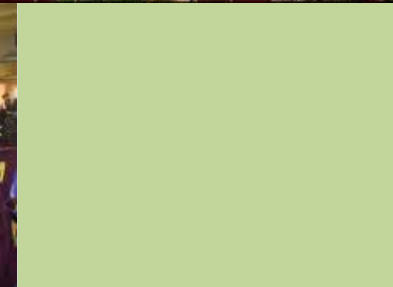
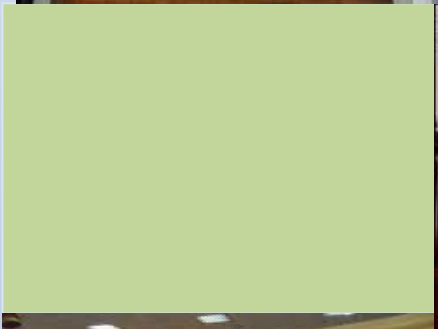
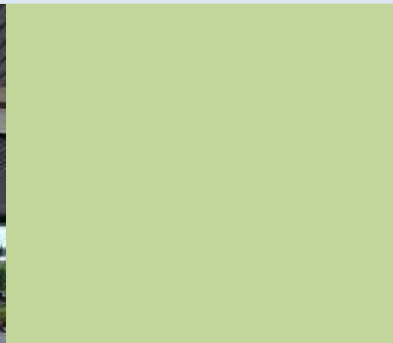
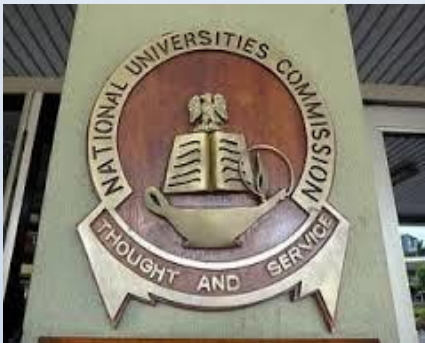


Tertiary Education Trust Fund (TETFund)



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October, 2013

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1 Overview of Tertiary Education Trust Fund

1.1 History and Reform in Tertiary Education Trust Fund

The Tertiary Education Trust Fund (TETFUND) was established under the Tertiary Education Trust Fund (Establishment), Act, 2011 which repealed Education Tax Act Cap.E4 Laws of the Federation of Nigeria, 2004 and Education Tax Fund (Amendment) Act No .17, 2003 and came to effect in June 2011 with mandate to engage in the rehabilitation, restoration and consolidation of tertiary education in Nigeria. The Fund is managed by a Board of Trustees established under Section 4 of the new Act.

1.1.1 Principal Activities

The TETFUND has developed a culture of accountability and transparency in its operations over the years. These qualities are well entrenched in all its policies and programmes in the areas of intervention in the education sector. The TETFUND, in promoting the twin qualities of transparency and accountability, ensures that Education Tax collections by the Federal Inland Revenue Service (FIRS) are monitored and reconciled periodically. The Board also ensures disbursement of Funds to beneficiary educational institutions for the restoration; rehabilitation and consolidation of education are devoid of bureaucratic bottlenecks, need driven and beneficiary friendly.

The main activities undertaken by the TETFUND include:

- Liaising with FIRS to monitor the collection of education tax;
- Providing pro –active support for education tax collections by the FIRS;
- Embarking on periodic tax drives to mobilize payment of education tax by companies;
- Embarking on joint reconciliation visits in Tax offices of the FIRS;
- Disbursement of Funds to the various tiers of public education institutions;
- Receiving proposals on area of intervention from the beneficiaries;
- Receiving proposals by professionals to assess their relevance to improving the quality of teaching and learning;
- Invest Funds in appropriate and safe securities;
- Update the federal government of its activities and progress through annual and audited report;
- Review progress and suggest improvement within the provision of the Act.
- Do such other things as are necessary or incidental to the objects of the Fund under the Act or as may be assigned by the Federal Government;

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- Make and issue guideline, from time to time , to all beneficiaries on disbursement from the Fund on the use of monies received from the Fund;
- Generally to regulate the project, application and disbursement of monies from the Fund under the Act;
- Monitoring of projects being executed by beneficiaries; and
- Organising periodic workshops/seminars across the country to enable stakeholders and beneficiaries make inputs into future intervention policies.

1.1.2 **Vision**

“To be a world class public sector interventionist agency in the Nigeria’s Tertiary Education”

1.1.3 **Mission**

“To provide focused and transformative intervention in public Tertiary Institution in Nigeria through funding and effective project management”

1.1.4 **TETFund Corporate Objective**

- Provide funding for educational facilities and infrastructural development
- Promote creative and innovative approach to educational learning and service
- Stimulate, support and enhance improvement activities in the educational foundation areas like Teachers Education, Teaching Practice, Library Development and Special Education Programmes.
- Champion new literacy enhancing programmes as scientific, information and technological literacy.

1.1.5 **Goals**

- a. To continuously improve Education Tax Revenue by ensuring that the tax is collected and made available for ETF intervention programmes;
- b. To deliver appropriate and adequate intervention programmes with due regard to the sensitivities of beneficiaries and stakeholders

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- c. To promote cutting – edge technologies, ideas and organizational skills in education, and ensure that projects are forward-looking as well as responding to present needs;
- d. To ensure successful completion of intervention projects;
- e. To form a viable and enduring partnership between the ETF and its beneficiaries;
- f. To manage Education Tax in a way that is most beneficial to the Nigerian people;
- g. To recruit, retain, train and retrain a highly motivated workforce
- h. To plan, undertake research and create a reliable databank for improvement of education in Nigeria; and
- i. To ensure accountability and transparency in all its understanding.

1.1.6 **Reasons behind Establishment of the Education Trust Fund**

- a) The deteriorating educational infrastructural and the failing standard of education in the late 1980's and early 1990's led to agitations for reforms in the educational sector.
- b) In response, the Education Trust Fund was established in 1993 (under Act No.7 as amended by the Act No. 40 of 1998), as a Trust Fund, with the objective of using Funding with project management to improve the quality of education in Nigeria.
- c) The main source of income available to the Fund is the 2% education tax paid from the assessable profit of Companies registered in Nigeria.

1.1.7 **Major Differences between New Act and Repealed Act**

1. The name of the Fund which is now Tertiary Education Trust Fund (Section 3 (1))
2. Additional responsibilities of the Board of Trustees (Section 6(K) to (I)
3. The modified mandate for the Fund (section 7)
4. Enlargement of the Board of Trustees to include a representative each from the Universities, Polytechnics and College of Education (Section 4 (1)(a)
5. The power to set aside 5% of the total monies accruing to the Fund for cost of administration and management of the Fund (Section 3(4)
6. Review of Penalties imposed for an offence committed under the Act (Section 11)
7. Application of best of judgement by FIRS on Companies who fail to file their education tax return for assessment by the Service

1.2 Board of Trustees

Prior to the constitution of a new Board of Trustees on March 12, 2009, the Honourable Minister of Education supervised the affairs of the Fund. The new Board consists of the following members and their designation on the Board:

Dr. Musa Babayo	-	Chairman
Dr. Tarilah Tebepah	-	Member
Alh. Umar Bin-Isa	-	Member
Dr. Hafiz Abubakar	-	Member
Mall Abba Gana Tana	-	Member
Dr. Dolamu Jawando	-	Member
Mr. Chukwuemeka Ekweremadu	-	Member
Representative of Federal Ministry of Education	-	Member
Representative of Federal Ministry of Finance	-	Member
Professor Mahmoud Yakubu	-	Member/Secretary

1.3 Approach to the Assignment

In carrying out the Audit assignment which covered the period from January 1, 2007 to December 31, 2011, we adopted the following procedures:

- System documentation of the reporting entity's processes and procedures was carried out;
- The Tertiary Education Trust Fund (Establishment, ETC) Act 2011, Education Tax Decree (as amended) 1998 and Education Tax Fund Act , 2003 were reviewed;
- The minutes of the Board of Trustee and Management committee from 2009 – 2011 and 2007 -2008 respectively was reviewed;
- The accounting manual for beneficiaries intervention was reviewed;
- Interviews with Director of Finance &Account and Head of Final accounts to understand and validate current key practices was held;
- The audited financial statements for the period was reviewed;
- The budgets were reviewed and compared with actual receipts and disbursements for variance reporting;
- The CBN cash book for receipts and disbursement of Fund to beneficiaries was reviewed and analysed;
- Receipts as reported on the template with actual amount received from Educational tax pool account with CBN was validated and the inflows to bank statements was traced;
- Schedule of disbursements as reported on the template was validated and the outflow to CBN bank statements were traced;
- We reviewed the Internal Control system of the entity for its existence and compliance;
- The institutions' project files were also reviewed;
- The domestic reports of the Internal Audit Department of the Fund together with reports of the Consultants on project visitation of the beneficiaries for relevant period was reviewed;
- Visitation of randomly selected intervention projects for compliance with the Fund's practices, policies, procedures and impacts on the beneficiaries was carried out;
- There were discussions of key findings and recommendation with NEITI's management

1.3.1 The Administrative Structure of the Fund

The Executive Secretary is the Chief Executive and Accounting Officer of the Fund. He is assisted by head of departments and units in the day to day running of the affairs of the Fund as well as the implementation of policies as laid down by the Board.

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Under the Office of the Executive Secretary are the following specialised units:

- I. Public Relations;
- II. Legal and Board Secretariat;
- III. Internal Audit;
- IV. SERVICOM;
- V. Anti-corruption and Transparency.

The Departments in the Fund which are headed by Directors are as follows:

- VI. Department of Human Resources Management
- VII. Department of Finance and Investment
- VIII. Department of Corporate Planning and Development
- IX. Department of Education Support Services
- X. Department of Projects Management

2 Education Tax Receipts

The **Tertiary Education Trust Fund (Establishment) Act**, 2011 makes it mandatory for every company registered in Nigeria to pay Education Tax at the rate of **2%** of its assessable profit ascertained in the manner specified in the companies **Income Tax Act** or the **Petroleum Profit Tax Act**.

The Federal Inland Revenue Service (FIRS) is vested with the authority to assess and collect the tax and to remit the amount so collected on behalf of Tertiary Education Trust Fund into Education Tax Fund domiciled with the CBN. The CBN after reconciliation with FIRS and Federal Ministry of Finance transfers the fund to TETFund Project Account with the CBN

The FIRS is entitled to **4%** (percent) of gross collection as cost of collection. Furthermore, Section 3(4) of the new Act empowers the Fund to set aside every year, an amount not exceeding **5%** (percent) of the total monies accruing to the Fund in the preceding year which shall be applied as follows:

- Cost of administration and management of the Fund;
- Maintenance of any property acquired by the or vested in the Fund and generally to pay for service rendered to the Fund;
- Project monitoring; and
- Meeting all the need of the Fund necessary for the due administration and implementation of the purpose of this Act.

2.1 Project Fund Account

The project Fund account summarizes the collection of education tax and the disbursement from such collections as interventions to tertiary institutions towards Funding of their approved projects as well as other ancillary expenditure such as cost of administration of the entire Fund. Accordingly, the project Fund account is prepared separately and distinct from the administration Fund account.

2.2 Tax Collection

The Tertiary Trust Fund (Establishment) Act, 2011 vested in the Federal Inland Revenue Service (FIRS), the Authority to assess and collect the tax and to remit the amount so collected to Tertiary Education Trust Fund .The tax shall be 2% of the assessable profit of every registered company in Nigeria, ascertain in the manner

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specified in the Companies Income Tax Act or the Petroleum Profit Tax Act. The FIRS collects 4% of gross collection as cost of collection.

2.2.1 **The Disbursement Formula**

Section 7(5) of the new Act stipulates disbursements to the various level of education with the following ratio:

<input type="checkbox"/> Universities	2
<input type="checkbox"/> Polytechnics	1
<input type="checkbox"/> Colleges of Educations	1

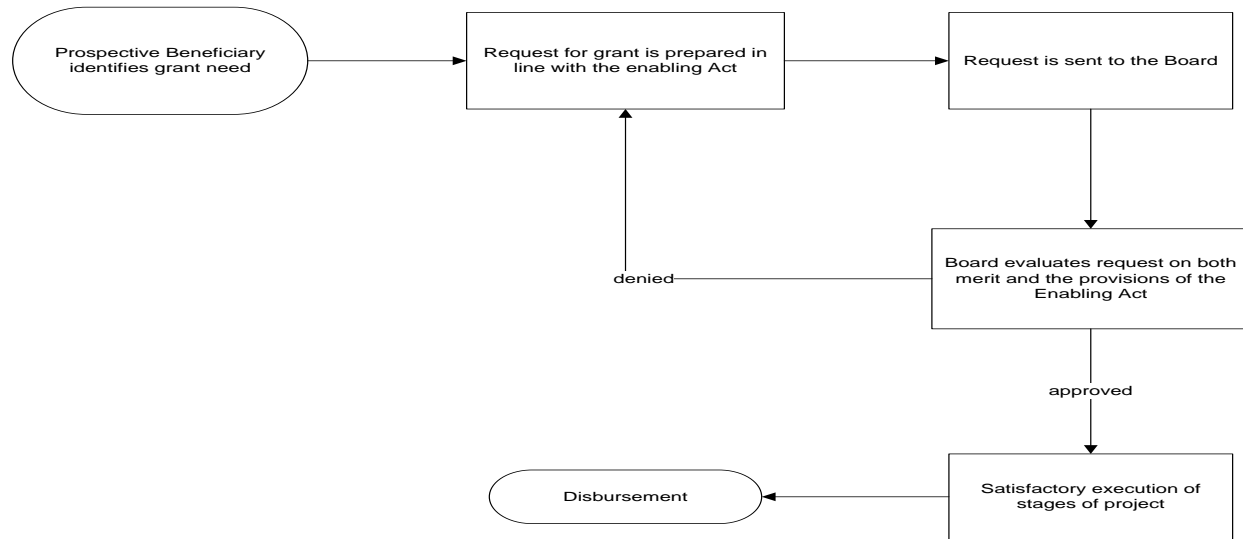
The Board has power to give due consideration to the peculiarities of each geopolitical zone in the disbursement and management of the tax imposed by this Act between the various levels of tertiary education.

Prior to the promulgation of the enabling Act, disbursements to the various levels of education were at the following percentages:

	%
<input type="checkbox"/> Universities	25.00
<input type="checkbox"/> Polytechnics	12.50
<input type="checkbox"/> Colleges of Education	12.50
<input type="checkbox"/> Secondary school Education	20.00
<input type="checkbox"/> Primary education	<u>30.00</u>
	<u>100.00</u>

Liabilities/commitments on approved projects are not recognized in the Fund's financial statements. Excess Funds are invested in secure securities to generate more revenue and the principal sum and earned interests ploughed back to the Fund. .

2.2.2 The Grant Process



Request for grants are sent by the prospective beneficiaries (institutions). These requests are evaluated on their merit, having regards to the provisions of the enabling Act, and approved by the Board of Trustees. Disbursements are made based on the satisfactory execution of the stages of the project as agreed/approved.

2.2.3 Cost of Collection

Federal Inland Revenue Service (FIRS) retains **4%** (percent) of total collection before remitting the balance to the body on whose behalf it has assessed and collected the tax.

