



REPORT OF THE AUDITOR-GENERAL FOR THE FEDERATION

ON

SPECIAL PERIODIC CHECKS ON THE ACTIVITIES AND PROGRAMMES OF NIGER DELTA DEVELOPMENT COMMISSION (NDDC), FOR THE PERIOD 1ST JANUARY 2013 - 30TH JUNE, 2018

May, 2020





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DEVELOPMENT COMMISSION
(NDDC), FOR THE PERIOD
1ST JANUARY 2013 - 30TH
JUNE, 2018**



THE AUDITOR-GENERAL FOR THE FEDERATION

Audit House, Plot 273, Samuel Ademulegun Street, Central Business District,
P.M.B. 128, Garki - Abuja, Nigeria.

764/90/CONF/VOL.11/108

25th June, 2020

The Clerk to the National Assembly,
National Assembly Complex,
Three Arms Zone,
Abuja.

SUBMISSION OF AUDITOR-GENERAL'S REPORT ON SPECIAL PERIODIC CHECKS ON THE ACTIVITIES AND PROGRAMMES OF NIGER DELTA DEVELOPMENT COMMISSION (NDDC), FOR THE PERIOD 1ST JAN. 2013 TO 30TH JUNE, 2018

By the power conferred on me in Section 85(2) and (4) of the Constitution of the Federal Republic of Nigeria 1999 (as amended), I have conducted Periodic Checks on the Activities and Programmes of Niger Delta Development Commission (NDDC) for the Period 1st January 2013 to 30th June, 2018.

2. Accordingly, I hereby submit five (5) hard copies and two (2) soft copies of the report of the periodic checks to the Clerk to the National Assembly, for necessary action.
3. Please, accept the assurance of my highest regards always.

A. M. AYINE, FCA
Auditor-General for the Federation



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LIST OF ABBREVIATIONS

NSCDC	-	Nigeria Security and Civil Defence Corps
NDDC	-	Niger Delta Development Commission
ESI	-	Empowerment Support Initiatives
NITDA	-	National Information Technology Development Agency
FR	-	Financial Regulations
BPE	-	Bureau of Public Enterprises
PPA	-	Public Procurement Act
BOQ	-	Bill Of Quantity
SGF	-	Secretary to the Government of the Federation
EFCC	-	Economic and Financial Crimes Commission
ICPC	-	Independent Corrupt Practices Commission
FIRS	-	Federal Inland Revenue Service
VAT	-	Value-Added Tax
WHT	-	With-Holding Tax
BEME	-	Bills of Engineering Measurement & Evaluation
BPP	-	Bureau of Public Procurement
ICT	-	Information and Communication Technology
MDA's	-	Ministries, Departments and Agencies
IPC	-	Interim Payment Certificate
MD	-	Managing Director
CEO	-	Chief Executive Officer



About the Entity

NDDC was established in the year 2000 with the mission of facilitating the rapid, even and sustainable development of the Niger Delta into a region that is economically prosperous, socially stable, ecologically regenerative and politically peaceful.

THE NDDC MANDATES

- Formulation of policies and guidelines for the development of the Niger Delta area.
- Conception, planning and implementation, in accordance with set rules and regulations, of projects and programs for sustainable development of the Niger Delta area in the field of transportation including roads, jetties and waterways, health, employment, industrialization, agriculture and fisheries, housing and urban development, water supply, electricity and telecommunications.
- Surveying the Niger Delta in order to ascertain measures necessary to promote its physical and socio-economic development.
- Preparing master plans and schemes designed to promote the physical development of the Niger Delta region and the estimation of the member states of the Commission.
- Implementation of all the measures approved for the development of the Niger Delta region by the Federal Government and the states of the Commission.
- Identify factors inhibiting the development of the Niger Delta region and assisting the member states in the formulation and implementation of policies to ensure sound and efficient management of the resources of the Niger Delta region.
- Assessing and reporting on any project being funded or carried out in the region by oil and gas companies and any other company, including non-governmental organizations, as well as ensuring that funds released for such projects are properly utilized.



- Tackling ecological and environmental problems that arise from the exploration of oil mineral in the Niger Delta region and advising the Federal Government and the member states on the prevention and control of oil spillages, gas flaring and environmental pollution.
- Liaising with the various oil mineral and gas prospecting and producing companies on all matters of pollution, prevention and control.
- Executing such other works and performing such other functions, which in the option of the Commission are required for the sustainable development of the Niger Delta region and its people.



List of Key Findings

- Issue 1:** Payment of Medical Check-Up Expenses to Part-Time Board Members - ₦459,350,000.00.
- Issue 2:** Excessive Payment of Imprest to The Executive Board Members - ₦1,358,300,000.00.
- Issue 3:** Engagement and Payment of External Solicitors without the Consent of the Honourable Minister of Justice and Attorney General of The Federation - ₦1,582,986,030.00.
- Issue 4:** Irregularities in the Award of Contract for Logistic and Consultancy Services - ₦199,474,160.50.
- Issue 5:** Award of Emergency Contracts without Stating the Contract Prices - ₦3,001,517,063.27.
- Issue 6:** Doubtful Commissioning of Consultants for the studies and design of Projects after the award and execution of the relevant projects - ₦485,128,179.79.
- Issue 7:** Payments of rent to a Legal Advocate on a property that belong to River State Government but released to the Federal Government to house the NDDC Headquarters - ₦1,225,000,000.00.
- Issue 8:** Payment to Retired Generals for Regional Security Surveillance of NDDC projects without evidence of Service delivery - ₦698,128,550.00.
- Issue 9:** Inappropriate payments of tenement rate without valid computations in line with the relevant tax laws - ₦725,460,000.00.
- Issue 10:** Appointments of Special and Personal Assistants for Members of Governing Board and payment of their salaries and allowances at Government Expense - ₦1,005,743,015.14.



- Issue 11:** Partnership on Entrepreneurial Development Scheme without specific benefits or procedure for the recoupment of NDDC investment in the partnership - ~~₦~~1,741,074,999.93.
- Issue 12:** Promotion of Staff to the Director Level without taking into consideration the available vacancies.
- Issue 13:** Appointment of Directorate Cadre Personnel as Political Staff to serve as Aides to Board Members.
- Issue 14:** Non-Submission of Comprehensive Nominal Roll to the Periodic Checks Team.
- Issue 15:** Payments of Compensation through Chris Oghene Omoru & Co without evidence of job execution - ~~₦~~190,956,627.75.
- Issue 16:** Irregular Payment of Compensation - ~~₦~~86,531,503.00.
- Issue 17:** Incomplete Update of Contract File.
- Issue 18:** Irregularities in The Supply of 3,852 Doses of Hepatitis B Vaccines And 1570 Doses of Typhoid Vaccines (28) and supply of Lassa Fever Kits in (23 Lots) to NDDC Warehouse in Port Harcourt And Distribution, Transportation And Storage (5 lots) - ~~₦~~2,527,000,000.00.
- Issue 19:** Supply of Atomic Slicing Kits Fibre, Link Insulator Fibre Cross-Arms to the Niger Delta Region without Approval from National Information Technology Development Agency (NITDA) - ~~₦~~950,871,520.00.
- Issue 20:** Some former political office holders and some staff of NDDC retiring with government property in their possession without authorization.
- Issue 21:** Contract on Dredging/Desilting of Imo River, Onuimo and Ihitte Uboma (lot 2) Ihitte Uboma, Imo State - ~~₦~~949,220,780.00.
- Issue 22:** Contract for the Dredging/Desilting of Obano-Okposha Oguta Lake Waterway (Lot 2) Imo State - ~~₦~~994,415,000.00.



- Issue 23:** Payment for job not done and none remittance of taxes deducted on instruction to urgently remedy failed & unmotorable section of Isieke-Ajatah Road Umuaiha North LGA, Abia State - ~~₦~~688,922,686.33.
- Issue 24:** Instruction to urgently remedy failed & unmotorable sections of Etim Okpoyo Stree, Ewet housing Estate, Uyo Akwa Ibom State issuance of IPC without back up valuation -~~₦~~117,130,854.75.
- Issue 25:** Non-Construction of Solar Powered Street Light at Ibe Street, Elekahia, Port Harcourt - ~~₦~~ 247,991,974.52.
- Issue 26:** Incomplete execution of contract for provision of Solar Powered Street Light complete with 600mmx600 mm reinforced concrete plinth in Uquo Community and environ Lot 1, Esit Eket Iga, Akwa Ibom State - ~~₦~~245,000,000.00.
- Issue 27:** Abandonment of the contract for construction of Niger Delta Region specialist hospital (cardiovascular) in Rivers State - ~~₦~~1,042,776,000.07.
- Issue 28:** Contract for the construction of Anua/Ifa Ikot Okpon/Isiet Beach Road, Uyo L.G.A, Akwa Ibom State taken over by the state government - ~~₦~~899,890,840.00.
- Issue 29:** Government property taken away by former board member representing imo state in NDDC without authorization.
- Issue 30:** Unauthorised revision and variation of contract sum without due process and payment above completion level on the contract for construction of Kaa -Ataba road and bridges - ~~₦~~10,930,414,996.45.
- Issue31:** Non-compliance with the standard scale of fees in payment for outstanding consultancy fees claimed for three project: Omadino-Escravos, Ogheye-Koko road/bridge and Otuoque - dualization; - ~~₦~~641,204,095.38.
- Issue 32:** Use of green ink by Internal Audit Department:
- Issue 33:** Irregularities in the execution of contract awarded to Messrs Setraco Nigeria Ltd for the construction of Gbaregolor-Gbekbor – Ogulagha road phase 1 - ~~₦~~16,157,782,480.20.



- Issue 34:** Abandonment of the execution of contract awarded to Messrs Japaul Mines & Product Ltd for the construction of Udo-Ofunama road - ~~₦~~6,062,172,454.15.
- Issue 35:** Award of contract to Messrs Simoka Marine ltd for the construction of Nigerian Army jetty, Uvwaie - ~~₦~~4,731,900,048.33.
- Issue 36:** Abandonment of the contract awarded to Ribon Resources Nigeria Ltd for the construction of NDDC Delta State office building project, Warri, phase 1: - ~~₦~~421,921,233.40.
- Issue 37:** Abandonment of project site after the collection of mobilization fees on contract awarded to Timipah Ifidi and sons ltd for the construction of NDDC Bayelsa state office building project, Yenagoa: - ~~₦~~421,921,233.40.
- Issue38:** Irregularities in the award and payment for contract on monitoring and evaluation, administration and provision for cold chain storage services for hepatitis and typhoid vaccines - ~~₦~~126,350,000.
- Issue 39:** Incomplete execution of contract despite full payment on the provision of solar street lights complete with 600x600 mm reinforced concrete plinth at Ewet housing & shelter afrique estate, Uyo Iga and Ididep Itam town, Ibiono Iga, Akwa Ibom state - ~~₦~~320,254,100.00.
- Issue 40:** Non distribution of plastic desks and chairs procured for primary and secondary schools in Rivers State - ~~₦~~232,209,600.00.
- Issue 41:** Over payment to the contractor on the emergency repair/maintenance of Ikot Akan to Ibekwe Akpan Nya road (Ikot Abasi/Abak Road), phase II, Akwa Ibom state due to non compliance with the project scope - ~~₦~~157,154,400.00.
- Issue 42:** Irregularities in the contract for completion of Niger Delta Development Commission Headquarters building, Port Harcourt, Rivers State - ~~₦~~16,222,492,843.76.
- Issue 43:** Excessive spending on award of emergency contracts while the planned projects are left unattended to or even abandoned leading to wastage of public fund.
- Issue 44:** Non utilization of the Project Management Department for effective safeguard against poor quality of projects execution.



- Issue 45:** Appointment of staff on contract basis contrary to the provision of the public service rule.
- Issue 46:** Allowing staff of lower grade level to head department at the expense of the substantive directors.
- Issue 47:** Wastage of public fund due to collection of mobilization fees without report to project sites by contractors - ~~N~~61,468,160,743.03.

Issue 1: PAYMENT OF MEDICAL CHECK-UP EXPENSES TO PART-TIME BOARD MEMBERS - ₦459,350,000.00

Area of coverage and summary of work done by the auditor

We examined the Commission's imprest and medical check-up paid to Part-Time Members of the Board on Remita platform for the period January 1, 2017 to June 30, 2018 to ascertain level of compliance with both the Public Service Rules section 160202 and Federal Government Administrative Guidelines Regulating the Relationship between Parastatals/Government-owned Companies and the Government, section 19, 20(ii) and 24 which states that "under no circumstance must accommodation..." or "...official vehicles be provided to any Part-Time Member of a Board on a permanent basis". And in case "where accommodation is required for more than 7 days at a stretch, the written approval of the respective supervising Ministry must be obtained" or Office of the Secretary to the Government of the Federation as the case may be.

The Guideline further provides that "such public officials will be entitled only to the rate of sitting, transportation, accommodation allowance etc" and shall not be entitled to remuneration by virtue of their membership of Board of parastatals.

Our Finding(s)

- (a) It was observed that a total sum of ₦459,350,000.00 was expended on medical check-up of Part-Time Members of the Board of the Commission.
- (b) It was further observed that the medical allowance was paid twice in 2017 financial year.

(Details in Appendix I).

The key risks

- Mismanagement of public fund as there was no provision and evidence of such expenditure.
- Abuse of Government rules and regulations.

Our Recommendation

The Management should ensure quick recovery of the sum of ₦459,350,000.00 from the Part-Time Members of the Board and evidence of recovery forwarded to the Office of the Auditor-General for Federation for confirmation; otherwise the matter be referred to EFCC or ICPC , for recovery.

Issue 2: EXCESSIVE PAYMENT OF IMPREST TO THE EXECUTIVE BOARD MEMBERS - ₦1,358,300,000.00

Area of coverage and summary of work done by the auditor

We review the payments of imprest to the Executive Board Members to ascertain the extent of compliance with the Financial Regulations and Annual Federal Treasury Circular Number: TRY/A2&B2/2009/OAGF/CAD/026/V of 24th March, 2009 which provides “the limit of reimbursable Imprests” as follows: Honourable Minister not exceeding ₦300,000.00, Permanent Secretary and Director General not exceeding ₦200,000.00, Directors/ Head of Department at ₦100,000.00 etc. And that all accounting officers should “ensure all local procurement of stores and services costing above ₦200,000.00 shall be made only through Award of Contracts”.

Our Finding(s)

It was revealed that the sum of ₦836,900,000.00 and ₦521,400,000.00 were purportedly paid as imprest for the offices of Managing Director/Chief Executive Officer (via Nseobot Inyang Willie), Executive Director Finance and Administration (via Nwikpuinee Nwiluka Luccasson) and Executive Director Project (via Sonni Efe Efurhievwe) for the period of January to December 2017 and January to June 2018 respectively. It was observed that the said imprest were purportedly used for the procurement of goods and services, payments of accommodations and payments of security allowances in excess of approved limit for imprest.

(Details in Appendix II).

The key risks

- Imprest can be paid over and above the stipulated amount.
- Circumventing procurement process.
- High possibility of funds not properly accounted for

Our Recommendation

The Management should ensure appropriate retirement of the sum of ₦1,358,300.00 and evidence of such retirement forwarded to the Office of the Auditor-General for the Federation for verification, otherwise the money should be recovered in full.

