the country's commercial banks, financial institutions, and major corporations are headquartered. The Port of Lagos is Nigeria's leading port and one of the largest and busiest in Africa. It is administered by the Nigerian Ports Authority and split into three main sections: Lagos port, in the main channel next to Lagos Island, Apapa Port (site of the container terminal) and Tin Can Port, both located in Badagry Creek. The port has seen growing amounts of crude oil exported, with export figures rising between 1997 and 2000. Oil and petroleum products provide 14% of GDP and 90% of foreign exchange earnings in Nigeria as a whole.

Over the years, the State has also become a major tourist destination, including with celebrated festivals such as the Eyo carnival (a yearly festival) and with its sandy beaches and substantial numbers of hotels.

Objectives of the Assessment

The objectives of the assessment are as follows:

- Ascertain the performance of the State on each of the 22 Action points;
- Highlight practical evidence of reforms that lead to better fiscal performance;
- Provide evidence for mobilizing technical assistance for States.

Methodology

The report is based on feedback obtained from interviews with relevant State government officials as well as information and data from state documents. Interviews were conducted in a joint session with key officers from the State Ministry of Finance, State Treasury Office, Ministry of Economic Planning and Budget, Office of the Auditor General of State, Debt Management Department, and Public Procurement Agency (PPA) (*a list of participants at the joint session is shown in appendix 1*). A verification exercise for requested evidences to back compliance, and a quantitative analysis of the State's fiscal performance based on data from the approved budgets from 2015 to 2017 and financial statements of 2015 and 2016 followed the joint session.

Transparency and Accountability

The recommended actions under this objective are aimed at improving government credibility and transparency. Table 2 shows a summary of the State's feedback and level of compliance with the recommended actions under this objective.

Table 2: Summary of Findings

S/N	QUESTIONS	FEEDBACK	SCORE	COMMENT
1	Does your State publish its audited annual financial statements within 6 months of financial year-end? Public Access to Financial Statements	Yes	A	Available online and in hard copy
2	Has the State introduced and complied with the International Public-Sector Accounting Standards (IPSAS)? Accounting standards used.	Yes	C	IPSAS cash basis
3	Does your State publish its annual budget online?	Yes	A	Available online and in hard copy
4	Does your State publish its budget implementation performance report online quarterly? Public Access to Periodic Budget Performance Report	No	C	Quarterly budget performance report prepared but not accessible to the public
5	Is your State using standard IPSAS compliant software developed by the Federal Government?	Yes	N/A	The State uses an Oracle Financials software to produce its reports.
6	Has your State instituted an open competitive bidding system	Yes	A	The following procurement elements are in place Legal and regulatory framework for procurement; Publication of government procurement plans; Open bidding opportunities; Publication of contract awards (purpose, contractor and value); Data on resolution of procurement complaints; and Annual procurement statistics
7	Has your State established a public complaints and anti-corruption commission	No	N/A	The State has an online feedback platform called the citizens gate. It has also instituted the Office of Public Defender under the Ministry of Justice

Implementation of IPSAS and utilization of compliant software

The State's 2014 and 2015 financial statements were produced on International Public Sector Accounting Standards (IPSAS) cash basis. In 2016, the State began transition to IPSAS accrual with the valuation of the government's assets. The Lagos State Valuation Office under the Ministry of Works in collaboration with outsourced valuers,¹ executed the first phase of the valuation exercise, which enumerated infrastructural assets such as roads and bridges. The government has begun incorporation of captured assets in its financial statement starting with the 2016 transitional financial statements. Officials interviewed noted that the transition to full IPSAS accrual would be achieved by 2019. The financial reports are produced using an Oracle Financials software that was deployed between 2002 and 2004. The government installed an HR upgrade in 2010 alongside other updates allowing the software electronically link budgeting, accounting, treasury, revenue, human resource and asset management function. The contracted consultants who installed the software and trained staff of relevant agencies currently operate the software.

However, the State functionaries present at the interview session expressed the need for additional training for Staff on budget and account preparation using the Oracle Financial software as the State currently incurs huge cost reengaging the consultants each year for the exercise.

While Lagos State has complied with producing IPSAS Cash General Purpose Financial Statements, it is yet to adopt the National Chart of Accounts (NCOA). Lagos State's budget classification and chart of accounts (BC&COA) codes are not consistent with the NCOA codes. The differences are in the segments and the number of digits. The segments of the NCOA are not the same with the segments of Lagos State BC&COA. Even where certain segments shared similarities such as administrative and economic segments, their dimensions and number of digits differed. The Lagos State 2014, 2015 and 2016 GPFS may be as required under IPSAS cash, but does not meet all the intentions of IPSAS cash as adopted for Nigeria, chief among this is comparability.

The Federation Account Allocation Committee (FAAC) Sub-committee on the roadmap for the adoption of IPSAS in Nigeria noted that the primary objective of the NCOA are to facilitate the preparation of uniform financial statements that will be reliably compared with those of other governments, and consolidated into single financial statements for Nigeria governments (federal, 36 states, FCT and 774 local governments). The NCOA is IPSAS compliant as well as IMF Government Finance Statistics (codification of functions of government) compliant.

Publication of State budgets, financial statements and performance reports

The State publishes its budgets annually and statement of account online² at least 6 months into the following year. Audited accounts are also published in national dailies³ for public notice. However, performance reports, which are prepared monthly, quarterly and annually, are not published online.

¹ Some of which include Taye Adeiran & Co. Leke Sanni & Co., and Samson Agbato Consulting

² <https://lagosstate.gov.ng/blog/category/financials/> (2013 -2015 Statement of Account), <http://mepb.lagosstate.gov.ng/> (Approved Budget 2008-2017), <http://auditorgeneral.lagosstate.gov.ng/2017/09/28/year-2016-lasq-transitional-ipsas-financial-statement/> (2016 financial statement)

³ Punch Newspaper 18th September 2017

Open competitive bidding and disclosure of award contracts

The State has instituted an open and competitive bidding system, which is governed by the Lagos State Public Procurement Agency Law 2011. By interpretation, the governing rules⁴ on public procurement mandates open competitive bidding, using clearly defined criteria, equal opportunity and information to every interested bidder. In line with section 33 of the law, the State government publishes contract adverts and awards in the State procurement journal and national dailies. Also tender publications are made available online on the Lagos State's Public Procurement Agency website.⁵ The Lagos State Public Procurement Agency continually inspects and reviews procurement transactions and contract awards to ensure compliance with the law and contract provisions. For cases where contractors are found to be non-compliant/non-performing, the agency works with the Ministry of Justice to prosecute the defaulting contractor.

