MOUNTAIN TOP UNIVERSITY

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SCHOOL OF HUMANITIES,

MANAGEMENT AND SOCIAL SCIENCES

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COURSE GUIDE

COURSE TITLE: Public Sector Accounting

COURSE CODE: ACC 308

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COURSE OBJECTIVES

GENERAL INTORDUCTION AND COURSE OBJECTIVES

This course aims at exposing the students to the fundamentals of public sector accounting theory including the nature, history and development of accounting theory. It will cover the following topics: Introduction to public sector accounting - distinction between public and private sectors basic accounting for not-for-profit (NFP) organizations, unique characteristics of NFP, classification of NFP; basic characteristics of governmental accounting. Structure of governmental accounting in Nigeria, the treasury, audit department, consolidated revenue fund, capital and development fund. Financial accounting and analysis - use of self-accounting system, fund accounting system and standardized uniform forms of transactions. Decision-making and planning and control of public fund - application of costing method; budgeting processes; the use of Audit Department; accounting for local government; education and health institutions, Planning, Programming and Budgeting System (PPBS). Recent developments and issues in the public sector - implication of Nigeria's membership of the ECOWAS, effect of restructuring the public sector

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LECTURE 1
AN OVERVIEW OF PUBLIC SECTOR ACCOUNTING

1.0 Introduction
Government is concerned with a whole Nation. It is represented by organizations that are established to use the resources of a Nation for the upliftment and the welfare of its citizens. These organizations will be using the financial resources of the country for national development. The systems introduced should promote transparency, data storage and retrieval, and accountability. Government organizations are different from private sector establishments. Consequently, they have different features, objectives and functions.

Objectives
At the end of this lecture, students should be able to:-
a) Define and explain terminologies in Public Sector Accounting.
b) Identify not-for-profit organizations.
c) Identify the objectives of Public Sector Accounting.
d) Understand and appreciate the users of Public Sector Accounting Information.
e) Distinguish between private and public sector accounting.
f) Appreciate research challenges and research opportunities in public sector accounting.

Pre-Test
1. Attempt a definition of public sector accounting?
2. List some not-for-profit organizations you know in Nigeria?
3. List some users of public sector accounting information?

CONTENT
1.1 Definition of Terms
Government: It refers to the collection of public institutions established and given the authority to run the affairs of a country. It is a system of governance and includes the body of individuals who are authorized to administer the laws of a Nation.

Public Sector: It refers to all organizations which are not privately owned and operated, but which are established, run and financed by Government on behalf of the public.

Accounting: Accounting can be described as the process of recording, analyzing, classifying, summarizing, communicating and interpreting both financial and non-financial activities undertaken by the company in a particular period, so as to aid the users or prospective users make informed economic judgments and decisions.

Public Sector Accounting: Hence, Public Sector Accounting includes the process of recording, analyzing, classifying, summarizing, communicating and interpreting financial information about Government in aggregate and in details, recording all transactions involving the receipt, transfer and disposition of public funds and property.

The processes of Public Sector Accounting are further discussed as follows:
(a) Recording

Recording involves the process of documenting the financial transactions and activities in the necessary books of accounts are cash book, ledger and vote book.

(b) **Analyzing**

Analyzing involves the process of separating transactions according to their distinct nature, posting them under appropriate heads and sub-heads.

(c) Classifying

Classifying has to do with the grouping of the transactions into revenue and expense descriptions and bringing them under major classes as „Revenue Head" and „Sub-heads", with their relevant code numbers of accounts.

(d) Summarizing

Summarizing concerns the bringing together of all the classes of accounts and preparing them into reports periodically as statutorily or organizationally required.

(e) Communicating

Communicating is about making available financial reports on all the government financial activities from the necessary accounting summaries to various interested parties. The style of communication adopted should be un- ambiguous, lucid and devoid of jargons as much as possible.

(f) Interpreting

Interpreting ends the process by giving explanations on what has been reported in the various financial statements and reports, as regards the overall operations and performance of the relevant government organization(s). This is to enable the necessary parties and users to take relevant decisions based on their assessments of the reports.