Issue 3: ENGAGEMENT AND PAYMENT OF EXTERNAL SOLICITORS IN CONTRAST TO EXTANT PROVISIONS - ₦1,582,986,030.00

Area of coverage and summary of work done by the auditor

Review of the engagements of external solicitors' and payments of legal fees to ascertain the extent of compliance with the Federal Government Circular with Ref No. SGF/PS/CIR/625/VI/I dated July 16, 2003 which provides that the approval of the Hon Attorney-General of the Federation should be obtained by MDA before external solicitors are engaged.

Our Finding(s)

It was revealed that the Commission engaged external solicitors for various legal cases. The sum of ₦782,086,030.00 and ₦800,900,000.00 being legal fees for the period of January to December 2017 and January to June 2018 respectively were paid without the knowledge and approval of the Hon. Minister of Justice and Attorney General of the Federation. **(Details in Appendix III).**

The key risks

- Possibility of Non-adherence to Federal Government Circular.
- High possibility of inefficiency and ineffectiveness of the legal department of the Commission as they could handle most of these cases.
- Inadequate compliance with the Commission's operational guidelines and other rules and regulations.

Our Recommendations

- (i) Acceptable or justifiable explanation for non-compliance with the provisions of the above Circular is required, otherwise the sum of ₦1,528,986,030.00 should be recovered from all approving officers.
- (ii) Evidence of recovery should be forwarded to the Office of the Auditor-General for Federation for verification.

Issue 4: IRREGULAR AWARD OF CONTRACT FOR LOGISTIC AND CONSULTANCY SERVICES - ₦199,474,160.50

Area of coverage and summary of work done by the auditor

We reviewed the contract awarded to RDF Communications Ltd and payment vouchers No 60243 and 38799 dated January 31, 2017 and March 3, 2017 respectively and 2017 Remita payments vis-à-vis the provision of section 24 of Public Procurement Act 2007 and Financial Regulation Nos 234, 603, 3104, 3106.

PPA 2007 S24(i) 1 “Except as provided by this Act, all procurements of goods and works by all procuring entities shall be conducted by open competitive bidding”.

FR No 234.-(i) “It is mandatory for Accounting Officers to ensure full compliance with the dual roles of making provision for the Value Added Tax (VAT) and Withholding Tax (WHT) due on supply and services contract and actual remittance of same”.

FR No 603. (i) “All vouchers shall contain full particulars of each service such as dates, numbers, quantities, distances and rates, so as to enable them to be checked without reference to any other documents and will invariably be supported by relevant documents such as local purchase orders, invoices, special letters of authority, time sheets etc.”

FR No 708. “On no account should payment be made for services not yet performed or for goods not yet supplied”.

FR No 3 106 “A public officer who makes an irregular payment from public funds, shall be given 21 days’ notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule”.

Our Finding(s)

- (a) It was revealed that the sum of ₦199,474,160.50 was paid to RDF Communications Ltd for both logistic component and consultancy fee of the 2017 Board and Management Retreat held on Thursday 2nd February- Saturday 4th February 2017 at Prodeco Camp, Intels Onne, Rivers State.
- (b) The Consultancy contract awarded to RDF Communications Ltd was made without open competitive bidding and approval was not obtained from the



relevant authority.

- (c) The 70% of the initial contract sum was advanced on January 31, 2017 to the contractor without performance bond from a bank or insurance company.
- (d) There was no relevant supporting evidence such as; attendance list of participants, copies of certificate issued at the workshop, schedule of workshop programme, and no report on the success or otherwise of the workshop, etc.
- (e) The sum of ₦14,905,333.33 being Withholding Tax and Value Added Tax that ought to have been deducted from the logistic component of ₦156,506,000.00 was not effected for no justification.
- (f) It was further revealed that the Commission paid the sum of ₦29,506,000.00 to the said contractor for an extra expense purportedly incurred due to the arrival of Forty-three (43) uninvited guests without approval and evidence of work executed.
- (g) The sum of ₦1,475,300.00 each was deducted for Withholding Tax and Value Added Tax from the purported contract variation sum of ₦29,506,000.00 but for no justification only the VAT was remitted to FIRS but the WHT was yet not remitted.
- (h) Similarly, the sum of ₦1,396,816.05 was deducted from the consultancy fee of ₦13,968,160.50 instead of ₦1,995,451.50 being VAT and WHT but the Commission fails to remit same to FIRS.

(Details in Appendix IV).

The key risks

- Internal Control failure as the aforementioned inconsistencies were not detected.
- Payment for services not rendered.
- Loss of Government revenue due to non-deduction or under remittance of taxes.
- There could be possibility of engaging an incompetent contractor as due process was not carried out in the engagement of the RDF



Communications Ltd.

Our Recommendations

- (i) The Managing Director and relevant Heads of departments responsible for the above irregularities should be penalized.
- (ii) The appropriate taxes should be paid to the relevant tax authority.

Issue 5: AWARD OF EMERGENCY CONTRACTS WITHOUT STATING THE CONTRACT PRICES -- ₦3,001,517,063.27

Area of coverage and summary of work done by the auditor

We reviewed the level of compliance of the award of the emergency contracts to several contractors for the rehabilitations of roads within the Niger Delta states with regards to the provision of the PPA 2007 S.24 (1) and 2912 which state that "...all procurements of goods, works and services shall be by way of Open Competitive Bidding, which means that all contractors/suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/supplier to the other; they shall be the same".

Our Finding(s)

The following lapses were observed from various payments totalling ₦3,001,517,063.27 on contracts awarded in November 29, 2016 and July 21, 2017 to eight (8) and one (1) contractors, respectively "to urgently remedy failed & unmotorable sections of" roads within the Niger Delta states:

- (a) These contracts were awarded without recourse to due process and approval from the relevant authority as there was no advert placement, no open competitive bidding, no evaluations of bids etc.
- (b) These contract awards appeared to be doubtful as the contract sums were not stated in the award letters thereby placing the Commission at a disadvantaged position to be exploited by the said contractors.
- (c) It was further observed that the award letters were captioned "INSTRUCTION TO URGENTLY REMEDY FAILED & UNMOTORABLE SECTIONS OF" ROADS.

(Details in Appendix V).

The key risks

- Transparency and objectivity in awards and payments to contractors may be denied.
- Over payment of contracts as they were awarded without contract sum.
- Irregularities may not be detected.



Our Recommendation

The Management and relevant staff should be made to account for the sum of ₦3,001,517,063.27, as due process was not followed in the award of the contracts.

Issue 6: DOUBTFUL COMMISSIONING OF CONSULTANTS FOR THE STUDIES AND DESIGN OF PROJECTS AFTER THE AWARD AND EXECUTION OF THE RELEVANT PROJECTS - ₦485,128,179.79

Area of coverage and summary of work done by the auditor

As part of our review, we sampled some consultancy files for the studies and design of road construction projects to ascertain its level of compliance with the Public Procurement Act 2007 S24(i) and Financial Regulation 708 (2009 Edition).

PPA 2007 S24(i) which stipulates that "...all procurements of goods, works and services shall be by way of Open Competitive Bidding".

Financial Regulation 708 states that "On no account should payment be made for services not yet performed or for goods not yet supplied."

Our Finding(s)

- (a) The commissioning of the consultants for the studies and design were carried out without recourse to due process and open competitive bidding.
- (b) It was observed that the consultants were awarded the consultancy contracts after the main construction contracts were awarded. Hence, the main contracts had started or even completed in some cases before the studies and design reports were submitted and subsequently approved.

A typical example was the "award of contract for construction of Amabo-Umuechima Road, Bende Local Govt. Area, Abia State" on February 22, 2011 but the commissioning of the consultant (Messsr VC Consulting Services Ltd) for the studies and design was on June 2, 2015.

- (c) It was further revealed that the contractors accepted the sum of ₦153,834,462.20 as against the contract sum of ₦485,128,179.79. This appears to be as a result of lateness and/ or needless submission of the report which may not be relevant to the Commission as those main contracts were not only awarded but were in progress if not completed.

(Details in Appendix VI).

The key risks

- Aims and objectives of engaging the consultants may not be achieved as

the main contracts had started or even completed in some cases before the studies and design reports were submitted and subsequently approved.

- Payment for jobs or services that add no value to the Commission.
- The probability that the same contract might be re-awarded.

Our Recommendations

- (i) The Management should justify why the consultancy reports for the studies and design were received and approved long after the main contracts were awarded and even executed.
- (ii) The Management should be held liable for negligence and refund the sum of ₦153,834,462.20. Evidence of refund forwarded to the Office of the Auditor-General for the Federation for verification.

Issue 7: PAYMENTS OF RENT TO A LEGAL ADVOCATE ON A PROPERTY THAT BELONG TO RIVER STATE GOVERNMENT BUT RELEASED TO THE FEDERAL GOVERNMENT TO HOUSE THE NDDC HEADQUARTERS - ₦1,225,000,000.00

Area of coverage and summary of work done by the auditor

As part of our review, we checked the 2017 and 2018 Remita payments documents to ascertain its level of compliance with Appropriation Act and following sections of Financial Regulations;

FR No 316 which states that “virement from one Head of Account in the Recurrent estimates to another Head of Account in Capital Expenditure estimates shall not be allowed and vice versa” without the approval of the National Assembly.

FR 234(I) provides full compliance with statutory deductions of VAT and WHT.

FR 601 states that, “All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers be made out in favour of the person or persons to whom the money is due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised.

Our Finding(s)

- (a) Audit review of the NDDC payments revealed a total sum of ₦1,225,000,000.00 paid to Lucius Nwosu and Partners on February 26, 2018 for the seven (7) years rent of NDDC Head Quarters Building at No 167 Aba road, Port Harcourt for the period December 2012 to November 2019. Audit enquiry revealed that the said property belongs to the River State Government which released same to NDDC as temporal Head Quarters. Available information also revealed that there was no record of previous payments of rent before this period. Thus, a sudden payment of ₦1,225,000,000.00 to one Lucius Nwosu and partners being the new landlord is unacceptable as River State Government is still laying claim to the building.
- (b) Audit enquiry further revealed that the rent expenditure was not provided for in the Appropriation Act and there was no approval of the National Assembly for such virement.

- (c) The Commission failed to deduct the sum of ₦175,000,000.00 being the Withholding Tax and Value Added Tax accrued from the payments of the said rent.
- (d) Efforts of the Audit team to examine the rent file and the payment vouchers for the total sum of ₦1,225,000,000.00 was to no avail as the Management denied access to such documents. It appears this payment might have been made without payment vouchers.
- (e) It was further revealed that there was no valuation report from estate valuers before the payment was made. Thus, it was an arbitrary amount fixed by those concern which may not be in public interest.

(Details in Appendix VII).

The key risks

- Loss of Government revenue as VAT and WHT are not being deducted and remitted to relevant tax authority.
- Overpayment of rent as there was no valuation report of the true rental value of the property from estate valuer.
- Payment of rent to individual on government property.

Our Recommendations

- (i) The Management should justify the payment of the sum of ₦1,225,000,000.00 to Lucius Nwosu and Partners with relevant and reliable evidence, otherwise recover the money and furnish the Office of the Auditor-General for Federation with evidence of recovery for confirmation.
- (ii) The Management should also ensure recovery of the Withholding Tax and Value Added Tax element of ₦175,000,000.00 and remit to the relevant tax authority.
- (iii) Management should provide valuation report of the true rental value of the property from estate valuer on which basis the above amount was paid.
- (iv) Provide verifiable evidence that the property belong to the purported landlords.

Issue 8: PAYMENT TO RETIRED GENERALS FOR REGIONAL SECURITY SUVEILLANCE OF NDDC PROJECTS WITHOUT EVIDENCE OF SERVICE DELIVERY - N698,128,550.00

Area of coverage and summary of work done by the auditor

We checked Remita payments for the period of January, 2017 to June, 2018 vis-à-vis **Public Procurement Act 2007 24(i)** which states that "...all procurements of goods, works and services shall be by way of Open Competitive Bidding" and **Financial Regulations 708** which stipulates that "On no account should payment be made for services not yet performed or for goods not yet supplied".

FR 3104. (i) "Where a contractor or a supplier who is paid mobilization fee for a job fails to perform after collecting the fee, he shall be given 30 days' notice to refund the money failing which the mobilization fee shall be recovered enbloc from the contractor or supplier and such contractor shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution".

FR No 232 states that "If at any time, a Public Officer sustains a loss of Revenue due to negligence; he shall be liable to be surcharged for the amount involved".

Our Finding(s)

- (a) It was observed from the payment documents that, between January 2017 and June 2018 that the sum of ₦698,128,550.00 were expended or transferred to private security consultants for the "Regional Security Surveillance of NDDC projects" in the Niger Delta States. Engaging private security outfit in this volatile terrain is highly doubtful as they cannot be better than the Nigerian military, police and NSCDC who are always at the service of the Commission.
- (b) The audit team made relentless efforts to site the contract files of the security consultants with the view to verifying the terms of engagements and the NSCDC clearance proved abortive. Thus, making it very difficult or if not impossible to verify this claim as many of the purported private security consultants are not security outfits.
- (c) Audit inspection at the Niger Delta states offices and subsequent visitations to the project site could not corroborate the above claim as many of the contractors were not on site; and for those few that were on site, only Setraco Nig Ltd had soldiers on ground without the presence of the private securities as claimed. Therefore, these are viewed as payments for services



not executed contrary to Financial Regulations 708 & 3104.

(Details in Appendix VIII).

The key risks

- Award of contracts award without open competitive bidding.
- Payments for services not rendered.

Our Recommendation

The Management should ensure that the consultants refund the sum of ₦698,128,550.00 and furnish the Office of the Auditor-General for the Federation with evidence of recovery for authentication.

Issue 9: INAPPROPRIATE PAYMENTS OF TENEMENT RATE WITHOUT VALID COMPUTATIONS IN LINE WITH THE RELEVANT TAX LAWS - ₦725,460,000.00

Area of coverage and summary of work done by the auditor

As part of our review, we examined payment vouchers and Remita payments viz-a-viz the relevant tax laws and tax computations to establish their correctness or otherwise.

Our Findings

- (a) Examination of the payments voucher No 60813 dated March 8, 2019 revealed the payment of ₦725,460,000.00 being 2014, 2015 and 2016 tenement rates in favour of some Local Governments in the Niger Delta region and Abuja Municipal Area Council.
- (b) It was observed from a memo written by the Director Internal Audit to Director Administration that “the tenement rate had been negotiated earlier by the Commission in 2014 and applied in earlier payments in lieu of the 10% of rental values”. This implied an arbitrary fixing of 10% on an assumed rental value which is outrageous as there is no tax law that put such rate on property owner or tenant. It was Further observed that the Commission paid the sum of ₦40,000,000 as tenancy of Edo State Office Complex to Osakue Agbontean; however, it was claimed that the Commission had agreed and have since been paying ₦67,200,000.00 per annum to Eredo Local Government Area, Benin as tenement rate for the same property.
- (c) Review of the minutes No 12 of memo 95 dated February 17, 2017 revealed that the tenement rate in respect of the NDDC estate sold to staff in 2014 was included in the aforementioned figure and subsequently paid by the Commission. This was an obvious misuse of public funds. Since the ownership, risk and benefit of the said estate have been transferred to the new owners (staff), it means that all responsibilities including payment of tenement rate on this estate have been transferred to the new owners. Thus, this is an obvious case of payment of public fund for private interest.
- (d) It was observed that the Commission paid the sum of ₦287,820,000.00 as tenement rate in 2016 and sum of ₦437,640,000.00 for 2015 and 2016.

