

PART ONE



**Preface to the Federal Government Financial Statements and
Annual Report of the Accountant-General
Of the Federation for Fiscal Year, 2009**

The Annual Report of the Accountant-General of the Federation, together with the Financial Statements for the year ended 31st December, 2009 is consistent with the format of Standardisation of the Financial Statements of Federal, States and Local Governments.

2 The Annual Report of the Accountant-General of the Federation for fiscal year 2009 contains a report of the financial operations as well as the Financial Statements of the Federal Government of Nigeria for the year. The Financial Statements provide information that can be useful in assessing the financial activities of the Federal Government of Nigeria. The Statements are intended to meet the needs of users which include taxpayers, members of the legislature, investors and creditors, research institutions, suppliers, the Media and International Financial Agencies. I am aware that some States and Local Governments have adopted the Standardised Financial Reports in the preparation of their accounts, while some are yet to do so. I wish to urge the States and Local Governments yet to adopt, to do so, as this will create opportunity for producing a consolidated Financial Report of the Federal Republic of Nigeria in the near future.

3. The Report provides opportunity of reference materials for users in measuring the performance of government over time. The role of Government in a developing economy includes assurance of accountability and transparency. Accountability and transparency operate together to make Nigeria investors friendly economy.

4. The Financial Statements of the Federal Government of Nigeria for the fiscal year 2009 have been examined and certified by the Auditor-General for the Federation in accordance with the provisions of the Constitution of the Federal Republic of Nigeria, 1999. The report is therefore hereby commended for public use.

Olusegun Aganga
Honourable Minister of Finance.

AUDIT CERTIFICATE

The Accounts of the Government of the Federation of Nigeria for the year ended 31st December, 2009 have been examined in accordance with Section 85(2) and (4) of the Constitution of the Federal Republic of Nigeria, 1999.

Responsibility For The Financial Statements

In accordance with the provisions of the Finance (Control and Management) Act, Cap F26 LFN 2004, the Accountant-General of the Federation is responsible for the preparation of the Financial Statements of the Federal Government of Nigeria. The Accountant-General has thus prepared and submitted to me for audit, the Financial Statements as reproduced at section 2 of my Report, in accordance with Section 24 of the Finance (Control and Management) Act FLN 2004 and section 85 (5) of the Constitution of the Federal Republic of Nigeria 1999.

Opinion

I have obtained all the information and explanations that I required and as a result of my audit, in my opinion, the accounting books and records were properly maintained so as to form the basis for the Statement of Assets and Liabilities, as at 31st December, 2009 and the Consolidated Revenue Fund together with the supporting Statements for the year ended on that date. In my opinion the Financial Statements give a true and fair view of the state of affairs of the Government of the Federation as at 31st December, 2009 and of the financial transactions for the fiscal year ended on that date subject to the observations contained in my Domestic Report dated 5TH NOVEMBER, 2010.

S.T. UKURA
Auditor-General for the Federation

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05/11/2010.

OFFICE OF THE ACCOUNTANT-GENERAL OF THE FEDERATION
Federal Ministry of Finance

THE ANNUAL REPORT OF THE ACCOUNTANT-GENERAL OF THE
FEDERATION WITH THE FINANCIAL STATEMENTS OF THE FEDERAL
GOVERNMENT FOR THE YEAR ENDED 31ST DECEMBER, 2009

1.0 Introduction

This comprehensive Annual report and the Financial Statements for the year ended 31st December 2009 for the Federal Government of Nigeria is hereby presented in the format as recommended by the Federation Accounts Allocation Committee (FAAC). This is the Pronouncement of Federation Accounts Allocation Committee (FAAC) issued in 2004 to standardize the Financial Statements of the Federal, States and Local Governments. It should be noted that other Government controlled entities that are being funded from the Consolidated Revenue Fund (CRF) have been included in the Financial Statements as Subventions to parastatals only and their cash flows have not been consolidated with that of the Federal Government.

2.0 The Basis of Accounts

The Accounts have been prepared based on the Cash basis of Accounting and it is in compliance with the requirements of the International Public sector Accounting Standard (IPSAS). The Cash basis IPSAS means a basis of accounting that recognizes transactions and other events only when cash is received or paid. The Accounts also comply with the provisions of the Constitution of the Federal Republic of Nigeria, 1999, Finance (Control and Management) Act, CAP26 LFN 2004 and the revised Financial Regulations, 2009.

3.0 The Reporting entity

This Annual Report is for the Federal Government of the Federal Republic of Nigeria and it comprises the activities of the Ministries, Departments and Agencies (MDAs) funded from the National Budget and such Agencies are self Accounting and therefore send their transcripts of Accounts to the Treasury on monthly basis for Consolidation.