Establishment of public complaints and anti-corruption commission

The State has developed a dedicated online public feedback mechanism called Citizens Gate⁶, through which the public can submit feedback and complaints about any service or incidence requiring government action. The State also has an Office of Public Defender to safeguard the fundamental human rights and freedom of the vulnerable and disadvantaged groups through a strong, vibrant and high quality pro bono service in collaboration with stakeholders, nationally and internationally. This has helped improve the resilience of citizens to express their rights and demand for good service delivery.

⁴ Section 22 (1) Lagos State Public Procurement Agency Law, 2011

⁵ <http://www.lagosppa.gov.ng/tenders>

⁶ <https://citizensgate.lagosstate.gov.ng/#/>

Public Revenue

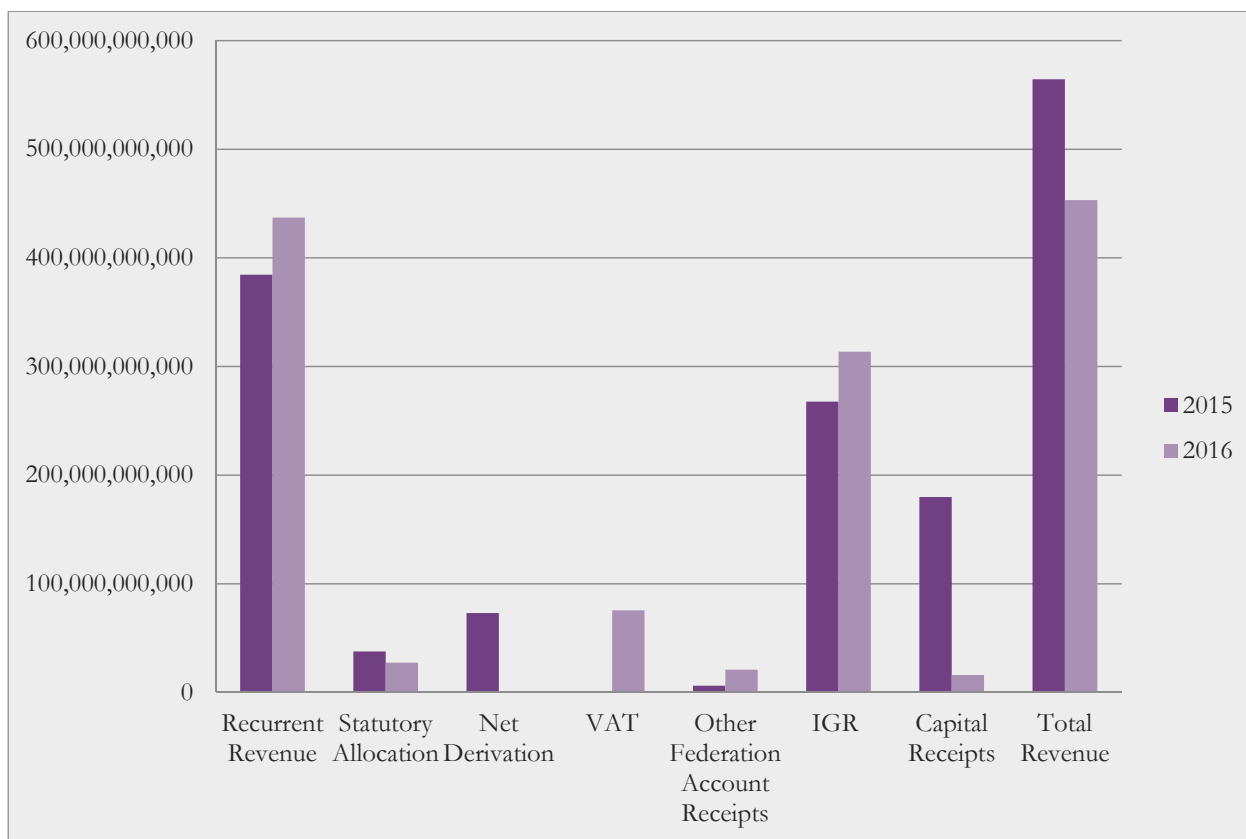
This section examines Lagos State's compliance with specific actions recommended by the FSP to assist it in improving its public revenue beyond statutory transfers and other federation account receipts. Table 3 below shows a summary of the State's feedback and level of compliance with the recommended actions under this objective.

Table 3: Summary of findings

S/ N	QUESTIONS	FEEDBACK	SCORE	COMMENT
1	Has your State set realistic and achievable targets to improve independently generated revenue (from all revenue generating activities of the State in addition to tax collections)? IGR out-turn compared to original approved budget	Yes	B	The State recorded 80% performance in 2016. It plans to increase its IGR by 44% in 2017 from N313.5 billion to N450.9 billion.
2	Has the State implemented a central Treasury Single Account? Proportion of Revenue collecting MDAs that remit all their revenue to CRF Account	Yes	A	Over 90% IGR collected by all MDAs are remitted to the CRF Account
3	Does your State operate a computerized treasury system (such as an IFMIS)? Transactions are processed within the IFMIS environment	Yes	A	The State uses an IFMIS-like software called Oracle Financials for payments and transaction processing within its MDAs
4	Does the State hold quarterly financial reconciliation meetings with the Federal Government on VAT, PAYE remittances, refunds on government projects, Paris Club and other accounts?	Yes	N/A	Meeting with RMAFC (13 th June 2017) and FIRS
5	Does your State share the database of companies within the State with the Federal Inland Revenue Service (FIRS)?	Yes	N/A	The State shares financial reports of companies with the FIRS and embarks on collaborative tax drives.
6	Has your State introduced a system to facilitate the immediate issue of VAT and WHT certificates on payment of invoices?	No	D	The State is yet to procure an automated VAT/WHT certificate issuing system
7	Does your State review revenue related laws and update obsolete rates / tariffs? Regular updates to non-tax rates and tariffs	Work in progress	C	Some rates and tariffs have been reviewed in the last 24 months

The State's public revenue performance has been on a decline since 2015 with total revenue falling substantially from NGN 564.2 billion in 2015 to NGN 453.1 billion in 2016. Table 4 shows that the persistent decline was as a result of a 91% and 28% decline in capital receipts and statutory allocation respectively, excluding net derivation.

