



**AUDITOR-GENERAL FOR THE FEDERATION'S
PERFORMANCE AUDIT REPORT**

ON

**MANAGEMENT OF RESOURCES FOR THE
PROVISION**

OF

**AFFORDABLE/SOCIAL HOMES FOR LOW-INCOME
EARNERS IN NIGERIA BY FAMILY HOMES FUNDS
LIMITED (2018 TO 2020)**

THE AUDITOR-GENERAL FOR THE FEDERATION



Audit House, Plot 273,
Samuel Ademulegun Street,
Central Business District,
P.M.B. 128, Garki-Abuja, Nigeria.
Website: www.oaugf.gov.ng
Tel: +2348110088888

747/99/CONF/VOL.II/76

3rd August, 2022

The Clerk to the National Assembly,

National Assembly Complex,
Three Arms Zone,
Abuja.

AUDITOR-GENERAL FOR THE FEDERATION'S PERFORMANCE AUDIT REPORT ON MANAGEMENT OF RESOURCES FOR THE PROVISION OF AFFORDABLE / SOCIAL HOMES FOR LOW INCOME EARNERS IN NIGERIA BY FAMILY HOMES FUNDS LIMITED (FHFL) FOR THE PERIOD JANUARY 2018 TO DECEMBER 2020.

In accordance with Section 85(2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), I have undertaken a Performance Audit on Management of Resources for the Provision of Affordable/Social Homes for Low-Income Earners in Nigeria by the Family Homes Funds Limited (FHFL), for the period January 2018 to December 2020 and hereby submit the report.

2. I conducted the audit in accordance with the International Standard of Supreme Audit Institutions for Performance Auditing (ISSAI 3000). This standard requires that I plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for my findings and conclusions. I believe that the evidences obtained provide a reasonable basis for my findings and conclusions based on my audit objectives.

3. My Office intends to carry out a follow-up at an appropriate time in future regarding actions taken in relation to the recommendations in this report.

4. I would also like to thank the staff of Family Homes Funds Limited (FHFL) for the conducive environment provided to my staff during the period of the audit.

5. Please, accept the assurances of my highest regards always.

Aghughu, Adolphus A. JP, FCCA, FCTI, MCFI

Auditor-General for the Federation
FRC/2019/004/000000/20094



TABLE OF CONTENTS

TITLE PAGE	-	-	-	-	-	-	-	-	-	-	i
TRANSMITTAL LETTER	-	-	-	-	-	-	-	-	-	-	ii
TABLE OF CONTENTS	-	-	-	-	-	-	-	-	-	-	iii
LIST OF ABBREVIATIONS-	-	-	-	-	-	-	-	-	-	-	v
DEFINATION OF TERMS	-	-	-	-	-	-	-	-	-	-	vi
LISTS OF TABLES, FIGURES, CHARTS AND PICTURES	-	-	-	-	-	-	-	-	-	-	vii
EXECUTIVE SUMMARY	-	-	-	-	-	-	-	-	-	-	ix
MANAGEMENT RESPONSE/COMMENT	-	-	-	-	-	-	-	-	-	-	xii
CHAPTER ONE: INTRODUCTION	-	-	-	-	-	-	-	-	-	-	1
1.1 Background of the Audit	-	-	-	-	-	-	-	-	-	-	1
1.2 Motivation	-	-	-	-	-	-	-	-	-	-	6
1.3 Methodological Design	-	-	-	-	-	-	-	-	-	-	7
1.3.1 Audit Objective	-	-	-	-	-	-	-	-	-	-	7
1.3.2 Audit Scope	-	-	-	-	-	-	-	-	-	-	8
1.3.3 Audit Questions (AQ)	-	-	-	-	-	-	-	-	-	-	8
1.3.4 Audit Criteria	-	-	-	-	-	-	-	-	-	-	9
1.3.5 Audit Methodology and Sources of Data Collection	-	-	-	-	-	-	-	-	-	-	9
CHAPTER TWO: MANAGEMENT OF RESOURCES FOR THE PROVISION OF AFFORDABLE/SOCIAL HOMES FOR LOW INCOME EARNERS IN NIGERIA	-	-	-	-	-	-	-	-	-	-	10
2.1 Introduction	-	-	-	-	-	-	-	-	-	-	10
2.2 Background	-	-	-	-	-	-	-	-	-	-	10
2.3 Process Description in the Management of Resources for Provision of Affordable/Social Homes for Low Income Earners in Nigeria	-	-	-	-	-	-	-	-	-	-	11
2.4 Roles and Responsibilities of Key Players/Stakeholders	-	-	-	-	-	-	-	-	-	-	12
CHAPTER THREE: FINDINGS	-	-	-	-	-	-	-	-	-	-	14
3.1 Introduction	-	-	-	-	-	-	-	-	-	-	14
3.2.1 Availability of Policies or Guidelines on how Funds Invested in the Provision of Homes will be Recouped	-	-	-	-	-	-	-	-	-	-	14
3.2.2 The Extent to which FHFL Conducted Needs Assessment to Ensure that Homes Built are affordable to Low-Income Earners	-	-	-	-	-	-	-	-	-	-	17
3.2.3 The Extent to which FHFL ensures that Homes are sited in Locations Where they are easily accessible to Low-Income Earners	-	-	-	-	-	-	-	-	-	-	20
3.2.4 Whether the FHFL awarded all contracts within the Capped Cost Limits	-	-	-	-	-	-	-	-	-	-	24
3.2.5 Awareness creation for Homes Built and other Intervention Programmes	-	-	-	-	-	-	-	-	-	-	25
CHAPTER FOUR: CONCLUSIONS	-	-	-	-	-	-	-	-	-	-	27
4.1 Introduction	-	-	-	-	-	-	-	-	-	-	27
4.2 Specific Conclusion	-	-	-	-	-	-	-	-	-	-	27
4.2.1 Availability of Policies or Guidelines on How Funds Invested in the Provision of Homes will be Recouped	-	-	-	-	-	-	-	-	-	-	27
4.2.2 The Extent to which FHFL conducted Needs Assessment to ensure that	-	-	-	-	-	-	-	-	-	-	27



Homes Built are affordable to Low-Income Earners	-	-	-	-	-	-	-	-	27
4.2.3 The Extent to which FHFL ensures that Homes are sited in Locations Where they are easily accessible to Low-Income Earners	-	-	-	-	-	-	-	-	27
4.2.4 Whether the FHFL awarded all contracts within the Capped Cost Limits	-	-	-	-	-	-	-	-	27
4.2.5 Awareness creation for Homes Built and other Intervention Programmes	-	-	-	-	-	-	-	-	27
CHAPTER FIVE: RECOMMENDATIONS	-	-	-	-	-	-	-	-	28
5.1 Introduction	-	-	-	-	-	-	-	-	28
5.2 Specific Recommendations	-	-	-	-	-	-	-	-	28
Appendix I: AUDIT DESIGN MATRIX	-	-	-	-	-	-	-	-	30
Appendix II: PAST HOUSING PROGRAMMES FROM 1962 TO 2019	-	-	-	-	-	-	-	-	32
Appendix III: AUDIT CRITERIA	-	-	-	-	-	-	-	-	34
Appendix IV: AUDIT METHODOLOGY	-	-	-	-	-	-	-	-	36



LIST OF ABBREVIATIONS

FGN	Federal Government of Nigeria
FHA	Federal Housing Authority
FHFL	Family Homes Funds Limited
FMoFBNP	Federal Ministry of Finance, Budget and National Planning
FR	Financial Regulation
IPM	Independent Projects Managers
ISPO	Irrevocable Standing Payment Order
MCC	Management Credit Committee
NHF	National Housing Fund
NSIA	Nigerian Sovereign Investment Authority
NSIP	National Social Investment Programme
OAuGF	Office of the Auditor General for the Federation
PMD	Project Management Department
PPA	Public Procurement Act



DEFINITION OF TERMS

AFFORDABLE HOMES – According to FHFL, Affordable homes are homes provided for the large population of Nigerians on low-income bracket (earning between ~~N1M~~ and ~~N4M~~ per annum) who are inadequately housed or lack access to a safe home they can afford.

DEVELOPERS – A developer is a person or company that buys and builds houses, offices, shops, or factories or buy existing building and make them more modern.

LOW INCOME EARNERS- Family Homes Funds Limited (FHFL) defines a low-income earner as someone earning between (~~N1M~~ and ~~N4M~~ per annum).

However, the National Housing Policy 2012 defines “low-income earners as all persons whose annual income exceeds the ‘No Income’ level, but does not exceed the National Minimum Wage”¹.

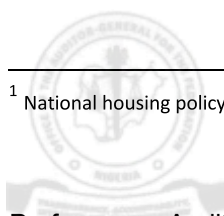
OFFTAKERS – These are the prospective buyers of the FHFL’s homes who have committed some resources before the completion of the homes.

SOCIAL HOMES – Social Homes are low-cost housing initiative that allows low-income earners to become a landlord with as low as ~~N2,000,000.00~~ only.

ASSESSMENT CRITERIA - These are standards upon which the performance of an organization is measured.

LEGACY HOMES - These are FHFL’s pioneer projects which are in five States Delta, Kaduna, Kano, Nasarawa and Ogun States respectively.

¹ National housing policy 2012 – Chapter 8.2(ii)



LISTS OF TABLES, FIGURES, CHARTS AND PICTURES

TABLES

- Table 1: FHFL's Funding for 2017 to 2020
- Table 2: FHFL's Expenditures from 2017 to 2020
- Table 3: Staff strength of FHFL (2018-2020).
- Table 4: FHFL Homes Sales Status.
- Table 5: The FHFL's Home planned and Revised
- Table 6: Category of buyers based on income.
- Table 7; List of External & Internal infrastructures absent in the Estates
- Table 8: Units of the completed homes sold to subscribers.
- Table 9: Analysis of the Average Cost per unit of FHFL homes in 9 states across Nigeria
- Table 10: Price ranges of the homes across the various project.

FIGURES

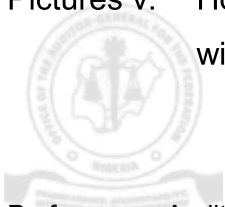
- Figure 1: FHFL's Organogram
- Figure 2: Process Flow Chart of Affordable Homes Projects

CHARTS

- Chart 1: FHFL's Funding
- Chart 2: FHFL's Expenditure

PICTURES

- Picture i; Homes completed since 2019 in Delta State without buyers.
- Picture ii: Homes completed since 2018 at Grand Luvu 2 Estate in Nasarawa State
- Picture iii: Homes completed since 2019 that have started dilapidating at Gidan Yali Estate in Kaduna State
- Pictures iv: Homes completed since 2018 that have started dilapidating in Delta State
- Pictures v: Homes completed since 2019 in Ogun State sited outskirts the City center without buyer



Pictures vi: Homes completed since 2019 in Delta State sited outskirts the City center without buyers

Pictures vii: Homes completed since 2018 in Nasarawa State (Grand Luvu 1) without buyer due to inadequate infrastructure

Pictures viii: Homes completed since 2018 in Nasarawa State (Grand Luvu 2) without buyer due to inadequate infrastructure

Picture ix: Homes completed in Kano State without buyer due to inadequate infrastructure

Picture x: Homes completed in Kaduna State without buyer due to inadequate infrastructure



EXECUTIVE SUMMARY

Background

This Performance Audit on Management of Resources for the Provision of Affordable/Social Homes for Low Income Earners in Nigeria by Family Homes Funds Limited (FHFL) was conducted in accordance with Section 85 of the Constitution of the Federal Republic of Nigeria. Paragraph 109(d) of the Financial Regulation (2009) also mandate the Auditor General to carry out value for money (performance) audit to ascertain the level of economy, efficiency and effectiveness derived from Government projects and programmes.

FHFL is a Company established by the Federal Government of Nigeria to provide Affordable/Social Homes for low-income earners in Nigeria. The company was established in 2016 and the founding Shareholders are the Federal Ministry of Finance, Budgets and National Planning (FMOFB&NP) and Nigerian Sovereign Investment Authority (NSIA). The company is responsible for providing homes for low-income earners at the lowest possible price they can afford. Despite the fact that the FHFL was established to provide Affordable/Social Homes for low-income earners, the cost of the houses built by the FHFL are above the reach of the low-income earners in the country.

The total capital funding of FHFL in the three years period covered in this audit (2018 to 2020) amounted to ₦65,000,000,000.00 (Sixty five billion naira). This represents 13% of the ₦500,000,000,000.00 (Five hundred billion naira) seed capital promised by the Federal Government for provision of affordable homes for low-income earners in the country.