4.0 Review of the Economy

The World Economic Outlook (WECO) of the International Monetary Fund (IMF), October 2009 edition, asserted that the global economy appears to be expanding, pulled up by the strong performance of Asian Economies and



modest recovery in other parts of the World. It added that the growth in most advanced countries is dependent on Government stimulus packages. The IMF noted that the global economy in 2009 is projected to contract in the range of 0.2% to 0.5%, the lowest since World War II. However, the actual statistics showed negative growth rate of 1.1% in 2009.

The current global economic and Financial crises had serious implications for the performance of the Nigerian economy in 2009. We observed that the global economic outlook and Financial landscape are improving at a fast pace and the outlook is good. The Nigerian economy, being part of the global economic village should move in line with the rest of the World. Fitch ratings maintained the BB- Sovereign rating on Nigeria. This rating was released on the 9th July, 2009. Nigeria's rating rationale was due to earlier reforms by Nigeria, such as saving of oil windfalls which has resulted in an accumulation of foreign assets and banking Consolidation resulting in a well capitalized Banking system as well as Nigeria's strong overall and public net external creditor position and low Government debt, have all helped to cushion the economy against collapse in oil price

The year 2009 witness a rise of crude oil at the International market and with the improved oil production in Nigeria following the Amnesty programme of the Federal Government to the militants in the Niger Delta area. The year 2009 budget is predicated on an oil price assumption of US\$45 per barrel, oil production of 2.088mb/d an average exchange rate of N125/US\$1.

5.0 Gross Domestic Product (GDP)

Available data released by the National Bureau of Statistics (NBS) shows that on an aggregate basis, the economy when measured by the real gross domestic Product (GDP), grew by 7.07% in the 3rd quarter in 2009 as against 6.013% in the corresponding quarter of 2008. The growth rate is higher than the growth rate of 5.98% recorded in 2008. Even though the performance of the economy in 2008 was good in the light of the global recession, it fell below the target of 9.8% for the year. Meanwhile the target growth rate for the year 2009 as contained in the 2009 Federal Government budget is 7.5%. The growth in the economy was driven largely by non-oil sector in 2008. However in 2009, the recovery in the oil sector which started in the 2nd quarter 2009, following the Amnesty deal of the Federal Government, accelerated the GDP growth rate. Crude Petroleum and Natural Gas which accounted for 15.54% of the GDP at constant prices as at 3rd quarter of 2009, recorded a growth rate of 2.01% in the 2nd Quarter of 2009 and 0.71% in the 3rd Quarter of 2009. In 2008, oil GDP contracted by 6.19%.

6.0 Performance of the Budget

The total sum of N3.201 trillion was budgeted for the year. This was made up of the sum of N168.62 billion for statutory transfers to cater for National Judicial Council operations of (N78 billion), Niger delta Development Commission (N51.3 billion) and Universal Basic Education (N39.3 billion). The sum of N283.6 billion was to be used for servicing debts. The recurrent expenditure was estimated to be N1,627.28 billion for Ministries, Departments and Agencies (MDAs), while the sum for the capital budget amounted to N1,022.26 Billion.

In addition the Federal Inland Revenue Service and the Nigeria Customs service were provided for N50.81billion and N48.5billion respectively. During the year under review, two supplementary budgets were also approved for the Federal Government of Nigeria. The total sum of N102.27 billion for the 1st supplementary and N353.6 billion for the 2nd supplementary.

The total ratio of recurrent to capital expenditure of the entire Federal Government including transfers was pegged at 3:2 respectively for the year's budget as detailed below

	Budget Centre	Recurrent Budget N Billion			Capital Budget N Billion		
		Initial	Suppl.	TOTAL	Initial	Suppl.	TOTAL
1	MDAs	1,627.28	199.67	1,826.95	1,022.26	259.45	1,281.71
2	NJC	42.32	-	42.32	35.68	-	35.68
3	NDDC	-	-	-	51.31	-	51.31
4	UBEC	-	-	-	39.3	-	39.3
5	Debts Servicing	283.65	-	283.65	-	-	-
6	FIRS	35.23	-	35.23	15.56	-	15.56
7	Nigeria Custom Service	42.74	-	42.74	5.82	-	5.82
TOTAL				<u>2,230.89</u>			<u>1,429.38</u>

The review of the budget performance shows that the recurrent achieved 83.90 % of the budget figure whereas the capital achieved only 64.82%.The inflation rate during the year under review dropped to single digit giving rise to improved performance of the Budget. Details of the performance of the budget are outlined below:

6.1 Revenues

The overall performance of Revenue was 119.56% of the budgeted figure during the course of the year. Positive achievement was made in the statutory allocations from the Federation Account. This was achieved as a result of

increased share from the Excess Crude Account maintained to cushion the effect of dwindling Price of crude oil at the International market. In summary the collections recorded under statutory allocations from the federation Account (122.63%),share of values added tax (80.76%),direct taxes (0.03%), license and internal Revenue (11.94%),Fees (11.19%) Earnings and sales (235.84%),Rent on Government Property (18.28%),Interest and Repayments (7.34%) and miscellaneous (506.17%).Details of the performance by Revenue heads are outlined below:

6.1.1 Statutory allocations

The share of Federal Government from the Federation Account was estimated at N1.516 Trillion. However the sum of N 1.860trillion representing 122.63% was received as statutory allocation from the Federation Account during the year. This was a positive achievement.