Figure 1: Lagos State revenue performance 2015-2016



Data Source: Lagos State audited financial statements (2015 - 2016)

Table 4: Lagos State total revenue breakdown (2015 – 2017)

Revenue Item	Actual (2015)	Approved Budget (2016)	Actual (2016)	Approved Budget (2017)
Recurrent Revenue	384,410,993,723	514,526,716,000	437,083,849,000	617,406,000,000
Statutory Allocation	37,705,799,182	51,939,066,000	27,308,590,000	48,183,000,000
Net Derivation	73,060,822,602	Not available	Not available	1,500,000,000
VAT	Not available	72,809,066,000	75,437,622,000	84,899,000,000
Other Federation Account Receipts	6,062,447,180	Not available	20,788,342,000	31,957,000,000
IGR	267,581,924,759	389,778,584,000	313,549,295,000	450,867,000,000
Capital Receipts	179,865,517,717	28,347,390,000	16,026,631,000	25,441,000,000
Total Revenue	564,276,511,440	542,874,106,000	453,110,479,000	642,847,000,000

Data Source: Lagos State audited financial statements (2015 - 2016) and approved budget (2015 – 2017)

Compliance with setting realistic and achievable targets to improve IGR⁷

Lagos State remains the highest revenue generating State in Nigeria with a total of NGN313.5 billion generated between 1st January to 31st December 2016. The government plans to improve its monthly average Independently Generated Revenue (IGR) performance to NGN 30 billion as against NGN 25 billion currently. An analysis of the State's budget and final accounts indicate an IGR performance of 80%, recording a deviation of 20% from approved budget. This shows that the State had set a realistic IGR target in 2016. The analysis also reveals a real growth of 1.3% in 2016.

Officials expressed the government's intention to deploy additional electronic payment platforms to reduce leakages in revenue collection. It will also improve the regularity of the revenue stakeholders meeting (RSM). The State has a mechanism in its treasury office to monitor revenue generation processes across MDAs and ensure that they comply with collection and remittance guidelines.

Implementation of a centralized Treasury Single Account (TSA)

The operation of a dedicated/retained revenue accounts was abolished in 2015 following an extant Executive Order No. EO/AA/02 of Y2015 which provided that all revenues accruing to the State government are remitted to the consolidated revenue fund of the State, except for those exempted by the State Treasury Office (STO) such as revenue collected by hospitals and tertiary institutions. The State uses its Oracle Financials software for the management of its treasury account. In line with the Executive Order, revenues from all MDAs are transferred to the CRF account at the close of each business day. Revenues accruing to the exempted MDAs are still captured in the State's treasury system as income to government, although guided by a Service Level Agreement (SLA). Reconciliation of all revenue accounts is performed at the end of each month. This is evident in their Y2017 abridged annual budget and Auditors General's report on financial statement which record revenues to CRF under the omnibus table and statement of changes in net assets.⁸

Attendance at quarterly financial reconciliation meetings between Federal and State governments

Financial reconciliation meetings on VAT and PAYE remittances are held between State Treasury Office, LBIRS and FIRS. The meetings are arranged at the instance of FIRS and they should cover Value Added Tax (VAT), Pay-As-You-Earn (PAYE) remittances, refunds on government projects, Paris Club and other accounts.

The most recent meeting was held on 13th June 2017, with officers of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) – the agency mandated to monitor accruals into and disbursements of revenues from the federation account. The State government, however, stated that the federal government is yet to refund monies spent to reconstruct/rehabilitate federal roads in the State. They explained that such expenditures had depleted the resources that would have been deployed to other capital development projects in the State.

⁷ From all revenue generating activities of the State in addition to tax collection

⁸ CRF balance as at 31st December 2016 was NGN 108 billion according to the Auditor General's Report

Database collaboration between the SBIR and the FIRS

The State government through its State Boards of Internal Revenue (SBIR) alluded to sharing and exchanging information with Federal Inland Revenue Service (FIRS) and other federal agencies with useful information pertinent to tax audit and investigation, including financial report on companies, taxpayers' database, and immigration quota, amongst others. Also, the Lagos Board of Internal Revenue (LBIR) and FIRS from time to time, embark on joint tax drives to promote efficiency and effectiveness in tax audit. The LBIR stated that this has assisted the State in its back duty and debt recovery cases for which it had incomplete records.

Compliance with immediate issuance of VAT/WHT certificates on invoices

The State government is yet to procure a VAT/With Holding Tax (WHT) certificate issuance system to ensure VAT/WHT are automatically deducted from government suppliers at the point of payment and certificates issued immediately. These deductions are currently being computed manually upon assessment and deducted at point of payment.

Review all revenues related laws and update obsolete rates/tariffs

A holistic review of revenue laws and rates is ongoing at the State EXCO level, to ensure rates and tariffs are consistent with current economic realities. The State government intends to use the reviewed fees, rates and tariffs in its revenue estimation of its 2018 budget.

The Lagos State Internal Revenue Service officials also expressed the need for staff training in areas such as tax assessment and investigation.