1.2 Not-for-profit Organizations

Not-for-profit Organizations do not operate for the primary purpose of making profit. Any income raised or assets acquired by the organization cannot be distributed to the officers of the organization. If such organization is dissolved, the proceeds realized will revert to the state and not to any particular individuals.

Not-for-profit organizations were broadly classified into:

1. **Type A Not-for-profit Organizations:** This is a Not-for-profit Organizations whose financial resources are obtained entirely or almost entirely from the sale of goods and services. All the 31 corporations listed in the schedule to Fiscal Responsibility Act are Type A Not-for-profit Organizations. They include NNPC, CBN, NDIC, NSITF, CAC, NPA, FAAN, SEC, NCC, NAFDAC, FIRS, Nigerian Custom Services and Nigeria Telecommunication. They are all created by the Acts of Parliament.
2. **Type B Not-for-profit Organizations:** This is a Not-for-profit Organization that is financed from sources other than sale of goods and services. This kind of organization is financed primarily through taxes raised by the government. Examples include Police Force, Military and FRSC.

1.3 Objectives of Public Sector Accounting

The objectives of Public Sector Accounting include the following:

1. Ascertaining the legitimacy of transactions and their compliance with the established norms, regulations and statutes.
2. Providing evidence of stewardship.
3. Assisting planning and control.
4. Assisting objective and timely reporting.
5. Providing the basis for decision-making.

6. Enhancing the appraisal of the efficiency of management.
7. Highlighting the various sources of revenue receivable and the expenditure to be incurred.
8. Identifying the sources of funding capital projects.
9. Evaluating the economy, efficiency and effectiveness with which Public Sector Organizations pursue their goals and objectives.
10. Ensuring that costs are matched by at least equivalent benefits accruing therefrom.
11. Providing the details of outstanding long-term commitments and financial obligations.
12. Providing the means by which actual performance may be compared with the target set.
13. Proffering solutions to the various bottlenecks and/or problems identified.

1.4 Users of Public Sector Accounting Information

There are two groups of users of Public Sector Accounting information. These are "Internal" and External" users whose peculiarities and areas of interests are briefly discussed, as follows:

1. Internal Users and Interest Areas:

i) The Labour Union in the public service which will press for improved conditions of employment and security of tenure for their members.

ii) Members of the Executive Arm of Government such as the President, Ministers and Governors, Commissioners and Chairmen of Local Governments. Their interest areas are to ensure probity and accountability through record keeping and performance control which are achieved through accounting information.

iii) Top Management members such as Permanent Secretaries of various Ministries and Chief Executives of Parastatals. They are the conduit of accounting information generation, transmission and serve as liaison officers between Government, employees and the public.

2. External Users and Areas of Interest.

i) Members of the Legislature at both National, State and Local Government levels. Information in the accounts of Governments is the major media through which politicians render stewardship to their constituencies and apprise them of the endeavours of governance.

ii) The Members of the Public, to demonstrate accountability and assist the people to appreciate or otherwise the efforts of Governments.

iii) Researchers and Financial Journalists. Researchers are expected to develop new and better ideas of governance. Financial journalists cherish accounting information to advise existing and potential investors.

iv) Financial Institutions, such as the Commercial Banks, World Bank and International Monetary Fund (IMF). Accounting information assists them to evaluate the credit rating of a borrowing Nation.

v) Governments, apart from the ones reporting. Governments collaborate on ideas of investment and research. They require accounting information on the well-being or otherwise of each other.

vi) **Suppliers and Contractors**. Suppliers and contractors are eager to ascertain the ability of a Government to pay for goods and services delivered. Only Accounting information can be revealing.

vii) Political Parties, Trade Unions and Civil Liberty Organization

viii) Foreign countries and Foreign financial institutions such as International Monetary Fund and World Bank.