3 Revenue

The total revenue received by the TETFUND from 2007 to 2011 was ₦366 billion. The monthly and annual summary is depicted in the table below:

Table 1 : Revenue

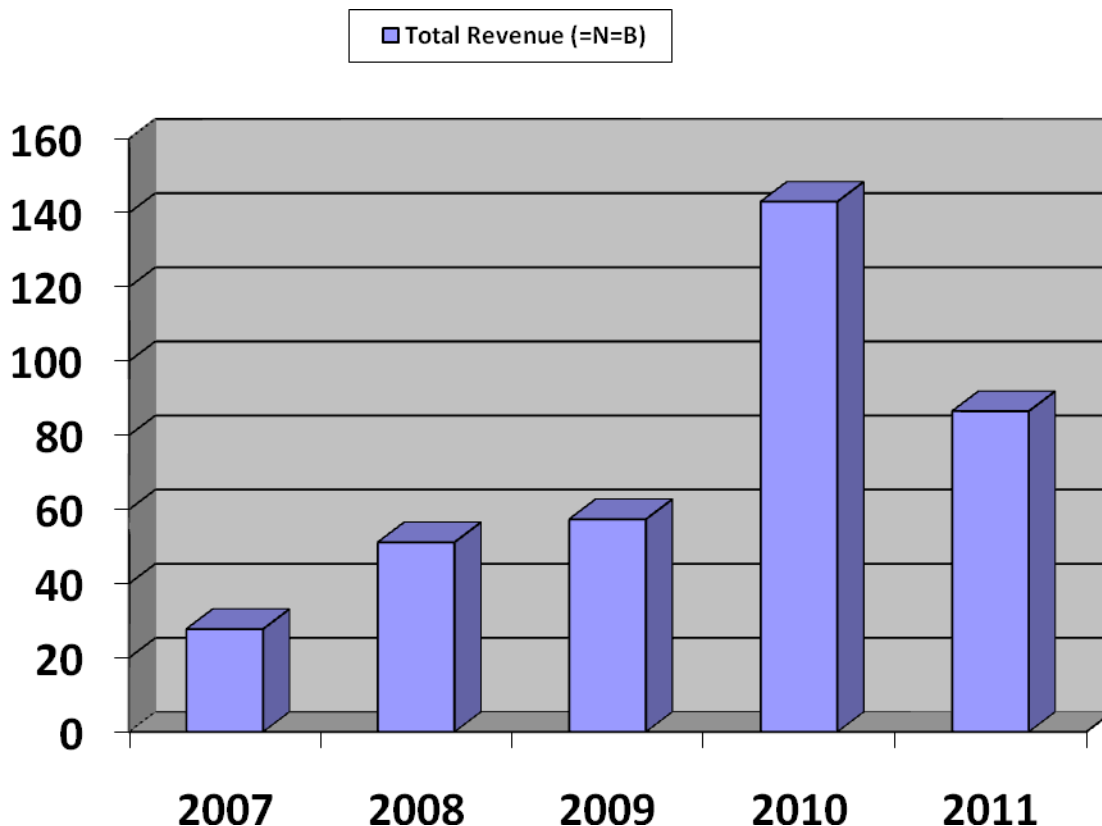
	2007	2008	2009	2010	2011	Total
	₦m	₦m	₦m	₦m	₦m	₦m
Statutory Receipts						
January	1,333	15,924	2,250	8,295	11,139	38,942
February	481	315	4,279	2,458	1,041	8,574
March	2,599	319	1,397	2,115	1,764	8,195
April	212	739	658	1,076	4,186	6,871
May	471	804	570	18,874	1,502	22,221
June	741	2,982	6,115	4,763	13,865	28,465
July	2,231	3,427	3,730	20,826	3,121	33,335
August	2,447	7,918	6,885	19,937	13,312	50,499
September	9,352	9,783	13,024	54,681	28,661	115,501
October	7,277	6,910	1,273	2,333	1,128	18,921
November	312	429	1,068	2,898	8,381	13,088
December	271	988	14,308	1,322	874	17,764
Gross Statutory Receipt	27,727	50,538	55,557	139,578	88,974	362,376
Cost of Collection	-	-	-	-	(13,301)	(13,301)
Net Statutory Receipt	27,729	50,539	55,557	139,578	75,673	349,075
Non Statutory Receipts	-	600	1,800	3,450	10,831	16,681
Total Receipt	27,729	51,138	57,357	143,028	86,504	365,756

Sources: CBN/TETFUND Statement of Accounts, TETFUND Validated Template

The Revenue to the Fund in 2007 was ₦28 billion but witnessed a revenue increase of 84% to ₦51 billion in 2008. There was an increase in revenue by 12% to ₦57 billion in 2009, and a sharp increase to ₦143 billion (149%) in 2010. However, there was a decrease in revenue to ₦87 billion in 2011 representing a decrease of 40%.

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The Non statutory revenue represents interest earned on investment of the Fund while cost of collection and administrations represents the 4% retained by the Federal Inland Revenue Service as cost of collection and the 5% cost of administration of the Fund by the management of TETFUND.



Trends in revenue to TETFUND from 2007 to 2011

3.1 Statutory Revenue by Sources

The Sources of statutory revenue allocated to the Fund came from:

- Oil and Gas revenue and
- Non-Oil and Gas revenue.

The table below presents the revenue from the aforementioned sources for the period 2006 – 2010 and it shows the breakdown in monthly, annual and revenue source respectively.

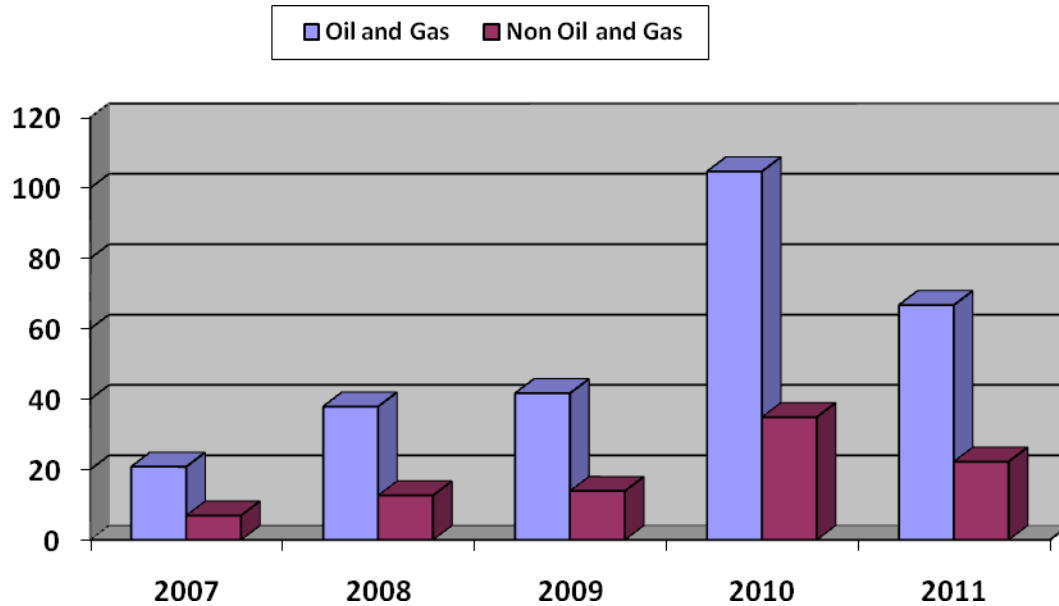
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Table 2 : Monthly and Annual Breakdown of Revenue by Sources for the period 2006 – 2010