According to Shelter Afrique, a Pan-African Real Estate Finance Institution, the housing deficit in Nigeria is estimated to be 22 million as at January 2020 with a yearly growth rate of 20 percent. Estimates of output in the formal housing sector ranges from 100,000 to 200,000 housing unit per year, which covers only a fraction of at least, 700,000 units required per year to keep up with the growing population and urban migration.

The audit was motivated by the huge deficit in the housing sector in Nigeria in which past governments have expended a lot of money to reduce by initiating programs and schemes, but most of which have failed and government funds remain unrecovered.

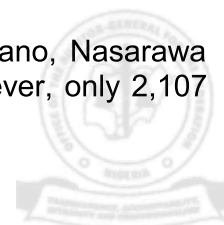
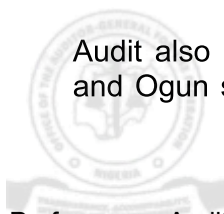
It is for this reason that the Auditor-General for the Federation (AuGF) decided to carry out the audit on the Effective Management of resources for provision of Affordable/Social Homes for Low Income Earners in Nigeria by FHFL. The audit was set out to ensure that government resource meant to provide affordable/social homes by FHFL were effectively utilized and homes provided get to the target group.

Summary of Major Findings

Availability of policies or guidelines on how funds invested in the provision of homes will be recouped.

Audit noted that the FHFL bought and built homes without recourse to how government would recoup the funds because FHFL did not have a financial policy that gives a clear direction, effective planning and guidelines on how the funds should be utilized/recouped when it commenced operation in 2016.

Audit also observed during projects inspection visits in Delta, Kaduna, Kano, Nasarawa and Ogun states that FHFL proposed to build 3,289 legacy homes. However, only 2,107



homes were completed, out of which only 675 homes were sold, representing 32% of the total homes completed as at 31stDecember, 2020.

The extent to which FHFL conducted needs assessment to ensure that homes built are affordable to low-income earners

Audit noted, through documents reviewed, that FHFL did not carry out need assessment to ensure that homes provided were affordable for low-income earners.

The extent to which FHFL ensure that homes are located in locations where they are easily accessible to low-income earners

Audit physical inspection visits to project sites in Nasarawa, Delta, Kaduna, Kano, Bauchi, Adamawa and Ogun States revealed that the Estates were sited at the outskirts of the state capitals and towns, some with bad access roads (Nasarawa & Kano States) to the Estates, also locating some of the Estate (Kaduna, Ogun, Delta, Bauchi and Adamawa States) outside the city center where facilities such as Market; Health care centers/Hospitals; School; Community Center; Commercial Center; Recreational facilities; Shopping and Transport Hub were not available. This is contrary to the Site Specification/Requirement, Social and Environmental Factors page 1 'which requires that Site must be within 5km of any of the following; Market; Health care center/Hospital; School; Community Center; Commercial Center; Recreational facilities; Shopping and Transport Hub

Whether the FHFL awarded all contracts within the capped cost limits

Audit noted, through the review of documents that the FHFL did not follow its capped costs limits in awarding contracts for construction of low-income homes. Audit established that FHFL contract awarded price were higher than the capped cost limit stated in section 7.4 (1.5) of the FHFL Strategic Plan 2020 – 2024. This resulted to high and non-uniformity in selling prices of the homes.

Awareness creation for homes built and other intervention programmes

Audit noted, through interview with FHFL Head of Corporate Communication that the main channel of communicating FHFL activities to the targeted groups were through regular update of FHFL's websites, social media Account, print media, electronic media, stakeholder workshops and press briefings. As vast and good as these mediums were, the targeted group were not fully aware of the existence of FHFL and its programmes.

Also, audit noted through questionnaires administered that there was a gap in making relevant information reach the target audience at the right time and in the right format

Conclusions

Availability of policies or guidelines on how funds invested in the provision of homes will be recouped

The FHFL Financial regulations did not spell out how to recoup funds from home investments.

The extent to which FHFL conducted need assessment to ensure that homes built are affordable to low-income earners

FHFL's failure to effectively deliver improved operations and achieve effective marketing of its homes to low-income earners due to Lack of feasibility study and needs assessments.



The extent to which FHFL ensures that homes are located in locations where they are easily accessible to low-income earners

FHFL does not follow Sites specifications/requirements for selection of Estate's locations leading to arbitrary sitting of FHFL Estate which made homes not accessible and not attractive to low-income earners.

Whether the FHFL awarded all contracts within the capped cost limits

Non uniformity in awarding of FHFL's contracts has made the prices of the homes differ across the country and higher than what low-income earners can afford

Awareness creation for homes built and other intervention programs

FHFL does not adhere to its operational plan of supporting extensive and continuous awareness programmes for motivating and sensitizing the public of its homes programme most especially the target group leading to low turnout of buyers on its Estates.

Recommendations

Availability of policies or guidelines on how funds invested in the provision of homes will be recouped

The FHFL management should put adequate control measures in place to ensure government funds are effectively and efficiently recouped by improving its marketing strategies to ensure that government funds were not tied down unnecessarily.

The extent to which FHFL conducted need assessment to ensure that homes built are affordable to low-income earners

The FHFL management should develop and map out effective ways of carrying out feasibility study and needs assessment on homes to be built that will meet low-income earners expectations.

The extent to which FHFL ensures that homes are located in locations where they are easily accessible to low-income earners

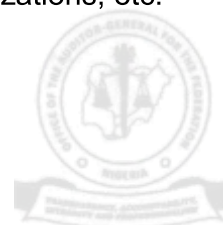
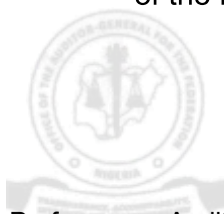
FHFL management should ensure that Estates are located where they will be easily accessible and attractive to the low-income earners with necessary physical infrastructures.

Whether the FHFL awarded all contracts within the capped cost limits

Management of the FHFL should follow due process in awarding its contracts to ensure a standardize cost of constructing homes that will be within the capped cost limit. So that a the prices of the same type of FHFL's homes across all its project in the country are uniform and affordable for low-income earners.

Awareness creation for homes built and other intervention programs

- The FHFL management should re-design its public relations and communication strategy in order to market itself as an institution to the target group.
- The FHFL should partner with relevant media organizations (such as radio, Television) to sponsor its porgrammes in order to sensitize the public especially the targeted group in Ministries Departments and Agencies, Traders Association, Office of the Head Civil Service of the Federation , Non Governmental Organizations, etc.



MANAGEMENT RESPONSE / COMMENTS

FHFL'S COMMENTS TO SUMMARY OF FINDINGS

SN	AUDIT FINDINGS	AUDITEE'S RESPONSES FHFL MANAGEMENT RESPONSE
1	Availability of policies or guidelines on how funds invested in the provision of homes will be recouped.	<p>1. FHFL has a clear strategy and financial policy on how to recoup invested funds for all housing projects undertaken. All Investments were duly approved by the Board and Hon. Minister for Finance at the time. The approvals provide clear direction on sales prices and the targeted beneficiaries. (Detailed approval for each of the Investments are available for your further review.)</p> <p>2. Additionally, the FHFL Build, and Sell Model was an entry strategy that has since been phased out and replaced with a Construction Finance Model where FHFL primarily provides finance for the construction of affordable housing for projects which meet a strictly defined criterion. (Lending Policy available for your review)</p> <p>3. On the sales of Legacy homes, construction or infrastructure works is still ongoing on most of the sites. Accordingly, presales achievement of 32% for uncompleted projects is typically considered acceptable for projects under development in the industry. However, further significant commitments on sales up to about 70% have been achieved. (Evidence of this is available for your review.)</p>
2	The extent to which FHFL conducted need assessment to ensure that homes built are affordable to low-income earners	<p>1. There already exist well documented housing needs assessment which FHFL leveraged on. There is a vast range of data relating to housing need in Nigeria including studies by reputable organisations including the World Bank, the Centre for Housing Finance etc. Beneficiaries of the FHFL projects are predominantly on low to medium income. FHFL will generally not provide support for projects exceeding Target Cost and affordability.</p>
3	The extent to which FHFL ensure that homes are located in locations where they are easily accessible to low-income earners..	<p>The audit assertions are not accurate as FHFL existing projects can easily be accessible as locations can largely be considered adequate within the constraints of the operating environment.</p> <p>1. Kaduna Project is located within the Heart of Kaduna Millennium city, a fast-growing neighborhood with a clear and well-established road network. It is within proximity of other major estates like the NNPC Housing estate and Nuru Siraj Housing Estate at a 2-minute workable distance. It is a 20 minutes' drive from Kawo Bus stop and about 10 minutes' drive from Quarter House Hotel.</p> <p>2. Ogun project is located at The New Makun Housing project is located along the popular Lagos-Ibadan Expressway. The project is situated within the New Makun City, a master planned greenfield development leveraging proximity to the commercial capital (Lagos) and the industrial hub (Ogun) of Nigeria. The proximity of the project to critical social infrastructure and economic activity is unarguable. The project is 10 minutes' drive from the RCCG Redemption Camp, home to over 12,000 residents. Other neighbours within 10km radius includes Nigerian Baptist Convention Camp, Cornart Plant, Sacvin Plastics, MedicPlus Hospital, Breeze Industries, and Christopher University.</p> <p>3. Kano Project is located at Muhammadu Sunusi II Royal Estate Darmanawa. This represents one of the Kano's State Metropolitan LGA known as Tarauni L.G. The estate is of high proximity to various amenities, business hubs and other infrastructure. Notable attractions are:</p> <ul style="list-style-type: none"> ✓ 600m to Zaria Road (Busiest Road in Kano State) ✓ KM to Na'ibawa Wood Market and Fruits Market ✓ 1.9KM to Aminu Kano Teaching Hospital (AKTH) ✓ 5.2KM to Kano State Government House ✓ 1.5 KM to Sa'adatu Rimi College of Education ✓ 3.0 KM to 7UP Bottling Company, Kano Modern Market and Dantata & Sawoe Construction Yard, ✓ 3.0KM to Zoo Road, one of the major state's business hubs consisting of Banks, Plazas, Shoprite, Trade Fair Complex, Khalifa Sheikh Isyaku Rabi Paediatric Hospital, and so on. <p>4 Delta project.: The Family Homes Funds Asaba Estate is located at Issele-Azagba/ Otulu road, a bustling highway with ten minutes proximity to the Asaba Airport and Asaba town. The estate comes with water and electricity facilities fully provided and was constructed in line with sustainable development goals</p>

		<p>objectives with green parks and public spaces, shops, worship areas and recreational areas included.</p> <ul style="list-style-type: none"> ✓ 10 minutes' drive from Asaba Airport ✓ 15 minutes away from Asaba Shopping Mall ✓ Close proximity to inter-state highway <p>5. Grand LuvuThe Grandluvu Estate is a located in serene environment in Luvu Madaki, Masaka, a few kilometres from the FCT-Abuja. The estate which provides opportunity for mid-low-income earners to own a house is well located in an existing community.</p>
4	Whether the FHFL awarded all contracts within the capped cost limits.	1. We will require more clarification on this observation. Currently, FHFL does not award contracts.
5	Awareness creation for homes built and other intervention programs. relevant information reach the target audience at the right time and in the right format.	<p>1. There is significant awareness of the Fund on the part of our target market. FHFL corporate communication aligns strongly with the company's overall goal of being a social housing institution catering to families on low-income. Hence, its communication has always been targeted at this demography, and the strategies for achieving this are constantly reviewed. As a very young institution, the momentum of its impact, including its communication will only continue to grow organically and progressively.</p> <p>2. In the first quarter of this year, a Stakeholders Roundtable has already been organized by FHFL Communications and the Investment Departments – a major way of strengthening our relationship and communication with the target beneficiaries</p> <p>.</p>



CHAPTER ONE

INTRODUCTION

1.1 Background of the Audit

Housing is recognized world-wide as one of the basic necessities of life and a prerequisite to the survival for human. Globally, housing sector is recognized as one of the sectors that have strong potential to boost employment and growth of the economy. Hence, the importance of providing adequate and affordable housing to citizens cannot be overemphasized.

The demand for affordable housing by the low-income earners remained an unfulfilled dream to most of the middle and low-income earners². In Nigeria, the rapid population growth and rate of urbanization drives the pressure on the demand for decent and affordable housing. However, the rate of housing supply is low. Nigeria's housing deficit as at January 2020 was estimated to be 22million with a yearly growth of 20 percent³.