Public Expenditure

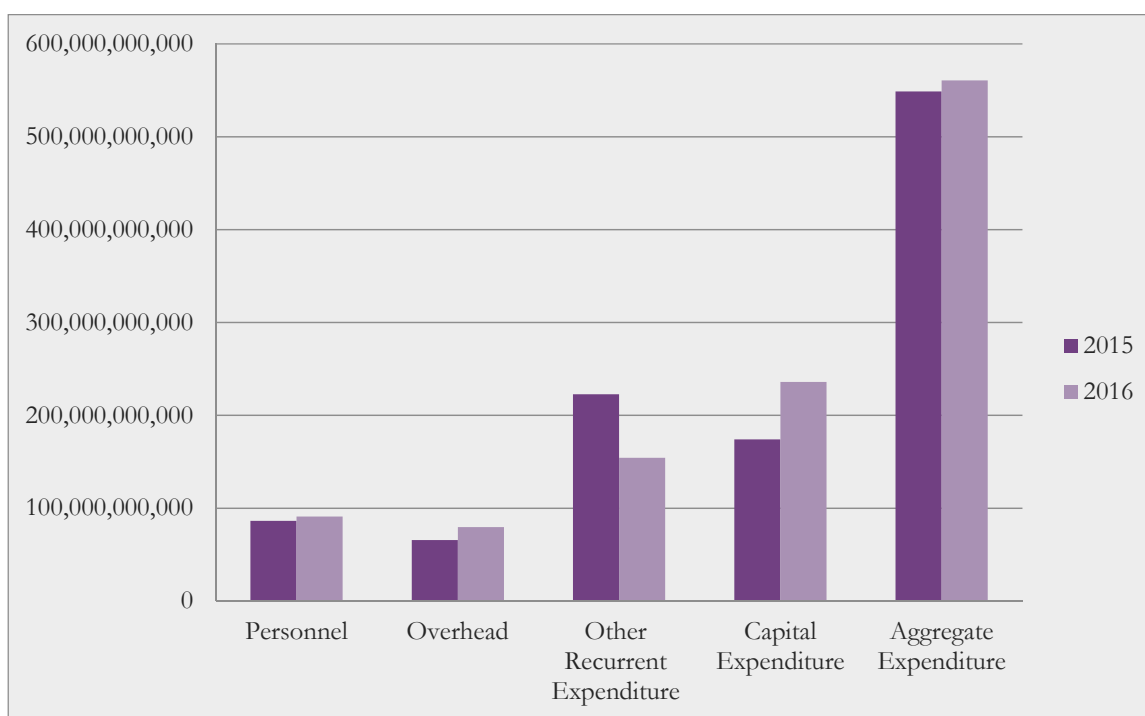
This section examines Lagos State's compliance with specific actions recommended by the FSP to support the rationalisation of its public expenditure. Table 5 below shows a summary of the State's feedback and level of compliance with the recommended actions under this objective.

Table 5: Summary of findings

S/N	QUESTIONS	FEEDBACK	SCORE	COMMENT
1	Does your State conduct community needs assessments and is this included in your budget preparation process?	Yes	N/A	The State organises town hall meetings and budget consultative forums with the senatorial districts (Epe, Alimosho, Lagos Island)
2	Has your State set a realistic and achievable target for its capital to recurrent expenditure ratio? Aggregate expenditure out-turn compared to original approved budget	Yes	A	The State recoded 85% performance for aggregate expenditure in 2016. Its aggregate expenditure target for 2017 is 45% higher than the 2016 actual.
3	Has your State set limits on personnel expenditure as share of total budgeted expenditure?	Yes	A	Personnel cost was 16% of total expenditure in 2017. In light of the 45% growth in aggregate expenditure, personnel cost is estimated fall to 13%.
4	Has your State carried out a biometric capture of all civil servants under the State's payroll? Biometric Assessment of State Employees Undertaken	Yes	A	All civil servants in the State are captured in a HR database, which is constantly reviewed to remove/add staff. The payroll system is directly linked to the HR database.
5	Has your State established measures to strengthen budget credibility, for example, limiting the deviation between budgeted and actual expenditures?	Yes	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 few areas of exception The State breached its approved target for "other recurrent expenditure" in 2016
6	Has the State established an Efficiency Unit?	Yes	A	The State noted that it has instituted an Office of Transformation, Creativity and Innovation which performs the same function
7	Has your State received an online price guide on reference unit costs from the Federal Government?	No	N/A	The State uses its price guide as prepared by the Lagos State Bureau of Statistics under the Ministry of Economic Planning
8	Has your State introduced a system of continuous internal audit? Extent of Continuous Audit	Yes	A	This is in place across at least 75% of the MDAs

Table 6 and Figure 2 below show the increase in key expenditure items including personnel, overhead, and capital cost. Much of these expenditure spikes were absorbed by complimentary increases in recurrent revenue, leaving aggregate expenditure with a marginal increase of 2% between 2015 and 2016. Within the same period, overheads grew by 21% from NGN65.6 billion to NGN79.5 billion.

Figure 2: Lagos State Expenditure Performance 2015 - 2016



Data Source: Lagos State audited financial statements (2015 - 2016)

Table 6: Lagos State Aggregate Expenditure Breakdown (2015 – 2016)

Expenditure Item	Actual (2015)	Approved Budget (2016)	Actual (2016)	Approved Budget (2017)
Personnel	86,375,120,438	116,919,197,000	90,937,223,000	104,712,000,000
Overhead	65,643,483,097	85,531,832,000	79,554,806,000	170,393,000,000
Other Recurrent Expenditure ⁹	222,673,326,523	145,695,300,000	154,200,521,000	101,634,000,000
Capital Expenditure	173,987,110,643	314,441,778,000	235,926,123,000	436,260,000,000
Aggregate Expenditure	548,679,040,700	662,588,107,000	560,618,673,000	812,999,000,000

Data Source: Lagos State audited financial statements (2015 - 2016) and approved budget (2015 – 2017)

⁹ Pensions and gratuity, consolidated revenue fund charges, loans charges and bond charges, grants and contributions, subvention to parastatals (personnel, overhead, dedicated)

Table 7 provides the functional distribution of budgeted expenditure from 2015 to 2017. Public order and safety function recorded the highest performance at 111% of approved budget. Similarly, the economic affairs and general public services functions recorded expenditure performances of 89% and 84% respectively.