(Details in Appendix IX).

The key risks



- Collusion to shortchange Government
- Misuse of public fund
- Payment of tenement rate on property own by private individual
- Arbitrary fixing of tenement rate on property.
-

Our Recommendations

- (i) The Management should explain why tenement rates on NDDC estate sold to staff were paid by the Commission; otherwise the amount paid as tenement rates should be recovered from the respective owners of the property.
- (ii) The management should justify the payment of the tenement rate with valid computations, otherwise all the responsible officer4s should be sanctioned.
- (iii) The commission should henceforth desist from payment of tenement rates on NDDC estate sold to staff.



Issue 10: APPOINTMENTS OF SPECIAL AND PERSONAL ASSISTANTS FOR MEMBERS OF GOVERNING BOARD AND PAYMENT OF THEIR SALARIES AND ALLOWANCES AT GOVERNMENT EXPENSE - ₦1,005,743,015.14

Area of coverage and summary of work done by the auditor

We reviewed the salaries variation files for the period 2016 to 2018 to evaluate its level of compliance with FR No 3106 which states that “a public officer who makes an irregular payment from public funds, shall be given 21 days’ notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule”.

Our Finding(s)

- (a) It was observed that the Commission has long been engaging in irregular appointments of Special and Personal Assistants in excess of the numbers of the aids allowed by law for the political appointees.
- (b) Examination revealed that the total sum of ₦1,005,743,015.14 being salaries and non-regular allowances paid to 39 political aids of the Board Members without the approval of the Revenue Mobilization Allocation and Fiscal Commission.
- (c) This payment was an abuse of public fund and cannot be accepted as a legitimate charge against Government fund as it was not done in good faith.

(Details in Appendix X).

The key risks

- Wasteful use of public funds as the appointments of these political aids are not necessary.
- The probability of non-adherence to existing rules and regulations.
- Conflicts of duties.

Our Recommendations

- (i) Management should recover the sum of ₦1,005,743,015.14 from the concerned Board Members and present the evidence of recovery to the Office of the Auditor-General for Federation for verification.
- (ii) Henceforth, management should desist from this practice.

Issue 11: PARTNERSHIP ON ENTREPRENEURIAL DEVELOPMENT SCHEME WITHOUT SPECIFIC BENEFITS OR PROCEDURE FOR THE RECOUPMENT OF NDDC INVESTMENT IN THE PARTNERSHIP.- ₦1,741,074,999.93.

Area of coverage and summary of work done by the auditor

As part of our review, we checked payment vouchers and partnership agreement vis-à-vis the **Financial Regulation 2906. (i)** "All contracts or tenders falling within the limits of the threshold prescribed by the Bureau for Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'No objection' to award Contract" for such to be validly executed. The Bureau shall issue this certificate only when it is satisfied that all necessary pre-requisites have been complied with".

Our Finding(s)

- (a) It was observed that the Commission entered into a five-year partnership agreement in the year 2012 with Empowerment Support Initiative (ESI) a Non-Governmental organization for the acquisition of a site for training Centre, general construction of the facility and purchase of project vehicles. The objective of the project was the training of Niger Delta Youth on entrepreneurial development. This partnership agreement was also renewed in the year 2018 for another period of five years.
- (b) The total financial commitment of NDDC to the partnership was put at ₦6,500,000,000.00 (Six billion, five hundred million Naira). Out of this amount the sum of ₦1,741,074,999.93 had been remitted to the account of Empowerment Support Initiative (ESI) as at March, 2017.

The following short comings were noted in the transaction: -

- (i) The Federal Executive Council approval was never obtained before the Commission entered into Partnership of this magnitude which is far above-Board threshold.
- (ii) Certificate of No Objection was not obtained from the BPP.
- (iii) No audit report was submitted to the Commission in respect of the utilization of the fund released so far despite the provision of Clause 10.5 in the Partnership agreement that the programme shall be subject to annual audit.
- (iv) No evidence that the various constructions in the site are being handled by competent contractor.



- (v) No provision in the Partnership agreement as to the sharing of the assets at the end of the partnership.
- (vi) No evidence that any body had been trained since the inception of the programme.
- (vii) The location of the acquired site for the project was not stated in any of the agreement or correspondence with NDDC.

(Details in Appendix XI).

The key risks

- Violation of the procurement process is a serious threat to due process.
- Possibility of lack of accountability as there is no audit report of the activities of the partnership as required by the agreement.

Our Recommendation

Management should be held accountable for entering into a partnership agreement without due process and since the agreement is faulty ab-initio, the partnership should be terminated while the sum of ₦1,741,074,999.93 paid, should be recovered.

Issue 12: PROMOTION OF STAFF TO THE DIRECTOR LEVEL WITHOUT TAKING INTO CONSIDERATION THE AVAILABLE VACANCIES

Area of coverage and summary of work done by the auditor

As part of our review, we checked the commission's list of Directors and progression details to verify the level of compliance with Public Service Rules on vacancy and promotions.

Our Finding(s)

It was observed that the promotion to the director level (grade level 17) failed to ensure that only the number of available vacancies are promoted. This development led to the situation whereby more than one director are in the same directorate. It should be noted that promotions are always subject to availability of vacancies.

Instances of directorate with more than one director are as stated below:-

S/N	DIRECTORATE	NAME OF STAFF	RANK/ GL
1	Corporate Affairs	<ul style="list-style-type: none"> Ibitoye Ayodele Abosede Odili Charles Obi 	Director / 17 Director / 17
2	Information Technology	<ul style="list-style-type: none"> Glassgow Seigha Victor Osain Kine K. 	Director / 17 Director / 17
3	Administration and Human Resources	<ul style="list-style-type: none"> Numbre Iyingi Jaja Godwin Isaiah 	Director / 17 Director / 17
4	Education, Health and Social Service	<ul style="list-style-type: none"> Khan Ekiyuoatoye G.O. Edieya Peter Uwa Gochua Okejoto J. Nwideeduh Samuel Barilekaana 	Director / 17 Director / 17 Director / 17 Director / 17
5	Project Monitoring and Supervision	<ul style="list-style-type: none"> Audu-Ohwavborua Emmanuel D. Ahiakwo Ndubusi 	Director / 17 Director / 17

The key risks

- This can create unnecessary rivalries in a department where two or more Directors are present.
- Possibility of conflict of duty and lack of co-operation.



- Increasing cost of personnel emoluments.

Our Recommendation

- (i) Acceptable or justifiable explanation should be provided on the observations raised above, otherwise the abnormalities should be addressed and evidence forwarded to the Office of the Auditor-General for Federation.
- (ii) Management should ensure strict compliance with the approved administrative and establishment structure



Issue 13: APPOINTMENT OF DIRECTORATE CADRE PERSONNEL AS POLITICAL STAFF TO SERVE AS AIDES TO BOARD MEMBERS

Area of coverage and summary of work done by the auditor

Analysis of the Nominal roll and personnel emolument records of the Commission.

Our Finding(s)

- (a) Examination of the personnel records of the Commission revealed that some officers were employed on salary grade level 16 and designated as “Political Appointees” to serve as aides to the Board members. These aides comprise of fifty-one (51) grade level 16 Officers and sixteen (16) grade level 12 Officers. All these officers enjoyed the same remuneration and conditions of service with staff in the same grade level.
- (b) These appointments are considered to be against the Federal government directive that all aides and assistants to Political Office holders are to be paid by their principal and should not be at government expense. It should be noted that no criteria was put in place as to the qualifications and experience of these aides before their employment and placement in the various levels. Their appointment was considered as abnormal and against extant government regulation. It should also be noted that none of these Board members that represent various Government Agencies enjoy this kind of high caliber officers as aides in their respective organization, knowing fully well that it was not in line with government regulations.

The key risks

- Can affect the morals of career officers.
- Unqualified staff may be injected to the system through back door.

Our Recommendation

All the salaries, allowances and other perquisites enjoyed by these aides should be computed and collected back from the Board members that they are attached to and remit to the Consolidated Revenue Fund. Evidence of recovery and remittance should be forwarded to the Office of the Auditor-General for Federation for confirmation.

Issue 14: NON-SUBMISSION OF COMPREHENSIVE NOMINAL ROLL TO THE PERIODIC CHECKS TEAM

Area of coverage and summary of work done by the auditor

As part of our examination, we checked the Commission's documentations to ascertain its level of compliance with the Financial Regulations (FR). Financial Regulation 110 states that "By virtue of the responsibilities and functions of the Accountant General and the Auditor-General or their representatives shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information"

Our Finding(s)

The Head of Human Resources of the Commission denied the audit team access to comprehensive Staff nominal roll despite repeated demands. Vital details such as the staff date of birth, qualifications, date of last promotion, State and Local Government of origin etc were not provided on the excuse that it was for their internal use. Non availability of these vital details constrained the Team from assessing the suitability of the staff for their respective ranks.

(Evidence of repeated request for the nominal roll attached as Appendix XII).

The key risks

- Public fund could be paid to ghost-workers as nominal roll was not provided for examination.
- Can lead to abuse of Federal Character principle within the Niger Delta region.
- Possibility of retaining retired staff on the payroll of the Commission.
- Possibility of denying access to Government documents to cover for inadequacies and misconduct.

Our Recommendations

- (i) Management should be sanctioned for withholding information from the audit team.
- (ii) The comprehensive nominal roll of the Commission for the respective years should be forwarded to the Office of the Auditor-General for Federation for confirmation and review.

Issue 15: PAYMENTS OF COMPENSATION THROUGH CHRIS OGHENE OMORU & CO WITHOUT EVIDENCE OF JOB EXECUTION - N190,956,627.75

Area of coverage and summary of work done by the auditor

We reviewed the payment of compensation on the Bill of Engineering Measurement and Evaluation (BEME) of the construction contract awarded to Messrs. Setraco Nigeria Ltd at the sum of ₦16,157,782,480.20 for the construction of Gbaregolor – Gbekbor – Ogulagha Road Phase 1 vide award Ref No NDDC/EDP/DEL/PR/176 dated November 5, 2009 to ascertain the level of compliance with **Financial Regulation 708** which states that “On no account should payment be made for services not yet performed or for goods not yet supplied”.

FR No 3104 provides that job not executed, the amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

We observed that the sum of **N190,956,627.75** (One Hundred and Ninety Million, Nine Hundred Fifty-Six Thousand and Six Hundred and Twenty-Seven Naira and Seventy Five Kobo Only) was paid through **Chris Oghene Omoru & Co** for compensation as was provided in bill 1 of the main contract sum which was purportedly paid to the affected persons/ individuals through the Estate Valuer as claimed. But, there were no field reports submitted by the Estate Valuer and the review presented by relevant department and there was also no evidence that compensation was paid in the presence of CRD, PMD, Consultants etc for verification in disregard to provisions of **Financial Regulation 3104 (iii)**.

(Details in Appendix XIII).

The key risks

- Public fund might be used for what it was not meant for.
- Inability to account for Public fund.

Our Recommendation

The sum of ₦190,956,627.75 should be recovered from Messr Chris Oghene Omoru & Co and evidence of recovery presented for confirmation.

Issue 16: IRREGULAR PAYMENT OF COMPENSATION - ₦86,531,503.00**Area of coverage and summary of work done by the auditor**

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Financial Regulation 3106 which states that "On no account should payment be made for services not yet performed or for goods not yet supplied." FR 3109 provides that "A public officer who makes an irregular payment from public funds, shall be given 21 days notice to offer an explanation. Where no satisfactory explanation is given, the amount involved shall be recovered from the officer and such officer shall be removed from the schedule."

Our Finding(s)

It was observed that the sum of ₦86,531,503.00 paid as compensations in respect of economic crops/ trees, shrines, fish pond, polluted water etc to 1,195 persons affected by the proposed constructions of Etono – Biakpan – Eziafor – Asaga road with spurs and bridges by the Commission. It was further observed that there was no independent Estate valuer that was engaged to carry out the enumeration and the costing of compensation due for payment; thus, no field report from estate valuer. Examination revealed that all proposed compensations were "provided for in the BEME" and therefore, payment of the sums of ₦86,531,503.00 by NDDC amount to double payment. Hence, it violates Financial Regulation 3106 which states that "a public officer who makes an irregular payment from public funds. the amount involved shall be recovered from the officer".

The key risks

- Payments might have been made to other people rather than the intended beneficiaries.
- Wastage of public fund.

Our Recommendation

The Managing Director should recover and remit the sum of **₦86,531,503.00** (Eighty-six million, five hundred and thirty-one thousand, five hundred and three naira) to the Federal Government Treasury and evidence of recovery forwarded to the Office of the Auditor-General for Federation for verification.



Issue 17: INCOMPLETE UPDATE OF CONTRACT FILE

Area of coverage and summary of work done by the auditor

We examined the documents in individual contract files of NDDC to ascertain their compliance the provisions of the Public Procurement Act 2007.

Our Finding(s)

It was observed during the period under review that contract files of contractors were not properly updated to what is expected of a standard contractor's file. Most cases, some vital documents are either not available or not filed to show the trail of contract in question.

It is expected that individual contract file should be maintained for each of the contractor with clear reference, for identification.

Each file must contain the following among others as may be applicable:-

- The need/proposal for the contracts.
- Evidence of advertisement in relevant Newspapers.
- The tendering process.
- Pre-qualification process.
- The Public Procurement Committee's approval(extracts)
- Letter of awards.
- Acceptance letter.
- Project drawings / Scope
- Bill of Quantities/Quotations/Specification (as applicable).
- Copies of payment vouchers.
- Certificate of job completion by in-house technical staff.

All these above as may be applicable are expected to be in each of the contractors file as it is being practice in public sector. Most of these are lacking in the NDDC contract file during the period under review.

The key risks

- Due Process may not have been adhered to.
- Inability to determine the accurate status of the project at all times.

Our Recommendation

The management is hereby advised to update all contractors records as a matter of urgency.

Issue 18: IRREGULARITIES IN THE SUPPLY OF 3,852 DOSES OF HEPATITIS B VACCINES AND 1570 DOSES OF TYPHOID VACCINES (28) AND SUPPLY OF LASSA FEVER KITS IN (23 LOTS) TO NDDC WAREHOUSE IN PORT HARCOURT AND DISTRIBUTION, TRANSPORTATION AND STORAGE (56 LOTS): - ₦2,527,000,000.00

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Section 16(2) of the Public Procurement Act and Financial Regulations. Financial Regulation 2908 states that, "Where there are existing thresholds, no funds shall be drawn from the consolidated revenue fund or any government account in respect of procurements falling above the set thresholds. Such payment falling above thresholds shall only be valid if 'Certificate of No Objection' is obtained from the Bureau"

It was equally intended to ascertain the level of compliance to the provisions of Section 18 of the Public Procurement Act which states that "Subject to regulations as may from time to time be made by the Bureau under the direction of the Council, a procuring entity shall plan its procurement by :

- (a) preparing the needs assessment and evaluation ;
- (b) identifying the goods, works or services required ;
- (c) carrying appropriate market and statistical surveys and on that basis prepare an analysis of the cost implications of the proposed procurement ;
- (d) aggregating its requirements whenever possible, both within the procurement entity and between procuring entities, to obtain economy of scale and reduce procurement cost ;
- (e) integrating its procurement expenditure into its yearly budget ;
- (f) prescribing any method for effecting the procurement subject to the necessary approval under this Act ; and
- (g) ensuring that the procurement entity functions stipulated in this Section shall be carried out by the Procurement Planning Committee."