	2006		2007		2008		2009		2010		Total	
	Oil and Gas	Non-Oil and Gas	Oil and Gas	Non-Oil and Gas	Oil and Gas	Non-Oil and Gas	Oil and Gas	Non-Oil and Gas	Oil and Gas	Non-Oil and Gas	Oil and Gas	Non-Oil and Gas
	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m
Jan	1,000	333	11,943	3,981	1,688	563	6,221	2,074	8,354	2,785	29,206	9,736
Feb	361	120	236	79	3,209	1,070	1,843	614	781	260	6,430	2,145
Mar	1,949	650	239	80	1,048	349	1,586	529	1,323	441	6,145	2,049
Apr	159	53	554	185	494	165	807	269	3,139	1,046	5,153	1,718
May	354	118	603	201	427	142	14,156	4,719	1,126	375	16,666	5,555
Jun	555	185	2,237	746	4,586	1,529	3,572	1,191	10,398	3,466	21,348	7,117
Jul	1,674	558	2,570	857	2,797	932	15,619	5,206	2,341	780	25,001	8,333
Aug	1,835	612	5,939	1,980	5,164	1,721	14,953	4,984	9,984	3,328	37,875	12,625
Sep	7,014	2,338	7,338	2,446	9,768	3,256	41,011	13,670	21,496	7,165	86,627	28,875
Oct	5,458	1,819	5,183	1,728	955	318	1,750	583	846	282	14,192	4,730
Nov	234	78	322	107	801	267	2,173	724	6,286	2,095	9,816	3,271
Dec	203	68	741	247	10,731	3,577	992	331	656	219	13,323	4,442
	20,796	6,932	37,905	12,637	41,668	13,889	104,683	34,894	66,730	22,242	271,782	90,594

Sources: CBN/TETFUND Statement of Accounts, TEDFUND Validated Template

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Total statutory revenue to the Fund from Oil and Gas for the years under review was ₦272 billion which represents 75% of total statutory revenue, while statutory revenue from Non-Oil and Gas was ₦91 billion representing 25% of total revenue.

4 Disbursement

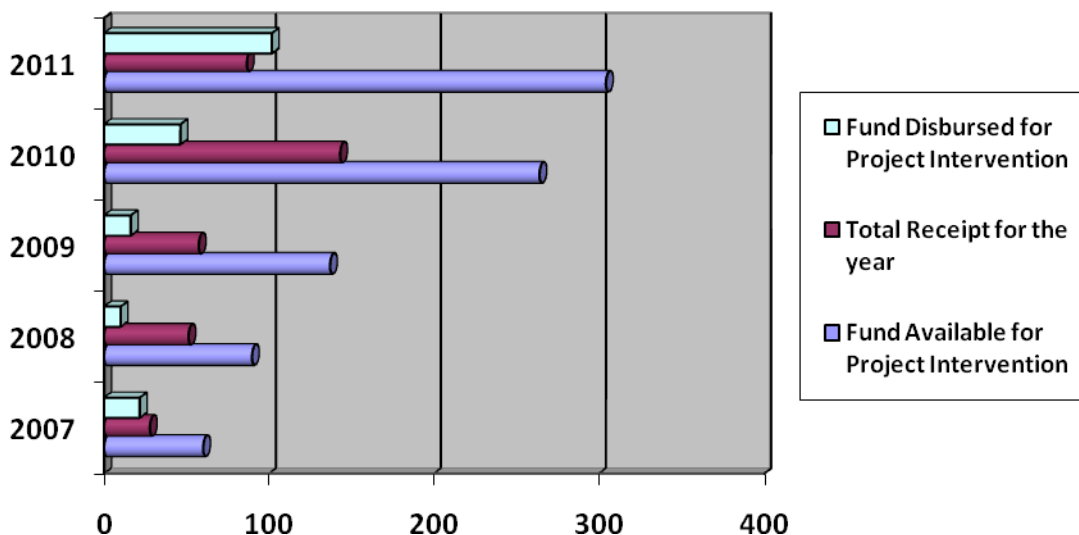
To enable a matching of the Funds disbursed by TETFUND with receipts of Funds during the period under review, the receipt for each year was added to the accumulated unutilized Fund at the beginning of the year and the result is as shown below:

Table 3 : Disbursement

	2007	2008	2009	2010	2011	Total
	₦m	₦m	₦m	₦m	₦m	₦m
Unutilised Fund as at Jan. 1 (a)	32,285.22	38,452.93	79,559.09	120,811.75	217,621.61	32,285.22
Receipt for the year						
Receipt Statutory	27,729.14	50,539.16	55,556.89	139,578.07	88,973.03	362,376.28
Receipt Non Statutory	-	600.00	1,800.00	3,450.00	10,830.81	16,680.81
[Cost of Collection and Admin.	-	-	-	-	(13,300.55)	(13,300.55)
Total Receipt for the year (b)	27,729.14	51,139.16	57,356.89	143,028.07	86,503.29	365,756.54
Fund Available for Project c=(a+b)	60,014.36	89,592.08	136,915.97	263,839.82	304,124.90	398,041.76
Fund Disbursed for Project	21,561.44	10,032.99	16,104.22	46,218.21	101,630.66	195,547.52
Unutilised Fund as at Dec. 31	38,452.93	79,559.09	120,811.75	217,621.61	202,494.24	202,494.24

Sources: CBN/TETFUND Statement of Accounts, TETFUND Validated Template and SIAO Computation

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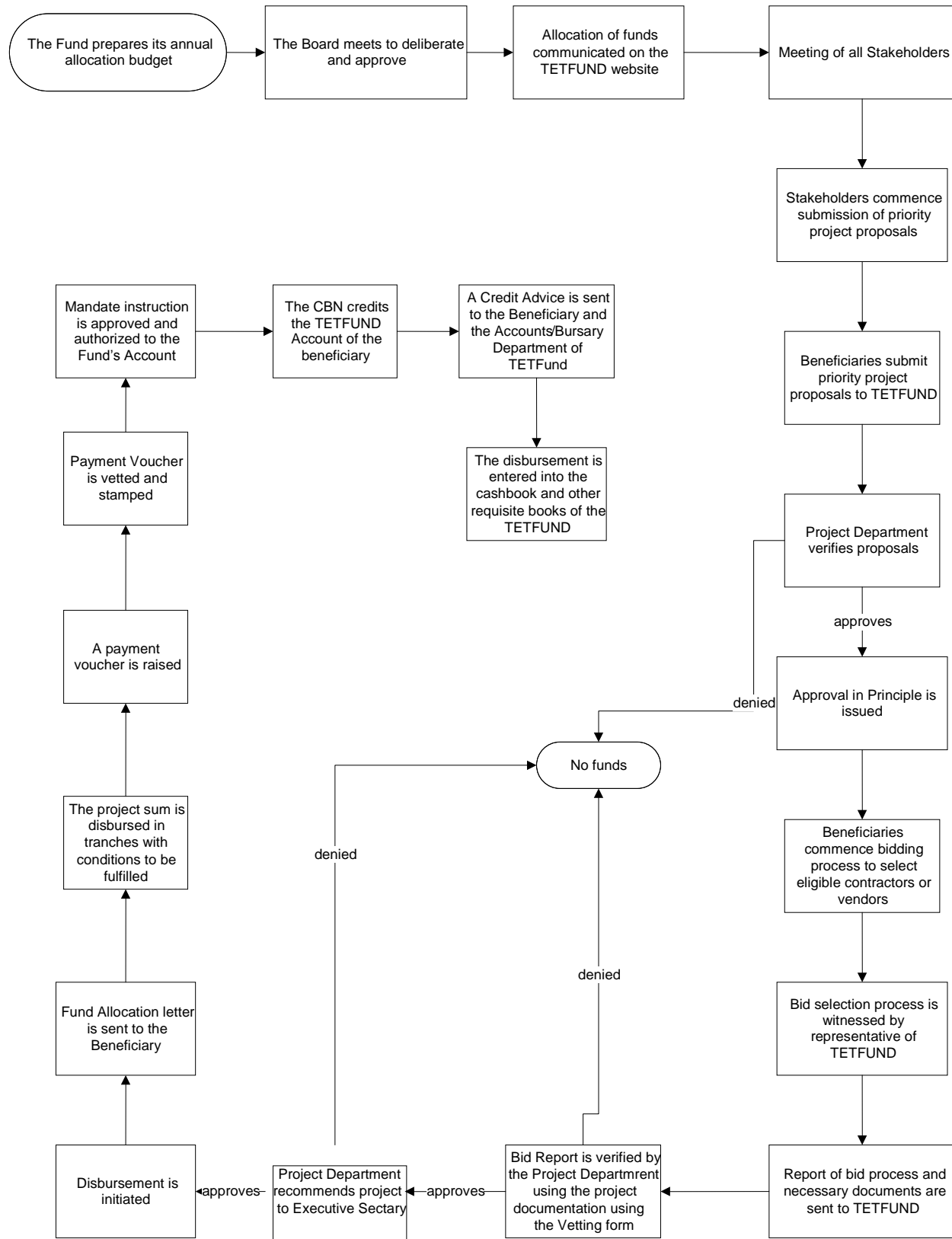