Table 7: Lagos State Sectorial Expenditure Breakdown (2015 – 2017)

Functions ¹⁰	Actual (2015)	Approved Budget (2016)	Actual (2016)	Approved Budget (2017)
General Public Services	99,916,346,795	139,472,169,000	117,605,938,000	204,337,581,984
Public Order and Safety	18,959,952,948	22,576,510,000	25,121,405,000	32,497,296,368
Economic Affairs	99,213,498,386	156,059,117,000	138,843,247,000	226,305,733,086
Environment	10,928,770,945	29,540,884,000	19,248,635,000	37,481,407,358
Housing and Community Amenities	17,141,945,042	49,444,321,000	16,906,487,000	31,881,823,391
Health	29,021,416,890	43,669,707,000	32,619,829,000	37,115,678,085
Recreation Culture and Religion	3,966,401,991	3,796,229,000	2,051,648,000	10,893,649,865
Education	45,639,880,165	69,072,199,000	52,411,960,000	63,832,283,665
Social Protection	1,217,501,016	3,261,668,000	1,609,003,000	5,516,513,230

Data Source: Lagos State audited financial statements (2015 - 2016) and approved budget (2015 – 2017)

Conduct of community needs assessment to inform budget preparation

The State government stated that it conducts budget consultative forums across its three senatorial districts to identify citizens' needs during budget preparation. This is complemented by a series of town hall meetings across various communities to reach those at the local government level. The 2017 budget senatorial consultative forum were held in Epe, Alimosho, and Lagos Island. To establish a link between community needs and capital projects, the State Ministry of Finance has developed a project proposal evaluation template which is administered during budget preparation and requires MDAs to state the socio-economic benefits of their intended projects to the citizens and sustainable development of the State.

Compliance with setting realistic and achievable targets for capital to recurrent expenditure ratio

The State maintained good expenditure thresholds as set by the 2016 approved budget. Expenditure performance for 2016 was 85%, indicating a deviation of less than 15% and by extension, rationalization of about 15% of approved budget expenditure.

¹⁰ Each function expenditure is a total of overhead, personnel and capital expenditure put together

Set limits for personnel expenditure as a share of total budgeted expenditure

Lagos State maintained a personnel expenditure ratio¹¹ and performance of 16% and 78% respectively; recording a deviation of 20.2% from the approved budget in 2016, Overhead cost, other recurrent cost (CRFC) and capital expenditure accounted for 14%, 28% and 42% respectively. Other recurrent expenditures including pensions, gratuities, subventions to parastatals, loan and bond charges had grown by 106% when compared with actuals in 2015.

Biometric capturing of all States' civil servants to eliminate payroll fraud

The State government runs a fully automated and integrated human resource and payroll process with a shared database and monthly reconciliation of nominal and payrolls. The Human Resource and payroll module of Oracle financials application system became effective in 2003. The application fully integrates the HR and payroll such that HR information flows directly into payroll for the processing of monthly payroll for both employees and pensioners. Thus, there is a direct link between, but separate control of, the personnel and the payroll records in the Oracle database. The Public Service Office (PSO) and the Ministry of Establishment & Training control and upload information on personnel records for senior and junior staff respectively into the Oracle database.

The State government stated that it last conducted a biometric exercise in 2014 in collaboration with the Lagos State Ministry of Science and Technology. Subsequently, in 2016, it conducted a similar biometric verification exercise for pensioners' known, as "I am Alive". The State also instituted a Centralized Payroll and Data Verification Directorate (CPDVD), which manages the payroll database. The CPDVD of the State Treasury Office uses the uploaded personnel data to prepare and control payroll processes. Changes to personnel records and the payroll reside with different personnel. For instance, the PSO or the Ministry of Establishment generate changes on new entrants, the CSC generates changes on exits from the Service and transfers from the Service to the Pensions roll, while the Central Internal Audit (CIA) generates changes involving reentry, for example, for those who were on leave of absence (without pay). The payroll system has a strong system of monthly payroll audit carried out by the Central Internal Audit (CIA) Department of the Ministry of Finance. Payroll generates monthly Oracle reports of exit and off payroll persons, reconciling this with reports from other control agencies. Payroll forwards reconciled reports including monthly reconciliations of population and values between prior and current month to the CIA. A copy of the reconciled payroll figure is also forwarded to the Governor by Payroll for approval.

The State currently has on its payroll 94, 883 staff comprising of 53, 406 active staff under the Civil Service, 20, 948 Local government staff and 20, 529 under the State Universal Basic Education Board (SUBEB).

¹¹ *Personnel expenditure/ Aggregate expenditure*

Establishment of an efficiency unit and adoption of the Federal government online price guide

In place of an efficiency unit, the Lagos State government stated that it runs an Office of Transformation, Creativity and Innovation (OTCI)¹² under the Governor's Office vide circular No. 150 of November 4, 2009. The office has now been moved to the Office of the Head of service. The office is divided into 5 key departments, managed by a director general and three directors appointed by the Governor. Key departments within the office include Reforms Department; Management Services Department; Branding, OSPES and Service Charter (BOS) Department; Administration and Human Resources Department (A&HR); Account Department and the Creativity and Innovation Department. The OTCI is mandated to anchor the implementation of the government's reform agenda; coordinating creative and innovative ideas that improve service delivery. In addition, the office collaborates with ministries, departments and agencies to deliver their sector transformation objectives (STO).

Other responsibilities of the OTCI include manpower planning, job evaluation, development of performance measurement criteria and internal consultancy services amongst others.

Implementation of a system of continuous audit (internal audit) by States

In 2014, the Lagos State government inaugurated an Audit Service Commission, which is tasked with the responsibility of managing the career of all auditors in the Lagos State Civil Service including advice to government on audit policy issues. The internal audit function in Lagos State belongs to the Central Internal Audit Department, a department of the Ministry of Finance headed by a director. Its responsibilities include monitoring compliance with statutory rules and regulations and monitoring administrative units, systems audit, and payment vouchers audit (pre-payment audit). Internal auditors send copies of their monthly reports to the Director of the Central Internal Audit Department, who prepares a consolidated monthly report. The report is distributed to the Commissioner for Finance, the Permanent Secretary, Accountant General, State Auditor General, and the Public Service Office. The monthly reports are regular, but not always timely.

¹² <http://otci.lagosstate.gov.ng/>

Public Financial Management

This section examines the State's compliance with specific actions recommended by FSP to strengthen public financial management. Table 8 below shows a summary of the State's feedback and level of compliance with the recommended actions under this objective.