1.5 Differences between Public and Private Sector Accounting

1. Private Sector Accounting is peculiar to commercial undertakings which have the maximization of profits as their main objective. Public Sector Accounting focuses on the provision of adequate welfare to the people with probity, accountability, legal and wise spending in mind.
2. Government revenue is derived from the public in the form of taxation, fines, fees etc., whereas business concerns obtain their income principally from the sales of goods and services.
3. In Government there is no Annual General Meeting of stakeholders/shareholders, unlike the situation with commercial enterprises. What Government does is to hold public briefing on specific issues.
4. Public Sector Accounting operates predominantly "fund accounting‟ method in collating its data and information. Private Sector Accounting uses the proprietary (or ownership) style which discloses the nature and sources of the enterprise's finance or capital structure, such as 'ordinary share capital' and 'preference share capital.'
5. Public Sector Accounting mostly uses the budgetary approach, recording and classifying items of revenue and expenditure under various 'heads' and 'sub- heads'. Although Private Sector Accounting equally does budgeting and budgetary control, revenue and expenditure matters are, recorded by their natural description, such as „stationary‟ and „discount allowed.‟
6. Public Sector organizations are content with pricing products or services at marginal costs, thereby catering for the welfare of the public, privately owned businesses venture to recover not only marginal costs but fixed overheads and even earn profits.
7. Public Sector organizations are accountable to the citizens of the Nation through their elected representatives. Private Sector concerns are answerable to their owners.
8. The legal basis of Public Sector Accounting is the Nation's Constitution and Acts of Parliament, unlike Private Sector Accounting which draws its existence and strength from Companies Acts.
9. Performance measurement is easier in the private sector organization through computation of profit but it difficult to measure performance of a Not-for-profit Organization.
10. Output measurement is also easier to carry out in public sector organization (like quantity of products produced in a manufacturing company) but it is difficult to measure output of a Not-for-profit Organization (like military).

1.6 Research Challenges and Research Opportunities in Public Sector Accounting in Nigeria

Until 1980s, accounting academics did not show enough interest in public sector accounting research. In 1985, a journal to cater mainly for public sector institutions, Financial Accountability and Management was established.

Research Challenges in Public Sector Accounting in Nigeria

Challenges of conducting research in the public sector in Nigeria include the following:

1. Lack of data
2. Lack of fund
3. Problem of methodological approach to be adopted.
4. Keeping of official secrets.

Research Opportunities in Public Sector Accounting Nigeria

Opportunity for conducting research in Public Sector Accounting in Nigeria has increased as a result of the following conditions:

1. Nigerian government financial information is now available on the internet.
2. Enactment of Fiscal Responsibility Act has enhance easy access to government financial information.
3. Freedom of Information Bill when enacted as an Act of the parliament will guarantee unfettered access to government financial information.
4. Researchers may choose any of the 3 tiers of government (MDAs) or government corporations as their study location.
5. Both quantitative and qualitative research can be carried out in the public sector by exploring secondary data and conduct a survey of financial officers to appreciate the behavior of public officials in the course of discharging their responsibilities.

Post-Tests

1. Explain the concept of Public Sector accounting?
2. Enumerate any 10 objectives of public sector accounting?
3. Differentiate between internal and external uses of public sector accounting stating 6 internal users and 6 external users. Highlight how the study of public sector accounting is useful to each of the 12 users?
4. (a) Identify 4 similarities between public sector accounting and private sector accounting?
   (b) Identify 8 differences between public sector accounting and private sector accounting?
5. Discuss the prospect and problems of carrying out research in Public Sector Accounting in Nigeria?
6. Give a brief explanation of types of Not-for-profit Organizations in Nigeria?

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LECTURE 2
SOURCES OF PUBLIC SECTOR ACCOUNTING REGULATIONS

2.0 Introduction

Public Sector Accounting is guided basically by the Constitution and financial regulations of a Nation. However, International Public Sector Accounting Standards (IPSAS) are now available for world-wide adoption by governments of various countries. Public Sector Accounting is concerned with the recording of the mobilized revenue and its prudent utilization in financing a country.

Objectives

At the end of this lecture, students should be able to:-

a. Understand the Legal Framework of Public Sector Accounting in Nigeria.

b. Discuss the Administrative Framework of Public Sector Accounting in Nigeria.

c. Appreciate the Accounting Bases, Concepts and Principles of Public Sector Accounting.