From the table above, unutilised Fund at the beginning of the period under review, January 2007 was ₦32 billion, total receipt during the period 2007 to 2011 was ₦366 billion. Therefore, total Fund available for project intervention under the period was ₦396 billion. Total Fund disbursed for project intervention was ₦196 billion representing 49% of total Fund available for project intervention during the period.

Accumulated Fund being un-accessed Fund as at December 2011 was ₦202 billion. On enquiry, the team was informed by the officials of TETFUND that most of the beneficiaries especially the tertiary institutions did not access their Funds on time despite prior communication of the approved allocations. Others were caused by the inability of the beneficiaries to account for money collected at first stage before the release of the second payment or next tranche. The Fund instituted the control to ensuring accountability and transparency in the execution of the project.

In view of the growing of un-accessed Fund in the coffers of the Fund, there is urgent need to device ways and means of a more rapid and effective deployment of the Fund to the beneficiaries in view of the rot and decay of infrastructures that exist in Nigeria's educational institutions.

4.1 The Disbursement Process of Fund to Beneficiary Institutions



The procedures followed for Fund disbursement to beneficiaries are described below:

1. The Fund prepares an annual allocation budget based on the amount of Fund received in the **preceding year**.
2. The Fund is distributed thus: 50% to higher education; 30% to primary education and 20% to secondary education. However, the new TETFUND Act effective from June, 2011 prescribes 50% to Universities, 25% to Polytechnics and 25% to Colleges of Education. The available Fund for each category of beneficiary institutions is evenly distributed among all the institutions in the category.
3. The Fund is budgeted specifically to the areas of, works and prototype development; staff development and conference attendance; library system at the different levels of education; research equipment procurement and maintenance; Higher Education Book Development Fund; redressing any imbalance in enrolment tax mix as between the higher educational institutions; and execution of the nine (9) year compulsory education programme.
4. The Board of Trustees meets to deliberate and approve on the planned annual budget.
5. Allocations of Funds to beneficiary institutions are communicated directly in writing and published on the TETFUND website for the information of beneficiary institutions and the public.
6. On approval of the annual budget, a stakeholders meeting of all beneficiary Federal and State Government educational institutions is held at different zones where the allocations for different components of intervention Fund for the year is made known and stakeholders are requested to commence submission of priority project proposals.
7. The beneficiary institutions submit priority projects proposals to TETFUND.
8. The proposals undergo due verification by the Project Management Department.
9. On approval of the project by the Project department /ES, an Approval-in-Principle is issued to each beneficiary institution which authorizes the institution to commence bidding process.
10. The beneficiary institutions then commence bidding process to select eligible contractors or vendors.
11. A representative of the Fund is sent to attend and observe the bid selection process and gives feedback to the Fund.
12. A report of the bid selection process with necessary documents is sent to the Fund by the beneficiary institution and is verified by the Project Management Department.
 - This is done using project documentation vetting form. Where the following documents are certified, Cover letter, Executive summary, Proposal design drawing/detail project description, Priced bill of quantities, Pro-forma invoices, Evidence of advertisement, Evidence of prequalification of contractors, Minutes of tenders board meeting, Manufactures catalogues and specifications, Photographs of samples.
13. On satisfactory vetting, the Project Department then recommends the project(s) to the ES for approval.

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14. On the approval of the project by the ES, a process of disbursement of Fund is initiated.
15. Fund allocation letter conveying the Board's approval to use the allocated sum and stipulating the conditions for the release of the allocation is sent to the institution.
16. For construction contracts, an initial sum representing about 50% of the total contract sum is disbursed.
17. On satisfactory utilization of the initial 50%, a second (2nd) tranche of 35% is disbursed followed by a final tranche of 15%.
18. The Finance Department raises payment voucher in respect of a disbursement. The payment voucher is authorized by Assistant Director (manager account) or Assistant Manager.
19. The payment voucher is vetted and cleared (stamped PASSED) by the Internal Audit Department.
20. The beneficiary institutions are mandated to maintain a designated bank account exclusively for the Fund's disbursements.
21. Mandate instruction duly approved and authorized by the Signatories (A and B) to the Fund's Account is issued to the Central Bank of Nigeria to credit directly the TETFUND account of the beneficiary institution.
22. For cheque payments (before the advent of e-payment), the cheque is restrictively crossed and made payable to the beneficiary institutions ETF project account in the bank.
23. Credit Advice shall be promptly sent to the beneficiary institutions to notify them of the transfer through the bank.
24. Cheques for ETF disbursements to beneficiary institutions shall be written in the name of the Institution/TETFUND Project Account.
25. Under no circumstances should cheques meant for lodgement into beneficiary institutions ETF Project Accounts be written in the name of the beneficiary institution without the addition of "ETF Project Account" or in the name or designation of any official of the institution or in the name of any other person corporate or otherwise.
26. ETF Project Accounts being operated by beneficiary institutions shall be for ETF project Funds only. Transfers out of or into the project account for any other purpose shall be as approved by ETF Board of Trustees only.
27. Upon receipt of a credit Advice or a cheque restrictively crossed to ETF Project Account of the beneficiary institutions bank account, the Accounting officer shall forward same to the Accounts department/Bursary. The Advice or cheque is immediately entered into the Cheque/Credit Advice Received Register.
28. The Sub-Accounting Officer in charge of the department shall cause the cheque or credit advice to be promptly entered into the cashbook and other appropriate books supporting such entries by a Receipt Voucher in the order in which the amounts are received, and will be entered into the Cashbook and Vote

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Book accordingly. It is stamped “ENTERED IN THE VOTE BOOK” by the Officer controlling the Vote Book.

29. Within 24 hours of receiving such cheques, the cashier prepares the designated bank teller, attaching the cheque to the receipt voucher and seeks immediate approval for the lodgement to the designated ETF Project bank account.
30. Upon lodgement, a copy of the Bank teller which shall be stamped ‘RECEIVED’ by the bank with date, time and signature of the bank Officer clearly showing on the teller, is attached to the original copy of the receipt voucher and kept in a file maintained for that purpose by the Sub-Accounting Officer.
31. On the exhaust of the initial tranche of 50%, retirement details on the utilization of the first tranche of the disbursement are sent to the Fund for verification.
32. The Project Management department issues Project Progress Certificate.
33. The Audit Department also reviews the retirement details and issues Internal Audit Clearance Certificate.
34. The disbursement of subsequent tranches after due clearance of the initial disbursement follows the same payment procedures with disbursement of the first (1sttranche).
35. The Fund ensures that the project is duly and adequately branded in its name before the final tranche is disbursed.

Routine monitoring, evaluation and inspection visits on the projects are carried out by the Monitoring and Evaluation Department of the Fund to ensure achievement of the objectives of the Fund.