6.1.2 Allocation to Federal Inland Revenue Service and Nigerian Custom Service

In order to encourage Revenue collecting agencies to increase on Revenue collections, the Federal Government of Nigeria had enacted a law that authorizes these agencies to be paid from their generation capacity i.e. cost of collection. The Federal Inland Revenue is to withhold 4% and Nigeria Custom Service 7% as cost of collections. The allocations to these revenue agencies were estimated to be N94.88 billion. However; the sum of N67.90 billion representing 71.57% was received as statutory allocation for the agencies as cost of collection from the Federation Account during the year.

6.1.3 Share of Value Added Tax

The share of Federal Government from the value Added tax collection was estimated to be N77.95 billion. However the sum of N62.95 billion Representing 80.76% was received during the year.

6.1.4 Direct Taxes

It was estimated that the sum of N18.54million of direct taxes would be generated under this subhead as revenue for the year, but the sum of N5 million representing 0.03% was received during the year.

6.1.5 Licenses and Internal Revenue

The sum of N1.85 billion was budgeted as revenue under this subhead. However, only the sum of N221 million was generated for the year representing 11.94% of the budgeted amount.

6.1.6 Mining

The sum of N3.67 billion was budgeted as revenue under this subhead but the sum of N2.6million was realized representing 0.07% of the budgeted amount.

6.1.7 Fees

Revenue to be collected under the subhead fees was expected to be N30.32 billion but only the sum of N3.39 million representing 11.19% was realized.

6.1.8 Earnings and sales

The sum of N5.85 billion was budgeted under this subhead, but the sum of N13.82 billion representing 235.84% of the budgeted amount was realized.

6.1.9 Rent on government Property

Whereas only the sum of N 5.19 billion was estimated to be collected as rent on Government Property, the sum of N949.6 million representing a mere 18.28% was realized.

6.1.10 Interest and repayment

Revenue from interest and Repayments amounted to N11.11 billion only.

6.1.11 Miscellaneous

A budgeted amount of N72.2 billion was to be realized under this subhead but only the sum of N365.46 billion was realized resulting in a collection rate of 506.1%.

The table below contains the details of the revenue collection

Description of Revenue	Budget	Actual	Performance
	N	N	%
Statutory Allocation	1,516,469,000,000.00	1,859,675,283,457.71	122.63
FAAC-FIRS & NCS	94,881,000,000	67,903,866,103.15	71.57
VAT	77,952,000,000	62,951,455,657.46	80.76
Direct taxes	18,543,411,036.01	5,100,869.69	0.03
Licenses and Internal Revenue	1,856,297,399.06	221,578,010.21	11.94
Mining	3,673,855,577.73	2,663,673.00	0.07
Fees	30,315,033,442.42	3,393,659,970.62	11.19
Earnings & sales	5,859,388,758.91	13,818,954,509.49	235.84
Rent on Govt. Property	5,195,881,907.39	949,600,988.88	18.28
Interest & Repayment Gen.	151,288,612,602.98	11,109,968,249.32	7.34

Re-imburement	17,035,917,652.04	46,432,177.85	0.27
Miscellaneous	72,201,601,623.47	365,463,966,999.73	506.17
Total	1,995,272,000,000.00	2,385,542,530,667.11	119.56

Table 2: Revenue Budget Performance.