Our Finding(s)

We observed that the contracts awarded totalling **₦2,527,000,000.00** (Two Billion, Five Hundred and Twenty- Seven Million Naira only) was split into 56 different Lots and awarded to 56 contractors in a bid to circumvent the tender procedures and evade set monetary threshold of approval in flagrant disregard to the provisions of Section 16(2) of PPA and Financial Regulation 2908.

We also discovered that there was no Bills of Quantities in respect of the said



contracts to enable the Audit Team ascertain value-for-money of **₦2,527,000,000.00** in disregard to the provisions of Sec. 18 (c) of the Public Procurement Act.

Many of the vaccines and kits were seen at the ware house of NDDC in Port Harcourt, expired and out of use as at the time of our visit to the store in January, 2019. However the quantity and value could not be determined because it was not taken on store charge and lacked documentation.

Money was only spent because it has been voted without economic benefit to the people.

The contracts process as stipulated in financial Regulation was grossly violated.

(Details in Appendix XIV).

The key risks

- **Split of contracts:** Contracts of supplies are being split to circumvent approval threshold and funds are paid without documentary evidence that show actual supply of the said items.
- **Risk of Internal control failure:** Processes are not adhered to, controls put in place by management seems to be inadequate and ineffective.

Our Recommendation

The managing Director should explain the obvious flaw in the award of these contracts, And also provide evidence that the Commission derived the necessary benefits from the procurement. Evidence that the contract was fully executed with relevant store documentation of receipts and issuance out of the store should be provided.

Issue 19: SUPPLY OF ATOMIC SLICING KITS FIBRE, LINK INSULATOR FIBRE CROSS-ARMS TO THE NIGER DELTA REGION WITHOUT APPROVAL FROM NATIONAL INFORMATION TECHNOLOGY DEVELOPMENT AGENCY (NITDA) – ₦950,871,520.00

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Federal Government Circular No.SGF/6/S.19/T/65 of 18th April, 2006 which directed all MDAs planning to embark on any IT project to obtain clearance from NITDA.

Our Finding(s)

It was observed from the sampled payment voucher that the above IT equipment were purchased by the commission during the year under review without any approval from National Information Technology Development Agency, in flagrant violation of the federal government circular No.SGF/6/S.19/T/65 of 18th April,2006 which directed that all MDAs planning to embark on any IT project should obtain clearance from NITDA. None compliance with this directive made the Audit Team unable to certify that the equipment are of the right quality and complied with all safety regulations.

A breach of the provisions of NITDA Act is an offence under section 17 and punishable under section 18 of the Act.

(Details in Appendix XV).

The key risks

- Non-compliance with Federal Government regulations on procurement of ICT equipment.
- Fake or substandard equipment might have been procured.

Our Recommendation

The Managing Director is requested to justify the non- compliance with NITDA Act in the procurement and supply of IT equipment.

Issue 20: SOME FORMER POLITICAL OFFICE HOLDERS AND SOME STAFF OF NDDC RETIRING WITH GOVERNMENT PROPERTY IN THEIR POSSESSION WITHOUT AUTHORIZATION.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Financial Regulation 2001 which states that, "The Accounting Officer shall be responsible for ensuring that there are effective controls in the use of government vehicles. For this purpose, he will ensure that the following records are maintained:

- (a) Vehicles' Control Register.
- (b) Requisition! Approval for journey.
- (c) Vehicle Log-Book (Gen.59).
- (d) Vehicle Maintenance Register.

Our Finding(s)

We observed that some of the former Management staff and some officers of the commission that retired within the years under review went away with the official vehicles attached to them without due authorization. **(Details in Appendix XVI).**

The key risks

- The government stands to lose its properties carted away by these retired officers.
- This can create a bad precedence to current political office holders and staff of the Commission with a belief that government properties can be taken away without any consequence.

Our Recommendation

The MD/CEO of NDDC is required to retrieve the government assets while appropriate depreciation for the period of withholding should be charged against the concerned individuals and copies of legal action taken with recovery particulars forwarded to the Office of the Auditor-General for Federation for verification.

Issue 21: CONTRACT OF DREDGING/DESILTING OF IMO RIVER,ONUIMO AND IHITTE UBOMA (LOT 2) IHITTE UBOMA, IMO STATE N949,220,780.00 AWARDED TO MESSRS COTRID NIGERIA LIMITED.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Financial Regulation 415 which states that, "The federal government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted."

Our Finding(s)

The contract for the dredging/desilting of Imo river, Onuimo and Ihitte Uboma (lot2) Ihitte Uboma was awarded to Messrs Cotrid Nigeria Limited in the sum of N949,220,780.00. Examination of record relating to payment for this contract and subsequent site visit revealed the following:

- (a) Interim payment certificate (IPC) No.2 dated 7th July, 2017 shows that a cumulative figure of N881,623,169.70 had been released and paid to the contractor.
- (b) The contents of Bill No1 of the BEME constituted expenditure of non-permanent works and ought to be supported with receipts, invoice or bill when claimed by the contractor in the interim payment certificates. Nothing of this sort was produced for audit examination.
- (c) The valuation back-ups which were attached to the interim payment certificates outlined the contents and values of the BEME without project vehicle provisions but two Ford Rangers XLT were procured from the bill one that are claimed.

Included in the items of expenditure on the Contract Bill No 1:-

- Release of N2,000,000.00 as claimed by the contractor for the payment of compensation.
- Released of N8,400,000.00 as provisional sum for the hiring of house boat as living accommodation for contractor's staff/engineers and Resident Engineer during the duration of the project.

- Payment of the sum of ~~₦~~35,111,363.64 to the contractor as cost of survey, design and supervision of the project by nominated consultant as directed by the Engineer. It should be noted that the survey and design of the project ought to have been carried out even before the award of the contract.
- (d) The provision of the sum of ~~₦~~55,911,363.64 in Bill No.1 of the BEME for this contract amounted to undue inflation of contract sum.
- (e) That the purchase of two project vehicles which cost was not included in the BEME was without due economy canvassed by the extant regulations.

(Details in Appendix XVII).

The key risks

- Payment for job not done.
- Loss of government fund due to inflation of contract sum.

Our Recommendations

- (i) The MD/CEO NDDC has been requested to explain and comment on the reasonableness of the provision for expenditure of non- permanent works on the project.
- (ii) Produce the detailed list of the beneficiaries (with identities) and inventory of properties which the sum of ~~₦~~2,000,000.00 was claimed by the contractor for payment of compensation in order to confer legitimacy on this expenditure; otherwise the sum of ~~₦~~2,000,000.00 should be recovered and refund to treasury while recovery particulars forwarded to the Office of the Auditor-General for Federation for verification.
- (iii) Justify the provision of the project vehicles and sources of fund since this was not embedded in bill one (1) of the BEME.
- (iv) Produce, for audit verification, the receipt, invoices, bills and statement of expenditure in respect of the items in the contract bill No1 provision on the above project. Otherwise, the expenditure of ~~₦~~ 55,911,363.64 cannot be certified as proper and legitimate charge to government Fund.

Issue 22: CONTRACT FOR THE DREDGING/DESILTING OF OBANO-OKPOSHA OGUTA LAKE WATERWAY (LOT 2) IMO STATE - ₦994,415,000.00

Area of coverage and summary of work done by the Auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Section 17 of the Public Procurement Act and Financial Regulations (FR) 2920 which states that "Subject to the monetary and prior review thresholds for procurements in this Act as may from time to time be determined by the Council, the following shall be the approving authority for the conduct of public procurement (a) in the case of :

(i) a government agency, parastatal, or corporation, a Parastatals Tenders Board and (ii) a ministry or extra-ministerial entity, the Ministerial Tender Board and Financial Regulation 2933 states that, "Subject to any regulations that may be prescribed by the Bureau from time to time, a procuring entity may grant a mobilization fee which shall not exceed 15% of the contract price. The payment of mobilization fee shall be supported by, in case of national competitive bidding a guarantee issued by a reputable bank or Insurance company, and in the case of an International competitive bidding a bank guarantee issued by a reputable bank"

Our Finding(s)

The contract was awarded to Messrs Riverbrook Energy Limited at a contact sum of ₦994,415,000.00 through award letter reference No: NDDC/EDP/UIDW/PR/IM/14/564 of 18th December, 2014. with a completion period of 12 months from the date the Agreement was signed.

Examination of documents revealed that there was no Parastatal Tender Board approval for the award of the contract since it was beyond the approval limit of the management. No evidence of compliance with due process in the award of the contract.

Examination of the Bills of Quantities shows that a preliminary sum of ₦56,702,262.52 was added to the contact sum as Bill No.1 without any breakdown of how the amount would be used. The payment vouchers with amounts of ₦550,280,000 was raised to pay mobilization fees to the above contractor, without relevant supporting documents such as the Unconditional Performance Guarantee/Security Bond from a reputable bank or Insurance

company, this was contrary to the provisions of Financial Regulations 603(i) and 2933 which states that “all vouchers shall contain full particulars of each service” and that “the provision of unconditional performance guarantee/security bond shall be a precondition for payment of mobilization fees”.

The paid vouchers on this contract also confirmed that the sum of ~~₦~~728,600,125.00 and ~~₦~~86,784,993.75 has been paid to the contractor and the following abnormalities were noted:

- (i) Amounts of ~~₦~~2,293,300.00 was paid from Bill No 1 (General item 1.10) in the BOQ directing the contractor to pay the said amount to Messrs East consult for the partitioning of some offices in the PMS Directorate, to be funded from Bill No 1 of Dredging/Desilting of Obano Okposha (Lot 2) Oguta Imo state was expended on purposes other than that for which the funds were provided, contrary to the provision of Financial Regulation 417 which stipulates that “Expenditure shall strictly be classified in accordance with the Estimates, and Votes must be applied only to the purpose for which the money is provided. Expenditure incorrectly charged to a vote shall be disallowed”.
- (ii) There was no evidence of any need assessment undertaken for this project, in violation of the Public Procurement Act, 2007 and Financial Regulation 2918(a) which require that the Procurement Planning Committee shall prepare the needs assessment and evaluation of all procurements.
- (iii) There was no evidence of adherence to due process and the Public Procurement Act, 2007 requirement by the commission before the award of this contract to Messrs Riverbrook Energy Ltd. Evidence of Newspaper advertisements, open competitive bidding, evaluation and acceptance of bid before award was not produced for audit verification, See Internal memo dated 21st March, 2017 on IPC No 3 folio 7 that the award was still being harmonized as at 30th March, 2017 thereby rendering this expenditure doubtful.
- (iv) “No-objection certificate” was not obtained from the Bureau of Public Procurement before payment was effected.
- (v) Relevant supporting documents such as the Approving Authority Tenders Board minutes, Contract Agreement, invoices etc, were neither attached to the voucher nor produced for audit verification.



(Details in Appendix XVIII).

The key risks

- Due process may be grossly abused.
- Total disregard to extant rules and regulations by Management can weaken the Internal Control System of the Commission.

Our Recommendations

- (i) The MD/CEO should be sanctioned for breach of Public Procurement Act, 2007 and Financial Regulations meant to protect government interest.
- (ii) The Managing Director should justify the over expenditure and misclassification of votes.
- (iii) Acceptable explanation should be provided on the observations raise above; otherwise the total amount involved should be recovered and its particular forwarded to the Office of the Auditor-General for Federation for verification in accordance with Financial Regulation 3106.

Issue 23: PAYMENT FOR JOB NOT DONE AND NONE REMITANCE OF TAXES DEDUCTED ON INSTRUCTION TO URGENTLY REMEDY FAILED & UNMOTORABLE SECTION OF ISIEKE-AJATAH ROAD UMJAIHA NORTH LGA, ABIA STATE - N688,922,686.33.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Sec. 18 of the Public Procurement Act and Financial Regulations (FR) 2918 which states that, "Subject to regulations as may from time to time be made by the Bureau under the direction of the Council, a procuring entity shall plan its procurement by:

- (a) preparing the needs assessment and evaluation ;
- (b) identifying the goods, works or services required ;
- (c) carrying appropriate market and statistical surveys and on that basis prepare an analysis of the cost implications of the proposed procurement ;
- (d) aggregating its requirements whenever possible, both within the procuring entity and between procuring entities, to obtain economy of scale and reduce procurement cost ;
- (e) integrating its procurement expenditure into its yearly budget ;
- (f) prescribing any method for effecting the procurement subject to the necessary approval under this Act ; and
- (g) ensuring that the procurement entity functions stipulated in this Section shall be carried out by the Procurement Planning Committee.

It was equally intended to test and ascertain the level of compliance of the NDDC with the provisions of Financial Regulations (FR) 235 which states that "Deductions for WHT, VAT and PAYE shall be remitted to the Federal Inland Revenue at the same time the payee who is the subject of the deduction is paid."

Our Finding(s)

- (a) The contract was awarded to Messrs F.N Ogboguleke Nig Ltd at a contract sum of N688,922,686.33 through award letter Reference No. NDDC/EDP/INS.DR/AB/16/10/ dated 29th November, 2016 with 24weeks completion period.
- (b) Examination of the contract file and other documents revealed that the contract has been completed.



(c) In checking through the payment records and status report dated January 2018, it was observed that the contractor has been paid a gross sum of ~~N~~591,193,810.70 leaving a balance of ~~N~~31,115,463.72. This outstanding balance was the 5% retention fees.

Audit examination revealed the following: -

- (i) There was no evidence of any need assessment undertaken for this project, in violation of the Public Procurement Act, 2007 and Financial Regulation 2918(a) which require that the Procurement Planning Committee shall prepare the needs assessment and evaluation of all procurements.
- (ii) There was no evidence of adherence to due process and the Public Procurement Act, 2007 requirement by the commission before the award of this contract to the company. Evidence of Newspaper advertisements, open competitive bidding, evaluation and acceptance of bid before award was not produced for audit verification, thereby rendering this expenditure doubtful.
- (iii) “No-objection certificate” was not obtained from the Bureau of Public Procurement before payment was effected.
- (iv) Relevant supporting documents such as the Tenders Board minutes, Contract Agreement, receipts, invoices etc were neither attached to the voucher nor produced for audit verification.
- (v) It was observed during examination of sampled payment vouchers that payment were made to F.N. Ogboguleke Nig Ltd for the Instruction To urgently remedy failed & unmotorable section of Isieke- Ajatah road Umuhahia, Abia State totaling 688,922,686.33 from which Value Added and withholding taxes amounting to **N62,230,927.44** was deducted on the payment vouchers No 88565 dated 25th October, 2017. There was no evidence to show that the taxes deducted were remitted to the relevant tax authorities. In other words, there were no vouchers raised in favour of FIRS for the purpose of remitting the taxes deducted as provided for in Financial Regulations 235 which states that “VAT, WHT, shall be remitted to the FIRS at the same time the payee who is the subject of deduction is paid”.