Table 8: Summary of Findings

S/N	QUESTIONS	FEEDBACK	SCORE	COMMENT
1	Has your State created a fixed asset and liability register?	Work in progress	N/A	Asset valuation ongoing
2	Has your State considered the privatisation or concession of suitable State-owned enterprises to improve efficiency and management?	No	N/A	No privatisation or concession has been carried out in the last 12 months
3	Has your State domesticated the Nigeria National Policy on PPP? Is there a PPPL covering all 4 processes in PPP execution as enumerated in the National Policy on PPP	Yes	A	The Lagos State Public Private Partnership Law 2011 is in place and adhered to, covering all 4 processes in PPP execution as enumerated in the National Policy on PPP
4	Has your State established a Capital Development Fund?	Yes	B	Transfers are made to the account, albeit inconsistently. Withdrawals are also made for capital expenditure.
5	Has the State domesticated the Fiscal Responsibility Act (FRA)?	No	D	Not in place
6	Has the State domesticated the Public Procurement Act (PPA)?	Yes	A	The Lagos State Public Procurement Law 2011 covers at least 5 key elements of due process mechanism in procurement.

Creation of a fixed asset register

The Lagos State Government Valuation Office was established following the promulgation of the Tenement Rate Edict vide State Government Gazette No. 27 of 23rd June 1989. The Office, which was fully computerized in 2002, has been mandated to conduct asset valuation for all MDAs including valuation of public infrastructure assets as required by IPSAS. The office also maintains and updates the State's assets register. The Office is working in collaboration with independent valuers and contractors¹³ to perform the valuation exercise. Some of the enumerated assets such as roads and bridges have already been incorporated in the 2016 transitional financial statements. The State functionaries present at the interactive session stated that a major challenge slowing down full compliance with this FSP action has been the huge cost involved in valuing the assets. Hence, the need for technical assistance in this area.

¹³ Some of which include Teye Adeiran & Co. Leke Sanni & Co., Samson Agbato Consulting amongst others.

Domestication of the Nigeria National Policy on PPP

The SHoA passed the Lagos State Public Private Partnership (PPP) Law in 2011 and developed a PPP manual in collaboration with the Nigeria Infrastructure Advisory Facility (NIAF) in 2012.¹⁴ The law and manual cover all four processes in PPP execution as enumerated in the National Policy on PPP. The Law established an Office of Public Private Partnership managed by a Director General and governed by a Board consisting of a Chairman, Secretary and four other members appointed by the Governor for a term of four years to provide policy direction on objectives, functions and powers of the office pursuant to PPP initiatives. The Board also has the power to grant concession to viable private investors interested in Public Private Partnerships for design, construction, operation, management, control, maintenance, rehabilitation and financing of public infrastructure or public assets in accordance with the Lagos State Public Procurement Law. Over the years, Lagos State government has embarked on a few PPP projects including the Conservation Plaza, Lekki toll road PPP project and Lagos Urban Light Rail Project worth 50 billion Naira and 550 million US Dollars.¹⁵

Establishment of a Capital Development fund (CDF)

The purpose of a Capital Development Fund (CDF) is to ring-fence capital receipts and the adoption of accounting policies to ensure that capital receipts are strictly applied to capital projects.

The State appropriates funds to its CDF, a dedicated capital development account annually and such transfers are evident in its audited 2017 abridged annual budget for 2016's actual and 2017's proposed capital expenditure. While only NGN672 million was expended in 2016, NGN15 billion has been budgeted for transfer to the CDF for 2017.

Domestication of the Public Procurement Act (PPA)

The SHoA passed the Lagos State Public Procurement Agency Law in 2011. The law established the Lagos State Public Procurement Agency responsible for the monitoring and regulating procurement transactions likewise setting standards and developing the legal framework and professional capacity for public procurement in the State. A Board chaired by the Commissioner of Finance and co-chaired by the Commissioner for Economic Planning and Budget, governs the Agency. Other members of the Board are the Accountant General, Commissioner of Justice, one other member from the State EXCO and three members from the public. The members of the Board who serve on a part-time basis are subject to the ratification of the SHoA. The board deliberates on public procurement policies, considers, set, amend and review procurement guidelines as well as prior benchmarks.

Domestication of the Fiscal Responsibility Act (FRA)

The State government is yet to domesticate the FRA, but it applies the federal government FRA law to guide its fiscal operations.

¹⁴ <http://physicalplanning.lg.gov.ng/index.php/a-law-to-provide-for-public-private-partnerships-establish-the-office-of-public-private-partnerships-enhance-infrastructure-and-service-development-in-lagos-state-and-for-connected-purposes/>

¹⁵ <http://www.detailsolicitors.com/media/archive2/articles/PPPPreview.pdf>

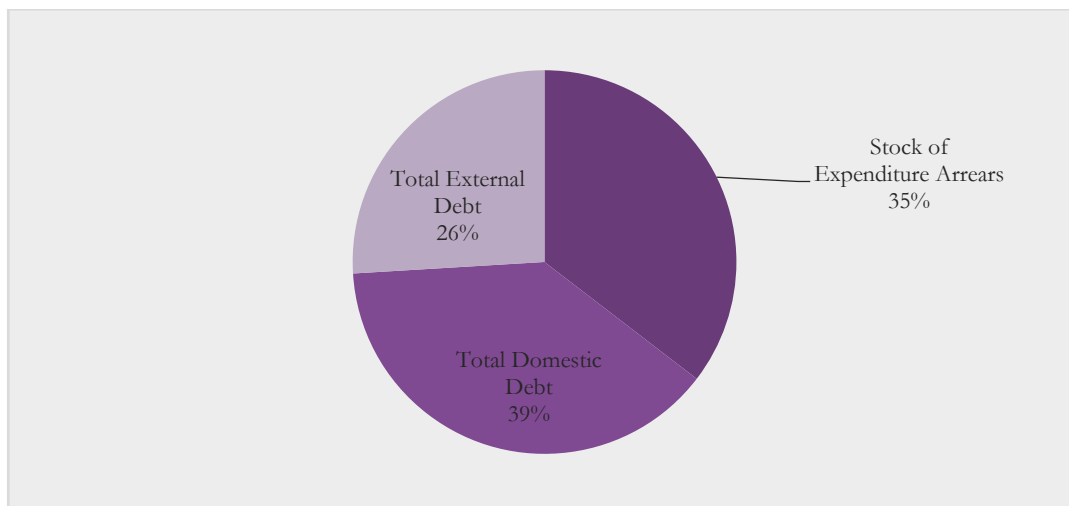
Debt Management

This section examines Lagos State's compliance with specific actions recommended by the FSP to achieve debt sustainability. Table 9 below shows a summary of the State's feedback and level of compliance with the recommended actions under this objective.