Successive governments in Nigeria had intervened by introducing various housing programmes but most have failed. The Federal Government, in a bid to implement the Nigerian Economic Recovery and Growth Plan (ERGP) 2017 – 2020, launched the FHFL in 2016 as a special purpose vehicle to help address the housing shortage by delivering affordable homes nationwide. This was followed with the implementation of the Nigeria Economic Sustainability Plan (NESP) 2020, which planned to provide 300,000 social homes yearly for low-income earners.⁴

1.1.1 Background of Family Homes Funds Limited (FHFL)

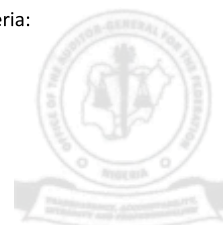
Family Homes Funds Limited is a social housing intervention company which was incorporated on 8th September, 2016 by Corporate Affairs Commission with registration number RC1360519 under Company and Allied Matters Act (CAMA), 1990, as a company limited by shares.

It is a social housing initiative promoted by the Federal Government of Nigeria as part of its Social Intervention Programme. The shareholding structure of the company is 51% held by the Federal Ministry of Finance and 49% held by Nigeria Sovereign Investment Authority as the founding shareholders.

² Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 page ;202 (Housing deficit in Nigeria: Issues, Challenges and Prospects , Emmanuel Abolo Moore)

³ Shelter Afrique, a Pan-African Real Estate Finance Institution

⁴ <https://statehouse.gov.ng/news/what-you-need-to-know-about-the-nigeria-economic-sustainability-plan/>



1.1.2 Vision and Mission

Vision

“To use housing to improve the living standards of Nigerians on low income by building quality homes, providing home ownership financing solutions and creating jobs through the process.”

Mission

“To commit our capital, a skilled and passionate team, and work with partners to drive initiatives that provide lasting solutions for the provision of home ownership for Nigerians on low income. We will further ensure that we are focused, have excellent processes and remain accountable to our stakeholders.”

1.1.3 Objective of the Family Homes Funds Limited

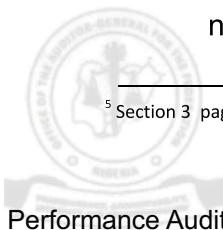
The main objective of the Family Homes Funds Limited is to facilitate the provision of 500,000 homes for low-income families and to create up to 1,500,000 direct and indirect jobs through their various projects. Other objectives⁵ includes:

- i. To invest in and to purchase, acquire, hold, develop, work and turn to account any land (of any tenure), landed property or real estate of any kind whatsoever (including proprietary rights) including but not limited to homes, housing estates, buildings, properties and all manner of real property in Nigeria and related infrastructure and equipment etc
- ii. To invest in, subscribe for, purchase, acquire and hold the shares, stocks, debentures, debenture stocks, bond, notes, obligations and securities of any company, corporation, authority and body involved in any arrangement related to property development.
- iii. To enter into partnerships, joint ventures, consortium and generally collaborate with other entities, corporate or individual, government owned or private, local or international, in the development of property, real estate and real estate infrastructure in Nigeria.
- iv. To make investments of any description whatsoever in the property or real estate business and to adopt all legal and desirable measures to protect the company's investments.

1.1.5 Resources and Funding of FHFL

The Federal Government of Nigeria (FGN) pledged the sum of ~~₦~~500,000,000,000.00 (five hundred billion naira) in 2016 as intervention grant to the FHFL. Out of this amount, cumulative sum of ~~₦~~69,730,403,000.00 (sixty-nine billion, seven hundred thirty million, four hundred and three thousand naira) representing 13.95% had been released to FHFL as at 31st December, 2020, to carry out its mandate of providing homes and creation of jobs for Nigerians. The FHFL received the sum of ~~₦~~65,000,000,000.00 (sixty five billion naira) from the Federal Ministry of Finance, Budget and National Planning

⁵ Section 3 page 2 FHFL Memorandum and Articles of Association of Family Homes Funds Limited:



(FMoFB&NP) and the sum of ₦1,500,000,000.00 (one billion five hundred million naira) as a take-off credit grant from Nigeria Sovereign Investment Authority (NSIA) in the year 2017. A total of ₦3,230,403,000.00 (three billion, two hundred and thirty million four hundred and three thousand naira) was generated internally by FHFL from sales of homes, income from investment, etc, between 2017 and 2020. The internally generated incomes were plough back to capital for provision of more homes.

The cumulative expenditures of FHFL was ₦61,889,584,000.00 (sixty-one billion, eight hundred and eighty-nine million, five hundred and eighty-four thousand naira) out of which the sum of ₦56,822,773,000.00 (fifty-six billion, eight hundred and twenty-two million, seven hundred and seventy- three thousand naira) was expenditure incurred for the housing projects as at 31st December, 2020 as shown in tables 1 and 2.

Table 1: FHFL's Funding from 2017 to 2020⁶

Years	Sources of Funding			Total Funding (₦'000)
	FGN Grant(₦'000)	NSIA Grant(₦'000)	FHFL other incomes (₦'000)	
2017	NA	1,500,000	10,814	1,510,184
2018	20,000,000	-	155,001	20,155,001
2019	-	-	607,962	607,962
2020	45,000,000	-	2,457,256	47,457,256
Total	65,000,000	1,500,000	3,230,403	69,730,403

Source: Audit teams extract from FHFL Annual Return Reports for year 2018 - 2020

⁶ FHFL Summary of Annual Return Reports for Year 2017 to Year 2020.

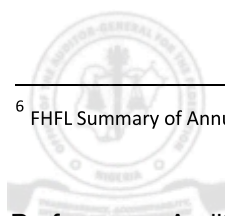


Table 2: FHFL's Expenditure from 2017 to 2020

Years	Projects Expenditures Analysis			Total Expenditures on Projects (N'000)	FHFL other Expenditure (N'000)		Total Expenditures (N'000)
	Land (N'000) A	Legacy Homes (N'000) B	Housing Development Loan (N'000) C	Total Housing Expenditure D = (A+B+C)	Operating & Admin. Expenses E	Property, Plant & Equipment F	G =(E+F)
2017		1,201,739	-	1,201,739	282,585	1,732	1,486,056
2018	1,259,966	7,602,112	-	8,862,078	390,062	1,113	9,253,253
2019	-	3,819,446	-	3,819,446	717,387	126,230	4,663,063
2020	-	3,571,527	39,367,983	42,939,510	1,157,826	2,389,876	46,487,212
Total	1,259,966	16,194,824	39,367,983	56,822,773	2,547,860	2,518,951	61,889,584

Source: Audit team's extract from FHFL Annual Return Reports for years 2017 – 2020

The FHFL funding above is further presented in the chart 1 and 2. Chart 1 below indicates that the FHFL derived a larger percentage of 93.21% of its revenue from the FG, while internally generated revenue accounted for only 4.63%, while the takeoff grant from NSIA was 2.20%.

Chart 1: FHFL's Funding

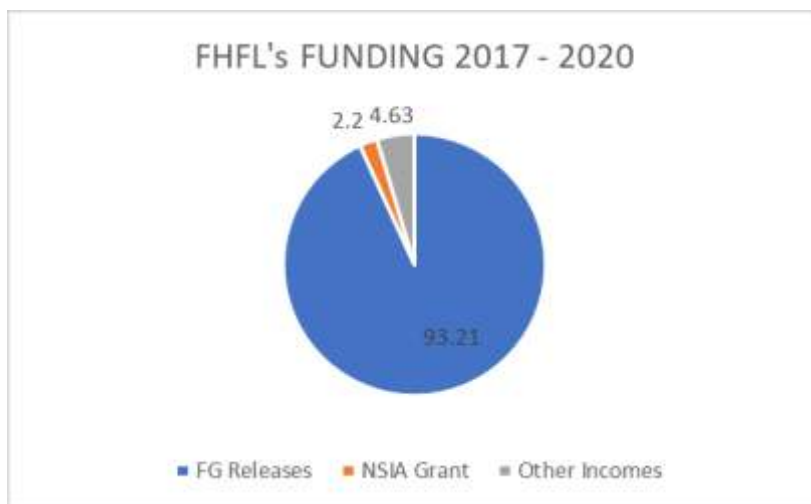


Chart 2 also indicates that the FHFL had utilized 66.30% of its total expenditure between 2017 to 2020 on Housing Development Loans, 27.27% on Legacy Homes, 2.12% on Land and 4.29% on other expenditure.

Chart 2- FHFL's Expenditure.

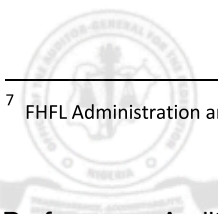


Organisational Structure⁷

FHFL has 2-levels management structure with the Board of Directors at the top, followed by the Management Team. The Board of Directors are responsible for planning and strategizing the long and short term goals and objectives of the company, while management team drives the operations of the company to achieve its objectives of providing 500,000 homes to low income earners and creation of 1,500,000 jobs for Nigerians.

The company is further divided into three Divisions comprising the Funds and Investment Division, Project and Portfolio Division and Finance and Accounts Division. The Investment Division is the originating Division responsible for establishing, obtaining approvals and creation of awareness for projects to be carried out. The Project and Portfolio Division ensures proper execution of projects and disposal of homes built, while the Finance and Account Division ensures that the company accesses the necessary financial support for its operations.

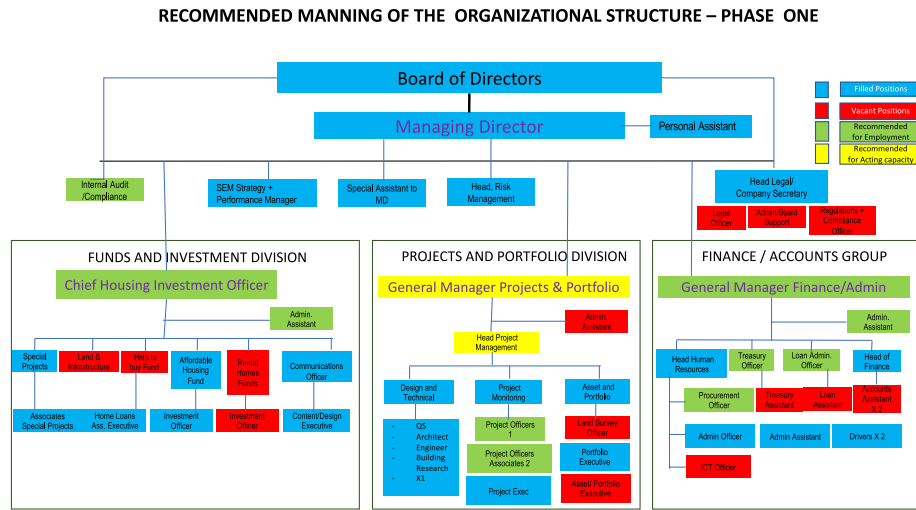
The Organogram of the FHFL is shown below:



⁷ FHFL Administration and human resources Department



Figure 1 Organisational Structure of FHFL



Source: FHFL's Administration and human resources department

Staffing

The FHFL had 2 staff as at the time it commenced business in year 2017. The number of staff have increased to 35 as at 5th March, 2021. The 35 staff are the Programme Management team out of which 13 are Project Management and Investment Department staff as shown in Table 3.

Table 3: Staff strength of FHFL (2018-2020)

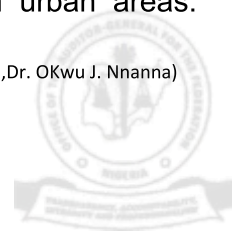
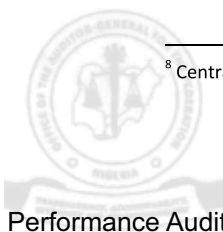
Financial year	No. of staff	No of Staff in Project Management Dept/Investment Dept staff	% Increase in No of Staff in Project Main staff
2017	2	-	-
2018	2	1	-
2019	24	7	600%
2020	35	13	85.71%

Source: Audit team extracts from Nominal Role of FHFL (2018 – 2020)

1.2 Motivation

According to Shelter Afrique, a Pan-African Real Estate Finance Institution, the housing deficit in Nigeria is estimated to be 22 million as at January 2020, with a yearly growth rate of 20 percent. Estimates of output in the formal housing sector ranges from 100,000 to 200,000 housing unit per year, which covers only a fraction of at least, 700,000 units required per year to keep up with the growing population and urban migration. Most new housing programme caters for the upper income households, leaving an acute housing shortage for middle and lower-income households⁸. Meanwhile, the greatest demand for affordable housing comes from the lower income earners in urban areas.