Pre-Test

4. List10 sources of public sector accounting regulations in Nigeria?
5. List some Accounting Bases, Concepts and Principles of Public Sector Accounting you know?

CONTENT

2.1 Legal Framework of Public Sector Accounting in Nigeria

1. 1999 Constitutional Provisions of the Federal Republic of Nigeria

The 1999 Constitution of the Federal Republic of Nigeria authorizes the receipts and payments of Government, spelt out the revenue allocation formula between the Federal, State and Local Governments and stipulates the duties and responsibilities of the Auditor-General. To facilitate reference, specific areas of the 1999 Constitution and their provisions are:

i) Section 80(1) to (4): The establishment and operation of the ***Consolidated Revenue Fund*** are covered.

ii) Section 81 (1) to (4): This provision treats the procedure for authorization of expenditure from the Consolidated Revenue Fund.

iii) Section 82: Where there is no Appropriation Act in operation, this section authorizes the President to withdraw money from the Consolidated Revenue Fund of the Federation for ***six (6) months.***

iv) Section 83: This provides for the creation of the ***Contingencies Fund***.

v) Section 84: The ***remuneration of the President and other statutory officers*** are covered by this section.

vi) Section 85: The ***audit of public accounts*** is discussed.

vii) Sections 86 & 87: The sections treat the appointment and tenure of the ***Auditor-General.***

viii) Sections 88 & 89: The section gives power to the ***National Assembly*** to conduct investigations and procure all evidence needed.

ix) Section 149: ***Ministers*** are constitutionally required to ***declare their assets and liabilities*** and oaths of allegiance.

x) Section 162: Under this section, the Federation as an entity is statutorily required to create the ***Federation Account*** into which all revenue collected by the Government of the Federation (with some exceptions) is paid.

xi) Section 163: This deals with the allocation of other revenue.

xii) Section 164: Federal grants-in-aid of State revenue are treated in this section.

xiii) Section 313: The system of revenue allocation is dealt with under this section.

2. Finance (Control and Management) Act of 1958, Cap. 144, 1990

This is the major law on which the foundation of Public Sector Accounting rests in Nigeria. It is the basic law that governs the procedure and control of all financial operations of government. The Act regulates the management and operation of government funds. It prescribes the books of accounts to be operated and the procedures to be adopted in the preparation of accounts and financial statements.

3. **Audit Ordinance of 1956 or Act of 1956:**

Section 13, sub- sections 1 - 3 mandates the Accountant-General of the Federation to furnish the Auditor-General for the Federation with the country's financial statements.The Auditor-General shall ***within 60 days*** of receipt of the Accountant-General's financial statements submit his report to each House of the National Assembly.

4. **Appropriation Acts**

Money Bills when passed into laws become Appropriation Acts. They regulate financial matters, including the payment or withdrawal from the Consolidated Revenue Fund. Appropriation Acts are passed yearly, for the release of public money so as to render services in the years to which they relate.

5. **Financial Regulations (2009 Edition)**

Financial Regulations are accounting and financial control documents. They are the codification of guiding principles and methods. It advocates uniformity in the recording of specified transactions and events. They are a body of rules designed to assist the achievement of probity and accountability in government. Such rules deal with the opening of bank accounts, cheques and the collection of revenue. Financial Regulations define the duties and responsibilities of finance officers of government and other financial procedures in the public sector.

6. **Treasury or Finance Circulars And Circular Letters**

These are administrative instruments which are issued for the purpose of guiding day- to-day routine operations of the departments of government. They are used in amending existing provisions of public service rules and Financial Regulations.

7. **Fiscal Responsibility Act, 2007**

This Act provides for the prudent management of the Nation's resources, ensures long-term macro-economic stability of the nation and secures greater accountability and transparency in fiscal operations within a medium-term fiscal policy framework. It establishes the Fiscal Responsibility Commission to ensure the promotion and enforcement of the Nation's economic objectives. The Act emphasizes the preparation of Medium-Term Expenditure Framework (MTEF), Annual Budget, Budgetary Execution and Achievement Targets, Collection of Public Revenue, Public Expenditure, Debt and Indebtedness/Borrowing, Transparency and Accountability.