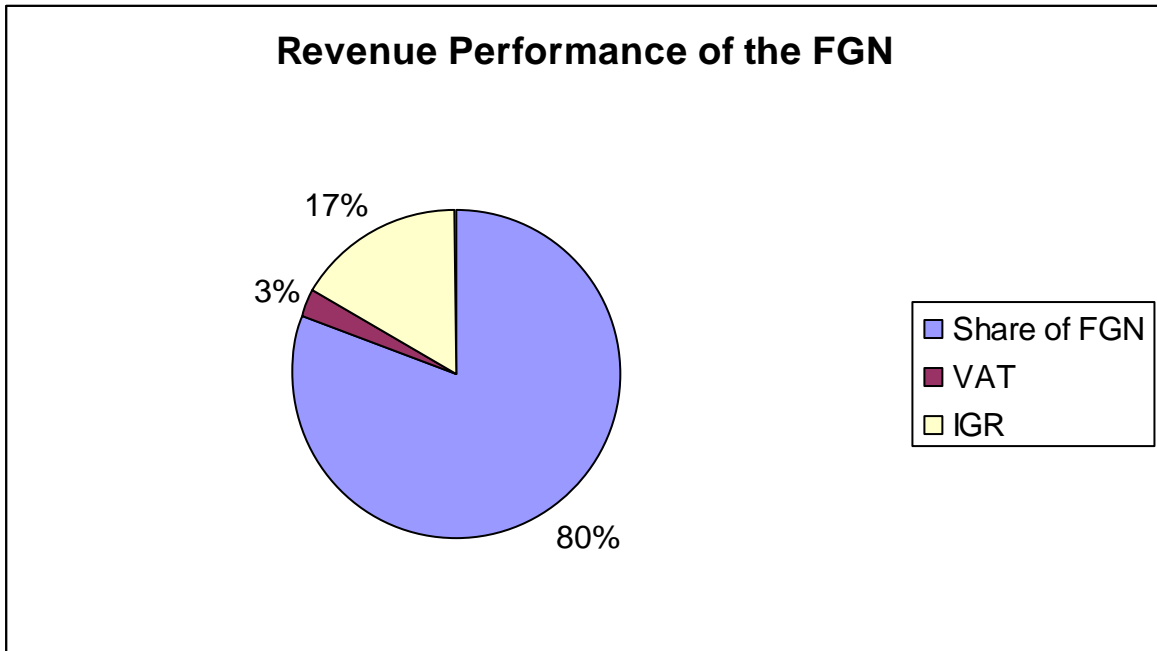


Figure 1: Revenue Budget Performance of the FGN for the year 2009.

6.2 Expenditure

6.2.1 Recurrent Expenditure

Recurrent Expenditure recorded a budget performance of 80.90%, inclusive of Consolidated Revenue Fund Charges. Details of the breakdown showed that Personnel Emoluments amounted to ₦443.229 Billion, as against the budgeted sum of ₦531.249 Billion representing 83.43% only. This figure however does not include the Federal Government share of ₦42.943 Billion, being contribution to pension scheme. The Overhead costs were only ₦293.872 Billion or 91.12 % of the budgeted sum of ₦322.518 Billion. Consolidated Revenue Fund Charges was ₦381.911 Billion compared to the budgeted figure of ₦406.784 Billion resulting in 93.89% of the budgeted figure. Grants and Subventions to Parastatals do not form part of the expenditures for Personnel Costs and Overhead. These expenditures have been treated as subvention to Parastatals which recorded a total expenditure of ₦438.963 Billion as against the budgeted sum of ₦531.416 billion.

6.2.2 Capital Expenditure

The Capital expenditure achieved 64.82% of the budget. Sector analysis of the expenditure show that the Economic sector recorded the highest expenditure of

₦568.128 Billion; the Social sector ₦96.277 Billion; Law and Justice spent ₦51.270 Billion, the Niger Delta Development Commission and the Administrative sector expended ₦83.667 Billion and ₦115.874 Billion respectively. The Economic sector had both budgetary and actual expenditure priority in line with Federal Government desire to massively develop the infrastructural facilities.

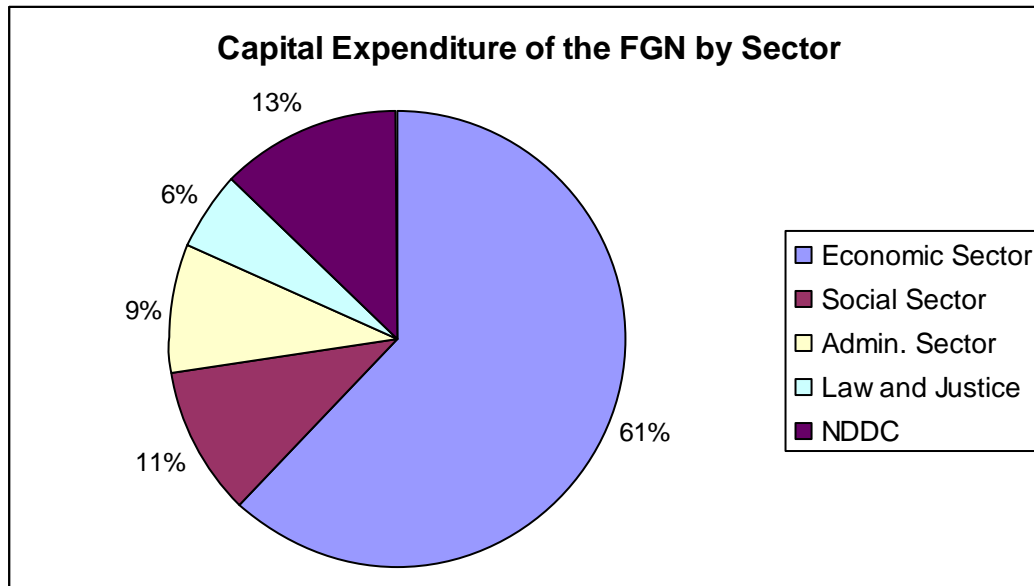


Figure 2: The Capital Expenditure of the FGN by Sector for the year 2009

6.2.3 Others

The Federal Government of Nigeria during the course of the year, provided funding to Government Business Enterprises (GBEs) and Parastatals to the tune of N438.963billions or 82.60% of the budget. These were in the form of Grants and Subventions to assist the GBEs and Parastatals pay for their salaries and overhead.

