

ANAMBRA STATE OF NIGERIA



State Arrears Reporting, Verification and Clearance Report (SARVCR) 2020

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CHAPTER ONE

INTRODUCTION

This State Arrears Reporting, Verification and Clearance Report summarize the activities and outputs of Anambra State in managing domestic expenditure arrears. It contains the following information among others;

- 1. The total stock of domestic expenditure arrears at the end of each year as recorded in their internal domestic expenditure arrears database;**
- 2. The policies and actions taken to verify arrears, including the verification process triggered by individual contractors who submitted online queries to communicate the non-reporting of their claims to the State Ministry of Finance;**
- 3. The policies and actions taken to settle arrears in the past year, including explanations on their consistency with the state's arrears clearance framework;**
- 4. The policies and actions taken to prevent the occurrence of new arrears in the past year**
- 5. The establishment of a link to the electronic files showing evidence of the internal domestic expenditure arrears database; and also**
- 6. Setting up an electronic link to the online publicly-accessible domestic expenditure arrears database**

CHAPTER TWO

REPORT PREPARATION AND RESPONSIBILITY

This report is prepared by: Director, Debt Management Department, with the following:

Phone number _____

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Summary of Anambra State's Progress towards the achievement of the requirements of SFTAS DLI #8.

The progress made by Anambra State towards the achievement of each of the requirements of SFTAS DLI #8 highlighting successes and challenges has been summarized in the following table:

SN	SFTAS Domestic Arrears DLI #8 Status	Successes	Challenges	CHECKLIST of Key Steps
1	A domestic arrears committee established with clear ToRs and authority			
2	All domestic arrears should be recorded in an internal domestic arrears database that has updated data on the total stock (recommended on a monthly basis)			
3	An arrears verification process is in place and arrears categorized into valid, contested and rejected			
4	A publicly-accessible arrears database online, including the following information:			
5	(1) total contractors' arrears, total pension and gratuity arrears, total salary arrears; and (2) a list of names of contractors with recognized arrears exceeding 20 million naira			
6	The website supporting the online publicly-accessible arrears database shall contain an electronic link that permits contractors to query/verify their claim			
7	The State Arrears Clearance Framework is established and published online containing: 1) The planned actions to settle arrears; 2) An explicit prioritization of expenditure arrears to be settled			
8	Clearance of arrears is implemented in accordance with the ACF			
	At least 5% decline in the stock of total domestic expenditure arrears* at end of FY2020 compared to FY2019 (*arrears which have been verified and valid across			

CHAPTER THREE

DEBT STOCK REPORTING

The next section shows the State Arrears Recording and Verification and Clearance Report (SARVCR) containing the debt stock report which indicates the balance at the end of the previous year, the additional debt or arrears incurred during the year and the actual arrears reduction made. It also indicates the balance of arrears in the major classification as at the end of 2020.

**ANAMBRA STATE GOVERNMENT OF NIGERIA
EXPENDITURE ARREARS CLEARNCE FRAMEWORK (ACF)**

Summary			
	Actual 2020	Actual 2019	Actual 2018
Internal Loan	30,542,383,592.25	28,299,193,743.13	27,688,137,431.54
Contract Financing Facility	14,414,728,356.89	-	-
Schedule of Foreign Loan	42,578,104,074.00	33,073,370,649.72	32,754,695,168.88
Contractual Obligation	24,653,833,937.58	12,550,165,783.81	10,969,656,957.19
Schedule of Outstanding Gratuity	4,419,299,391.09	3,026,182,708.20	1,859,050,851.27
Outstanding Judgement Debt	984,603,688.44	984,603,688.44	1,012,603,688.44
	117,592,953,040.25	77,933,516,573.30	74,284,144,097.32

CHAPTER FOUR

PRIORITIZATION CRITERIA FOR ARREARS

4.1 Prioritization criteria for arrears to be settled in the implementation of the ACF

The prioritization of arrears clearance should be based on transparent criteria, depending on the nature of the arrears the following measures are put in place:

- i. The State set aside from its Internally Generated Revenue (IGR), Federal Transfers and Grants for the payment of domestic expenditure arrears.
- ii. A comprehensive cash flow forecast shall be prepared to guide and limit commitments.
- iii. A realistic budget shall be prepared and operated to compare the performance of the previous year with the current year. Whenever the actual revenue (expenditures) is significantly lower (higher) than the budgeted amount will be deemed unrealistic.
- iv. Funds available shall be allocated among types of arrears in a proportion of their share to total outstanding stock arrears
- v. A comprehensive domestic debt report made up of all domestic debt, including domestic expenditure arrears shall be prepared by DMO and suggest available funding sources such as IGR and Federal Transfer etc.
- vi. Domestic Arrears Stock Report shall also be prepared which will show the category of arrears, outstanding at end of the year, arrears incurred in the year, arrears settled during the year and outstanding balance at end of the year. Percentage change must be stated which must be at least a 5% reduction compared to the previous year.
- vii. Consistency in the State arrears clearance framework shall be ensured through regular assessment. Where there are inconsistencies an explanation must be provided.