⁸ Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 page ,vi (special remark ,Dr. OKwu J. Nnanna)



Almost 50% of Nigeria's population lives in cities and about 80% of this urban population lives in substandard housing conditions (World bank 2016).⁹

According to a recent report by PriceWaterhouseCoopers (PwC), there is a present deficit of over 17 million houses in Nigeria, and this requires about 700,000 new houses to be built yearly, compared to the less than 100,000 houses that are being constructed yearly. Similarly, the World Bank 2018 Report on Nigeria's Affordable Housing Project, revealed that the demand for affordable housing in Nigeria is huge and growing in the face of a sizable deficit and dearth of existing interventions that supports closing this gap. The Report further stated that macroeconomic conditions in Nigeria are the greatest impediments to affordable housing¹⁰.

The high number of unoccupied houses in Abuja and Lagos has become a cause for concern, especially as many residents cannot afford the rent¹¹.

The Federal Government of Nigeria (FGN) in trying to fulfill its duties as enshrined in the (Section 16 (2)(d) of the Constitution of the Federal Republic of Nigeria (CFRN), 1999, as amended, which stipulates that the government shall provide suitable and adequate shelter for all citizens; the FGN has initiated various housing programmes in the past but most have failed due to civil war, politicization of the schemes, military coup, change in government among others (See Appendix Ib for details). Most of the homes under previous housing initiatives either did not get to the targeted group or un-affordable for the targeted group.

The Federal Government established the FHFL in 2016. Between the years 2018 – 2020, the sum of ₦65,000,000,000.00 (Sixty five billion naira) only which represent 13% of the ₦500,000,000,000.00 (Five hundred billion naira) only seed capital promised by FG for provision of affordable/social homes for the low incomes earners was released to the company.

It is against this background that the AuGF decided to carry out a performance audit on Effective Management of resource for provision of affordable/social homes for low- income earners in Nigeria by Family Homes Fund Limited.

1.3 Methodological Design

1.3.1 Audit Objective

The overall objective of the audit was to assess the extent to which FHFL had put in place measures to facilitate effective management of resources for provision of affordable/Social homes for low-income earners in Nigeria.

⁹ Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 page ;177(housing deficit in Nigeria: Issues, Challenges and Prospects, Prof. Akpan Ekpo)

¹⁰ Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 page ; 19 ,Adenikinju: Bridging Housing Deficit in Nigeria: Lessons from other Jurisdictions

¹¹ <https://www.vanguardngr.com/2020/12/the-imperatives-of-sdgs-prognoses-and-remedies-for-housing-deficit-in-nigeria/>

Specific Objectives

1. To assess whether there are policies or guidelines in place on how funds invested in the provision of homes will be recouped.
2. To assess the extent to which FHFL conducted need assessment to ensure that homes built are affordable by low-income earners.
3. To assess the extent to which FHFL ensure that homes are located in locations where they are easily accessible to low-income earners.
4.
 - i. To assess whether FHFL awarded all contracts within the capped cost limits
 - ii. To assess whether FHFL ensures that the prices of homes are relatively uniform and affordable to the targeted group.
5. To assess whether FHFL has created awareness for homes built and other intervention programs.

1.3.2 Audit Scope

The audit focused on the Management of Resources for the Provision of affordable/social homes for low-income earners in Nigeria by FHFL. The coverage includes 7(seven) FHFL's projects in 5 (five) geo-political zones and the Head Office in Abuja. The States visited were Adamawa, Bauchi, Delta, Kaduna, Kano, Nasarawa and Ogun States. The period covered by the audit is from 2018 to 2020. The financial years were selected because they provided the auditors with the most recent information about the audited entity.

1.3.3 Audit Questions

AQ1.1 To what extent has the FHFL put in place policies to ensure that funds invested are recouped?

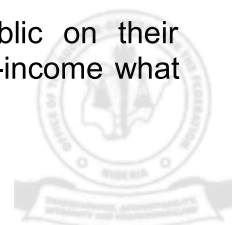
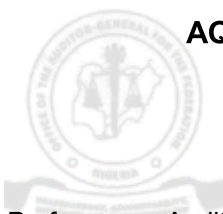
AQ 2.1 To what extent was needs assessment conducted to ensure that the homes provided meets the need of low -income earners?

AQ 3.1To what extent did FHFL ensure that homes were sited in location easily accessible for low-income earners?

AQ 4.1 To what extent did FHFL put measures in place to ensure that the cost of constructing affordable/social homes across Nigeria was relatively uniform?

AQ4.2 To what extent did FHFL put measures in place to ensure that the prices of homes are affordable and relatively uniform across the Country?

AQ 5.1 To what extent did FHFL properly sensitize the public on their programme of providing affordable/social homes for low-income earners what of the other intervention programs



1.3.4 Audit Criteria

The criteria against which performance of FHFL's Management of Resources for the provision of affordable/social homes for low-income earners in Nigeria was assessed are shown in Appendix III.

1.3.5. Methodology and source of Data collection

The team used the following methods; documents review, interviews, questionnaires and housing sites inspection in gathering evidence on the Management of resources for the provision of affordable/social homes for low-income earners in Nigeria by FHFL. The details are outlined in Appendix IV.



CHAPTER TWO

MANAGEMENT OF RESOURCES FOR THE PROVISION OF AFFORDABLE /SOCIAL HOMES FOR LOW INCOME EARNERS IN NIGERIA

2.1 Introduction

This chapter describe the management of resources for the provision of affordable/social homes programme by the FHFL as well as the roles and responsibilities of the key players.

2.2 Background

Housing deficit is a global phenomenon and it is not in any way peculiar to Nigeria. It is recognized by government that the majority of the people who are in demand for housing are the low-income earners. As a result of this, government's approach to addressing the problem centers on the fundamental issues of availability and affordability. Unfortunately, access to affordable housing has largely remained an unfulfilled dream to the vast majority of Nigerians who are in the middle and the lower income class of the society¹².

Efforts by the successive governments to meet the housing needs of low-income earner had always hit the hard rock. The Federal Government, being aware that provision of adequate housing is a human right enshrined in international human rights law, established the FHFL to deliver affordable housing for low-income earners in Nigeria.

FHFL is a social housing initiative established in 2016 to provide 500,000 families of low-income earning group with affordable homes by 2024. The FHFL strategy was to construct 11,377 number of affordable homes between 2016 to 2020 across 9 States. So far, it has established Estates in only 5 States tagged "Legacy Homes" which are its pioneer project. It was estimated that in the process of providing affordable homes by 2024, 1,500,000 (direct & indirect) jobs would also be created.

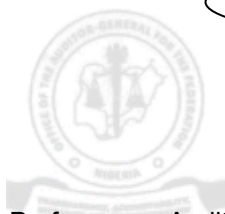
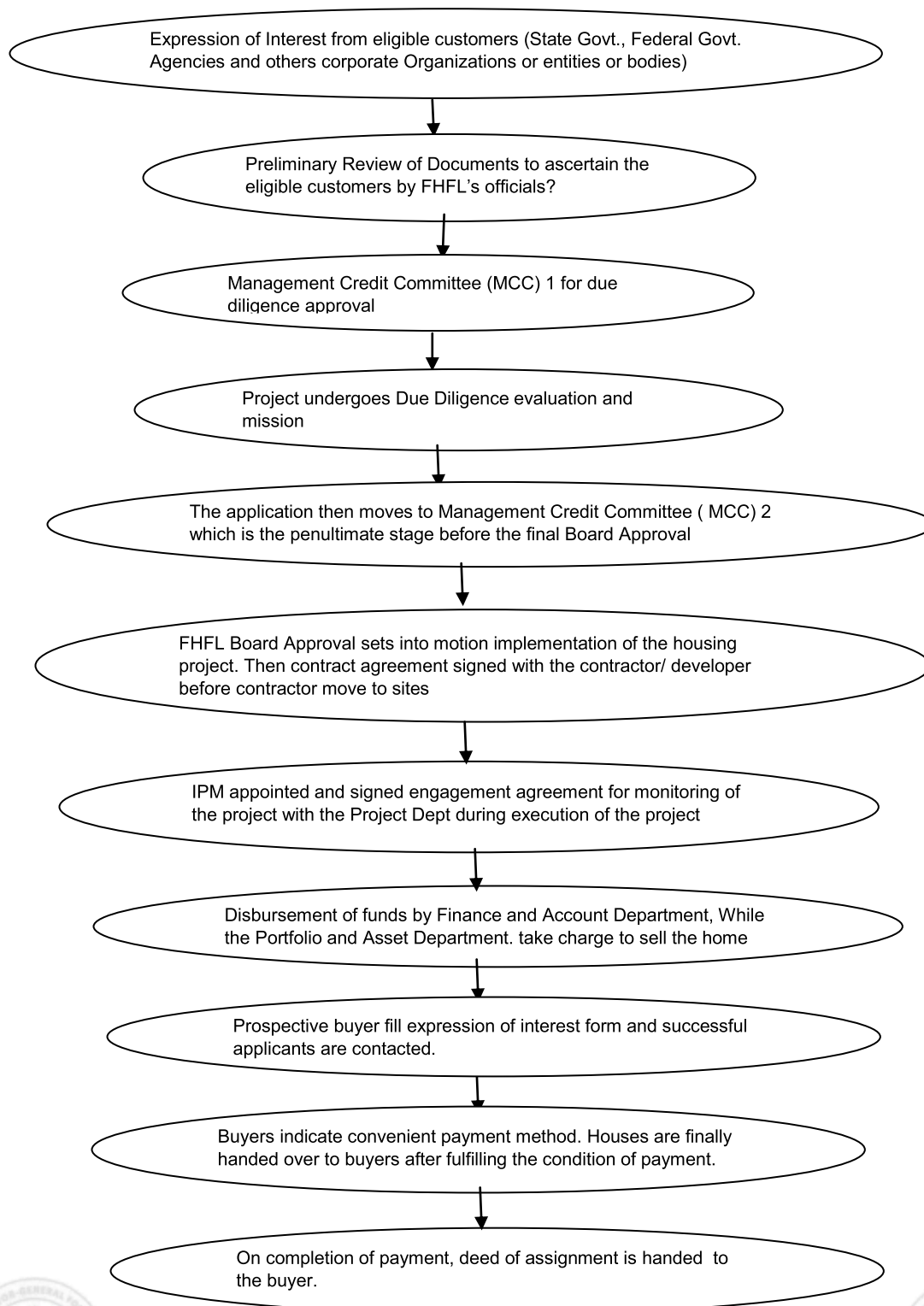
Recently, the Federal Government again, assigned the FHFL to implement the decisions of the Federal Executive Council's (FEC) Economic Sustainability Plan (NESP), approved on June 24, 2020 to provide 300,000 homes for low-income earners.¹³

¹² Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 page ;223 (Addressing Housing deficit in Nigeria: Issues, challenges and prospects, Prof. S. Ibi Ajayi)

¹³ <https://statehouse.gov.ng/news/what-you-need-to-know-about-the-nigeria-economic-sustainability-plan/>

2.3 Process Description in The Management of Resources for Provision of Affordable/Social Homes for Low Income Earners in Nigeria

Figure 2 : PROCESS FLOW CHART



Explanatory Note

Figure 2 above describes the flow of operation of FHFL for provision of affordable homes.

The initiation of the FHFL homes provision starts when an Expression of Interest form is received from eligible prospective customers (State Governments, Federal Government Agencies, and other Corporate bodies).

This is followed by Preliminary review of documents submitted to ascertain eligibility of customer by FHFL's officials.

Upon the preliminary review, the application is presented to the Management Credit Committee (MCC) 1 for due diligence approval and the successful ones at this stage attracts for Due Diligence and other checks which make the Project undergo due diligence evaluation and mission.

The application then moves to Management Credit Committee (MCC) 2 which is the penultimate stage before the final Board approval. Board approval sets into motion implementation of the housing project.

The contract agreement is signed with the contractor/Developer who then move to site, and Independent Project Managers (IPM) are attached to the projects for proper monitoring and execution of the projects in partnership with FHFL Project Management Department.

The Finance and Administration Department ensures proper disbursement of funds for the project execution.

Portfolio Management department takes charge of completed homes. Prospective buyers fill expression of interest form on FHFL's website.