The graphic performance of the expenditure budget is presented in figure below:-

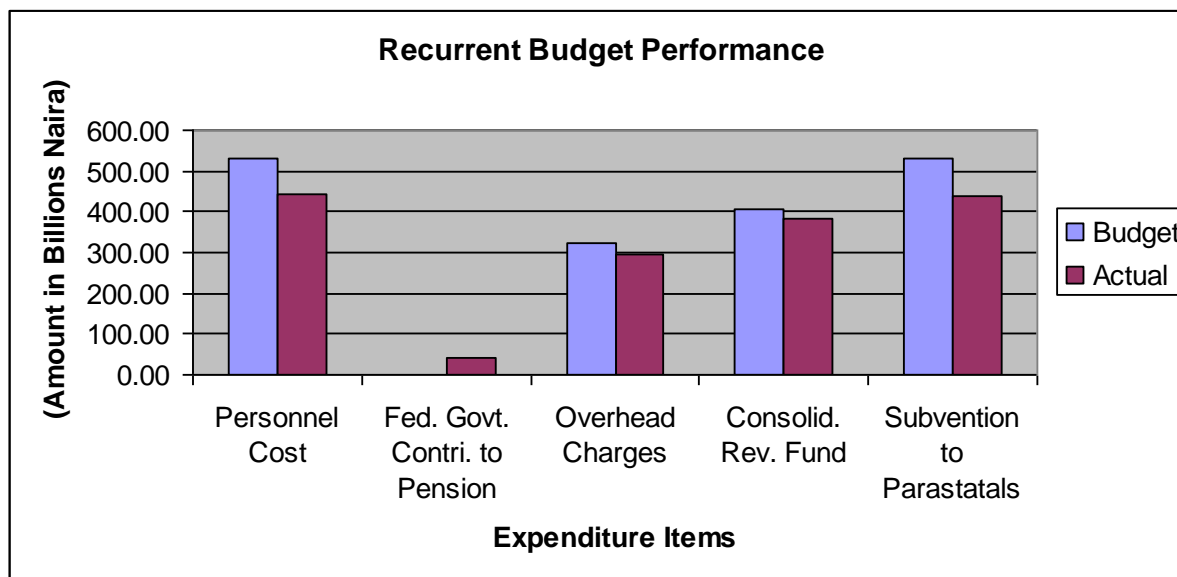


Figure 3: The Recurrent Expenditure Budget performance for the year 2009

Details of the Recurrent Expenditure are found under expenditure of Statement No.3 on page 18 of this report.

7.0 Financial Statements

The Financial Statements are contained on pages 16-87. Details of the analysis of the financial statements are presented below:

7.1 Cash flow Statements

The cash flow statement is presented as statement No. 1 on page 12 of this report. The revenue earnings of the government decreased substantially compared to the previous year 2008. There was an overall decrease of ₦1.4 billion over last years figure. The decrease was as a result of the activities of the militant groups in the Niger Delta that attacked crude oil production facilities. Government was able to record a net surplus from its operating activities of ₦511.155 billion. Government used this savings to partly fund Capital projects worth ₦915.244 billion. The liquid position of the government also increased from ₦388.658 billion as at 1st January to ₦483.307 billion by 31st December, 2009.

7.2 Statements of Assets and liabilities

The Assets and Liabilities are presented as statement No. 2 on page 13 of this report. The Assets consists of the Liquid cash and investments. Of the liquid cash held by government as at the end of the year, the Accountant-General of the Federation held a net overdrawn balance ₦147.016 Billion, the Ministries

jointly hold ₦422.374 Billion (see **note 4** to the accounts on pages 20 to 22 for details) and the balance of ₦4.675 Billion consists of cash held by Federal Pay Offices. Other asset items include Investments by Ministry of Finance Incorporated (MOFI) ₦306.538 Billion, un-retired Advances of ₦46.850 Billion, Revolving Loans valued at ₦9.737 Billion.