4.2 Project Intervention Disbursements

The general summary below depicts the annual disbursements made to ETF beneficiaries at the various tiers of education sector (Tertiary Institutions, State Primary and Secondary Education Boards, Staff Training and Development, Library, Research, Journal Publication and Conference Attendance) from 2007 to 2011.

Over ₦195 billion was disbursed to beneficiaries by TETFUND from 2007 to 2011 while 75% of this figure amounting to about ₦147 million could be said to have been paid out from the Oil and Gas sector based on the contribution to the Fund by Companies chargeable under Companies Income Tax Act (CITA, 2004) and Petroleum Profit Tax Act (PPTA) as amended to date which is the Oil and Gas sector.

The disbursements reported herein consist of the actual amounts released to the Beneficiaries, regardless of year allocation, under the following:

- I. Normal yearly allocations for projects (Construction or Procurement),
- II. Library Development, Staff Training and Development and Research
- III. Special High Impact Projects and
- IV. Special Allocations

Note:

Special High Impact Projects are the ones approved by the Federal Government for selected tertiary institutions while projects under Special Allocation are funded through the relevant government agency or Institution and monitored in the same way as the regular annual allocations.

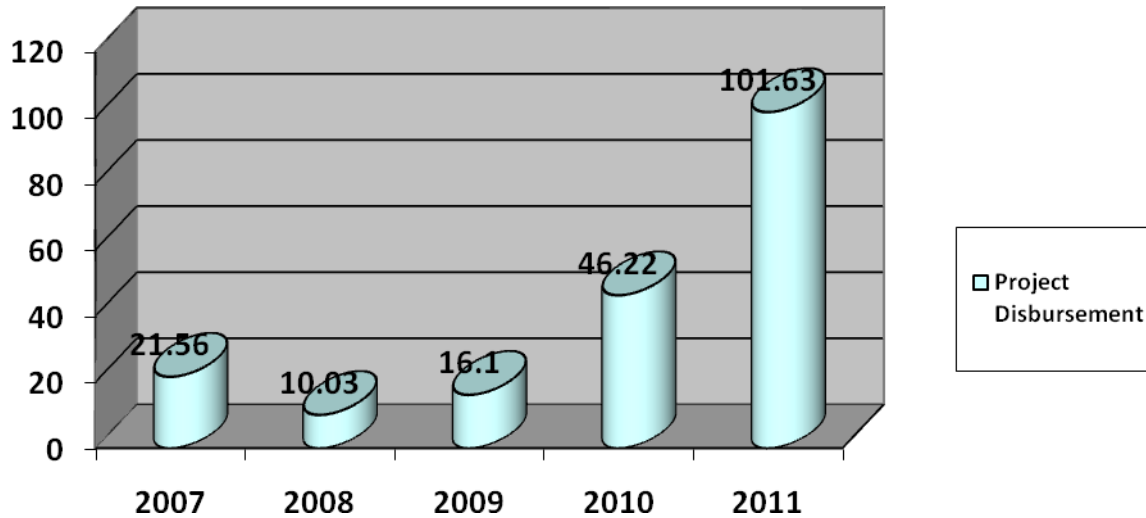
Table 4: Summary of Fund Disbursement 2007 to 2011

Year	2007	2008	2009	2010	2011	Total
Beneficiaries	₦m	₦m	₦m	₦m	₦m	₦m
Fed. Min., Commission and Special Projects	8,426.72	2,392.78	1,975.10	11,413.35	32,830.58	57,038.52
State Primary Education Board	3,959.17	2,341.19	3,456.71	9,257.18	16,887.74	35,901.99
University	2,164.05	1,175.08	2,353.66	6,438.81	13,044.77	25,176.37
State Secondary Education Board	1,160.88	622.3	1,826.42	5,492.75	10,545.52	19,647.87
Beneficiary Staff Training & Development	-	-	2,063.31	4,686.81	9,914.57	16,664.69
Polytechnic	1,275.94	699.11	938.51	3,171.99	7,547.43	13,632.98
College of Education	1,235.35	989.95	1,440.66	3,063.67	6,260.74	12,990.37
Library	1,010.08	993.02	1,016.70	1,483.07	2,868.04	7,370.90
Monotechnics	597.53	434.82	407.3	616.56	1,339.08	3,395.28
ICT	725.84	83.29	95.46	95.99	10.63	1,011.21
Capacity Building	438.26	69.52	-	78.97	36.9	623.65
Sports	128.38	55.5	213	149.5	-	546.38
Other Projects	152.93	-	103	211.97	-	467.9
Book Development	37.64	69.18	44.55	-	232.33	383.7
Research	40.29	42.13	81.22	57.6	43.79	265.02
Vocational Training	208.38	14.13	0.21	-	9.05	231.77
Police/Para military	-	51	88.41	-	59.5	198.91
	21,561.44	10,033.00	16,104.22	46,218.22	101,630.67	195,547.51

Source: TETFUND's Cash Book & Audited Financial Statements from 2007 – 2011

4.3 Total Project Intervention Disbursement 2007 – 2011

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The sum of ₦22 billion was released by TETFUND for project intervention in 2007. In 2008, the amount released was ₦10 billion representing 53% decrease over the previous year's release. In 2009 Fund released increased by 61% to N16 million. There was also a further increase of 187% to ₦46 billion in 2010 and another increase of 120% to ₦102 billion in 2011.

4.4 Analysis of annual Release of Funds to Beneficiaries

4.4.1 2007 - 2008

An analysis of the disbursement to the various levels of education reveals that ₦22 billion and ₦10 billion were disbursed in 2007 and 2008 to all the tertiary education in the six geopolitical zones, state primary and secondary education boards, training and development, research and conference attendance and other related educational projects approved by Federal Ministry of Education, with directive from Mr. President and Board of Trustees.

75% of the amount disbursed could be said to have been released out of collection originating from Oil and Gas sector.

4.4.2 2009 - 2011

The total sum of ₦16 billion was released by the TETFUND in 2009 for various intervention projects. A further review revealed that only ₦5 billion relates to current period while others relate to prior periods allocations (2000 – 2008) which ought to have been released before 2009. This was mainly caused by inability of the Beneficiaries to access the Fund allocated to them on time.

The years 2010-2011 witnessed a huge improvement due to the enhanced allocations and new areas introduced with the inception of the present Board. Substantial disbursements under Special Projects undertaken during the

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two years have also contributed to the general increase in total disbursements to beneficiaries. The sum of ₦24 billion out of the total sum of ₦46 billion disbursed in 2010 relates to the 2010 allocation which constitutes 52.81% while others were meant for preceding years (2009 – 2007) which were not accessed on time. ₦50 billion out of ₦102 billion released in 2011 was for 2011 allocation representing 48.77% of total disbursement.

4.5 Beneficiaries of Fund Disbursement 2007 to 2011

The Categories of the beneficiary institutions and the corresponding disbursement during the period under review are tabulated below:

Table 5 : Beneficiaries of Fund Disbursement 2007 to 2011

Summary of Fund Disbursement 2007 to 2011		
	Total	
Beneficiaries	Nm	%
Fed. Min., Commission and Special Projects	57,038.52	29.17%
State Primary Education Board	35,901.99	18.36%
University	25,176.37	12.87%
State Secondary Education Board	19,647.87	10.05%
Beneficiary Staff Training & Development	16,664.69	8.52%
Polytechnic	13,632.98	6.97%
College of Education	12,990.37	6.64%
Library	7,370.90	3.77%
Monotechnics	3,395.28	1.74%
ICT	1,011.21	0.52%
Capacity Building	623.65	0.32%
Sport	546.38	0.28%
Other Projects	467.9	0.24%
Book Development	383.7	0.20%
Research	265.02	0.14%

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Vocational Training	231.77	0.12%
Police/Para military	198.91	0.10%
Total	195,547.52	100.00%

Source: TETFUND's Cash Book's & Audited Financial Statements from 2007 – 2011

From the table above, a total of ₦57 billion was disbursed to Federal Ministries, Commission (MDA's) and Special projects during the period under review for various intervention projects which accounted for 29% being the highest disbursement, followed by State Primary Education Board with ₦36 billion representing 18% of the aggregate disbursements while aggregate sum of ₦25 billion representing 13% of the total disbursements went to Universities intervention projects across the nation.