Successful applicants are contacted to indicate payment method convenient for them either through the mortgage option, where the buyer pays 10% equity if the house is more than 5million and length of payment is determined by the mortgage bank, or instalment payment option which is a minimum of 25% down payment and payment period spans 36 months.

After fulfilling the conditions, the house is finally handed over to buyers. A deed of assignment is given to the buyer on completion of payment.

2.4 Roles and Responsibilities of Key Players/ Stakeholders

FHFL'S list of identified stakeholders include:

1. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP)

The FMoFB&NP is one of the founding shareholders of FHFL with 51% total share. The Ministry supervises the operations of the FHFL. The FMoFB&NP is also responsible for providing adequate funding from the seed capital for the FHFL and monitors how the funds provided are utilized.



2. Nigerian Sovereign Investment Authority (NSIA)

This is another Agency of government that co-own the shares of the FHFL. NSIA has 49% of the FHFL's share capital. This Agency also has a parental and supervising role over the FHFL.

3. Federal Mortgage Bank of Nigeria (FMBN)

FMBN is the major secondary provider of long-term finance/regulator of activity of Mortgage Banks in Nigeria. The FHFL partners with the FMBN to secure finance solutions to off-takers.

4. State Government

The FHFL partners with State government in order to achieve its mandate of providing homes to Nigerians. The FHFL provides loan to State government (with Irrevocable Standing Payment Order (ISPO)) in which the State government engages Developers to build homes for Nigerians.



CHAPTER THREE

FINDINGS

3.1 Introduction

This chapter presents the findings of the audit. The findings focus on the Management of Resources for Provision of affordable/social homes for low-income earners in Nigeria by Family Homes Funds Limited for the period 2018 to 2020.

3.2.1 Availability of policies or guidelines on how funds invested in the provision of homes will be recouped

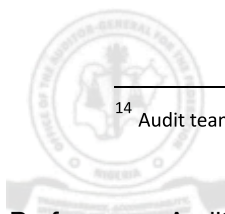
Section 3.1.4 (1) of the FHFL Operational Plan 2020, page 9 states "Complete the sale of 70% of completed homes in Kano, Kaduna, Ogun, Delta and Nasarawa States by December 2020." Furthermore, paragraph 415 of the Financial Regulation (FR) 2009 states 'The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted'.

Audit review of the Project Status Report revealed that FHFL proposed to build 3,289 legacy homes in Delta, Kaduna, Kano, Nasarawa and Ogun States between year 2018 to 2020. However, the report and projects inspections revealed that only 2,107 homes were completed. Audit further noted that only 675, representing 32% of the completed homes as at 31st December, 2020 were sold instead of the 70% stated in section 3.1.4(1) of the FHFL Operational Plan 2020. A total of 1,432 homes completed representing 68% remained unsold.

Audit further observed that a total of ₦16,983,308,000¹⁴ (Sixteen billion, Nine hundred and eighty-three million, three hundred and eight thousand naira) was the sum expected to be recouped from the completed homes. However, only ₦6,059,268,000 (Six billion, fifty-nine million, two hundred and sixty-eight thousand naira) had so far been recouped, thereby tying down government funds amounting to ₦10,924,040,000 (Ten billion, nine hundred and twenty-four million, forty thousand naira) due to the FHFL's inability to sell the remaining 1,432 completed homes as at 31st December, 2020 as shown in columns H & I of Table 4.

Audit also noted that out of the 582 homes completed in Nasarawa state (Grand Luvu 1 & 2) since 2016/2018, only 172 homes were sold (representing 30% of total homes completed), remaining 410 homes unsold. Also, in Delta state, out of the 492 homes completed since 2019, only 32 homes were sold (representing 6.5% of total homes completed), the balance of 460 homes were left unsold as at 31st December, 2020. (See table 4 for details). Pictures I & II were taken during the inspection visit to Delta and Nasarawa States, depicting homes completed since 2017 but have not been sold.

¹⁴ Audit team's extraction and calculations from FHFL's home sales status.



Picture I&II homes completed since 2019&2018 in Delta & Nasarawa State without buyer

Picture I- Delta



Picture II- Nasarawa



Source: Audit team pictures taken at FHFL Housing Estate in Delta (13/4/21) & Nasarawa state Grand Iuvu 2 (08/07/2021)

Audit attributed this to non-existence of policy guidelines at the inception of the FHFL in 2016 which could have given a clear direction on how funds utilized or invested in the construction of the low cost homes should be recouped. Although the FHFL later developed a Financial Policy in 2020, the Policy still did not provide for recouping of the funds invested in the construction of the homes. Also, the Standard Operating Procedure Manual did not provide for recouping of the funds invested either.

As a result of lack of policy in place for recouping funds invested, the houses are still lying fallow, hence government funds are tied down since 2017 without the houses being sold. Meanwhile, it was observed that many of the completed homes have already dilapidated and required extra cost for repairs. Pictures III & IV were taken during audit inspection visit to Kaduna and Delta States, where homes completed since 2018 had started dilapidating.

Pictures III & IV ; Homes completed since 2018 that have started dilapidating

Picture III- Kaduna



Picture IV- Delta



Source: Audit team pictures taken at Gidan Yali Estate, Kaduna 5/08/2021 and Family Housing Estate, Delta State (13/04/2021)

Table 4: FHFL Homes Sales Status as at 31st December 2020

Estate Locations	Unit Types	Prices Per unit ₦	No of Units proposed	No of Units Completed	No of units sold/ committed	Proceeds from sales of homes ₦	No of units unsold/ uncommitted	Expected proceed from unsold home (tied down funds) ₦
A	B	C	D	E	F	G	H	I
Delta State	1bedroom Terrace bungalow	4,000,000	192	192	8	32,000,000	184	736,000,000
	2bedroom bungalow	7,500,000	230	200	12	90,000,000	188	1,410,000,000
	3bedroom bungalow	10,750,000	228	100	12	129,000,000	88	946,000,000
Kano State	2 bedroom Flat	8,500,000	348	348	17	144,500,000	331	3,813,500,000
	3bedroom bungalow	16,500,000	121	121	36	594,000,000	85	1,402,500,000
Ogun State	1 bedroom flat	6,250,000	456	80	69	431,250,000	11	68,750,000
	Studio flat	3,000,000	36	0	0	0	0	0
	2 bedroom flat	8,950,000	456	80	52	465,400,000	28	250,600,000
	3bedroom bungalow	11,500,000	72	72	70	805,000,000	2	23,000,000
Kaduna	1bedroom Terrace bungalow	3,700,000	100	100	100	370,000,000	0	0
	2bedroom Terrace bungalow	6,100,000	328	148	82	500,200,000	66	402,600,000
	2bedroom Terrace bungalow luxury	7,500,000	40	20	23	172,500,000	(3)	(22,500,000)
	3 bedroom Terrace duplex	13,500,000	72	36	20	270,000,000	16	216,000,000
	3 bdr flat	9,500,000	28	28	2	19,000,000	26	247,000,000
Nasarawa	1 bedroom Terrace bungalow	2,999,000	291	291	82	872,709,000	209	626,791,000
	2 bedroom Terrace bungalow	3,999,000	291	291	90	1,163,709,000	201	803,799,000
Total			3,289	2,107	675	6,059,268,000	1432	10,924,040,000

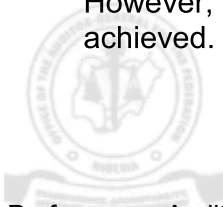
Sources; Auditor's analysis based on documents received from Portfolio Assets Management Department of FHFL

FHFL's MANAGEMENT RESPONSE

FHFL has a clear strategy and financial policy on how to recoup invested funds for all housing projects undertaken. All Investments were duly approved by the Board and Hon. Minister for Finance at the time. The approvals provide clear direction on sales prices and the targeted beneficiaries. (Detailed approval for each of the Investments are available for your further review.)

Additionally, the FHFL Build, and Sell Model was an entry strategy that has since been phased out and replaced with a Construction Finance Model where FHFL primarily provides finance for the construction of affordable housing for projects which meet a strictly defined criterion. (Lending Policy available for your review)

On the sales of Legacy homes, construction or infrastructure works is still ongoing on most of the sites. Accordingly, presales achievement of 32% for uncompleted projects is typically considered acceptable for projects under development in the industry. However, further significant commitments on sales up to about 70% have been achieved. (Evidence of this is available for your review.)



AUDITOR'S EVALUATION

The scope of the audit spans from 2018 to 2020. FHFL did not have financial policy as at 2017 when it commenced operation but only developed the financial policy in 2019. The financial policy was reviewed and did not clearly specify how funds invested in homes should be recouped. Despite FHFL claims of having a clear strategy and financial policy on how to recoup invested funds for all housing projects undertaken the policy, does not clearly states when and how to recoup the funds invested. Also, the management response could not dispute the fact that 70% sales of completed homes have not been achieved.

3.2.2 The extent to which FHFL conducted needs assessment to ensure that homes built are affordable to low-income earners.

Section 18 (a-c) of the Public Procurement Act (PPA) 2007, requires a procuring entity to 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.

Audit observed from the review of the Project Status and Performance Report that the FHFL had planned to build a total of 14,913 homes in nine (9) States across the country. This was however reviewed downward to 11,377 homes. The review resulted in the reduction of 3,536 homes from four (4) states including Adamawa 1000, Bauchi 1250, Kaduna 36 and Yobe state 1250 homes. The FHFL attributed the downward review of the homes in Adamawa, Bauchi and Yobe States to the deployment of the funds for provision of physical infrastructure (access road, water, electricity etc) to the Estates. However, audit noted that the reasons for downward review of the number of homes by 36 in Kaduna State was due to the problem of Land topography.

Audit further observed that the FHFL cut down the number of homes to be constructed in the 3 states of Kaduna, Yobe and Bauchi States on the same date that the project was scheduled for commencement. Details of the reduction and reasons adduced are shown in table 5 below.

Audit attributed this improper reduction in the numbers of homes initially planned to be built to inadequate needs assessment prior to approval by the FHFL's Board. As a result, the initial plan was altered by reducing the number of homes after the initial approval by FHFL's Board.



Table 5: The FHFL's Home planned and Revised

States	No of units planned	No of units Revised	Planned Date (commence ment)	Revised Date	No of Unit Revised Down	Reasons for Revised down
1	2	3	4	5	6	7
Delta	650	650	April 2018	NA		
Kano	757	757	May 2018	NA		
Ogun	1020	1020	April 2017	NA		
Kaduna	604	568	June 2017	June 2017	36	Land topographic issues(large gully area on some part of the land)
Nasarawa	582	582	NA	NA		
Yobe	3600	2350	June 2020	June 2020	1250	Reduce to use the money to provide physical infrastructure
Borno	3200	3200	May 2020	NA		
Bauchi	2500	1250	June 2020	June 2020	1250	Reduce to use the money to provide physical infrastructure
Adamawa	2000	1000	June 2020	January, 2021	1000	Reduce to use the money to provide physical infrastructure
	14,913	11,377			3,536	

Sources: Audit team's analysis of Project Status and performance Report from Projects & Portfolio department FHFL

Audit further observed from the review of Project Status and Performance Report that out of the 2017 homes completed, only 675 units were sold as at the time of audit inspection in August 2021, while only 184 units were occupied.

Audit further noted through responses from the questionnaires administered to 112 randomly sampled occupants that only 40 occupants representing 35.71% were actually low-income earners, while 72 occupants representing 64.29% were not low-income earners as shown in table 6 below. This buttress the fact that the FHFL's homes were not affordable for the low-income earners.

Audit noted that need assessment which would have afforded the FHFL the opportunity of determining the specification of the homes in terms of sizes, prices and types that meet the need of the targeted group was not carried out. As a result, there was low patronage as the targeted group could not afford the homes. Hence the whole essence of providing affordable homes for low-income earners is defeated.

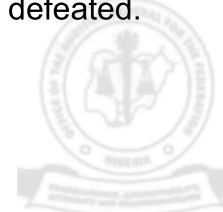
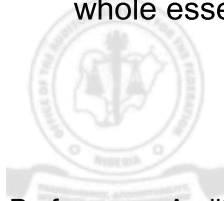


Table 6: Category of buyers based on income

States	No of units sold	No of occupants in the Estate	No of questionnaires' distributed	Categories of buyers based on monthly income	
				Below N100,000 (low income) ¹⁵	Above N100,000 or Above
1	2	3	4	5	6
Nasarawa	172	167	85	35	50
Kano	53	2	2	-	2
Kaduna	227	NIL	16	4	12
Ogun	191	11	6	1	5
Delta	32	4	3	-	3
Adamawa	0	0	0	0	0
Bauchi	0	0	0	0	0
Yobe	0	0	0	0	0
Borno	0	0	0	0	0
Total	675	184	112	40	72

SOURCE: OAuGF Analysis 2021.