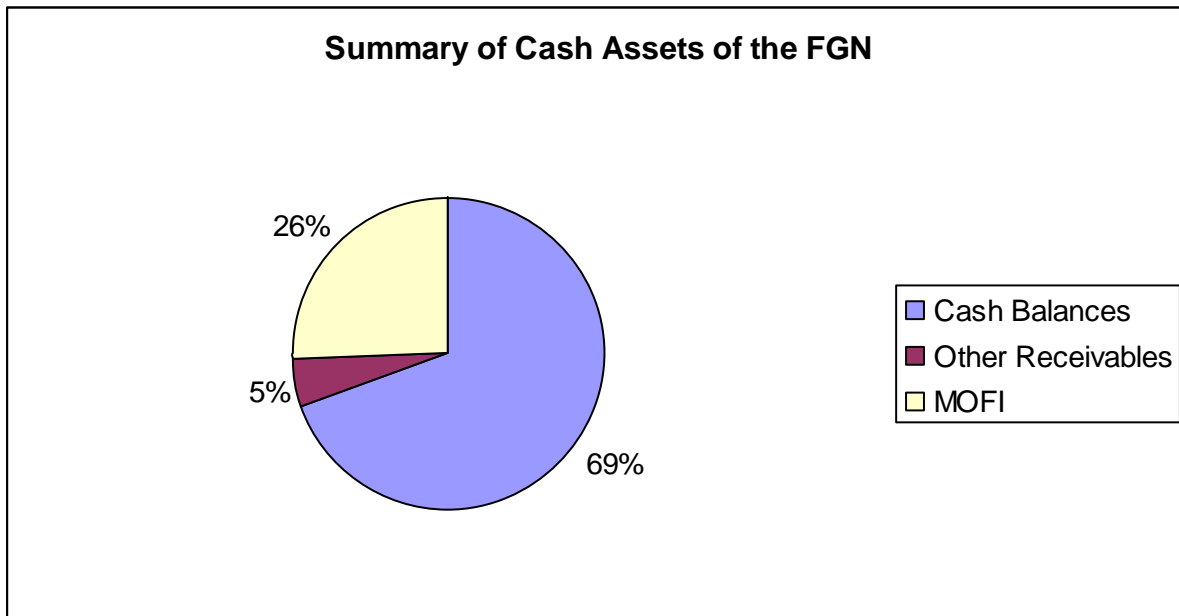


Figure 4: The Summary of the Cash Assets of the FGN for the year 2009.

The Liabilities consists of the balances of Consolidated Revenue and Capital Development Funds of ₦370.067 Billion and ₦2, 774.640 Billion respectively. The others are the Police Reward Fund of ₦306 Million and Other Public Funds held by Accountant-General of the Federation amounting to ₦518.465 Billion. The balances of External Loans stood at ₦582.621 Billion, while Internal Loans was ₦63.030 Billion and Development Loan Stock was ₦520.00 Million. The breakdown of the public funds held by the Accountant-General are included as **note 2** to the accounts.

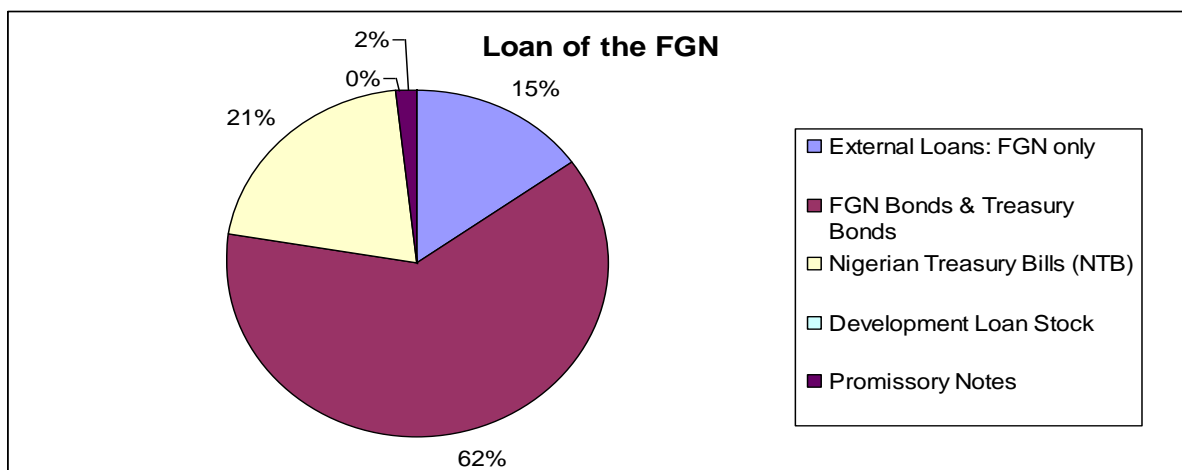


Figure 5: The Loans of the FGN as at 31/12/2009.

7.3 Statements of Consolidated Revenue Funds

The Consolidated Revenue Fund had an opening balance of over (₦20.221) Billion. The recurrent revenue of over ₦2.385 Trillion and expenditure of ₦1.874 Trillion gave rise to operating balance of ₦490.934 Billion. This amount was appropriated by transferring the sum of ₦861.003 Billion to Capital Development Fund to fund Capital projects and leaving a closing balance of (₦370.067) billion.

Fiscal discipline on the part of the Government had ensured that more funds accruing to the Consolidated Revenue Fund is used to finance Capital Development. The detailed of the Statement of Consolidated Revenue Fund is attached on page 18.