During physical inspection carried out at the project site together with the NDDC Abia State Office Engineers the following observations were made:

- (a) The contract was awarded before scoping as the reality on ground as per the executed works does not tally with the scope of work and BEME.
- (b) The entire length of the road provided for in the BEME/BOQ and paid for was 1.5km length with scarification and carriage width of 7.3m as against the 400meters length of the entire road that was done and measured by the team from the sections of Isieke – Ajatah road in umuahia north LGA where the road terminated.
- (c) A total provision of **N427,406,194.13** was made for Bill No. 3: Gully erosion remediation of 1000m road length with 7.3m carriage width but inspection revealed that the actual length of the road done to complete the project was 400m with 7.3m width. Thus what the contractor executed was 400m x 7.3m (40%) of what was provided for in items 301 – 309 of the BEME/BOQ. This resulted to payment for job not executed to the tune of **N256,443,716.48**.

(Details in Appendix XIX).

The key risks

- Loss of revenue accruable to the government as a result of non- deduction and remittance of VAT and WHT.
- Payments can be made for contracts not executed.

Our Recommendations

- (i) The MD/CEO of NDDC has been requested to Produce the mentioned documents or recover the amount involved, with relevant particulars of recovery forwarded for audit verification, in accordance with Financial Regulation 3106.
- (ii) The commission should remit the deducted taxes on the contract worth ~~N~~62,230,927.44 to the appropriate tax authority and submit to the Office of the Auditor-General for Federation the receipts from the appropriate tax authorities for the remittance of these taxes.
- (iii) The total sum paid for work not done/executed worth ~~N~~256,443,716.48 should be recovered from the contractor failing which the amount should be recovered from the ED/Projects and the Director PMS whose directorate sign the evaluation form and interim payment certificate for this contractor to be paid.
- (iv) Evidence of the recovery should be forwarded to the Office of the Auditor-General for Federation for verification'

Issue 24: ISSUANCE OF IPC WITHOUT BACK UP VALUATION ON CONTRACT AWARDED TO MESSRS BENNATTI NIG LTD FOR URGENT REMEDY OF FAILED & UNMOTORABLE SECTIONS OF ETIM OKPOYO STREE, EWET HOUSING ESTATE, UYO AKWA IBOM STATE - N117,130,854.75

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Sec 35(2) of the Public Procurement Act and Financial Regulations 2933(ii) which states that, "No further payments shall be made to a supplier or contractor who has been paid mobilization fee except on the strength of an interim performance certificate issued in accordance with the contract agreement.

Our Finding(s)

- (a) We discovered a total sum of **N109,205,812.01** had been paid to the contractor as at 6/10/2017. Records show that the award letter was issued based on the track record of the previous project without recourse to due process.
- (b) During the physical inspection carried out at the project site together with the NDDC Akwa Ibom State Office Engineers it was discovered that interim payment certificate No.01 of this project was issued on 4th August, 2017 by Engr Ime E. James. totaling N109,205,812.01. The payment on the valuation was effected vide PV No. 88367 dated 6th October,2017 without back up valuation to explain what was in the certificate. The actual scope of work executed was **N 55,555,332.01** resulting to over payment to the contractor to the tune of **N53,650,480.00**.
(Details in Appendix XX).

The key risks

- Loss of Government Fund
- Internal control failure.

Our Recommendations

- (i) The MD/CEO is required to recover the sum of **N53,650,480.00** paid for work not executed by the contractor, failing which the Director Project Monitoring and Supervision (PMS) that approved the work and signed the interim payment certificates should be made to refund same.
- (ii) Evidence of the recovery should be forwarded to the Office of the Auditor-General for Federation for verification.

Issue 25: NON-CONSTRUCTION OF SOLAR POWERED STREET LIGHT AT IBE STREET, ELEKAHIA, PORTHARCOURT - N247,991,974.52

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Section 35(2) of the Public Procurement Act and Financial Regulation 2933(ii) which states that, "No further payments shall be made to a supplier or contractor who has been paid mobilization fee except on the strength of an interim performance certificate issued in accordance with the contract agreement.

Examination of contract file and other documents revealed that the contract has been completed and 92% of the contract sum has been paid. In checking through the award BEME and physical inspection carried out at the Project site together with the NDDC Rivers State Engineers, the following findings were noted.

Our Finding(s)

Payments on IPC No.1 without Back up valuation N188,914,513.04

Interim Payment Certificate No. 1 of this project was made on 20th April, 2017 by Principal manager signature without name totalling N188,914,513.04. The payment on this IPC was effected vide PV No. 60497/2017 of 5/5/2017 totalling N188,914,513.04 without valuation back up in line with the provision of procurement Act.

Worse still, as at 20/4/2017 when interim payment certificate No 1 was forwarded to Director PMS, the award was not yet harmonized before payment was effected.

The said memo dated 20/4/2017 also claimed that the process of IPC No.1 for payment was based on the report submitted by Rivers state office comprising consultant report, Bill of lading, SON-CAP Certificate all aforementioned document are not attached to the file nor the payment voucher. In summary, this job was not executed. **(Details in Appendix XXI).**

The key risks

- **Loss of Government Fund:** Funds was released in payment for services and the performance of which is not authenticated. Therefore, capable of causing unnecessary loss of funds to government.
- **Risk of Internal control failure:** Checks were meant to be carried out to



ensure internal control processes are adhered to. Controls measure put in place by management seems to be inadequate and ineffective.

Our Recommendations

- (i) The management should furnish the Office of the Auditor-General for Federation with the back-up valuation in respect of the above interim payment certificate and aforementioned valuation certificate for audit scrutiny.
- (ii) The sum of ₦188,914,513,04 paid for works not executed should be recovered from the contractor in the first instance, failing which the amount should be recovered from the Director PMS whose directorate was responsible for the preparation of the valuation certificate and interim payment certificate for this contractor to be paid.
- (iii) Evidence of the recovery should be forwarded to the Office of the Auditor-General for Federation for verification.

Issue 26: INCOMPLETE EXECUTION OF CONTRACT FOR PROVISION OF SOLAR POWERED STREET LIGHT COMPLETE WITH 600MMX600 MM REINFORCED CONCRETE PLINTH IN UQUO COMMUNITY AND ENVIRON LOT 1, AT ESIT EKET LGA, AKWA IBOM STATE ₦245,000,000.00 AWARDED TO MESSRS DANAS CONTRACTING SUPPLIES

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Financial Regulations (FR) **3104(iii)** states that, "A Public Officer who fraudulently pays money to a contractor for a job not executed shall be required to refund in full the amount wrongly paid and shall be removed from that schedule and the matter referred to the Economic and Financial Crimes Commission for prosecution."

Our Finding(s)

- (a) Examination of the contract file (BEME) and scope of work revealed that the contract was for the provision of solar powered street light complete with 600MM X600MM reinforced concrete plinth Nos 124 of 8 meters galvanized solar powered street light poles with accessories and solar panels at a contract sum of ₦245,000,000.00. Further examination of documents revealed that the contract has been fully paid for.
- (ii) Perusing through the payment records, only evidence of payment of the sum of ₦193,897,109,49 for IPC No1 dated 23rd March,2017 was sighted without back- up valuation Evidence of provisional sum of ₦7,985,000.00 paid in same IPC No1.

During the physical inspection to the project site together with the NDDC Akwa Ibom State Office Engineers, the following observations were made:-

- (i) A total provision of ₦10,000,000.00 was made in the BEME to allow for the consultant design, survey and production of working drawing but the details of how the money was utilized was not given.
- (ii) Item 5 under preliminaries in the BEME another Lot for security of stored and installed materials totaling ₦750,000.00 was provided.
- (iii) 20% as maintenance cost for 5 years by the solar consultant provisional sum of ₦27,917,632.80 was to be paid to the consultant upon the completion of 5

years maintenance period but the payment was already effected. The Director Akwa Ibom State Office attest on 14/7/2017 that the project had been completed in 2016 and put to use and official hand over was done on 10/01/2017.

- (iv) Testing and commissioning the lump sum of ~~₦~~2,000,000.00.
- (v) Another provision for transportation was made against lump sum of ~~₦~~2,500,000.00.
- (vi) In the General summary page of the BEME It was observed that a whopping sum of ₦1,477,766.36 was paid to the contractor without evidence of alteration/modification/changes to the provisions of the Bill of Quantities at the execution stage which was not envisaged at the planning stage.

Physical count revealed that it was only 64 Nos. Solar Power Street Light that were installed, the balance of 60 units were not provided. This translated to overpayment of ₦93,821,182.01 to the contractor.

(Details in Appendix XXII).

The key risks

- Loss of public fund.
- Payment for job not done.

Our Recommendations

It is hereby recommended that:

- (i) The sum of ₦93,821,182.01 paid for 60 units Solar Powered Street Light not supplied and seen physically should be recovered from the contractor, failing which the DPMS and the Akwa Ibom State Director together with the officers that signed the valuation and interim payment certificate for this contractor to be paid should be made to refund same. Evidence of recovery should be forwarded to the Office of the Auditor-General for Federation for verification.
- (ii) The breakdown and the utilization of the above lump sum provision for design, survey and production of working drawings totaling ~~₦~~10,000,000 should be forwarded to the Office of the Auditor-General for Federation;
- (iii) The breakdown and the utilization for Security of stored and installed materials totaling ~~₦~~750,000.00 should be forwarded to the Office of the Auditor-General for Federation;
- (iv) The breakdown and the utilization of the above provision for Testing and commissioning lump sum, floor finishes totaling ~~₦~~2,000,000.00. should be furnished.

Issue 27: ABANDONMENT OF THE CONTRACT FOR CONSTRUCTION OF NIGER DELTA REGION SPECIALIST HOSPITAL (CARDIOVASCULAR) IN RIVER STATE ₦1,042,776,000.07 AWARDED TO MESSRS. MX-MX HUGHES LTD.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulation, Financial Regulation 601 states that, "All payment entries in the cash book/accounts shall be vouched for on one of the prescribed treasury forms. Vouchers be made out in favour of the person or persons to whom the money is due. Under no circumstances shall a cheque be raised, or cash paid for services for which a voucher has not been raised."

Audit visit to the project site.

Our Finding(s)

- (a) Examination of the NDDC contracts payment status from the Finance and Accounts department revealed that the contractor has been paid 94% of the contract sum, translating to ₦980,209,440.00.
- (b) Information gathered from the Project Monitoring, Evaluation and Inspection Directorate of NDDC Projects Performance Status report as at January, 2018 put the level of work done by this contractor at 89%. During the audit checks in 2018, exactly seven years after the award, it was discovered that the contractor has abandoned the site completely. The only thing left on site were administrative office and some little materials scattered on the ground. The building is reasonably completed, only the outside works such as the pavements and parking lots were outstanding. Being left unused for a very long time, the structure have started deteriorating. Further investigation revealed that the contract is said to be abandoned due to lack of funds and that several items of works that will make the hospital functional were not captured in the contract bill of quantities (BOQ). This was due to the fact that due diligence and feasibility studies were not carried out before the contract was initially awarded. The due process for the award of this contract was not produced for audit examination despite repeated demand.
- (c) In view of the abandonment of the project without it being re-awarded for completion, the amount spent so far on the project can be seen as a deliberate wastage of government fund.



(Details in Appendix XXIII).

The key risks

- **Wastage of government resources:** Funds were being paid without any benefit being derived from the project as the project was abandoned and funds committed into the project wasted.
- **Internal control failure:** Checks were meant to be carried out to ensure processes are being adhered to. Controls put in place by management seems to be inadequate.

Our Recommendations

- (i) It is recommended that the Managing Director should explain why the sum of ₦980,209,440.00 was expended on such important project and it is non-functional.
- (ii) All efforts must be put in place to ensure immediate completion of this project that have high potential of positive impact on the region and to avoid the waste in government's scarce resources.

Issue 28: CONTRACT FOR THE CONSTRUCTION OF ANUA/IFA IKOT OKPON/ISIET BEACH ROAD, UYO L.G.A, AKWA IBOM STATE TAKEN OVER BY THE STATE GOVERNMENT N899,890,840.00 AWARDED TO MESSRS MURVAL CO LTD REF. NO. NDDC/EDP/UIDW/PR/AKS/42/837 DATED 18/12/2014

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Sec. 16(2) of the Public Procurement Act which states that, "Where the Bureau has set prior review thresholds in the procurement regulations, no funds shall be disbursed from the Treasury or Federation Account or any bank account of any procuring entity for any procurement falling above the set thresholds unless the cheque, payments or other form of request for payments is accompanied by a certificate of "No Objection" to an award of contract duly issued by the Bureau."

It was also intended to test for the level of compliance of the NDDC with Sec 35(2) of the Public Procurement Act and Financial Regulation 2933(ii) which states that, "No further payments shall be made to a supplier or contractor who has been paid mobilization fee except on the strength of an interim performance certificate issued in accordance with the contract agreement."

Our Finding(s)

- (a) Examination of the contract documents revealed that there was no Federal Executive Council approval for the award of the contract since it was beyond the approval limit of the Commission. Also, examination of the Bills of Quantities shows that a preliminary sum of ~~N~~66,048,089.72 was added to the contract sum without any break-down showing how the amount would be utilized.
- (b) In checking through the accounting records and Bills of Quantities it was also observed that the amount of ~~N~~34,248,089.72 was provided for consultancy/supervision in Bill one of the BOQ.
- (c) The basis upon which the consultancy fee of ~~N~~34,248,089.72 was arrived at was not produced for verification and there was no breakdown to ascertain whether the amount was in line with approved scale of fees payable to professional in the construction industry. Furthermore, the beneficiary of the consultancy fees was not disclosed neither was the mode of appointment specified.



During physical inspection carried out at the project site together with two NDDC Akwa Ibom State office engineers the following observation were made: Interim payment certificate No 01 dated 04/07/2016 totalling ₦112,153,755.00 was raised including provisional sum of ₦2,600,000.00 by Ukot Ukot without back up valuation certificate.

The team was told that the contract was taken over by Akwa Ibom State Government before the NDDC contractor was mobilized to the project site. The value of certified work under the NDDC was ₦112,153,755.00 which had been paid to the contractor.

The basis upon which the consultancy fee of ₦34,248,089.72 was arrived at was not produced for verification and there was no breakdown to ascertain whether the amount was in line with approved scale of professional fees. Furthermore, the beneficiary of the consultancy fees was not disclosed neither was the mode of appointment specified.

The circumstances leading to the taking over of the project by the State Government was not disclosed. The team could ascertain that it was due to the low pace of the project and poor quality of work execution that caused the taking over. Also due diligence and proper need assessment was not carried out before the contract was awarded.

Consequently, the Commission did not derive any value for the sum of ₦112,153,755.00 paid on this project.

(Details in Appendix XXIV).

The key risks

- Non-adherence to the provisions of the Public Procurement Act on financial Approval Threshold.
- Loss of public fund.