FHFL's MANAGEMENT RESPONSE

There already exist well documented housing needs assessment which FHFL leveraged on. There is a vast range of data relating to housing need in Nigeria including studies by reputable organisations including the World Bank, the Centre for Housing Finance etc. Beneficiaries of the FHFL projects are predominantly on low to medium income. FHFL will generally not provide support for projects exceeding Target Cost and affordability.

AUDITOR'S EVALUATION

Vast range of data relating to housing needs in Nigeria was also used in this report. It is a best practice to conduct a need assessment before embarking on any project. It is clear from the response that FHFL only leveraged on already existing studies by reputable organizations and did not conduct own need assessment on all its project which is against the PPA Section 18(a-c). The presence of many houses that could not be bought suggested that the targeted group could not afford the houses with consequential deterioration of the buildings.

¹⁵ 2004 National Housing Policy

3.2.3. The extent to which FHFL ensures that homes are sited in locations where they are easily accessible to low-income earners

Site Specification/Requirement, Social and Environmental Factors page 1 provides that Site must be within 5km of any of the following; Market; Health Care Center or Hospital; School; Community Center; Commercial Center; Recreational Center; Shopping and Transport Hub.

Audit observed during the inspection visits to the project sites in Nasarawa, Delta, Kaduna, Kano, Bauchi, Adamawa and Ogun States that most of the Estates were sited at the outskirts of the State Capitals and towns. For instance, the Estates in Nasarawa and Kano States had bad access roads, Estates in Kaduna, Ogun, Delta, Bauchi and Adamawa States were sited at the outskirts of the City Center where facilities like Markets, Health Care Centers or Hospitals, Schools, Community Centers, Commercial Centers, Recreational Centres, Shopping and Transport Hub were not available.

Audit noted that since most of the Estates were located far away from the City Centers, without the physical infrastructures as obtained in Kaduna, Ogun & Delta States, there is low patronage of the FHFL's homes.

Inspections carried out across the FHFL's Estates in Delta, Kaduna, Kano, Nasarawa and Ogun state revealed that out of 675 homes purchased by subscribers, only 184 representing 27.26% of the homes subscribed are presently occupied. Pictures V, VI, VII, VIII, IX & X were taken during the inspection visit to New Makun Housing Estate Ogun State, Family Homes Funds Estate Delta State Grand Luvu 1&2 in Nasarawa State, (Muhammed Sanusi II Royal Estate) Kano State and (Gidan Yali Estate) Kaduna State, showing homes completed since 2018 but not yet occupied or sold.

Picture V & VI homes completed since 2019 in Ogun & Delta State sited outskirts the City center without buyers

Picture V- Ogun



Picture VI- Delta



Source: Audit team pictures taken at FHFL housing Estate in Ogun (14/8/21) & Delta state (8/04/21)

Picture VII & VIII homes completed since 2018 in Nasarawa State(Grand Luvu 1 & 2) without buyers due to inadequate infrastructure.

Picture VII- Nasarawa (Grand Luvu 1)



Picture VIII- Nasarawa (Grand Luvu 2)



Nasarawa Grand Luvu2 08/07/21 and Grand Luvu 1

Below are pictures of some Estates with completed homes since 2018/2019 located at the outskirts of the City Center.

Picture IX&X homes completed in Kano & Kaduna State without buyers due to inadequate infrastructure

Picture IX- Kano



Picture X - Kaduna



Source: Audit team pictures taken at FHFL Housing Estate in Kano state (07/4/21) & Kaduna (5/08/21)

Audit further noted through responses from 112 questionnaires administered to occupants of the estates, and inspection that most subscribers could not move into their respective homes due to the remote location and absence of basic infrastructures as provided in Table 7 below.

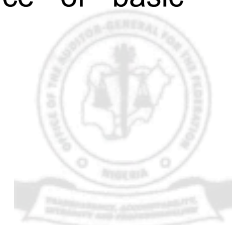
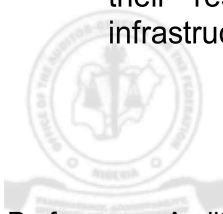


Table 7; list of External & Internal infrastructures absent in the FHFL's Estates

S/N	State	Response of Buyers of the estate on the functionality of the physical infrastructures	Audit Physical Inspection on the condition of the Physical Infrastructures
1	Delta	Water problem, No Electricity	Water problem, Electricity not yet step down to the Estate
2	Kano	Bad Access Road, No Water, No Electricity	Bad Access Road, No Water, No Electricity
3	Kaduna	No Water, No Electricity	No Water, No Electricity
4	Ogun	No Water, drainage problem, poor waste management	No Water, poor waste management
5	Nasarawa	Poor access road, Water problem, Irregular Electricity supply, Poor Fencing of the Estate	Poor access road, Inadequate Water provision, irregular electricity supply, No Fencing at the back side of the estate

Sources: Audit team's extracts from questionnaires distributed

Table 8: Units of the completed homes sold to subscribers

States	No of units proposed	No of units completed	% of unit proposed to units of homes completed	No of units sold from FHFL document	% of homes unsold to unit completed	No of occupant at site during Audit visit	% of occupants to units of homes sold
1	2	3	4	5	6	7	8
Delta	650	492	75.7%	32	6.5%	4	12.5%
Kano	757	469	62%	53	11.3%	2	0.00%
Ogun	1020	232	22.7%	191	82.3%	11	6.08%
Kaduna	568	332	54.9	227	68.3%	Nil	0.00%
Nasarawa	582	582	100%	172	29.5%	167	97.09%
Total	3613	2107	58%	675	32%	184	27.26%

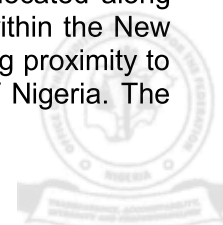
Source; Audit team's extracts from Schedule of houses completed and sold reflecting purchase pattern and reference of off-takers (portfolio management department, FHFL)

This has resulted to the homes procured and constructed with government funds since 2018/2019 being unattractive to the target groups, hence the overall object of the provision of the homes is far from being achieved.

FHFL's MANAGEMENT RESPONSE

The audit assertions are not accurate as FHFL existing projects can easily be accessible as locations can largely be considered adequate within the constraints of the operating environment.

1. Kaduna Project is located within the Heart of Kaduna Millennium city, a fast-growing neighborhood with a clear and well-established road network. It is within proximity of other major estates like the NNPC Housing estate and Nuru Siraj Housing Estate at a 2-minute workable distance. It is a 20 minutes' drive from Kawo Bus stop and about 10 minutes' drive from Quarter House Hotel.
2. Ogun project is located at The New Makun Housing project is located along the popular Lagos-Ibadan Expressway. The project is situated within the New Makun City, a master planned greenfield development leveraging proximity to the commercial capital (Lagos) and the industrial hub (Ogun) of Nigeria. The



proximity of the project to critical social infrastructure and economic activity is unarguable. The project is 10 minutes' drive from the RCCG Redemption Camp, home to over 12,000 residents. Other neighbours within 10km radius includes Nigerian Baptist Convention Camp, Cormart Plant, Sacvin Plastics, MedicPlus Hospital, Breeze Industries, and Christopher University.

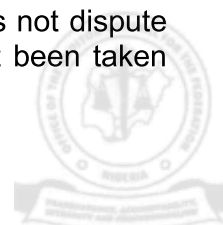
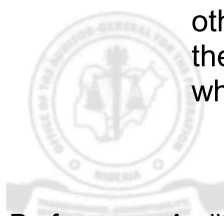
3. Kano Project is located at Muhammadu Sunusi II Royal Estate Darmanawa. This represents one of the Kano's State Metropolitan LGA known as Tarauni LG. The estate is of high proximity to various amenities, business hubs and other infrastructure. Notable attractions are: ✓ 600m to Zaria Road (Busiest Road in Kano State) ✓ KM to Na'ibawa Wood Market and Fruits Market ✓ 1.9KM to Aminu Kano Teaching Hospital (AKTH) ✓ 5.2KM to Kano State Government House ✓ 1.5 KM to Sa'adatu Rimi College of Education ✓ 3.0 KM to 7UP Bottling Company, Kano Modern Market and Dantata & Sawoe Construction Yard, ✓ 3.0KM to Zoo Road, one of the major state's business hubs consisting of Banks, Plazas, Shoprite, Trade Fair Complex, Khalifa Sheikh Isyaku Rabi'u Paediatric Hospital, and so on.
4. Delta project: The Family Homes Funds Asaba Estate is located at Issele-Azagba/ Otulu road, a bustling highway with ten minutes proximity to the Asaba Airport and Asaba town. The estate comes with water and electricity facilities fully provided and was constructed in line with sustainable development goals objectives with green parks and public spaces, shops, worship areas and recreational areas included.
 - ✓ 10 minutes' drive from Asaba Airport
 - ✓ 15 minutes away from Asaba Shopping Mall
 - ✓ Close proximity to inter-state highway
5. Grand Luvu: The Grandluvu Estate is a located in serene environment in Luvu Madaki, Masaka, a few kilometres from the FCT-Abuja. The estate which provides opportunity for mid-low-income earners to own a house is well located in an existing community

AUDITOR'S EVALUATION

Estates in Kano and Nasarawa are located in already habitable environment, but the access road to the Estates are in a deplorable state which is discouraging and even affected the number of sold homes that are currently occupied. And scare off prospective buyers.

Kaduna, Ogun, Delta and Bauchi Estates are not located in areas that are easily accessible for prospective buyers who are majorly the low-income earners.

Audit obtained data from the end users – the occupants of the Estates who narrated the challenges. The objective of the audit is to seek room for improvement. We encourage Management of FHFL to seek collaboration with other governments on how to solve the road problem. Audit does not dispute the figures but the fact remains that majority of houses have not been taken which is an indication of low effectiveness.



3.2.4. Whether the FHFL awarded all contracts within the capped cost limits

Section 7.4 of the FHFL Strategic Plan 2020 – 2024, provides in Strategy 1 (1.5), for the promotion of the construction of low-cost homes with capped cost limit of ₦2.0million for a 48sq.m (1 bedroom), ₦2.5million for a 61sq.m (2 bedroom), and ₦4million for a 75sq.m (3 bedroom).”

Audit observed from the review of documents that the FHFL did not follow the above capped costs limits in awarding contracts for construction of the low-income homes. Audit noted that the FHFL contract price awarded were higher than the capped cost limit. Audit noted that the average cost price of the homes contracted by the FHFL in 9 nine states across the country were Adamawa @ ₦4.80M, Bauchi @ ₦9.6M, Delta @ ₦5.88M), Kaduna @ ₦5.45M, Kano@ ₦8.58, Ogun @ ₦6.52M, Nasarawa @ ₦3.60M and Yobe State at the cost of ₦5.88M per unit, above the capped cost as shown in Table 9.

TABLE 9: Analysis of the Average Cost per unit of FHFL homes in 9 states across Nigeria

S/ N	Award Date	State	Contract Sum ₦	Payment on contract as at 31/12/20 ₦	No of homes Units planned	No of homes units revised	Average cost per unit ₦	Units of homes completed
a	b	c	d	e	f	g	h	i
1	Apr.,2018	Delta	3,822,383,328.96	3,872,086,318.13	650	650	5.88m	492
2	Jun.,2017	Kaduna	3,097,088,220.52	2,956,805,775.83	604	568	5.45m	332
3	May,2018	Kano	6,491,391,732.18	4,526,420,732.06	757	757	8.58m	469
4	Sept.,2017	Nasarawa	2,096,769,567.99	2,096,769,567.99	582	582	3.60m	582
5	Apr.,2017	Ogun	6,646,400,000.00	3,956,104,592.48	1020	1020	6.52m	232
	Sub total		22,154,032,849.5	17,408,186,986.3	3,613	3,577	4.87m	2,107
6	Jun.,2020	Adamawa	9,917,211,090/ 4,796,000,000	5,213,767,000	2000	1000	4.8m	0
7	Jun.,2020	Bauchi	12,000,000,000	12,191,200,000	2500	1250	9.6m	0
8	May,2020	Borno	5,548,750,000	5,761,776,000	3200	3200	1.73m	0
9	Jan.,2020	Yobe	15,957,202,315	16,201,240,000	3600	2350	6.8m	0
	Grand total		60,455,985,164.5	56,776,169,985.3	14,913	11,377	5.0m	2,107

Source: Audit team’s analysis of various documents (extract from 2020 Unaudited Financial Report and Project Status and Performance Report as at March 2021(Prepared by Project & Portfolio Management Department of FHFL)

Audit further observed that the FHFL homes with the same type and model had different prices as illustrated in Table 10 below. A unit of 1 bedroom bungalow had prices ranged from ₦2,999,000.00 (Nasarawa State) to ₦6,250,000.00 (Ogun State). A 2 bedroom bungalow’s price ranged from ₦3,999,000.00 (Nasarawa State) to ₦8,950,000.00 (Ogun State). Similarly, a 3 bedroom bungalow had price ranged from ₦14,800,000.00 (Kaduna State) to ₦16,500,000.00 (Kano State), while a 3 bedroom terrace duplex had a price tag of ₦16,500,000.00. These prices did not fall within the limit of the FHFL capped cost. Audit observed that only the prices of homes at Grand Luvu, Nasarawa State, that was relatively affordable for the targeted low-income group, hence the Estate had the highest subscribers compared to other projects.