4.2 Prioritization Criteria/Approaches between Types of Arrears

Criteria 1: The allocation of funds should be based on the proportion of the type of outstanding stock of arrears that are of pressing issue, these are:

- i. Salary arrears of the States Civil Servants, and
- ii. Pension and Gratuity

Criteria 2: The settlement of other arrears from minor to major issues of concern:

- i. Contractors' arrears
- ii. Loans (domestic and external loans)

4.3 Prioritization within Types of Arrears with Rationale:

The prioritization within types of arrears for Clearing the Stock of Domestic Expenditure is highlighted in the Table 3 below:

Table 3: Prioritization of Stock of Domestic Expenditure Arrears Rationale

SN	Criteria/Approaches	Rationale	Required Data
1	Contractors Arrears		
	Ongoing Works First	Ensure Ongoing works are completed	Status of Project Construction
	Largest Value First	Largest Injury in terms of arrears value is addressed first	Value of Outstanding Arrears
	Smallest Value First	Allows many individual arrears to be paid immediately and focus funds on small firms that may be vulnerable to cash flow problems (assuming most small arrears are owed to small contractors)	Value of Outstanding Arrears
	Oldest First	A creditor who has been waiting longest is paid first	Date missed payment was due
	Subject to penalties first	Paying arrears that bear penalties for late payment reduces the cost to STATE	Contract terms whether provided for late penalties
2	Salaries		
	Oldest first	Largest injury (in terms of delay) is addressed first	Date missed payment was due
	Smallest first	Allows many individual arrears to be paid immediately and focuses funds on lowest-paid workers that may be vulnerable to cash flow problems	Value of outstanding arrears
	Equal Percent to all	All Staff receive something regardless of when salary payment was first missed or level of salary	The amount owed to staff
3	Pension and Gratuities		
	Oldest First	Largest injury (in terms of delay) is addressed first	Date missed payment was due
	Equal Percent to all	All pensioners receive something, regardless of when they retired	The amount owed to each pensioner

Source: Anambra State Debt Management Department, 2020

CHAPTER FIVE

ORGANIZATIONAL/INSTITUTIONAL ARRANGEMENT

5.1 Introduction

The organizational or institutional arrangement are the description of the organizational arrangement for implementation of the framework, objective and responsibilities of the arrangement, specific activities, monitoring and reporting of the arrangement, membership of the committee, Committee Secretariat and power and authorities of the committee.

5.2 Description of the organizational/institutional arrangement for the implementation of the Framework

Anambra State Government has put in place a Domestic Arrear Clearance Committee as an institutional arrangement charged with the overall arrears clearance process, including recording, verification, classification, reporting, prioritization and clearance of government domestic expenditure arrears in the State.

The Arrears Clearance Committee should oversee arrears liquidation to ensure the consistent application of the principles of the framework. The committee should ensure that payments are made under the agreed prioritization criteria. Moreover, the committee should receive reports from spending units, and prepare periodically (i.e. monthly or quarterly) reports to the Ministry of Finance and the Governor's Office on the performance of entities on payment of arrears. The reports should highlight any non-reporting spending units and recommend remedial actions.

5.3 Objective and Responsibilities of the arrangement

The Committee will support the Ministry of Finance in its responsibility for accurate recording, verification and reporting of domestic arrears balances across all types.

The Duties of the Committee shall include, but not limited to the following:

- i. Implement and from time to time review the State's Arrears Clearance Framework (ACF), including policies on prioritization and clearance of arrears
- ii. Introduction of specific guidelines set out the roles and responsibility of individuals and institutions for the recording, verification of domestic arrears on agreed recording templates,
- iii. The creation, maintenance and regular (monthly) update of an accurate internal domestic expenditure arrears database and the publicly accessible online version of the database,
- iv. Oversight of the overall recording, verification and reporting process for domestic expenditure arrears.
- v. Ensure adequate classification of the arrears for prioritization purposes,
- vi. Provide accurate monthly, quarterly and annual reports that present the true position for verified domestic arrears and the progress made in implementing the State's ACF

5.4 Specific activities

Specific activities for the committee will include but are not limited to the following:

- i. Implement and do a periodic review of the ACF
- ii. Adoption and implementation of records management guidelines for domestic arrears.
- iii. Adoption and implementation of verification guidelines for all types of domestic arrears.
- iv. Establishment of a consolidated internal domestic arrears database.
- v. Establishment of a publicly-assessable online version of the database.
- vi. Reporting of valid and verified domestic arrears to end-users.
- vii. Produce the State Arrears Recording, Verification and Clearance Report.