7.4 Statement of Capital Development Fund

The Capital Development fund had an opening balance of (₦2, 282.225) billion. During the course of the year, the total sum of ₦861.003 billion was transferred from the Consolidated Revenue Fund to fund the capital projects. The sum of ₦926.600 billion was expended on capital projects, thus leaving a net closing balance of (₦2, 774.640) billion.

8.0 Staff Position and Training

The organisation operated with a total of 11,199 staff across the services of the Federal Government during the course of the year under review. The Staff disposition during the year have been separated into Service-wide staff that man the Finance and Accounts Departments in various Ministries, Departments and Agencies of Government and those within the Headquarters and various Federal Pay Offices across the country.

8.1 Service wide Staff Position

A total of 10,196 staff was deployed to various Ministries, Departments and Agencies of Government during the year to man the Finance and Accounts Departments. The staff disposition as at 31st December, 2009 is as follows:

S/No.	Cadre	Grade Level	Number
1.	Directors (Accounts)	17	43
2.	Deputy Directors (Accounts)	16	70
3.	Assistant Directors (Accounts)	15	261
4.	Chief Accountants	14	302
5.	Assistant Chief Accountants	13	320
6.	Principal Accountants	12	207
7.	Senior Accountants	10	404
8.	Accountants I	09	397
9.	Accountants II	08	302
	Total:		2306

Table 3: Professional cadre staff deployed to Ministries, Departments and Agencies.

The staff disposition of Executive cadre during the year is also presented below:

S/No.	Cadre	Grade Level	Number
1.	Chief Executive Officer (Accounts)	14	144
2.	Assistant Chief Executive Officer (Accounts)	13	253
3.	Principal Executive Officer I (Accounts)	12	766
4.	Principal Executive Officer II (Accounts)	10	1,297
5.	Senior Executive Officer (Accounts)	09	1,800
6.	Higher Executive Officer (Accounts)	08	1,900
7.	Executive Officer (Accounts)	07	1,730
	Total:		7,890

Table 4: Executive cadre staff deployed to Ministries, Departments and Agencies

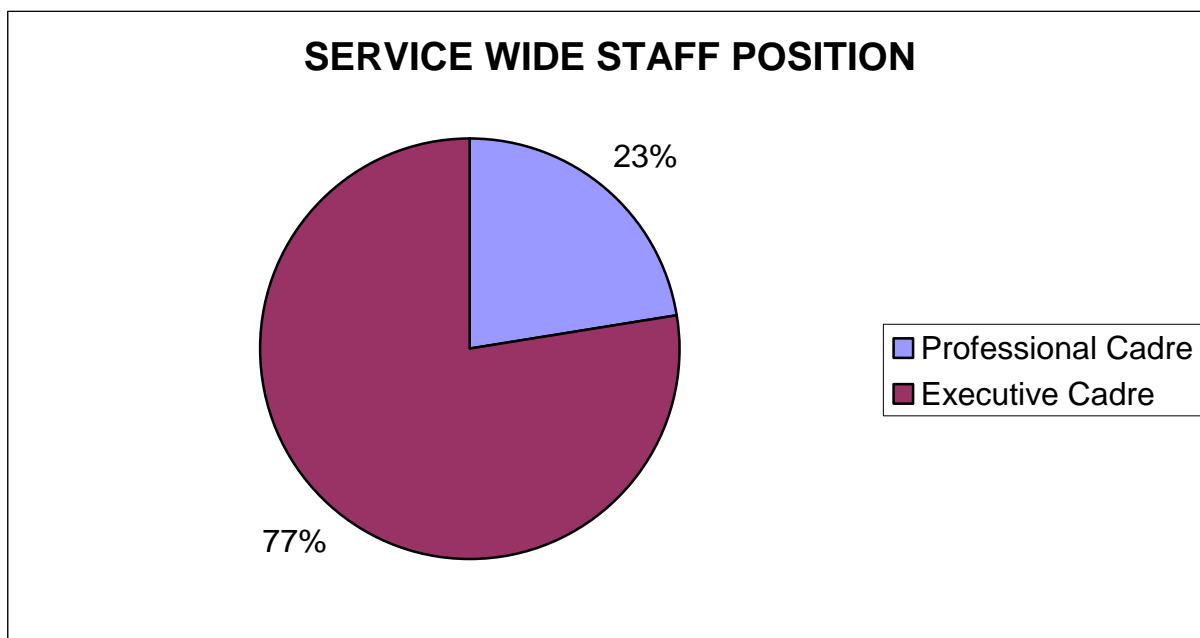
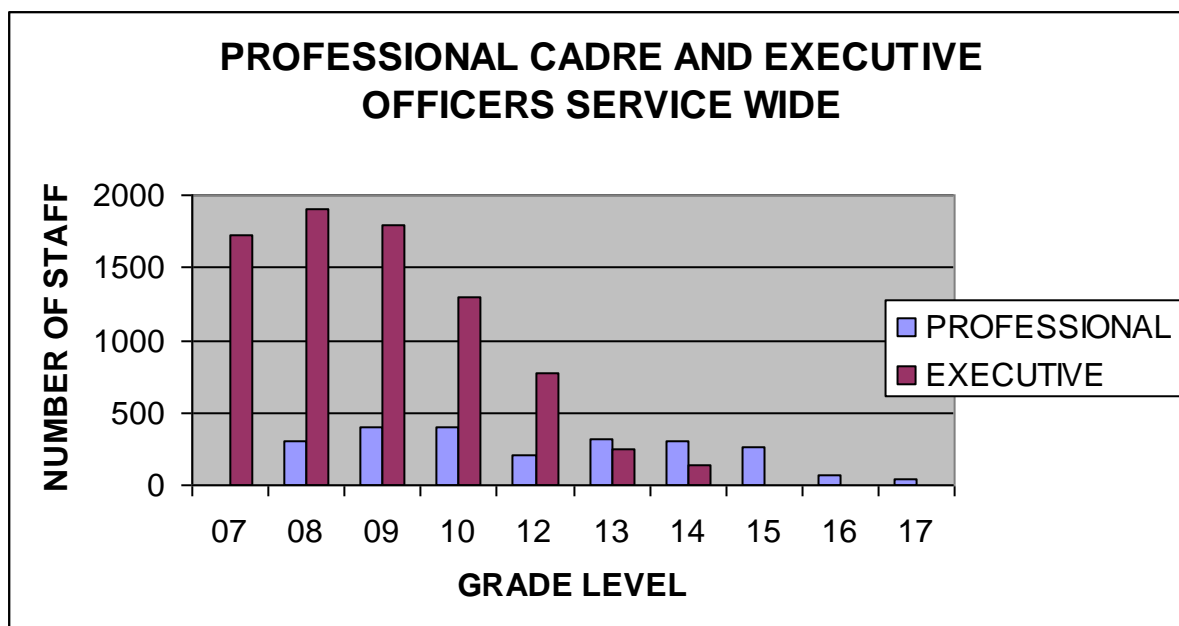