Composition of the Commission

• A Chairman, who shall be the Chief Executive and Accounting Officer of the Commission.
One member from and representing:
• The organized private sector
• Civil society – engaged in cases relating to probity, transparency and good governance.
• The organized labour.
•Federal Ministry of Finance – of a level not below the rank of a Director.
•Each geo-political zones of the country namely:- North Central, North East, North West, South East, South-South and South West.

Qualification and Appointment of Members to the Commission

- All members of the commission shall be persons of unquestionable integrity.
All members must possess qualifications of not less than 10 years cognate post qualification experience.
- The Chairman and other members of the commission, other than the ex-officio members, shall be appointed by the President subject to confirmation by the Senate.

- The Chairman and members of the commission representing the six geo-political zones shall be full time members.

Functions of Fiscal Responsibility Commission

• To compel any person or government institution to disclose information relating to public revenues and expenditure.
• To cause an investigation into whether any person has violated any provisions of the Acts.
• To forward a report of any investigation against any person to the Attorney-General of the Federation for possible prosecution.
• To monitor and enforce the provisions of this Act.
• To undertake fiscal and financial studies, analysis and disseminate the result to the general public.
• To disseminate standard practices that will result in the Effective allocation and management of public expenditure and revenue.

Powers of the Commission

• Power to provide general policy guidelines for the implementation of the functions of the commission
• Power to supervise the implementation of the policies of the commission
• Power to appoint employee required for of the commission.
• Power to determine and approve the terms and conditions of service including the disciplinary measures for the employees of the commission.
• Power to fix the remuneration, allowances and benefits of the employees of the commission.
• Power to regulate its proceedings in respect if meetings, notices and keeping of minutes as may be determined by the commission.
• Power to perform any other functions as may be deemed to ensure efficient performance of the commission.

8. Public Procurement Act, 2007

The Act establishes the National Council on Public Procurement (NCPP) and the Bureau of Public Procurement (BPP) as the regulatory authorities responsible for the monitoring and oversight of public procurement. The Act harmonizes the existing government policies by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Nigeria. It sets standards for organizing procurements, methods of procurement of works, goods, consultancy and non-consultancy services. It sets the procurement approval thresholds for the Bureau of Public Procurement, Tenders Boards and Accounting Officers for all Ministries, Departments and Agencies.

The National Council on Public Procurement (NCPP)

Members of the Council:

i. The Minister of Finance as Chairman
ii. The Attorney-General and Minister of Justice of the Federation
iii. The Secretary to the Government of the Federation
iv. The Head of Service of the Federation
v. The Economic Adviser to the President
vi Six-Part-Time members to represent:
a) Nigeria Institute of Purchase and SupplyManagement
b) Nigeria Bar Association
c) Nigeria Association of Chambers of Commerce, Industry, Mines and Agriculture
d) Nigeria Society of Engineers
e) Civil Society
f) The Media
vii. The Director-General of the Bureau who shall be the Secretary of the Council.

Functions of the Council

(a) To consider, approve and amend the monetary issues relating to the Act.
(b) To consider and approve policies on public procurement
(c) To approve the appointment of the Director of the Bureau

(d) To receive, review, consider and approve the audited accounts of the Bureau of Public Procurement
(e) To approve changes in the procurement process to adapt to improvements in modern technology
(f) To perform such other functions as may be deemed necessary to achieve the objectives of the Act.