Table 10: Price ranges of the homes across the various projects

S/N	Unit type	Delta	Kano	Ogun	Kaduna	Nasarawa	Prices ranges
1	1 bedroom bungalow	N4m	Nil	N6.25m	N4.07m	N2.999m	N2.999m to N6.25m
2	2 bedroom bungalow	N7.5m	N8.5m	N8.95m	N6.1m	N3.999m	N3.999m to N8.95m
3	2 bedroom bungalow dulux (2 toilet)	Nil	Nil	Nil	N7.5m	Nil	N7.5million
4	3 bdr bungalow	N10.75m	N16.5m	N11.5m	N14.8m	Nil	N10.75m to N16.5m
5	3 bdr Terrace duplex				N16.5m		N16.5m

Source: Schedule of houses completed and sold reflecting purchase pattern and reference of off takers (portfolio management department) & interview responses with Marketers in Gidan Yali Estate Kaduna.

As a result, of the varied price range of the houses which is relatively high for the target group who are low-income earners, there is attendant low patronage from the actual targeted low-income earners whom the project was meant to benefit.

Furthermore, the cost was also not uniform across the states as required, leading to variation in selling price of the homes across the country.

FHFL's MANAGEMENT RESPONSE

We will require more clarification on this observation. Currently, FHFL does not award contracts.

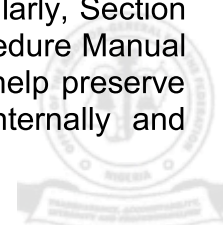
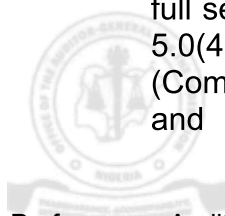
AUDITOR'S EVALUATION

How then does FHFL execute and monitor its projects to ensure that government objectives are achieved.

The essence of due diligence and Preliminary Review of prospective developers. Documents by FHFL's (as is FHFL's procedure) is to ensure that the proposed project meets all the criteria/conditions set (including the capped cost limits) before approval is given. Hence, IPMs are engaged to ensure daily monitoring of all projects so that contractors do not compromise standard.

3.2.5 Awareness creation for homes built and other intervention programmes.

Section 3.1.6 of the FHFL Operations Plan 2020, provides for the completion of the development of an effective website; Improve Brand Awareness and Positioning as a leading Social Housing Finance Company; and put in place full set of Marketing Collateral to support business activities. Similarly, Section 5.0(4) of the Affordable Housing Fund - Standard Operating Procedure Manual (Communication Policy) states "The purpose of this policy is to help preserve and enhance the Company's reputation and culture, both internally and



externally, and to help ensure that relevant information reaches the targeted audience in the right format and at the right time”

Audit observed through the review of the FHFL’s Annual Returns Reports for years 2018 to 2020 that a total of ₦250,025,000.00 (Two hundred and fifty million and twenty-five thousand naira) has been expended for marketing of the housing projects. However, there was no impact on such marketing strategy as 323 respondents representing 75% of the questionnaire administered were not aware of FHFL’s programs.

Audit further noted from responses to interview held with the FHFLs’ Head of Corporate Communication that the main channel of communicating the activities of the FHFL to the targeted groups were through regular update of FHFL’s websites, social media account, print media, electronic media, stakeholder workshops and press briefings.

Audit attributed the causes of the gap to inappropriate means of sensitization of FHFL’s programmes to targeted group which resulted to low turnout of buyers for the homes. As a result, 1432 completed homes remained unsubscribed due to lack of or inadequate knowledge of existence of FHFL’s programmes

FHFL’s MANAGEMENT RESPONSE

There is significant awareness of the Fund on the part of our target market. FHFL corporate communication aligns strongly with the company’s overall goal of being a social housing institution catering to families on low-income. Hence, its communication has always been targeted at this demography, and the strategies for achieving this are constantly reviewed. As a very young institution, the momentum of its impact, including its communication will only continue to grow organically and progressively.

In the first quarter of this year, a Stakeholders Roundtable has already been organized by FHFL Communications and the Investment Departments – a major way of strengthening our relationship and communication with the target beneficiaries

AUDITOR’S EVALUATION

Given the small number of houses built, but which are not subscribed, it is safe to conclude that the awareness was inadequate which also had effect on the total units of homes sold so far. Management is encouraged to consider boosting its publicity.



CHAPTER FOUR

CONCLUSIONS

4.1 Introduction

Based on the findings in chapter three, audit concluded as follows:

4.2 Specific Conclusion

4.2.1 Availability of policies or guidelines on how funds invested in the provision of homes will be recouped

- a) There is no policy in place that stipulated how the FHFL is to recoup funds invested or committed into building and purchasing of homes for low-income earners.
- b) Government funds invested in the construction/purchasing of homes since 2017 have been tied down and some of the homes constructed by the FHFL are already dilapidated and worn out.

4.2.2 The extent to which FHFL conducted needs assessment to ensure that homes built are affordable to low-income earners.

- a) Non conduct of need assessment to drive procurement and building of the homes resulted to 1,432 completed homes that have not been purchased or subscribed to since 2018.
- b) The prices of the homes constructed by the FHFL does not reflect the cost that the low-income earners can afford.

4.2.3 The extent to which FHFL ensure that homes are sited in locations where they are easily accessible to low-income earners

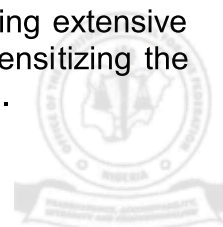
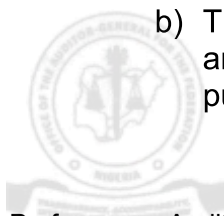
Most of the low-income homes built or procured with government funds are not sited where there are basic amenities, and are not unsubscribed to by the targeted group.

4.2.4 Whether the FHFL awarded all contracts within the capped cost limits

The FHFL did not adhere to the capped cost limit in the award of contract for construction of affordable homes thereby making the selling prices beyond the rich of the targeted low-income group.

4.2.5 Awareness creation for homes built and other intervention programmes

- a) The FHFL has not given adequate sensitization to the public on its programme therefore, larger percentage of low-income earners who are the target group are not aware of the FHFL's projects leading to low patronage.
- b) The FHFL does not adhere to its operational plan of supporting extensive and continuous awareness programmes for motivating and sensitizing the public of its home programme most especially the target group.



CHAPTER FIVE

RECOMMENDATIONS

5.1 Introduction

To achieve effective provision of affordable/social homes, audit recommend the following lines of action:

5.2 Specific Recommendations

5.2.1 Availability of policies or guidelines on how funds invested in the provision of homes will be recouped

- a) The FHFL management should come up with a clear policy on how to ensure the recouping of the funds that was invested in the construction and purchase of homes for the low-income group.
- b) FHFL should immediately develop a procedure/guideline on the units of homes that should be sold per year.
- c) FHFL should ensure that off-takers of the FHFL homes are available before approval is given to build more homes.

5.2.2 The extent to which FHFL conducted needs assessment to ensure that homes built are affordable to low-income earners.

- a) The board and management should ensure that no project is embarked upon without prior need assessment and evaluation of the projects.
- b) The FHFL management should develop and map out effective ways of carrying out feasibility study and needs assessment on homes to be built that will meet the low-income earners expectations.

5.2.3 The extent to which FHFL ensures that homes are sited in locations where they are easily accessible to low-income earners

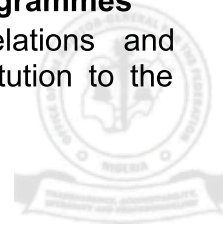
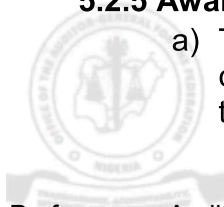
The FHFL management should ensure that Homes are sited in locations where they would be easily accessible, well secured and habitable to attract low-income earners.

5.2.4 Whether the FHFL awarded all contracts within the capped cost limits

The FHFL management should regulates its procurement contract to ensure a standardize cost of constructing homes and also partner with manufacturers of major building raw materials companies such as cement, iron rod, quarry, timber etc. to get raw materials at cheaper rate so as to be within the capped cost limit so that prices of the same type of FHFL's homes across the country are uniform and affordable for low – income earners.

5.2.5 Awareness creation for homes built and other intervention programmes

- a) The FHFL management should re-design its public relations and communication strategy in order to market itself as an institution to the target group.



- b) The FHFL should partner with relevant media organizations to sensitize the public especially the targeted group.
- c) The FHFL should increase its public sensitization medium to enable low-income earners who are the target group that does not have access to internet to have adequate information about FHFL's programmes and activities.
- d) Door to door sensitization should be employed.
- e) Aggressive interaction with government Ministry, Department and Agencies. Organise town-hall meetings with Trade Unions; Motor park Unions, Non-Governmental Organizations etc

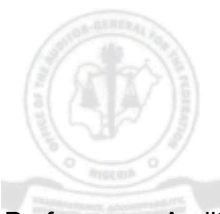


Appendix I :

AUDIT DESIGN MATRIX

Audit question and sub-questions <i>What we want to know</i>	Audit criteria <i>The standards we measure evidence against</i>	Data collection and analysis			Anticipated findings <i>The problems or shortcomings we expect to find</i>	Risks to the execution <i>What can go wrong?</i>
		Audit evidence needed <i>The evidence that will answer the question</i>	Methods for data collection <i>How we are going to get the evidence</i>	Methods for analyses <i>What we will do with it once we get it</i>		
Focus Area 1: POLICY GUIDELINES ON HOMES PROVIDED						
To assess whether there are necessary policy or guideline on how funds invested in homes provided will be recouped						
Q1.1 To what extent has FHFL recoup funds invested in building and buying of homes for sales?	FHFL Operations Plan 2020, page 9, section 3.1.4(1) Financial Regulation (FR) of FRN, 2009, as amended.	<ul style="list-style-type: none"> Document review, interviews and questionnaires from FHFL FHFL's Financial statement FHFL's project status reports 	Document review, Interviews responses from staff, management of FHFL and necessary stakeholders	Compile, analyses and summarize information to describe process, criteria, and guidelines.	We will be able to state whether or not FHFL has policy / guideline on how funds invested in homes provided will be recouped	The audit would be limited to document made available to the audit team
Focus Area 2: FEABILITY STUDY ON HOMES PROVID						
To assess the extent to which FHFL conducted the necessary feasibility study/need assessment to ensure that homes built are affordable by low-income earners.						
Q2. 1 To what extent has FHFL conducted feasibility study to ensure that the homes provided would be for low - income earners?	<ul style="list-style-type: none"> Public Procurement Acts (PPA) 2007, page 18 (part iv(18.9a-c)) 	<ul style="list-style-type: none"> Testimonial evidence (interviews and questionnaires) from FHFL staff and management, and other critical stakeholders. Monitoring and evaluation reports on infrastructure provided by Independent Project Managers (IPM) Project Status reports by PMD 	Document reviews and interview of staff and management of FHFL Inspection of project sites.	Compare the home provided with the actual number stated in the work plan.	We will be able to state whether or not FHFL has conducted feasibility study to ensure that the homes provided would be for low - income earners?	Our audit work would be limited based on project physical inspection if the current level of insecurity in the country continues unabated, the team may be unable to visit 2 states from the North East Zone
Focus Area 3: LOCATIONS OF HOMES						
To assess the extent at which FHFL ensure that homes built are located in areas where they are easily accessible for low income earners.						
To what extent did FHFL ensure that homes were properly sited and easily accessible for low-income	<ul style="list-style-type: none"> FHFL Site Specification/ Requirement, Social and Environmental Factors page 1 	<ul style="list-style-type: none"> Testimonial evidence (interviews and questionnaires) from FHFL staff and management, 	<ul style="list-style-type: none"> Document reviews, Interview of staff and management of FHFL, and 	Compare, analyses and summarized the information collected	This will enable us to ascertain whether or not Homes are arbitrarily sited by FHFL	The audit would be limited to document made available to the audit team

