

**TERTIARY EDUCATION TRUST FUND
(TETFUND) 2012 – 2016**



Table of Contents

1	Overview of Tertiary Education Trust Fund	2
1.1	History and Reform in Tertiary Education Trust Fund	2
1.1.1	Principal Activities.....	2
1.1.2	Vision	3
1.1.3	Mission	3
1.1.4	Corporate Objective	3
1.1.5	Goals.....	3
1.1.6	Reasons behind Establishment of the Education Trust Fund	4
1.1.7	Major Differences between New Act and Repealed Act	4
1.2	Board of Trustees	5
1.3	Approach to the Assignment.....	6
1.3.1	The Administrative Structure of the Fund.....	6
2	Education Tax Receipts.....	8
2.1	Project Fund Account.....	8
2.2	Tax Collection.....	8
2.2.1	The Disbursement Formula	9
2.2.2	The Grant Process	9
3	Revenue.....	10
3.1	Statutory Revenue by Sources	11
4.	Challenges	12
	Appendices.....’A1-A2’	

List of Tables

Table 1 : Revenue	10
Table 2 : Monthly and Annual Breakdown of Revenue by Sources for the period 2012 - 2016	12

List of Figures

Figure 1 : Revenue	10
Figure2 : Oil and Gas Vs Non-oil and Gas Revenue.....	11

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Education Trust Fund (TETFUND) was established under the Tertiary Education Trust Fund (Establishment), Act, 2011 that repealed Education Tax Act Cap.E4 Laws of the Federation of Nigeria, 2004 and Education Tax Fund (Amendment) Act No .17, 2003.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

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 ensures the disbursement of Funds to beneficiary educational institutions for the restoration; rehabilitation and consolidation of education. It also ensures that the processes 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;

- 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 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 such as in 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
- 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 Fund through 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 Trustee 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, 2012 to December 31, 2016, we proposed to adopt the following procedures:

- System documentation of the reporting entity's processes and procedures will be 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 2012 -2016 will be reviewed;
- The accounting manual for beneficiaries intervention will be 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 will be reviewed;
- The budgets will be reviewed and compared with actual receipts and disbursements for variance reporting;
- The CBN cash book for receipts and disbursement of Fund to beneficiaries will be reviewed and analysed;
- Receipts as reported on the template with actual amount received from Educational tax pool account with CBN will be validated and the inflows to bank statements will be traced;
- Schedule of disbursements as reported on the template will be validated and the outflow to CBN bank statements will be traced;
- We will review the Internal Control system of the entity for its existence and compliance;
- The institutions' project files will be 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 will be reviewed;
- Visitation of randomly selected intervention projects for compliance with the Fund's practices, policies, procedures and impacts on the beneficiaries will be carried out;
- Key findings and recommendation will be discussed 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, assisted by heads 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.

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 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

2.0 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 needs 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 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:

- Universities 2
- Polytechnics 1
- Colleges of Educations 1

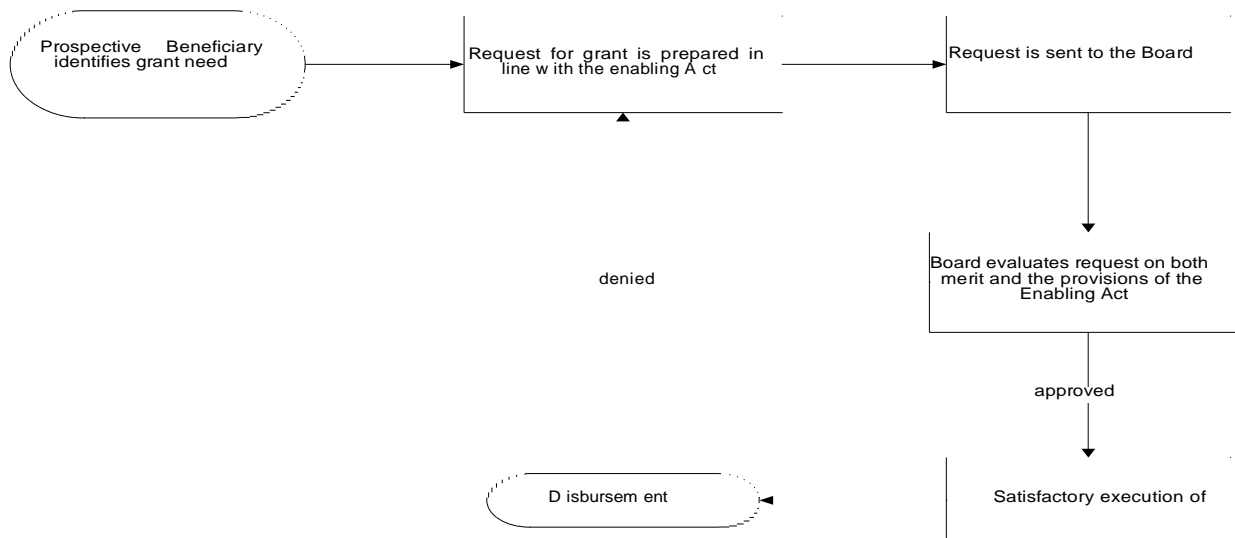
The Board has power to give due consideration to the peculiarities of each geopolitical zone in the disbursement and management of the tax imposed by this Act between the various levels of tertiary education.