Figure 6: The Representation of Service Wide Staff Position



8.2 Headquarter and Federal Pay offices

The total of 1,003 staff was deployed within the Headquarters to man the Eight Departments and the thirty-Eight Federal Pay Offices across the country. The staff disposition as at 31st December, 2009 is as follows:

S/No.	Cadre	Grade Level	Number
1.	Accountant-General of the Federation	Consolidated	1
2.	Directors (Accounts)	17	6
3.	Deputy Directors (Accounts)	16	9
4.	Assistant Directors (Accounts)	15	40
5.	Chief Accountants	14	35
6.	Assistant Chief Accountants	13	30
7.	Principal Accountants	12	22
8.	Senior Accountants	10	50
9.	Accountants I	09	72
10.	Accountants II	08	55
	Total:		319

Table 5: Professional cadre staff deployed within Headquarters and FPOs.

The staff disposition of Executive cadre during the year is also presented in table 5 below:

S/No.	Cadre	Grade Level	Number
1.	Chief Executive Officer (Accounts)	14	10
2.	Assistant Chief Executive Officer (Accounts)	13	25
3.	Principal Executive Officer I (Accounts)	12	60
4.	Principal Executive Officer II (Accounts)	10	110
5.	Senior Executive Officer (Accounts)	09	136
6.	Higher Executive Officer (Accounts)	08	182
7.	Executive Officer (Accounts)	07	161
	Total:		684

Table 6: Executive cadre staff deployed within Headquarters and FPO

Figure 7: Professional Cadre and Executive Officers Service Wide

8.3 Training

In line with the statutory responsibilities of this office, to improve the knowledge, skills and attitudes of staff for optimal job performance, with a view to maintaining capable and efficient staff who can rise to challenges of modern day-civil service, a total of one thousand and seven (1007) staff undertook various courses in Accounting, Auditing, Computer, Management, and Performance Improvement Programmes for enhanced job performance and effective service delivery.

9.0 Conclusion

To ensure timely and accurate preparation and publication of the financial statements of the Federal Government, this Office in conjunction with our Officers in the Ministries, Departments and Agencies has set targets in the submission of returns of financial accounts on timely basis. This has greatly improved the performances of this Office in this area and I believe this tempo would be maintained. I wish to thank all the staff of the organisation for their perseverance and commitment during the course of the year. I also wish to thank the Honourable Minister of Finance for providing a right environment for this office to operate efficiently. I wish to commend all Accounting Officers and other government organisations that assisted in the smooth operation of this office during the year.

Ibrahim H. Dankwambo
Accountant-General of the Federation

PART TWO