earners?		homes beneficiaries and other critical stakeholders • Homes Sales Records / reports by Polio Asset Management Dept	interview/questionnaire of other critical Stakeholders • Physical Inspection of project sites			
Focus Area 4: CONTRACING OF HOMES						
To assess whether FHFL awarded all contracts within the capped cost limits and that the prices of homes are uniform and affordable for the targeted group						
Q4.1 To what extent did FHFL put measures in place to ensure cost of constructing affordable/social homes are uniform across various Estates? Q4.2 To what extent did FHFL put measures in place to ensure that the prices of homes are affordable and uniform across the various Estates	• FHFL Strategic Plan 2020-2024, page 16 (section 7.4, Strategy 1 (1.5))	• Monitoring and evaluation reports on FHFL's homes provided by Independent Projects Management (IPM) • Technical Due Diligent reports • Project Status reports by PMD	• Document reviews, • Interview of staff and management of FHFL and other stakeholders	Compare, analyses and summarized the information collected	This will enable us to ascertain whether or not FHFL awarded the homes contracts within the capped costs limit to make the price of the affordable for the targeted group	The audit would be limited based on the available resource made to the audit team
Focus Area 5: PUBLIC SENSITIZATION						
To assess whether FHFL created the necessary awareness for all homes built						
1. To assess whether FHFL created the necessary awareness for all homes built	FHFL Operations Plan 2020, page 21, (section 3.1.6) • Affordable housing fund - Standard operating procedure manual. (Communication Policy) {5.0(4)} page 10	• Annual communication reports from communication department • FHFL's Website reports • Weekly communication meeting reports by the communication dept.	• Document reviews, • Interview of staff and management of FHFL, and interview/questionnaire of other critical Stakeholders • Physical assessment of the FHFL's Website.	Compile and analyze information collected from interviews and questionnaires, review of documents and reports, Analyses information gathered in structured interviews to determine how FHFL has effectively and efficiently sensitized the public on its programme	We will be to state whether or not the FHFL has effectively and efficiently sensitized the public on its programme	Audit will be limited to only the documents and information made available to the team. We will review correspondences, memos, circulars, and queries, etc. in respect of proper provision of homes and infrastructure



Appendix II

PAST HOUSING PROGRAMMES FROM 1962 TO 2019

S/N	HOUSING PROGRAMMES	YEAR	REASON FOR FAILURE/ NUMBER OF UNITS PROPOSED AND NUMBER COMPLETED
1	National Development Plan(NDP 1)	1962-1968	(Planned to build 24,000 units but only 500 units were completed. The process was stalled by the outbreak of the Nigerian civil war.
2	National Development Plan(NDP 2)	1970-1974	The National Council of housing was established in 1972 to advise government on housing matters.59,000 housing units were planned for direct construction but only 7,080 were provided. Bureaucracy in government, crippling of the goal due to inability of FHA to commence operation(FHA commenced operation in1976)
3	National Development Plan(NDP 3)	1975-1980	Production of relatively less number of houses . (A total of N1.83billion was allocated to the housing sector. It proposed ta total of 202,000 and 46,000 units annually by Federal and Lagos State govt and also 12,000 units in Kaduna annually as well as 8000 units in remaining State capitals (however, despite the huge capital obligation, only 28,500 housing unit were completed under the programme).
4	National Development Plan (NDP 4)	1981-1985	National housing Programme was lunched for the first time in 1980.A lump sum of 1.6billion was allocated for housing sector to provide 2000 units annually in each of the 19 States of the Federation but only 47,200 units were completed during the period of the programme. The programme was cut short by military coup.
5	National Housing Policy 1991	1986- 1999	121,000 housing units were planned for construction on site and services housing programme between 1993 and 1995. Also, 1991 National Housing Policy was launched. However, only 5,500 housing units were delivered.
6	Civilian Government (Ministry Prototype Housing Scheme within the Federation)	1999 to date	The FGN established Ministry of housing and Urban development and proposed housing reforms. The private sector serves as the main catalyst for housing delivery in Nigeria while the government concentrated on provision of infrastructure ¹⁶ . This also failed because the prices of the houses were unaffordable for low-income earners. The FGN arrived at the 2006 policy after critical review of 1991 policy. The objectives among others were to strengthen all existing public institutions involved in the housing delivery at the federal level ¹⁷ . However, it could not live up to expectation because of the imperfection of the 1978 land use act on land administration process nationwide. Various types of housing programmes during the period; 1)Ministry Prototype Housing Scheme within the Federation; under this, 262 prototype housing units was proposed, only

¹⁶ https://www.researchgate.net/publication/331182023_Review_of_the_Housing_Policies_and_Programmes_in_Nigeria

¹⁷ <https://www.intechopen.com/online-first/77805>

			<p>238 units were completed.also,2,140 housing units was planned to be constructed , only 1756 units completed.</p> <p>2) FMBN; Estate Development Loan & Primary Mortgage Institution(NHF Mortgage)</p> <p>7510 & 4934 housing units were proposed and all provided.</p> <p>3) PPP-Construction Initiative;</p> <p>3,284 housing units were proposed but only 2,009 housing units were delivered.</p> <p>The various housing also failed because the prices of the houses were unaffordable for low income earners</p>
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Source; Extract from Central Bank of Nigeria Economic and Financial Review Volume 57/4 December 2019 and <https://www.intechopen.com/online-first/77805>



Appendix III

AUDIT CRITERIA

- **FHFL Operations Plan 2020, page 9, (section 3.1.4 (1))** “Complete the sale of 70% of completed homes in Kano, Kaduna, Ogun, Delta and Nasarawa States by December 2020” Is there no policy for recouping of funds? This criteria is not suitable for the issue of recovery. It can only be suitable when determining the extent of sales of the homes.
- **Financial Regulation (FR) 415 of FRN 2009**, “The Federal Government requires all officers responsible for expenditure to exercise due economy. Money must not be spent merely because it has been voted”.
- **Financial Regulation (FR) 2901 of FRN 2009, which stated that** “Government contracts are made in accordance with the ordinary law of contract through offer by one party and acceptance by the other. The only distinction between a Government contract and that of a commercial undertaking is that, while an outside body can freely choose the suppliers with whom it wishes to deal, a ministry/extra- ministerial office and other arms of government is accountable for disbursement of public funds and is obliged to consider the claims of all qualified firms wishing to work for it”.
- **Public procurement Act 2007, page 18 (Part V (18. (a – c))** “a procuring entity shall plan its procurement (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”
- **FHFL Strategic Plan 2020 – 2024, page 16 (section 7.4, Strategy 1 (1.5))**
“Promote construction of low-cost homes with capped cost limits:
 - N2.0m for a N48sq.m (1 bedroom)
 - N2.5m for a 61sq.m (2 bedroom)
 - N4m for a 75sq.m (3 bedroom)”
- **Affordable housing fund - Standard operating procedure manual. (Communication Policy) {5.0(4)} page 10** “The purpose of this policy is to help preserve and enhance the Company’s reputation and culture, both internally and externally, and to help ensure that relevant information reaches the targeted audience in the right format and at the right time”
- **FHFL Operations Plan 2020, page 21, (section 3.1.6)** “Complete the development of an effective website; Improve Brand Awareness and Positioning as a leading Social Housing Finance Company; and Put in place full set of Marketing Collateral to support business activities.”
- **Public procurement Act (PPA) 2007, page 14 (Part IV (16. (1)(a – g))** “Subject to any exemption allowed by this Act, all public procurement shall be conducted subject to; by open competitive bidding ; in a manner which is transparent, timely, equitable for ensuring accountability and conformity with this Act and regulations deriving therefrom ; with the aim of achieving value for money and fitness for

purpose ; in a manner which promotes competition, economy and efficiency ; and in accordance with the procedures and timeline laid down in this Act and as may be specified by the Bureau from time to time”.

- **FHFL Operations Plan 2020, page 6, (section 3.1.2 (1))** “Achieve Financing Approvals and Commitments for at least N40bn representing 20,000 homes by December 2020” Move this criteria to Appendix as the chapter is already too lengthy.



APPENDIX IV

AUDIT METHODOLOGY

● **Document Reviews**

Relevant documents were reviewed in order to get comprehensive, relevant and reliable information on effective management of resources for provision of affordable/social homes for low-income earners in Nigeria by FHFL. The list of documents reviewed by the audit team are stated below

Lists of documents reviewed

- Family Homes Funds Limited 2020 – 2024 Strategic Plan
- 2020 Operational plan
- Affordable Home Fund (AHF) lending policy
- Affordable Housing Fund - Standard Operating Procedure Manual
- Technical due diligence requirement.
- Annual returns 2018 and 2019
- Project Cost report 2017- 2020
- 2020 4th Quarter Budget performance report.
- FHFL's 2018 & 2019 trial balance
- Financial Statement for year-end 31st Dec. 2020 and others
- Development loan agreements (Bauchi, Adamawa, Yobe and Borno)
- FHFL Financial regulation policy (2019)

● **Interviews**

The essence of the interviews was for the auditors to have additional information about the subject matter and which were also used to confirm evidences gathered through documents reviewed.

A total of twenty (20) interviews were conducted. Eight (8) with Key officers of the company, Seven (7) Estate Developers, One (1) Facility Manager and four (4) Independent Project Managers (IPM's). Details are:

Lists of those interviewed;

The following Officers were interviewed:

1. MD FHFL
2. HOD Investment
3. CFO Chief Finance Officer
4. HOD Strategy and Business Performance Department
5. HOD Portfolio Asset Management Department
6. HOD Legal Department
7. HOD Risk Management Department
8. HOD Project Management Department

The 7 Developers are the developers in Kano, Ogun, Nasarawa, Delta, Kaduna, Bauchi, Adamawa housing projects.

The Facility Manager is the facility manager in Grand Luvu 1&2 Nasarawa .

The Independent Project Managers are the IDP in Kaduna,Ogun,Delta,Bauchi &Adamawa

● **Questionnaires**

To gather additional relevant information, Questionnaires were distributed to beneficiaries who are occupants of the Estates located in Grand LUVU 1& 2, Nasarawa (85 Nos), Ogun (6 Nos), Kano (2 Nos), Delta (3 Nos), Kaduna (16 Nos). Also 700 questionnaires were distributed to randomly selected members of the public in States where FHFL has projects.

Responses of public on FHFL’s sensitization of public on its programme

States	No of questionnaires administered	No of questionnaires returned	No of low income earners	No of low-income earner not aware of FHFL’s programme	% Of low-income earners not aware of FHFL programme
1	2	3	4	5	6
Delta	100	85	52	39	75%
Kano	100	92	53	44	83%
Ogun	100	89	64	50	78%
Kaduna	100	73	49	44	89%
Nasarawa	100	94	86	57	66%
Bauchi	100	78	65	41	63%
Adamawa	100	82	61	48	78%
Borno	NIL	-	-	-	-
Yobe	NIL	-	-	-	-
	700	593	430	323	75%

Source: Audit analysis on the responses to questionnaires distributed in 7 Stat

● **Observations/physical Inspection**

Physical inspection was conducted with a view to gathering information and obtaining more evidence of the existence of the affordable/social homes provided and to know the status of the projects. The team visited 7(Seven) Estate project sites in 7(seven) States namely Adamawa, Bauchi, Delta, Kaduna, Kano, Nasarawa and Ogun States.

List of Project Sites visited by the Audit Team

- Nasarawa State. Grand LUVU 1&2 Estate, Masaka.
- Delta State. (Family Housing Estate)
- Ogun State. (OPIC New Makun City Estate Ogun State)
- Kano State. (Muhammed Sanusi II Royal Estate)
- Kaduna (Gidan Yali Estate)
- Bauchi (Housing Estate)
- Adamawa (Housing Estate)