The Bureau of Public Procurement (BPP)

Objectives of the Bureau

(a) The harmonization of existing government policies and practices on public procurement
(b) The establishment of pricing standards and benchmarks
(c) Ensuring the application of fair, competitive, transparent and standard practices for the procurement and disposal of public assets and services
(d) The attainment of transparency, competitiveness and professionalism in the public sector procurement system

Functions of the Bureau

(a) To formulate the general policies and guidelines relating to public sector procurement.
(b) To supervise the implementation of established procurement policies.
(c) To monitor the prices of tendered items and keep a National database of standard process.
(d) To publish the details of major contracts in the procurement journal.
(e) To publish papers and electronic editions of the procurement journal.
(f) To maintain a National database of the particulars and classifications and categorization of Federal contractors and service providers.
(g) To collate and maintain in a database for all Federal procurement plans and information.
(h) To undertake procurement research and survey.
(i) To organize training and development programmes for procurement professionals.
(j) To prepare and update standard bidding and contract documents.
(k) To prevent fraudulent and unfair procurement and where necessary apply administrative sanctions.
(l) To review the procurement and award of contract procedures of every entity to which the Act applies.

Powers of the Bureau

The Bureau shall have the power:

a. To review and or inspect any procurement transaction to ensure compliance with the provisions of the Act.
b. To review and determine whether any procuring entity has violated any provisions of this Act.
c. To stop and blacklist any supplier, contractor or service provider that contravene any provision of this Act.
d. To maintain a National database of Federal contractors and service providers.
e. To maintain a list of firms and persons that have been debarred from participating in public procurement activity and publish them in the procurement journals.
f. To investigate any aspect of any procurement proceeding where a breach, default, mismanagement and or collusion has been alleged, reported or proved against a procuring entity or service provider.
g. To recommend to the Council where there are persistent breaches of this Act or regulations for suspension, replacement, discipline and temporary transfer of any officer of any procuring entity or of the Council.
h. To act upon complaints in accordance with the procedures set out in this Act.
i. To nullify the whole or any part of any procurement proceeding or award which is contravention of this Act.
j. To enter into contract or partnership with any company, firm or person which in its opinion will facilitate the discharge of its functions.

9. Economic and Financial Crimes Commission (EFCC) Act, 2002

Composition of the Commission

The Commission shall consist of the following members:

a) A chairman, who shall be the chief executive and Accounting Officer of the Commission and shall be a serving or retired member of any government security or law enforcement agency.
b) A Director General who shall be the Head of Administration.
c) The Governor of Central Bank or his representative
d) A representative each of the following Federal Ministries not below the rank of Director;
i. Foreign Affairs Ministry
ii. Ministry of Finance
iii. Ministry of Justice
e) The Chairman, National Drug Law Enforcement Agency.
f) The Director General-The National Intelligence Agency
g) The Director General, the department of State Security Service.
h) The Director General-Securities and Exchange Commission
i) The Commissioner for Insurance
j) The Postmaster General, Nigeria Postal Service
k) The Chairman, Nigeria Communication Commission
l) The Comptroller General, Nigeria Customs Service
m) The Comptroller General, Nigeria Immigration Service
n) A representative of Nigeria Police Force not below the rank of Assistant Inspector General.
o) Four eminent Nigerians with vast experience in finance, banking or accounting.

Functions of the Commission

a. Enforcement and due administration of the provisions of the Act.
b. Investigation of reported cases of financial crimes such as Advance Fee
Fraud {419}, money laundering, counterfeiting, illegal charge transfer, contract scam, forgery of financial instrument, issuance of dud cheques etc.
c. Adoption of measures to identify, trace, freeze confiscate or seize proceeds derived from terrorist activities.
d. Adoption of measures to identify, trace, freeze and seize proceeds derived from financial crime related offences.
e. Adoption of measures to eradicate and prevent the commission of economic and financial crimes with a view to identifying individuals, corporate bodies or groups involved.
f. Determination of the extent of financial loss and such other losses by government, private individuals' and organizations.
g. Collaboration with government bodies within and outside Nigeria in carrying out the functions of the Act.
h. Dealing with matters connected with extradition, deportation and mutual, legal or other assistance between Nigeria and any other country involving economic and financial crimes.
i. The collection, analysis and dissemination of all reports relating to suspicious financial transactions to all relevant government bodies.
j. Carrying out and sustaining public enlightenment campaign against economic and financial crimes within and outside Nigeria.