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

	%
□ Universities	25.00
□ Polytechnics	12.50
□ Colleges of Education	12.50
□ Secondary school Education	20.00
□ Primary education	30.00
	<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.

3 Revenue

The total revenue received by the TETFUND from 2012 to 2016 was ₦993.3billion. The monthly and annual summary are depicted in the table below:

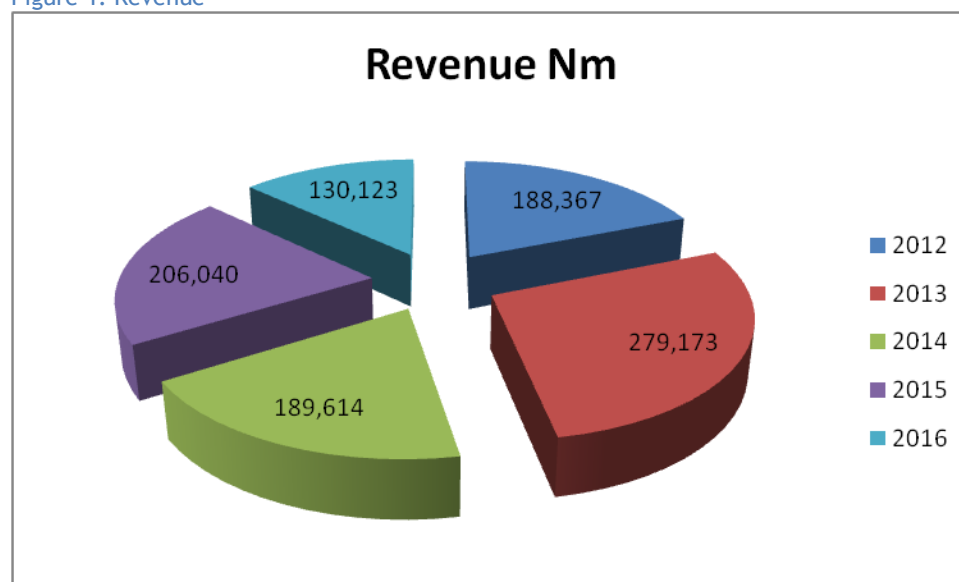
Table 1 : Revenue

	2012	2013	2014	2015	2016	Total
	₦m	₦m	₦m	₦m	₦m	₦m
Statutory Receipts						
January	3,853	16,796	7,672	3,603	3,620	35,545
February	1,759	10,261	2,416	1,061	2,356	17,853
March	3,002	15,752	2,553	2,518	2,266	26,090
April	7,685	1,562	2,048	2,015	3,066	16,375
May	2,287	3,344	1,407	4,234	7,207	18,479
June	15,855	15,846	34,609	20,597	16,302	103,209
July	24,810	72,790	34,927	63,091	27,038	222,657
August	57,133	71,589	38,755	38,800	46,104	252,382
September	42,991	28,394	41,492	10,256	7,322	130,456
October	23,704	37,998	18,767	41,255	9,297	131,021
November	1,353	2,367	2,019	11,726	1,505	18,969
December	3,935	2,473	2,951	6,884	4,038	20,281
Gross Statutory Receipt	188,367	279,173	189,614	206,040	130,123	993,317

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

The Revenue to the Fund in 2012 was ₦188 billion but witnessed an increase of 48% to ₦279 billion in 2013. There was a decrease in revenue by 48% to ₦190 billion in 2014, and an increase of 8% to ₦206 billion in 2015. However, there was a decrease in revenue to ₦130 billion in 2016 representing a decrease of 37%.