Our Recommendations

- (i) The MD/CEO should be sanctioned for non-compliance with the provision of the Public Procurement Act on approving threshold.
- (ii) The MD/CEO should also provide evidence of State Government acknowledgement of the work done by NDDC before taking over of the project for which the sum of ₦112,153,755.00 was spent; otherwise, this amount should be recovered from the contractor. Evidence of recovery should be forwarded to the Office of the Auditor-General for Federation for verification.



Issue 29: GOVERNMENT PROPERTY TAKEN AWAY BY FORMER BOARD MEMBER REPRESENTING IMO STATE IN NDDC WITHOUT AUTHORIZATION.

Area of coverage and summary of work done by the auditor.

- Examination of the list of motor vehicles owned by the Commission.
- Physical inspection of motor vehicles owned by the Commission.

Our Finding(s)

It was observed that a former board member representing Imo State in NDDC went away with official vehicles without due authorization. The details of the vehicles are as follows:-

- Toyota Hilux – FG 568-H01 with Chassis No. AHTFX229308024177).
- Toyota Land Cruiser details not stated.

The former Board member had ignored various letters written by the director of Administration to return these vehicles. Even a letter of reminder ref No; NDDC/HQ/ADM/3/57 dated April, 2016 was sent to him, all to no avail. It should be noted that part time Board members are not entitled to official vehicle on permanent basis.

(Details in Appendix XXV).

The key risks

- Loss of asset of the Commission.
-

Our Recommendation

It is therefore recommended that the Managing Director should use relevant security Agency to recover the vehicles from the former Board member with immediate effect. Evidence of recovery should be forwarded to the Office of the Auditor-General for Federation for audit verification.

Issue 30: UNAUTHORISED REVISION AND VARIATION OF CONTRACT SUM WITHOUT DUE PROCESS AND PAYMENT ABOVE COMPLETION LEVEL ON THE CONTRACT FOR CONSTRUCTION OF KAA – ATABA ROAD AND BRIDGES - ₦10,930,414,996.45.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations.

Our Finding(s)

We found out that the Contract for Construction of Kaa-Ataba Road and Bridge in Khana/Andoni in Rivers State was approved by the Federal Executive Council at a total contract price of ₦3,062,385,032.98. This contract was revised by the Management of NDDC to the sum of ₦10,930,414,996.45 without any recourse to the Federal Executive council who approved the award in the first instance. The revision which was approved on the authority of the Commission was merely based on the recommendation of the Director in charge of Project Monitoring and Supervision (PMS) in the Commission, acting on frivolous requests for variation of prices (VOP), labour costs and additional works not included in the initial Bill of Quantities.

There was no approval for this variations from the Due Process Office. The variation was contrary to the extant Procurement Act and Financial Regulations.

The Team's physical visit to the project site in January 2019 revealed that the level of payment for the project was far higher than the milestones achieved by the contractor. While the total value of executed works up to IPC 12 was ₦6,794,459,168.56 (62%) of the revised contract sum. The physical level of completion as at the time of the audit visit was about 30%. The contractor was still erecting the pillars along the river area but more than half of the projected numbers have not been erected. Based on this level of completion, the contractor had been overpaid to the tune of ₦3,515,334,669.62. (~~₦6,794,459,168.56~~ - ~~₦3,279,124,498.94~~ = ~~₦3,515,334,669.62~~).

(Details in Appendix XXVI).

The key risks

- There is a prevalent risk of perpetuating fraud if contracts are revised without being approved by appropriate authority.
- Payment for job not executed.



- The project may be abandoned.

Our Recommendations

- (i) The Managing Director should be sanctioned for non-adherence to laid down due process on the variation and revision of the contract price from **₦3,062,385,032.98** to ₦10,930,414,996.45 which was 357% increase from the initial contract sum.
- (ii) The payment above the scope of work executed should also be explained.

Issue 31: NON COMPLIANCE WITH THE STANDARD SCALE OF FEES IN PAYMENT FOR OUTSTANDING CONSULTANCY FEES CLAIMED FOR THREE PROJECT CERTIFIED, OMADINO-ESCRAVOS, OGHEYE-KOKO ROAD/BRIDGE AND OTUOKE-DUALIZATION TOTTALLING - N641,204,095.38

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR).

Financial Regulation provides that the basis of each certificate shall be that:

- Funds released earlier have been fully utilized
- Site visit has been carried out to assess progress of work.
- Contract work is being carried out as agreed in the contract terms.
- Percentage of work completed is commensurate with funds spent.

Our Finding(s)

The above consultancy services was awarded to Messrs. Pearl Consultant for a fee yet to be ascertained as documents were not provided.

All outstanding payments claimed in respect of these three (3) services had been made through PV No 105855 dated 8th June, 2017 as at the time of this audit exercise.

However, the following observations were made:

The basis of arriving at the above fee cannot be established because it was not in compliance with the Federal Ministry of Works rate of fees payable to consultants in the construction industry 1996. The Number of staff as well as their category, years of experience, man-hourly rate as well as the total cost were not stated. The reimbursable expenses associated with this cannot be established during the audit exercise.

It was also observed in most cases that certificates issued by the above mentioned consultants did not reflect professionalism and competence as they did not show percentage of completion or narration of actual work done as regards each IPC raised by them.

(Details in Appendix XXVII).



The key risks

- **Risk of unsubstantiated payments:** There is a risk of payments not being backed up by evidence of work done or goods supplied if fees are paid without basis of how such fees were earned.
- Payment for job not executed.

Our Recommendation

It is therefore recommended that the basis of arriving at the above fees claimed in line with Scale of Fees payable to consultants in the construction industry should be forwarded to the Office of the Auditor-General for Federation for audit scrutiny.



Issue 32: USE OF GREEN INK BY INTERNAL AUDIT DEPARTMENT:

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with Financial Regulations; (FR 3002) stipulates that except in the case of drawing offices, where they shall be required for the preparation of maps and plans, the use of green ink or pencils in recording or checking of accounting or store transactions by officers other than those of the office of the Auditor-General is strictly forbidden.

Our Finding(s)

During the examination payment vouchers and other relevant documents of the commission the team observed that the internal audit directorate are using green pen without compliance with the financial regulation.

The key risks

The use of green ink by the Internal Auditors makes it difficult to tell if a document has been examined by Auditor General's staff.

Our Recommendation

Management should ensure strict compliance with Financial Regulation 3002.

Issue 33: IRREGULARITIES IN THE EXECUTION OF CONTRACT AWARDED TO MESSRS SETRACO NIGERIA LTD FOR THE CONSTRUCTION OF GBAREGOLOR – GBEBBOR – OGULAGHA ROAD PHASE - 1 N16,157,782,480.20

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act, 2007 and Financial Regulations (FR).

PPA 2007 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3104 which frowns at payments for job not executed.

Our Finding(s)

The Audit examination revealed a contract awarded to Messrs. Setraco Nigeria Ltd at the sum of N16, 157, 782, 480.20 for the construction of Gbaregolor – Gbekbor – Ogulagha Road Phase 1 vide award Ref No NDDC/EDP/DEL/PR/176 dated November 5, 2009. The following irregularities were noted.

*The Commission awarded this contract without recourse to due process in the selection of Messrs. Setraco Nigeria Ltd. There was no evidence of any advert placement on National Dailies, no bidding submitted by competitors, no prequalification and evaluations of bids carried out etc.

*The Commission's approval of award of Contract sum of N16,157,782,480.20, is in aberration to the PPA 2007 as this contract sum is above the Parastatal's Tenders Board approval threshold, which require the BPP certificate of 'No objection' and approval of the Federal Executive Council before such contracts can be effected. Consequently, it violates PPA 2007 & FR section 2906 which states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed".

*Examination of the documents presented at the inspection visit to the SETRACO (Nig) Ltd Gbaregolor – Gbekebir – Ogulagha road project office revealed that the sum of N190,956,627.75 was transferred to Messr Chris Oghene Omoru & Co via its Bank Account Number 3592033062 with ECOBANK by SETRACO (Nig) Ltd (Details in Appendix X). The compensation was purportedly paid to the affected persons/ individuals through the Estate Valuer as claimed, but there were no field reports submitted by the Estate Valuer to corroborate this claim. There was also no evidence to confirm that compensations were paid in the presence of CRD, PMD, Consultants etc as required. This payment is in aberration with Financial Regulation No 3104 which frowns at payments for job not executed and the amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

*It was further revealed that Setraco Nig Ltd bought three project vehicles (one Toyota Hilux and two Honda Odessey Elite) at the total sum of N29,817,975.00 which were meant to be for the inspection and use at the project site, but as at the time of the inspection visit, these project vehicles were nowhere to be found on site. Enquiry revealed that the said vehicles were bought and delivered at the NDDC headquarters. It is obvious that the two Honda Odessey Elite bought at the cost of N17, 733, 975.00 were not suitable for project sites.

(Details in Appendix XXVIII).

The key risks

Non-compliance with due process: There is a risk of absence of adherence to government rules as regards due process in procurement. Absence of due process may lead to poor job execution/performance, project delay, related party transactions, poor job delivery, non-execution of jobs and loss of public funds.

Our Recommendations

- (i) The Management should explain why due process was compromised in the award of contract to Setraco Nig Ltd and procedures were not followed.
- (ii) The Management should justify why the sum of ~~N~~190,956,627.75 and ~~N~~29,817,975.00 expended on compensation and procurement of three project vehicles should not be recovered from Messrs. Chris Oghene Omoru & Co and Messrs. Setraco Nig Ltd, respectively.

Issue 34: ABANDONMENT OF THE EXECUTION OF CONTRACT FOR THE CONSTRUCTION OF UDO-OFUNAMA ROAD - ₦6,062,172,454.15

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act 2007(16)(1) and Financial Regulation 2921.

PPA 2009 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing field".

PPA 2007 & FR Section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3004 which frowns at payments for job not executed

Our Finding(s)

The Commission awarded the above contract at a sum of ₦6,062,172,454.15 to Messer Japaul Mines & Product Ltd with a contract Ref No NDDC/EDP/EDO/PR/012/0023 dated April 20, 2012. The contract was expected to be completed in eighty-six (86) weeks from the date of mobilization. The following anomalies were observed;

*There was no evidence of due process carried out in the selection and award of this contract; no evidence of any advert placement on National Dailies, no bidding submitted by competitors, no prequalification and evaluations of bids were carried out etc. Thus, this award contravenes the PPA 2007 & FR 2921 which requires that "all contractors/ suppliers shall be subjected to the same level playing field".

*Approval of the Contract sum of ₦6,062,172,454.15 was above the Parastatals Tenders Board approval threshold which requires the BPP certificate of 'No objection' and approval of the Federal Executive Council before such contracts can be awarded. Consequently, it violates PPA 2007 & FR section 2906 & 3116.

*Audit enquiry and project inspection visit in February 2019 revealed that the contractor has stopped working on site more than two (2) years ago despite a whopping sum of ₦268,895,797.59 being paid to the contractor on March 22, 2018. All efforts made by the Audit Team to meet the contractor and/ or obtain

explanation as to why he stopped working on site proved abortive.

*The provisional sum of ₦148,650,000.00 was paid to the contractor as at 22nd March, 2018 for the procurement of three (3) Toyota Hilux project vehicles and compensation of all structures and economic trees affected by the execution of the project. As at the time of the inspection visit, the contractor has not procured the project vehicles and neither was the purported compensation paid. It was observed that the Udo – Ofunama road is an existing road; thus, there was no need for such payment of compensation to the contractor.

*The contract was awarded on April 20, 2012 with completion period of eighty-six (86) weeks from the date the mobilization fee was paid but for no justification the contract was still at 35% stage of completion as at the time of inspection visit in February, 2019. It was observed that the Management of the Commission and the contractor are responsible for this unwarranted delay.

(Details in Appendix XXIX).

The key risks

Noncompliance to due process: There is a risk of absence of adherence to government rules as regards due process in procurement. Absence of due process may lead to poor job execution/performance, project delay, related party transactions, poor job delivery, and project abandonment, non-execution of jobs and loss of public funds.

Our Recommendations

- (i) The Management should explain why this contract was awarded without due process and why the contractor has not returned to site despite the payment of ₦268,895,797.59 on March 22, 2018.
- (ii) The contractor should be made to account for the sum of ₦268,895,797.59 which included ₦148,650,000.00 for purchase of three (3) project vehicles as well as compensation for road already in existence.

Issue 35: AWARD OF CONTRACT TO MESSRS SIMOKA MARINE LTD FOR THE CONSTRUCTION OF NIGERIAN ARMY JETTY, UVWAIE - ₦4,731,900,048.33

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR). PPA 2009 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3004 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be blacklisted and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

The above contract was awarded to Messrs. Simoka Marine Ltd at the contract sum of ₦4,731,900,048.33 for the construction of Nigerian Army Jetty, Uvwie LGA Delta State vide contract Ref No. NDDC/EDO/DEL/PR/012/0020 dated April 20, 2012. The following observations were made;

- (a) The Commission awarded this contract without recourse to due process: There was no evidence of any advert placement on National Dailies, no bidding submitted by competitors, no prequalification and evaluations of bids carried out etc. Thus, this award contravenes the PPA 2007 & FR 2921 which requires "all contractors/ suppliers shall be subjected to the same level playing ground".
- (b) The Contract sum of ₦4,731,900,048.33 approved and awarded by the Parastatals Tenders Board is in aberration to the PPA 2007 as it was above its approval threshold which could require the BPP certificate of 'No objection'. The approval of the Federal Executive Council should have been obtained before the award of such contract. Hence, it violates PPA 2007 & FR section 2906 which states that "all contracts or tenders falling within the



limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a “Certificate of ‘no objection’ to award contract for such, to be validly executed”.

- (c) The provisional sum of ~~N~~61,968,000.00 released to the contractor for the procurement of projects vehicles and compensations could not be justified as there was no documentary evidence for the judicious utilization of this amount. Thus, this payment violates the Financial Regulation No 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be blacklisted and referred to the Economic and Financial Crimes Commission for prosecution.
- (d) Inspection visit revealed that the contractor was not fully on ground as there were only skeletal activities ongoing on sight and the consultant was totally absent on the project as there was no office accommodation in which the consultants operates.

(Details in Appendix XXX).

The key risks

Absence of due process may lead to poor job execution/performance, project delay, related party transactions, poor job delivery, project abandonment, non-execution of jobs and loss of public funds.

Our Recommendations

- (i) The Management should be sanctioned for non-compliance with due process in the award of contract to Messrs. Simoka Marine Nig Ltd.
- (ii) The sum of N61,968,000.00 expended on compensation and procurement of three project vehicles should be recovered from the contractor/ consultant.

Issue 36: ABADONMENT OF THE CONTRACT AWARDED TO RIBON RESOURCES NIGERIA LTD FOR THE CONSTRUCTION OF NDDC DELTA STATE OFFICE BUILDING PROJECT, WARRI, PHASE 1 - ₦421,921,233.40.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR).

Our Finding(s)

The Management of the Commission awarded contract to Messrs. Ribon Resources Nig Ltd on May 31, 2012 for the construction of NDDC Delta state office building project, Warri, phase 1 at the contract sum of ₦421,921,233.40. It was observed that there was no open competitive bidding in the selection and award of this contract. Thus, it violates PPA 2007 and Financial Regulations No 2921 which states that "all procurements of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractors/ suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/ supplier to the other; they shall be the same".