Table 9: Summary of Findings

S/N	QUESTIONS	FEEDBACK	SCORE	COMMENT
1	Does your State have a credit rating?	Yes	A	A credit rating has been undertaken in the last 24 months and with good credit ratings (Global Credit Rating [AA-], Augusto & Co [A+] [Aa-] [Aa-] [Aa-] Fitch Rating [B+])
2	Has your State received from the Federal Government guidelines on issuance of fast-track Municipal bonds?	No	N/A	The State has not received the guideline but is in conversation with the DMO
3	Has your State accessed funds from the capital market for bankable projects through the issuance of fast track municipal bonds?	Yes	N/A	The State government is issuing a bond with a total face value of NGN 500 billion in tranches
4	Has your State fully complied with the FRA with respect to not undertaking of commercial bank loans since the FSP?	Yes	N/A	The State is in full compliance with this recommended action
5	Does your State make routine submissions of updated debt profile reports to the Debt Management Office?	Yes	N/A	The State makes routine submissions to DMO quarterly
6	Has your State received a benchmark rate for municipal loans from the CBN?	No	N/A	The State has not received a benchmark rate from the CBN.
7	Has your State established measures to ensure that current total liabilities do not exceed 250% of total revenue for the preceding year (2016)? Solvency Ratio	Yes	C	The State's target is currently set between 150% and 250%. Solvency was recorded as 211% in 2016.
8	Has your State established measures to ensure that monthly debt service deductions do not exceed 40% of the average FAAC allocation for the preceding 12 months?	Yes	C	Its target is set between 25% and 40% of gross allocation. Its liquidity ratio was recorded as 28% in 2016.
9	Does the State run currently a sinking fund for maturing loans?	Yes	A	Transfers to the CDSA and funding for sinking funds are captured in the 2016 final account under expenditure as 14% of the State's IGR. Independent trustees manage the sinking fund.
10	In addition to a sinking fund, has your State established a consolidated debt service account to be funded from the State's consolidated reserve fund account to a minimum of 5% of IGR?	Yes	A	Transfers to the CDSA and funding for sinking funds are captured in the 2016 final account under expenditure as 14% of the State's IGR. Independent trustees manage the sinking fund.

Figure 3: Lagos State Actual Debt Statistics (2016)



Data Source: Lagos State audited financial statements (2015 - 2016)

Note: stock of expenditure arrears includes retirement benefit liabilities and deficits for the period

The Lagos State debt statistics are provided in table 10 below.

Table 10: Lagos State Debt Statistics (2016)

Debt Item	Actual (2016)
Debt Deductions from FAAC Allocation	30,591,697,030
Stock of Expenditure Arrears	326,943,555,000
Total Domestic Debt	356,706,149,000
Total External Debt	239,602,830,000
Total Liabilities	923,252,534,000
Total External Debt Service	6,591,697,030.44
Total Domestic Debt Service	Not available
Total Debt Service	55,572,669,000

Data Source: Lagos State audited financial statements (2015 - 2016)

Table 10 shows that Lagos State's total liabilities, as at 31st December 2016 is NGN 923.25 billion. Domestic debt and expenditure arrears account for 74% of the total liabilities. The state government spent NGN 55 billion between 1st January to 31st December 2016 to service both Domestic and External Debt.

Attainment and maintenance of a credit rating by the State

The State government has complied with this FSP action and Section 223 of the Investment and Securities Act (ISA) 2007. The Act provides that a State government must obtain a rating report from an accredited rating agency registered with the Securities and Exchange Commission (SEC) before such government can issue bonds to the investing public. More recently, the Lagos State government contracted Global Credit Rating, Fitch and Augusto & Co to assess its audited financial accounts, political, legal, demographic, management, administrative and economic structures. Their credit rating reports for 2017 revealed the following rating results: Global Credit Rating for a NGN47 billion bond issue [AA-]¹⁶, Augusto & Co. Economic outlook [A+]¹⁷, 13.5% NGN87.5 billion Naira bond issue [Aa-]¹⁸ 14.5% NGN 80 billion Naira bond issue [Aa-]¹⁹, 16.5% NGN47 billion Naira bond issue [Aa-]²⁰ and Fitch Rating for senior unsecured bonds [B+].²¹

State's access to funds from the capital market, establishment of a sinking fund and CDSA

The State government is currently issuing a bond with a total face value of NGN500 billion in tranches. The first tranche of NGN65 billion was issued in December 2016, and a second of NGN89 billion in August 2017.

In compliance with the requirements of section 223 of the ISA, the State had established a sinking fund funded from the Consolidated Debt Service Account (CDSA). Deductions for bond servicing are made from the combination of the sinking fund and irrevocable standing payment order (ISPOs). A review of the State's 2016 financial statements indicates an annual transfer of 14% of its IGR to the CDSA. The sinking fund and CDSA are managed by a consortium of bankers (led by First Bank Plc).

Set total liabilities and debt service thresholds by the State

The State government in bridging its fiscal deficit takes external and internal loans, which are captured under capital receipts in its annual budget and financial statements. The debt sustainable solvency and liquidity ratio adopted for this study were derived from the 2005 joint IMF-World Bank Debt Sustainability Framework (DSF) and FSP thresholds for solvency and liquidity ratios along with the Debt Relief International (DRI) threshold for solvency. Liquidity and solvency ratios measure a mix of ratios for domestic debt, foreign debt, IGR, and federation revenues.

¹⁶ <http://globalratings.com.ng/news/article/gcr-accords-a-final-bond-rating-of-aa-ng-to-lagos-state-government-of->

¹⁷ <http://www.agusto.com/rating-company.php?id=54>

¹⁸ <http://www.agusto.com/rating-company.php?id=87>

¹⁹ <http://www.agusto.com/rating-company.php?id=57>

²⁰ <http://www.agusto.com/rating-company.php?id=176>

²¹ <http://af.reuters.com/article/commoditiesNews/idAFFit965824>

The liquidity and solvency ratios for Lagos State are shown in table 11 below.