This is closely followed by State Secondary Education with 10% amounting to ₦20 billion while Beneficiary Staff Training and Development representing 9% amounting to ₦17 billion and Polytechnics and Colleges of Education had approximately the same position of 7% amounting to ₦14 billion and ₦13 billion respectively.

Others in descending order are Library, Monotechnics, ICT, Capacity Building, Other Projects, Sport, Book Development, Research, Vocational Training and Police/Para Military respectively.

Details of Beneficiaries that fall under Federal Ministries, Commission (MDA's) and Special Projects are shown below:

Table 6: Beneficiaries under the Federal MDAs

S/N	Beneficiaries
1	Federal Min of Education
2	National Commission for Nomadic Education
3	National Education Research & Dev, Council
4	National Board for Tech. & Bus. Educ.
5	National Board for Tech.Education
6	National Comm. for Mass Adult Literacy
7	National Teachers Institute
8	National Comm. for Coll. of Education
9	National University Commission
10	UBEC Commission, FCT, Abuja
11	UNSECO Science & Technical Education
12	Federal Technical Colleges
13	Federal Scholarship Board
14	National Open University
15	Community Education Resource Centre
16	Centre of Excellence
17	Girl / Boy Child Education
18	Armed Forces Education
19	TSANGYA
20	Community Water Project (Primary)
21	Dignet 1
22	Schoolnet
23	Fed. Govt. Water Project

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24	NASENI
25	West African Examination Council
26	NEPAD Nigeria
27	NIG. FRENCH LANG. VILLAGE
28	Nigerian Arabic Language Village Ngala
29	National Mathematical Centre
30	National Institute for Nigerian Language
31	Nat. Centre for Hist. Doc. Research (Dir. Arewa House)
32	Special High Impact Projects
33	IGP-Nig.Police Force H/Q
34	Schoolnet
35	Science Teachers Ass. of Nig. Ibd
36	Nigerian Law School
37	Police/ Para-military
38	Nigerian Police Academy
39	Para-military
40	Sports
41	Special Olympic
42	Nigerian Colleges of Education Games
43	NUGA
44	West African Universities Games (WAUG)
45	Nigerian Polytechnic Games (NIPOGA)
46	Secondary Education Sports

5 Review of Balance Sheet 2007 - 2011

Table 7: Five Year Balance Sheet Review 2007 - 2011

		2011	2010	2009	2008	2007
		₦m	₦m	₦m	₦m	₦m
CURRENT ASSETS						
Short Term Investment	1	165,263	73,036	46,477	58,417	28,226
Receivables		1,496	2,121	3,684	835	-
Cash and Cash Equivalents	2	42,172	145,460	75,268	22,548	10,675
		208,931	220,618	125,428	81,801	38,901
CURRENT LIABILITIES						
Payables	4	6,436	2,996	4,615	2,241	448
NET ASSETS		202,495	217,623	120,813	79,560	38,453
FINANCED BY:						
Education Tax Receipt	5	185,814	211,773	118,413	78,960	38,453
Non Statutory Receipt	6	16,681	5,850	2,400	600	-
		202,495	217,623	120,813	79,560	38,453

Source: TETFUND's Audited Financial Statements from 2007 – 2011

The above table represents the TETFUND balance sheet of 2007 to 2011 (audited financial statements). The Accumulated Fund which represents un-accessed Fund by universities increased from ₦38.453 billion in 2007 to about ₦80 billion in 2008, an increase of 107%. The Fund increased by 52% in 2009 to ₦121 billion and there was a further increase of 80% to ₦218 billion in 2010. However, the accumulated Fund as at December 2011 was ₦202 billion - a decrease of 7% from 2010.

The table below represents the investments in various financial instruments as at December 2011:

Table 8 : Short Term Investment: ₦165billion

	2011	2010	2009	2008	2007
	₦m	₦m	₦m	₦m	₦m
Short term Investments					
FGN Bond	59,286	55,286	25,250	7,500	10,497
Special Promissory Notes	232	686	1,092	1,470	1,829
Nigeria Treasury Bills	82,880	-	2,000	38,000	15,500
Bankers Acceptances	22,865	17,065	18,135	11,047	-
Fixed Deposit	-	-	-	-	-
Call Deposit	-	-	-	-	-
Commercial Papers	-	-	-	400	400
Total	165,263	73,036	46,477	58,417	28,226

Source: TETFUND's Audited Financial Statements from 2007 – 2011

5.1 Premium on Federal Government Bond (₦1.5 billion)

This represents the balance of unamortised portion on Federal Government Bonds capitalised at the time of purchase and amortised over the duration of the bonds. This represents cash and cash equivalent as at December 2011; balances for previous years are as shown below:

Table 9 : Cash and Cash Equivalents (N42 billion)

	2011	2010	2009	2008	2007
	₦m	₦m	₦m	₦m	₦m
Current Account	33,025	135,519	72,754	22,548	10,675
Call Deposit	1,755	1,850	599	-	-
Fixed Assets	7,392	8,092	1,915	-	-
Total	42,172	145,461	75,268	22,548	10,675

Source: TETFUND's Audited Financial Statements from 2007 – 2011

This represents upfront discounts on various investments current account with Fund administration as shown below:

Table 10 : Payables (N6.4 billion)

	2011	2010	2009	2008	2007
	₦m	₦m	₦m	₦m	₦m
Stale cheque account	39.66	56.70	56.51	42.93	61.66
Upfront Discounts Received (Treasury Bills)	4,533.31	-	50.35	53.40	68.34
Upfront Discounts Received (Banker's Acceptance)	319.99	174.74	163.60	115.07	222.31
Current account with Administration Fund	76.00	1,680.19	-	1.03	96.04
Discount on Federal Government Bond	1,466.94	1,083.93	4,019.38	2,028.74	-
	-	-	325.30	-	-
Total	6,435.90	2,995.56	4,615.14	2,241.17	448.35

Source: TETFUND's Audited Financial Statements from 2007 – 2011

This represents the balance of Education Tax Reserve as at December 2011. From 1999 to 2011, the sum of ₦448 billion was collected as Education Tax, the sum of ₦262 billion was disbursed for various ETF projects while the balance on the Fund as at December 2011 stood at ₦186 billion.

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Table 11: Education Tax Reserve (N186 billion)

	2011	2010	2009	2008	2007
	Nm	Nm	Nm	Nm	Nm
Tax Collection (Note 1)	372,464	232,886	177,329	126,790	99,061
Tax Collection for the year (Net)	75,672	139,578	55,557	50,539	27,729
Total Collection as at year end	448,137	372,464	232,886	177,329	126,790
Disbursement for ETF Projects (Note 2)	(262,322)	(160,692)	(114,473)	(98,369)	(88,337)
Balance as at year end	185,814	211,772	118,413	78,960	38,453

Source: TETFUND's Audited Financial Statements from 2007 – 2011

Education tax receipts from 1999 to 2011 are stated below:

Table 12 : Education Tax Receipts

	Nm
Tax Collected as at December 31, 1999	10,333
Tax Collected for the year ended December 31, 2000	5,634
Tax Collected for the year ended December 31, 2001	6,768
Tax Collected for the year ended December 31, 2002	16,098
Tax Collected for the year ended December 31, 2003	10,134
Tax Collected for the year ended December 31, 2004	11,362
Tax Collected for the year ended December 31, 2005	17,122
Tax Collected for the year ended December 31, 2006	21,611
Tax Collected for the year ended December 31, 2007	27,729
Tax Collected for the year ended December 31, 2008	50,539
Tax Collected for the year ended December 31, 2009	55,557
Tax Collected for the year ended December 31, 2010	139,578
Tax Collected for the year ended December 31, 2011	88,973
Total Tax Collected	461,437
Less Cost of Collection (Deducted in 2011) (A)	(10,801)
Less Cost of Administration (Deducted in 2011) (B)	(2,500)
Total Net Collection	448,137

5.1.1.1 Note: A

Federal Inland Revenue Service (FIRS) retains 4% of total collection before remitting the balance to TETFUND on whose behalf it has assessed and collected the Tax. Hence the sum of ₦10, 800,552,048 was deducted by the FIRS out of which ₦7, 241,630,819 relates to prior period.