5.5 Monitoring and Reporting of the arrangement

The Committee will report directly to the State Governor through the Honorable Commissioner for Finance.

5.5.1 Membership of the Committee

The Domestic Arrears Clearance Committee of Anambra State comprises of the following members in Table 2:

Table 2: The membership of the Committee will be as follows

S/N	Title/Rank	Position
1	Accountant General of the State	Chairman
2	Permanent Secretary (Ministry of Finance)	Vice Chairman
3	Permanent Secretary (Economic Planning & Development)	Member
4	Chairman, Anambra State Internal Revenue Service	Member
5	Representative of Ministry of Justice	Member
6	General Manager, Anambra State Bureau for Public Procurement	Member
7	State Auditor General	Member
8	Permanent Secretary, Ministry for Local Government Affairs	Member
9	Director Debt Management Department	Secretary

5.5.2 Committee Secretariat

The Committee shall establish a Secretariat to support its work using existing Staff or Units within the Office of the Accountant General and the State's Debt Management Department.

5.5.3 Powers and Authorities of the Committee

The Committee shall have delegated authority to request any and every information it requires in order to carry out its functions from the MDAs. The Committee will be able to incur expenditures, including the engagement of professional assistance in the course of executing its role. All expenditures must be incurred through the procurement systems of the selected institution.

5.5.4 Tenure of the Committee

The Committee will operate in perpetuity and may be reconstituted on the directive of the State Executive Governor.

5.6 Audit Assurance & Compliance

- i. Adequate audit control shall be put in place to ascertain the appropriateness of payment requests, adequacy of documents submitted by contractors and establish the correct value of the amount payable.**
- ii. All necessary documents must be attached for the payment request to be cleared, such as original contract papers duly signed, contractor/consultant/suppliers registration certificate with Corporate Affairs Commission and Anambra State Public Procurement Agency, Tax certificates, Performance bond from a Commercial bank or a reputable Insurance company.**
- iii. The Committee must vouch for all the documents attached to the Payment Voucher of each of the Contractor and ensure that the transaction reflects a valid charge on the public fund for which commensurate goods and/or services have been received by the Government, stamped and signed before payment can be made or uploaded into the expenditure arrears database.**
- iv. Categorization of claims. Each claim should be categorized as follows:**
 - a) Valid – Those for which adequate documentation exists to recognize a government liability. Such will be stamped and passed for inclusion in the payment schedule at STO.**
 - b) Contestable – Those for which incomplete documentation has been provided and/or items under litigation. Such PVs are queried and labeled with those issues to work on. The PV is however sent back to the Auditors after necessary corrections are done.**
 - c) Rejected – Those for which legitimate documentation has not been presented. Such PVs are also queried and labeled with all the findings.**
- v. The arrears database as well as the verification process shall be published online with references to all attached documents and details about the website and how to access it shall be made public.**
- vi. Contractors' reactions to the categorization shall be looked into and necessary adjustment and re-categorization shall be done.**

5.7 Variation in Value of Contract

- i. All variations must be in agreement with the Terms and Conditions of the value of a contract to be altered, there must be a genuine reason and this must be approved by the appropriate authority e.g. Executive Governor, Deputy Governor and Honorable Commissioner.**
- ii. The Project Monitoring Department of the Ministry of Finance must sign off.**
- iii. Contract variations must be included in the domestic arrears database and taken into consideration when payments are made. Proper budgetary provision must be available for the payment.**

5.8 Stage Payment

- i. Stage payment must be evaluated and reviewed to ascertain that funds are not released to jobs/contracts that were not executed.**
- ii. There must be sign-off from the Projects Monitoring Office at every milestone when payment can be made.**

5.9 Publication of State's Arrears Clearance Framework

Outstanding contractors, consultants and suppliers of N20million and above from all the MDAs that are on the creditors database to be published by Debt Management Department on the State Official website.

5.10 Final Payment

The State Domestic Arrears Stock will be updated on regular basis (monthly). This will state the flow in the arrears reporting. As the new arrears increases the stock balance will reduce the stock of the domestic arrears. This will ensure that the database will not be duplicated.

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Commissioner For Finance.