Examination revealed a total payment of ₦115,279,144.86 to the contractor on a milestone achievement on Interim Payment Certificate No 1. Audit inspection visit revealed that the building project has since stopped, and site abandoned when the construction was just at the first floor level for no justification. This means that the Commission did not derive any value for the sum of ₦115,279,144.86 spent so far on the building because when the integrity of the structure erected so far may be compromised after long years of abandonment and thereby needed to be removed before a new structure can be built.

The key risk

Loss of public fund: There is a risk of loss of funds already paid, as the building may become obsolete and lose its integrity test due to its abandonment.

Our Recommendations

- (i) The management is required to justify the basis (if any) for non-compliance with due process in the award of the contract, failure of which appropriate sanctions would be applied.
- (ii) The contractor should be advised to return to site, otherwise the payment of ₦115,279,144.86 or 27.32% of contract sum should be recovered from him and evidence of recovery forwarded to the Office of the Auditor-General for Federation for confirmation.

Issue 37: ABADONMENT OF PROJECT SITE AFTER THE COLLECTION OF MOBILISATION FEES ON CONTRACT AWARDED TO TIMIPAH IFIDI AND SONS LTD FOR THE CONSTRUCTION OF NDDC BAYELSA STATE OFFICE BUILDING PROJECT, YENAGOA, BAYELSA STATE - ₦421,921,233.40.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR). PPA 2007 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be blacklisted and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

The Commission awarded the above contract at a price of ₦421,921,233.00 to Messer Timipah Ifidi and Sons Ltd on May 28, 2012 for the construction of NDDC Bayelsa State office building project Yenegoa. From review of the project file, we observed that there was no open competitive bidding in the selection and award of this contract. This contravenes PPA 2007 and Financial Regulations No 2921 which states that "all procurements of goods, works and services shall be by way of Open Competitive Bidding by which is meant that all contractors/ suppliers shall be subjected to the same level playing ground. The format for submission of bids, the deadline for submission and the pre-determined criteria for evaluation shall not vary from one contractor/ supplier to the other; they shall be the same".

Audit enquiry revealed that the Commission mobilized the contractor with the sum of ₦63,288,185.01 but inspection visit however revealed that the said building has long been abandoned at foundation level without value for money.

(Details in Appendix XXXI).



The key risks

There is a risk of absence of adherence to government rules as regards due process in procurement. Absence of due process may lead to poor job execution/performance, project delay, related party transactions, poor job delivery, project abandonment, non-execution of jobs and loss of public funds.

Our Recommendations

- (i) The management is required to justify the basis (if any) for non-compliance with due process in the award of the contract, failure of which appropriate sanctions would be applied.
- (ii) The Contractor should be compelled to return to site, otherwise, the mobilization fees of ₦63,288,185.01 paid should be recovered from the contractor with evidence forwarded to the Office of the Auditor-General for Federation for verification.

Issue 38: IRREGULARITIES IN THE AWARD AND PAYMENT FOR CONTRACT ON MONITORING AND EVALUATION, ADMINISTRATION AND PROVISION FOR COLD CHAIN STORAGE SERVICES FOR HEPATITIS AND TYPHOID VACCINES - ₦126,350,000.00

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR). PPA 2009 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

Audit scrutiny of financial records for the contract of providing monitoring, evaluation and administration of cold chain facilities services awarded to M/S. Napcon Nig Enterprises and 4 others through which the sum of ₦25,270,000 was paid to each of the contractors totalling ₦126,350,000 vide payment voucher No. 7965 for completion period of three months.

However the contract was completed and the following observations were made;

- There was no evidence of proposal from the contractor to show details of procedures adopted for the execution of the services rendered.
- The lump sum payment on the contract to M/s. Napcon Nig. Ltd and 4 others on singular payment voucher is not allowed and not in line with the extant provision of financial regulation.
- Evidence of the receipt of the cold stores and their distribution to the various hospitals in the Niger Delta Region were not provided.

- That due process was violated in the award of this contract through direct process without competitive bidding as provided by section 44(a) of public procurement Act 2007 which required the processing entity to solicit for advert or expression of interest by publishing a notice to that effect in at least two National newspapers in respect of the contract. Therefore negating the need for competitive bidding to allow transparency in the contract pricing, hence the process of arriving at the contract price of ₦25,270,000.00 cannot be said to be fair and in public interest.
- There was no comprehensive report on the fund breakdown, utilization, performance evaluation and state office report on the exercise in respect of the subject matter.
- It was also observed that there was no evidence to authenticate whether or not the assessment team members were all staff of NDDC or company's staff as well as no evidence of approval extract of parastatal tenders board minutes.

(Details in Appendix XXXII).

The key risks

- Inability to provide evidence to show that money has been expended for the intended purpose could suggest that such funds have been diverted for private use.
- There is a risk of connivance by the procurement Unit with the said contractors so as to defraud government of the sum involved.
- There is a risk that the accounts department may be slacking in its duties by raising a single voucher for five contractors which contravenes Financial Regulation.

Our Recommendations

- (i) Evidence of the supply and distribution of the Cold Chain Storage to the respective hospitals should be provided.
- (ii) All the procurement documentation of the Cold Chain Storage should be made available to the Office of the Auditor-General for Federation for audit verification.

Issue 39: INCOMPLETE EXECUTION OF CONTRACT DESPITE FULL PAYMENT ON THE PROVISION OF SOLAR STREET LIGHTS COMPLETE WITH 600X600 MM REINFORCED CONCRETE PLINTH AT EWET HOUSING & SHELTER AFRIQUE ESTATE,UYO LGA AND IDIDEP ITAM TOWN, IBIONO LGA, AKWA IBOM STATE- N320,254,100.00.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR). PPA 2007 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

The contractor was certified to have achieved 100% completion valued at N320,254,100.00 as at 12th May, 2016. However, audit scrutiny of the payment profile revealed that Messrs Roses Regency Accommodation Ltd was awarded the contract through an award letter Ref: NDDC/EDP/AKS/RD/013/068 at contract sum of N340,254,100.00 with completion period of 24 weeks.

The payment had been completed and the following observations were however made.

Contrary to extant regulations, there were no evidence by way of bills, receipts and invoices for the expenditure of the following provisional sums in the BEME:

- The sum of N3,200,000.00 provided Lump sum and paid for Testing and commissioning.
- A sum of N1,300,000.00 provided for transportation.

- A sum of ~~N~~1,000,000.00 provided and paid for security of stored and installed materials.
- The sums of ~~N~~350,000.00 provided for design, survey and production of working drawing.
- Out of 180 (100w,24v,DC LED Lamp with patented reflectors, Aerospace aluminum housing ,corrosion proof ,with system efficiency:80lm/w.input voltage of DC24v or AC220-240.Built in LED driver with constant current and power efficiency: 85% as manufactured by siemens (As Solar) Germany. Totalling ~~N~~45,211,500.00, only 90 poles were installed as at Nov, 2018 leaving a balance of 90 poles. At ~~N~~251,175.00 per unit, totaling ~~N~~22,605,750.00.

Further review of the BEME indicated that 20% as maintenance cost for 5 years by the solar consultant (this was to be paid to the consultant upon the completion of 5 years maintenance period at ~~N~~40,165,596.00) and provisions in the BEME were paid along with the contract sum, contrary to term of contract. In addition, a contingency sum of ~~N~~6,426,680.20 was utilised without evidence or recourse to extant regulations. Similarly, out of 180 poles provided for installation in the BOQ at ~~N~~45,211,500.00 only 90 poles were installed, leaving a balance of 90 poles valued at ~~N~~22,605,750.00.

The key risks

- There is a risk that the sum provided for five years repairs may be lost if the contractor fails to fulfill his obligation of repairs. Also, the sum for the 90 poles not yet produced by the contractor could amount to a loss for government.
- There is a risk that sums released to contractors based on interim certificates are not monitored by affected department, so as to forestall paying for goods and services not provided.

Our Recommendations

The Management of NDDC is requested to:

- (i) Present for audit, evidence of expenditure of all the provisional sums worth ~~N~~5,850,000.00 mentioned above or recover the amounts and forward evidence of recovery for verification.
- (ii) Compel the contractor to urgently supply and install the remaining 90 poles



as provided in the BOQ or recover the sum of ₦22,605,750.00 being payment for work not done.

- (iii) Account for 5years maintenance fee paid with the contract worth ₦40,165,596.00 which supposed to be made at end of maintenance period.
- (iv) The sum of ₦20,082,798.00 paid for maintenance of nonexistent poles should be recovered?

Issue 40: NON DISTRIBUTION OF PLASTIC DESKS AND CHAIRS PROCURED FOR PRIMARY AND SECONDARY SCHOOLS IN RIVERS STATE - ₦232,209,600.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR).

Financial Regulation 2918(a) which requires that the Procurement Planning Committee shall prepare the needs assessment and evaluation of all procurements

FR 415: "The federal government requires all officers responsible for Expenditure to exercise due economy. Money must not be spent merely because it has been voted."

FR 3104 gives directives on contractor that is paid mobilization fees but failed to perform.

Our Finding(s)

Contract for the Production and supply of one of the nine lots, comprising of 4,800 desks and 4,800 chairs for Rivers state was awarded to Messrs Edendoma on September 22nd, 2016 at a contract sum of ₦232,209,600.00. Payment was effected based on IPC No 01 dated 7th June, 2017 without Store Receipt Vouchers (SRV) as evidence of being taken on store charge by the Store Keeper. However, inspection visit to one of the store located close to Olu Obansajo way Port Harcourt, where the items were allegedly dumped, it was discovered that the items have not been distributed to the respective schools for which they were purchased. There was no evidence of any needs assessment undertaken for this project, in violation of the Public Procurement Act, 2007 and Financial Regulation 2918(a) which requires that the Procurement Planning Committee shall prepare the needs assessment and evaluation of all procurements.

There was no benefit derived from the procurement of the Desks and Chairs, Money was only spent because it had been voted in contravention of the provision of Financial Regulation 415.

(Details in Appendix XXXIII).



The key risks

Noncompliance with value for money principle: There is a high risk of not complying with two of the value for money principle; which is EFFICIENCY and EFFECTIVENESS. Efficiency seeks to address timely delivery of the chairs and desks to where they are needed, while effectiveness is making sure the chairs and desks get to direct users and are put to use for the intended purpose. There is a risk that procurement of these items since 2007 and still laying in a dump will not get to the end users and thus, the purpose for this payment defeated.

This implies that, there is the risk of the potential loss of the sum spent on this procurement, as no value was received.

Our Recommendation

All the officials of the Commission that took part in the award of this contract without regard to due process leading to the wanton loss of public fund should be sanctioned in line with the provision of Financial Regulation 3104.

Issue 41: OVER PAYMENT TO THE CONTRACTOR ON THE EMERGENCY REPAIR/MAINTENANCE OF IKOT AKAN TO IBEKWE AKPAN NYA ROAD (IKOT ABASI/ABAK ROAD), PHASE II, IN IKOT ABASI/MKPAT ENIN LOCAL GOVT.AREA, AKWA IBOM STATE DUE TONON COMPLIANCE WITH THE PROJECT SCOPE: ₦157,154,400.00

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act 2007 and Financial Regulations (FR) 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be blacklisted and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

The Contract was awarded to Messrs Basse Engineering & Mitchel Ltd through Ref No. NDDC/EDP/UIDW/PR/AK/14/328 of 16th December, 2014 at a contract sum of ₦415,982,504.35 for which full payments were made. However, physical inspection of the project showed that the project has not been fully completed. The item 405 of the BEME: provide, lay, and roll hot asphaltic concrete, 40 mm thick as wearing course for the road was not properly compacted and the quantity of 42705m² at ₦3680.00 totalling ₦157,154,400.00 was found not completed on ground.

The uncompleted jobs were quantified, using the Bills of Quantities (BOQs) for the construction at ₦157,154,400.00. The interim payment certificate No.1 dated 23rd march, 2015 by EFFANGA EFFANGA, Asst Manager and the PMS Directorate that issued the certificate for payment, misguided the Managing Director into paying for jobs not done.

(Details in Appendix XXXIV).

The key risks

- Payment for jobs not done due to lack of monitoring by user department.
- There could be in connivance with the contractor to defraud the government by way of falsely certifying works that have not been done.

Our Recommendation

The Management is required to recall the contractors to the sites to complete the jobs or recover the total of ₦157,154,400.00, from the contractors and furnish evidence of recovery to the Office of the Auditor-General for Federation for verification.

Issue 42: IRREGULARITIES IN THE CONTRACT FOR COMPLETION OF NIGER DELTA DEVELOPMENT COMMISSION HEADQUARTERS BUILDING, PORT HARCOURT, RIVERS STATE – N16,222,492,843.76.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act and Financial Regulations (FR).

PPA 2007 & FR 2921 require "all contractors/ suppliers to be subjected to the same level playing ground".

PPA 2007 & FR section 2906 states that "all contracts or tenders falling within the limits of the threshold prescribed by the Bureau of Public Procurements, except as exempted under the Act, shall attract a "Certificate of 'no objection' to award contract for such to be validly executed"

Financial Regulation No 3104 requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

- (a) It was observed that the contract for the construction of the NDDC Headquarters Office building had been on for the past twenty years without any completion date at sight. The contract had been reviewed several times and re awarded to various contractors. The project was re-awarded to Messrs Marchland Construction ltd in the year 2010 and the site was handed over to them on 10th June, 2010. This company was on the project till the year 2017 when they called for a review of the contract price from the initial sum of ~~N3.5 billion~~ to ~~N8 billion~~. This made the management of NDDC to determine the contract and re-awarded it to a new contractor, Messrs Rodnab construction Limited vide Reference Number. NDDC/HQ/EDP/UIDW/RV/WAT/PR/17/083 at a new contract sum of N16,222,492,843.76. The Commission could not provide the audit team with records of payments on the construction of the Headquarters building from inception to date.
- (b) From the documents made available to the audit, there was no evidence of authorization and approval like minutes of appropriate tender Board meeting to back up this upward review. Also, there was no evidence of

ratification/adoption of these actions by the NDDC Board or other appropriate authority. It was also noted on the letter of award to Messrs RODNAB Construction Ltd that reference was made to the NDDC Management as the approving authority for the contract, However, these approval could not be produced for audit verification.

- (c) The contract file was not made available to the team, therefore the letter and date of award could not be ascertained as the source of the information was the contract valuation certificate No.2 dated 18/10/2018.

It was also noted that additional works with different values were added to the contract sum from time to time that finally jerked up the worth to ₦16,222,492,843,76.

- (d) No Priced Bill of Quantities (BOQ) was presented for audit review in respect of the above revised contract valued at ₦16,222,492,843.76. The absence of Priced Bill of Quantities (BOQ), made it difficult for audit review of works executed.
- (e) Examination of valuation certificate No.04 dated 17th October, 2018 revealed that the sum of ₦978,877,500.00 was added as preliminaries and paid to the contractor despite the fact that the project is an ongoing one that does not need any preliminary work of such magnitude. A perusal of the valuation report revealed that out of the ₦978,877,500 paid under preliminary an amount of ₦107,875,000.00 was part payment for insurance policy. However, necessary insurance policy documentations such as the property insured, persons covered by the policy, premium paid etc were not stated, nor any documentary evidence to back it up.
- (f) A provision of ₦230,000,000.00 was certified paid in the valuation 004 report for the provision of supervision vehicle, maintenance, driver, license and insurance. Both the vehicle and evidence of its purchase were not made available for confirmation.
- (g) The sums of ₦65,000,000.00 was provided for factory visit and the documents examined revealed that no factory visit was carried out. The amount was observed to have been irregularly paid, as there was no approval and evidence of factory visit to manufacturer of various item to be used in the building were undertaken by staff of the commission.