5.1.1.2 Note: B

Under the **repealed Act**, cost of administration of the Fund were defrayed using interest on project Funds' investments and the balance transferred to the Federal Government treasury at the end of the year.

However, **section 3 (4) of the new Act** stipulates that an amount not exceeding 5% of the total collection be set aside for the administration of the Fund, hence the income from investments of the Funds are ploughed back to the project.

5.2 Disbursement for projects**Table 13: Disbursement to Projects 2007 - 2011**

	2011	2010	2009	2008	2007
	₦m	₦m	₦m	₦m	₦m
As at 1 January	160,691.56	114,473.35	98,369.13	88,337.03	66,775.60
Disbursement for the year:					
Universities	13,044.77	6,438.81	2,353.66	1,175.08	2,164.05
Polytechnics	7,547.43	3,171.99	938.51	699.11	1,275.94
Colleges of Education	6,260.74	3,063.67	1,440.66	989.95	1,235.35
Monotechnics	1,339.08	614.56	407.30	434.82	597.53
Secondary Education	10,545.52	5,492.75	1,826.42	622.30	1,160.88
Primary Education	16,887.74	9,257.18	3,456.71	2,341.19	3,959.17
Community Education Resource Centre	1.65	-	-	-	-
Library Development	2,868.04	1,483.07	1,016.70	993.02	1,010.08
Federal Ministry of Education and its Agencies	15,395.71	1,407.22	1,377.80	824.31	4,860.79
Inter University Centres	45.95	412.18	71.86	425.89	473.92
Other Agencies	973.41	211.97	3.00	805.00	1,775.18
Staff Training and Development	9,914.57	4,686.81	-	-	-
Special High Impact Projects	14,351.47	9,596.81	-	-	-
Tsangaya Education	2,178.47	-	-	-	-

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Research & Development	43.79	-	-	-	-
Book Development	232.33	381.21	-	-	-
Sundry Disbursements	-	-	3,211.59	721.44	3,048.54
Total	262,322.22	160,691.56	114,473.35	98,369.13	88,337.03

Source: TETFUND's Audited Financial Statements from 2007 – 2011

5.3 Non Statutory Revenue

Table 14: Non-Statutory Review 2007 - 2011

	2011	2010	2009	2008	2007
	Nm	Nm	Nm	Nm	Nm
As at 1 January	5,850	2,400	600	-	
Income from Investment during the year	10,831	3,450	1,800	600	
As at 31 December	16,681	5,850	2,400	600	-

Source: TETFUND's Audited Financial Statements from 2007 – 2011

6 Verification of Projects

6.1 Pictorial Evidence

See Appendices for the overall report for the pictures of the beneficiaries' projects covered during the project verification exercise.

6.2 Review of Reports on Projects Visitation by Internal Auditors and Consultants

The reports on Projects Visitation by Internal Auditors and Consultants (engaged by TETFund) were reviewed and the following issues were noted:

1. Huge Accumulated Un-accessed Funds by some beneficiaries and its negative effect on the Education sector which was in dire need for the Funding.
2. Cash books detailing receipts and payments of project Funds were not properly maintained by some of the institutions visited
3. While bank reconciliation statements prepared by some institutions were not properly done, some institutions were not preparing bank reconciliation statements at all.
4. Some institutions were not maintaining fixed assets register for TETFUND projects. Consequently, difficulties will be encountered in monitoring and in locating fixed assets financed with TETFUND.

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5. There was no evidence of internal audit checks on payments to beneficiaries at the Nigerian Defence Academy. Furthermore, there was a constraint to physically verifying some projects at the Nigeria Defence Academy as provision was not made for a beneficiary institution staff guide.
6. TETFUND Funds were not strictly utilized for TETFUND Projects by some institutions.
7. Inability to vouch the quality of jobs executed by some institutions.
8. There is no evidence to show that VAT and With-holding tax deductions were remitted during the year under review by Ministry of Education, Ekiti state on all major contracts payments.
9. While dedicated cash book for TETFUND transactions were not opened and maintained by National Board of Technical Education and Imo State Universal Basic Education Board, some institutions visited were not having dedicated finance officers to specifically keep records and account for TETFUND Funds.
10. A lot of Commission on Turnover (COT) was charged by banks on Delta State Ministry of Education and Delta State Universal Basic Education Board TETFUND dedicated accounts despite government's directive to banks not to charge COT on government accounts.
11. Some assets financed by TETFUND Funds in some institutions were not marked /engraved with ETF logo.
12. Some TETFUND dedicated accounts withdrawals opened by beneficiaries could not be explained.
13. Performance bond from contractors did not cover the entire project duration.
14. Some assets bought were not put to use and were left in the open – air (University of Petroleum Resources, Effurun)
15. Bayelsa State Ministry of Education :
 - Faulty contact award
 - TETFUND dedicated bank account had some transactions that were not TETFund related.

7 Observations and Recommendations

From the interactions through this Audit assignment, some pertinent issues were noted. These include:

- It is important to draw the attention of beneficiaries to accumulated un-accessed allocations and interact with them with a view to addressing the problems associated with accessing the Intervention Fund
- It was also noted that letters of allocation released to Heads of Institutions at the workshop venues.

7.1 Challenges and Risk Factors

7.1.1 Un-accessed Fund

Some Institutions were unable to gain access to the Funds in the CBN/TETFund Account. The reason for this is that the intended beneficiaries were either unable to meet the requirements or there was no approval by the Institution's Governing Council for the proposed project. This has led to huge accumulated un-accessed Funds by some beneficiaries and this has negative effects on the Education sector which is in dire need for the Funding.

7.1.2 Merger of Disbursement

This audit investigation showed that there was difficulty in tracing/tracking release of Funds to a particular allocation period. The reason that was given for this was merger of Funds for disbursement, as was highly evident in 2007 and 2008.

7.1.3 Accounting Software

The required Accounting software for easy processing and retrieval of records is yet to be put in place.

7.1.4 Accounting and Operational Manual

The Fund does not have a **comprehensive** accounting and operation manual or guide for accounting and operation processes

7.2 Ways to improve access to ETF Funds by its beneficiaries

- a. There is a need for TETFUND to tackle the issue of undue political control and interference by Governors over the execution of the TETFUND Funded projects in their respective states;

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- b. As part of the exit strategy for basic and Secondary Education Intervention, beneficiaries with accumulated un - accessed Funds should be allowed to merge all their outstanding allocations and propose projects to be Funded with the back log of Funds;
- c. There is a need to explore the possibility of developing prototypes for adoption by beneficiaries in order to maintain standards and uniformity in projects executed by them which would ultimately minimize the challenges posed by un - accessed Funds;
- d. Re –examine the Fund’s Intervention Policies with a view to making appropriate recommendations for retention or modifications, if necessary; and
- e. Sustain specific capacity building workshops for Principal Officers of beneficiaries’ institutions on Due Process, Financial Management and accountability of TETFUND Intervention Funds.