Figure 1: Revenue



Trends in revenue to TETFUND from 2012 to 2016

3.1 Statutory Revenue by Sources

The Sources of statutory revenue allocated to the Fund are:

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

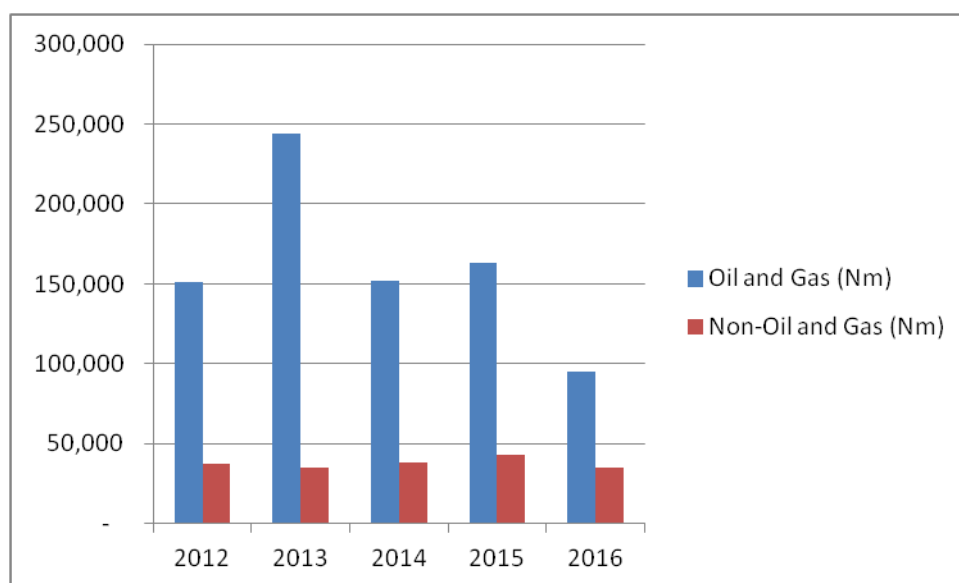
The table below presents the revenue from the aforementioned sources for the period 2012 - 2016 and it shows the breakdown in monthly, annual and revenue source respectively.

Table 2 : Monthly and Annual Breakdown of Revenue by Sources for the period 2012 - 2016

	2012		2013		2014		2015		2016		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
	Nm	Nm	Nm	Nm	Nm	Nm	Nm	Nm	Nm	Nm	Nm	Nm
Jan	1,960	1,894	14,594	2,202	6,730	943	534	3,069	1,908	1,713	25,724	9,820
Feb	462	1,296	8,797	1,464	758	1,658	216	845	488	1,868	10,722	7,131
Mar	38	2,964	14,842	911	946	1,607	1,381	1,137	230	2,035	17,436	8654
Apr	5,748	1,937	491	1,071	373	1,675	399	1,616	403	2,664	7,414	8,962
May	386	1,901	326	3,018	187	1,220	1,441	2,793	851	6,355	3,191	15,288
Jun	824	15,030	1,980	13,866	17,684	16,925	2,960	17,637	7,674	8,628	31,123	72,086
Jul	21,089	3,721	68,450	4,339	30,622	4,305	57,054	6,037	22,996	4,042	200,212	22,445
Aug	55,846	1,287	69,072	2,517	36,750	2,005	34,836	3,964	42,839	3,265	239,343	13,039
Sep	40,196	2,796	27,264	1,131	38,721	2,771	8,733	1,523	6,038	1,284	120,952	3,505
Oct	22,001	1,703	36,669	1,329	16,955	1,812	39,890	1,365	8,037	1,260	123,553	7,469
Nov	177	1,176	1,127	1,240	539	1,479	10,537	1,188	491	1,014	12,871	6,098
Dec	2,323	1,611	562	1,911	1,493	1,458	5,021	1,863	2,927	1,111	12,327	7,954
Total	151,050	37,317	244,174	34,999	151,757	37,856	163,003	43,037	94,883	35,240	804,867	188,450

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

Figure 2: Oil and Gas Vs Non-Oil and Gas Revenue



Total statutory revenue to the Fund from Oil and Gas for the years under review was ₦804.8 billion which represents 81% of total statutory revenue, while statutory revenue from Non-Oil and Gas was ₦188.4 billion representing 18% of total revenue.

4.0 Challenges

We were unable to verify the populated template submitted to us by TETFund. A letter of introduction dated 10 April 2016 written to the Fund was acknowledged on the same date (Appendix A1). A second letter written to TETFund was acknowledged as received on 8 June 2018 (Appendix A2). In both cases, we were informed that the Executive Secretary of the Fund had not yet given his permission for us to come and review the submitted templates.