For the records, provisional sums in the BEME are accountable and should be treated as such by supporting their expenditures with valid proofs comprising of,

invoices, receipts and, approvals, as required by regulations. Anything to the contrary negates accountability and remains unacceptable.

Physical inspection carried out at the project site revealed the following:

- (i) The contract was abandoned by the previous contractor due to lack of equipment and manpower before the new contractor (Messrs RODNAB CONSTRUCTION LTD) was engaged and most of the works certified to have been done were not executed. Only Some containers locked with keys claimed to be materials on/off site totalling ₦587,693,421.14 and minor works in the Auxiliary building were seen to have been executed, an indication that the financial commitment far outweighs actual work done.

It was further discovered that the sum of ₦12,000,000.00 was embedded in the valuation report as provision for community relation without a breakdown of the amount. It should be noted that provisions are only paid based on request, upon presentation of needs. This amount had since been paid without any justification despite the fact that the previous contractor was paid for community relation by the commission.

Meanwhile, the sum of ₦135,557,500.00 was paid as professional fees on the contract for completion of Niger Delta Development Commission (NDDC) Headquarter Building as commission. However, 10% WHT and VAT amounting to ₦20,333,625.00 were not deducted on the service. This action resulted in overpayment to the consultant, loss of government revenue and violation of relevant Tax laws, including Financial Regulation 234(iii).

The IPC No1&2 of this project was certified by Assistant Director PMS without input from the Consultants. The payment on the two interim payment certificates were effected without relevant valuation report to justify the payments.

The examined contract document did not contain the revised Bill of Quantities that gave rise to new approved contract sum of ₦16,222,492,843.76.

OTHER CONTRACT AWARDED IN RESPECT OF THE HEADQUARTERS BUILDING:

- Provision of Email, Internet and Information security improvement awarded to Messrs Austinbi Road & Empee Nig Ltd at a contract price of ₦715,000,000.00.
- Construction of external civil works at NDDC Headquarters building

awarded to Messrs Imbekoru & Sons Nig Ltd at a contract price of ₦987,015,656.33.

- Sand filling of NDDC permanent site at Eastern By pass, awarded to Messrs Casdor Construction Ltd at a contract price of ₦241,618,000.00.
- Construction of Ancilliary Building Lot 1 awarded to Messrs Marshland Projects Nig Ltd at a contract price of ₦994,424,652.66

All these other contracts are already included in the main contract, re awarding them separately amounted to duplication of contract and aimed at short changing the Commission.

The award of contract for provision of Email and Internet facilities and payment for them in a building under construction amounted to wastage of public fund. The fact that this project was not executed, the total payment should be recovered from the Officers that certified it for payment.

(Details in Appendix XXXV).

The key risks

- Absence of due process may lead to poor job execution/performance, project delay, related party transactions, poor job delivery, project abandonment, non-execution of jobs and loss of public funds.
- Inflation of contract sum.
- Payment for services not rendered.
- Waste of public fund

Our Recommendations

- (i) The Managing Director should be sanctioned for variation of contract without compliance with due process.
- (ii) Evidence of approval for the variation from appropriate body should be furnished.
- (iii) The preliminaries sum of ₦978,877,500.00 added to the contract sum should be deducted from the contract since the project was not new. Outcome should be forwarded to the Office of the Auditor-General for Federation for verification.



- (iv) Please cause the Contractor to produce the insurance policy obtained in respect of this project; otherwise recover the sum of ₦107,875,000 from him and forward the recovery particulars to the Office of the Auditor-General for Federation for verification.
- (v) The Management of NDDC to comment on this obvious flaw in award of contract and to forward a well-documented BOQ to the Office of the Auditor-General for Federation for proper evaluation;
- (vi) The Management should furnish to the Office of the Auditor-General for Federation with the back-up valuation in respect of the Interim Payment Certificate aforementioned for audit scrutiny and comment; and
- (vii) The Management should explain and comment on the reasonableness of the provision of the sum of ₦978,877,500.00 for Bill 01 without evidence of utilization.

Issue 43: EXCESSIVE SPENDING ON AWARD OF EMERGENCY CONTRACTS WHILE THE PLANNED PROJECTS ARE LEFT UNATTENDED TO OR EVEN ABANDONED LEADING TO WASTAGE OF PUBLIC FUND.

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's documentations to ascertain its level of compliance with the Public Procurement Act 2007 and extant Regulations.

Financial Regulation 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be black listed and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

It was observed that the Commission concentrated most of its efforts on the award of emergency contract in the period under review while most of the planned / budget and ongoing projects are not given the needed priority. The volume of the spending on emergency contracts have witnessed a dramatic increase from the year 2015 to 2017 as stated below:

S/N	YEAR	AMOUNT ₦
1	2017	58,137,000,000.00
2	2016	20,867,000,000.00
3	2015	1,689,000,000.00

It should be noted that the spending on emergency contracts climaxed to the region of ₦100B (One hundred billion naira) in the year 2018.

These emergency projects are tagged as quick impact projects that are not subjected to the "Due Process". All the formalities and due diligence observed in the award of contracts such as advertisement, prequalification, competitive bidding etc, are usually set aside in this type of contract awards. Also, these projects under emergency contracts are not given the necessary quality control supervision by the Projects Management Department of the Commission. Most of the emergency contracts are executed at an average cost of ₦500m (Five hundred million naira and above. None of these emergency contracts can be termed as emergency indeed because there was no evidence of the



communities in which they were sited are calling for the projects.

The major risk of concentrating efforts on this type of contracts are as stated below:

The key risks

- Non-compliance with the provisions of Public Procurement Act in the award and execution of the contracts.
- Substandard jobs may be carried out under the guise of emergency.
- Due to the absence of competitive bidding for the contract, the Commission may not obtain the best price for the projects. The most competent contractors may not be chosen.
- The award of this type of contract is prone to abuse.
- Giving more attention to minor projects of minor impacts at the expense of the major projects that the Commission was established to provide for the Region.
- The amount spent on each of the emergency contracts appears to be on the high side.

Our Recommendations

- (i) The award of the emergency contracts should be strictly controlled as to the authenticity of the circumstances, cost and quality of execution of the emergency project. Due Process should always be observed in all the contract awards.
- (ii) Management should place more emphasis on the planned projects and completion of the ongoing projects.

Issue 44: NON-UTILISATION OF THE PROJECT MANAGEMENT DEPARTMENT FOR EFFECTIVE SAFEGUARD AGAINST POOR QUALITY OF PROJECTS EXECUTION.

Area of coverage and summary of work done by the auditor

Analysis of the functions, duties and scope of work of the various Departments in NDDC

Our Finding(s)

Analysis of the scope of works of the various Department in NDDC revealed that the Project Management Department is saddled with the responsibility of ensuring that all the contractors complied with all the scope of work stated in the BEME and as satisfied by the Project Engineer in the Valuation report and the payment certificates issued by the Project Monitoring and Supervision Department.

The Audit Team observed that this very important department in the Commission only existed in name without any feasible quality assurance role carried out on any project in the period under review.

The inactiveness of this Department has led to some contractors being paid for substandard jobs. Also, the Engineers issued Valuation certificates and the payment certificates at will without any form of control. Status of work executed on the various projects and the competence of the contractors to carry out the jobs awarded to them were not reported on by this Department.

The inactivity of the department has left a big hole in the internal control mechanism over the project execution and payment in the period under review.

The key risks

- The Commission might not derive the appropriate value for the contracts awarded and executed due to the absence of necessary checks and evaluations.
- Contracts that are not executed in compliance with the provisions in the BEME may be fully paid for by the Commission.
- Checks and balances procedures established by the Management may not be adhered to, which can result to substantial loss of public funds.



Our Recommendation

The Project Management Department as a matter of urgency must be made to live up to its functions of effective standard control on all the projects being carried out by the Commission. The Department should be made to provide quarterly and yearly reports on projects executed. All payment of retention fees should only be effected on a satisfactory report by the Department after the confirmation of non-defect liability.

Issue 45: APPOINTMENT OF STAFF ON CONTRACT BASIS CONTRARY TO THE PROVISION OF THE PUBLIC SERVICE RULE

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's nominal roll to ascertain its level of compliance with the Public Service Rules 020402 which provides for conditions for appointment of staff on contract basis.

Our Finding(s)

Analysis of the Staff list of the Commission revealed that some Officers were engaged on contract basis without compliance with the guideline set by the Federal Government in PSR 020402. The conditions included the fact that the officer should be 50 years of age or over at the time they are being appointed and for spouses married to Nigerian. All appointments in the Commission are to be done by duly constituted Board based on need.

It should also be noted that the Federal Government has stopped the employment of staff on contract basis. The employment of staff on grade levels 1 to 3 has also been stopped by the Federal Government.

Contrary to the above, the following Officers are engaged in the commission on contract basis in flagrant disobedience to the applicable regulations.

CONTRACT APPOINTMENTS

S/N	SURNAME	OTHER NAME	POSITION	DIRECTORATE / DEPARTMENT / OFFICE	SG L	DATE
1	Ekwere	Gloria	Snr Mgr	Chairman's Office	13	1/1/2001
2	Musa	Alhassan	Driver III	Chairman's Office	03	3/7/2017
3	Effiong	Asuquo	Driver III	Chairman's Office	03	3/7/2017
4	Agbor	Obot	Driver III	Chairman's Office	03	3/7/2017
		William Obi				
5	Ekanim	Princewill	Deputy Director	MD's Office	16	2/1/2001
6	Minaibi	Bellgam	Snr Mgr	IT Dept	13	9/2/2001
7	Friday	Lekia	Officer II	EDFA's Office	08	4/24/2017
		Mike				
8	Ernest	Gloria Chinyere	Snr Computer Operator	Administration	06	9/1/2016



9	Amaoma	Nnamdi Joy	Officer I	EPC	09	11/1/2017
<p>It should also be noted that this system of employment of staff through the back door is prone to all kind of abuse and it does not comply with the quota system of employment within the NDDC States.</p> <p>(Details in Appendix XXXVI),</p> <p><u>The key risks</u></p> <ul style="list-style-type: none"> • The basic conditions for employment of staff might not be complied with. • Unqualified staff might find their way into the system in higher grades. This may affect the morale of the staff already in the Commission who were employed in the normal procedures. <p><u>Our Recommendation</u></p> <p>All the contract employments should be terminated immediately. Henceforth, the Commission should not employ any staff on contract basis in line with the Federal Government directive. All employment should be done by appropriately constituted Board, any one not done by the fully constituted Board and in line with the appropriate quota from the participating states should also not be paid from the Fund of the Commission.</p>						



Issue 46: ALLOWING STAFF OF LOWER GRADE LEVEL TO HEAD DEPARTMENT AT THE EXPENSE OF THE SUBSTANTIVE DIRECTORS

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's Nominal role and organogram to confirm if the staff are properly placed and to confirm the postings of staff to the relevant Department.

Our Finding(s)

Examination of the various departments in the Commission revealed that some deputy directors were made to head some departments while some substantive directors were not in charge of any department. This is against the seniority and ranking system in the public service. Deputy Directors or other lower ranking staff can only act in a higher post when there is no substantive Director in that post. This abnormality can kill morale and breed rancor in the Commission and so reduce productivity. It is also contrary to the progression system in the Public Service.

The Key Risk:

It can breed inefficiency and ineffectiveness of personnel in the Commission.

Our Recommendation

All the Departments in the Commission should be headed by substantive directors. Deputy Directors can only act as head of department, when there are no substantive director. On no account should a contract staff or political aide be allowed to head a department at the expense of a substantive director.

Issue 47: WASTAGE OF PUBLIC FUND DUE TO COLLECTION OF MOBILIZATION FEES WITHOUT REPORTING TO PROJECT SITES BY CONTRACTORS: ₦61,468,160,743.03

Area of coverage and summary of work done by the auditor

As part of our review, we checked NDDC's projects status reports.

Physical inspections were also made to the projects sites.

Financial Regulation No 3104 which requires that under no circumstance should payment be made for job not executed and any amount involved shall be recovered from the said contractor and shall be blacklisted and referred to the Economic and Financial Crimes Commission for prosecution.

Our Finding(s)

It was observed that so many contractors were paid the mobilization fees to enable them to commence the execution of the projects awarded to them. Contrary to the contract terms and the agreements some of the contractors bolted away after the collection of the mobilization fees. The surprising aspect of it was that this practice involved 626 contractors in which the sum of ₦61,468,160,743.03 was lost to this fraudulent practices as stated below:

S/N	STATE	NUMBER OF PROJECTS	CONTRACT SUM ₦	MOBILISATION PAID ₦
1	ABIA	32	17,641,080,848.61	2,027,299,506.39
2	AKWA IBOM	64	31,681,079,364.89	4,229,728,390.76
3	BAYELSA	80	27,647,788,486.77	4,970,2 5,445.67
4	CROSS RIVER	29	13,451,078,775.87	2,065,216,618.72
5	DELTA	99	31,765,874,131.76	7,836,094,813.72
6	EDO	51	13,927,514,064.16	2,065,589,429.59
7	IMO	33	13,184,548,968.77	1,859,561,032.12
8	ONDO	50	29,977,739,168.32	6,173,239,599.75
9	RIVERS	106	56,717,189,542.93	13,146,728,523.16
10	REGIONAL	82	73,179,047,649.78	17,094,437,383.15
TOTAL		626	309,172,941,001.86	61,468,160,743.03

Schedule extracted from 2016 Management letter of the External auditor.

Considering the enormous amount of money paid to the contractors as



mobilization fees without any value derived therefrom. This is evidence that the Commission lacked effective control in the process of contract award. The action of the contractors is in breach of due process.

The key risks

Loss of Government Fund to the tune of ₦61,468,160,743.03. More so, there was no adherence to due process in the selection of contractors.

Our Recommendation

The sum of ₦61,468,160,743.03 should be recovered from the contractors. Details of recovery should be forwarded to the Office of the Auditor-General for the Federation for verification. The list of the 626 contractors and the details of the related contracts are shown in appendixes XXXVII – XLVII. Also, appropriate sanctions should be invoked on the management and contractors involved in the irregular payment.



Acknowledgement

I wish to express my profound gratitude and deep appreciation to all the members of my staff who worked from field assignment to the conclusion of this report, for their hard work and diligence during this audit. This Report is a demonstration of their devotion to duty and unalloyed support for the role of this Office. I also thank all those functionaries outside my Office who have so delightfully co-operated with my Office, in the execution of the special periodic checks on the activities and programmes of Niger Delta Development Commission (NDDC) for the period 1st January 2013 to 30th June, 2018

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May, 2020



**NB: THE APPENDIXES I – XLVII IS FOUND
ON VOLUME 2 OF THE REPORT**



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