Table 11: Lagos State Debt Ratios (2015 – 2016)

Debt Sustainability Ratio	Recommended Threshold	State Ratio (2016)
Liquidity Ratio (12 months average deduction from FAAC/12 months average FAAC ²²)	40%	28%
Solvency Ratio (total domestic debt/IGR)	92% - 167%	114%
Solvency Ratio (total Liabilities /total recurrent revenue)	250%	211%

Data Source: Lagos State audited financial statements (2015 - 2016)

Table 11 above shows that the Lagos State government has been able to keep its debt ratios within recommended thresholds by DRI and the FSP. The State recorded a solvency ratio of 114% and liquidity ratio of 28%.

The ratio of total liabilities to total recurrent revenue was 211% suggesting that the State has been able to sufficiently manage its debts given a 14% growth in recurrent revenue between 2015 and 2016.

Next steps

LEAP will be liaising with the NGF how to disseminate the major lessons learned from all the case studies more broadly. There is the possibility of doing a national conference, potentially sponsored by the NEC, but instead we are more likely to pursue more regional events, and possibly a series of focus group discussions on specific issues. This will involve discussions with the World Bank's proposed new operation, as it will change the rules of the game; as well as with our colleagues in ARC and ECP.

²² Gross FAAC Allocation and Deduction from FAAC 2016 was sourced from OAGF FAAC Report for January to December 2016.

Appendix 1: List of State Officials Interviewed

S/N	NAME	MDA/DESIGNATION
1	Obajomo Ibrahim A.	Director, Budget (MEPB)
2	Asegere S. A	Director, Accounts STO
3	Tifase I. O	Deputy Director, CPDVD State Treasury Office
4	Tijani Murufu	Director, LIRS
5	Sunmoni A. O. J	Assistant Director, DMO, OFM
6	Salami S. A	Director Audit, OSAG
7	Seun Akinsanya	Director, Ministry of Economic Planning and Budget
8	Thomas Folorunsho	Assistant Director, FIS State Treasury Office
9	Asan S. O	Assistant Director, State Treasury Office
10	Adewuyi A. O	Assistant Chief Accountant, M&I State Treasury Office
11	Ige Olujimi	Director FIR
12	Onafowote Fatai Idowu	General Manager, Public Procurement Agency
13	Omobola Omitimirin	Secretary/Legal Adviser PPA
14	Akinola M. Adenike	Assistant Chief Accountant, State Treasury Office

Appendix 2: Scoring Guide

Description	Value	Score				Score Guide				Evidence
		A	B	C	D	A	B	C	D	
Aggregate expenditure out-turn compared to original approved budget	84.6%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Composition of expenditure out-turn compared to original approved budget	78.6%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - General Public Service	84.3%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Public Order and Safety	111.3 %	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Economic Affairs	89.0%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Environment	65.2%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)

Description	Value	Score				Score Guide				Evidence
		A	B	C	D	A	B	C	D	
						or negative)	(positive or negative)	(positive or negative)		
Aggregate expenditure out-turn compared to original approved budget - Housing and Community Amenities	34.2%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Health	74.7%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Recreation Culture and Religion	54.0%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Education	75.9%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate expenditure out-turn compared to original approved budget - Social Protection	49.3%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Aggregate revenue out-turn	83.5%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)

Description	Value	Score				Score Guide				Evidence
		A	B	C	D	A	B	C	D	
Federal account revenue out-turn compared to original approved budget	99.0%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
IGR out-turn compared to original approved budget	80.4%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Capital receipts out-turn compared to original approved budget	56.5%	A	B	C	D	Less than 15% deviation (positive or negative)	Deviation of between 15% and 30% (positive or negative)	Deviation of between 30% and 45% (positive or negative)	Deviation of more than 45% (positive or negative)	Lagos State audited financial statements (2015 – 2016)
Proportion of recurrent expenditure funded by IGR	96.6%	A	B	C	D	60% and above	Between 41% and 59%	Between 20% and 40%	Less than 20%	Lagos State audited financial statements (2015 – 2016)
Proportion of recurrent expenditure funded by IGR and VAT	119.8 %	A	B	C	D	80% and above	Between 61% and 79%	Between 41% and 60%	Less than 40%	Lagos State audited financial statements (2015 – 2016)
Capital expenditure ratio	42.1%	A	B	C	D	60% and above	Between 41% and 59%	Between 20% and 40%	Less than 20%	Lagos State audited financial statements (2015 – 2016)
Personnel expenditure ratio	16.2%	A	B	C	D	Less than 26% of total expenditure	Between 26% and 39%	Between 40% and 50%	more than 50%	Lagos State audited financial statements (2015 – 2016)
Overhead expenditure ratio	15.3%	A	B	C	D	Less than 15% of total expenditure	Between 15% and 19%	Between 20% and 30%	More than 30%	Lagos State audited financial statements (2015 – 2016)

Description	Value	Score				Score Guide				Evidence
		A	B	C	D	A	B	C	D	
Real IGR growth	1.344 %	A	B	C	D	IGR growth at 20% and above	IGR growth between 6% and 19%	IGR growth between 0% and 5%	IGR growth below 0%	Lagos State audited financial statements (2015 – 2016)
Ratio of average monthly debt service deducted from FAAC revenue	28.0%	A	B	C	D	Less than 10% of total gross allocation	Between 10% and 25% of gross allocation	Between 25% and 40% of gross allocation	More than 40% of gross allocation	Lagos State audited financial statements (2015 – 2016)
Total Liabilities as percentage of total Recurrent Revenue	211.2 %	A	B	C	D	Less than 50%	Between 50% and 150%	Between 150% and 250%	More than 250% or no records	Lagos State audited financial statements (2015 – 2016)
Stock of expenditure payment arrears as percentage of aggregate expenditure	58.318 %	A	B	C	D	Less than 2% of aggregate actual expenditure	between 2% and 5% of actual expenditure	Between 5% and 10% of Actual Expenditure	More than 10% of actual expenditure	Lagos State audited financial statements (2015 – 2016)



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