Powers of the Commission

Under paragraph 6 of the Act, the Commission has power to:-
a. Conduct investigation or cause investigation to be conducted as to whether any person has committed an offence under the Act.
b. Cause investigation to be conducted into the properties of any person if it appears to the Commission that the person lifestyle and extent of his properties are not justified by his source of income.
c. Power to enforce the provisions of:
i. The Bank and Other Financial Institution Act 1991 (as amended)
ii. The Failed banks (Recovery of Debts) Finance Malpractices in Banks Act 1994 (as amended)
iii. The advance fee fraud and other related offence Act 1994
iv. The money laundry ACT 1995
v. The Miscellaneous offence Act

10. **Independent Corrupt Practice and Other Related Offences Commission (ICPC) Act, 2000**

Composition of the Commission {ICPC}
The Commission shall consist of a chairman and twelve other members, two of whom shall come from each of the six geo-political zones as follows:
a. A legal practitioner with at least 10 years post call experience.
b. A retired judge of a superior court of record
c. A retired police officer not below the rank of commissioner of police
d. A retired public servant not below the rank of a director
e. A woman
f. A chartered accountant
g. A youth not less than 21or more than 30 years of age at the time of his or her appointment.
The Chairman shall be a person who held or qualified to hold office as a judge of a superior court of record in Nigeria.

Functions of the Commission
a. To receive and investigate any report of the conspiracy by any person or group of person who have committed or attempt to commit an offence under the Act.
b. To prosecute those who are found to have committed any offence under the Act after the investigation.
c. To examine the systems, practice and procedures of public bodies such as Ministries, state, local government or any parastatals.
d. To give supervisory advice to public bodies whose practice systems and procedures are likely to be susceptible to fraud or corruption.
e. To advise, educate and help any officer, Agent, board or parastatals on the set of programmes that can be embarked upon to eliminate or reduce to the nearest minimum, the incidence of fraud and corruption.
f. To intimate the Accounting Officers in the public bodies of any changes effected in the procedures and systems of administration as it concerns their Ministries, Parastatals or Departments.
g. To educate the public bodies on the methods of detecting, preventing and arresting fraud, bribery, corruption and related offence in their Ministries parastatals or Department.
h. To educate the public against offences likely bribery, corruption, forgery, impersonation, advance fee fraud and other related offences.
i. To instruct the executives on how to detect, prevent and reduce to acceptable, level, incidence of corruption and related offences.
j. To involve the general public in waging war against corruption.

Differences between EFCC and ICPC
a. The EFCC is primarily charged with the responsibility of enforcing laws relating to banking, money laundering, Advance Fee Fraud{419} miscellaneous offences and other related offences **while** the ICPC is to enforce laws relating to fraud, corruption and embezzlement of funds in relation to public services.
b. The EFCC does not have any time limitation as to when a crime was committed **while** the ICPC is limited in time to those offences committed from year 2000.
c. The EFCC has power to prosecute directly without recourse to the Attorney General's Office **while** the ICPC can only prosecute through the Attorney General's Office.

11. **Code of Conduct Bureau/Code of Conduct Tribunal Act, 1991**

Composition of the Code of Conduct Bureau
Code of Conduct Bureau shall consist of the following:

i. A Chairman
ii. Nine other member each of whom at the time of appointment shall not be less than fifty year of age and vacate his office on attaining the age of seventy years.
The Bureau shall establish such offices in each state of the Federation as it may require for the discharge of its functions under the constitution.

Powers of Code of Conduct Bureau

The code of Conduct bureau was set up to:
a) Receive declarations by public officers made under paragraph 12 of Part I of the 5th schedule of the 1999 constitution.
b) Examine the declarations in accordance with the requirement of the code of conduct or any law.
c) Retain custody of such declaration and make them available for inspection by any citizen of Nigeria on such items and conditions as the National Assembly may prescribe.
d) Ensure compliance with and where appropriate enforce the provisions of the code of conduct or any law relating thereto.
e) Receive complains about non-compliance with or breach of the provisions of the code of conduct or any law in relation thereto.
f) Investigate the complaint above and where appropriate refer such matters to the Code of Conduct Tribunal.
g) To carry out any other function as may be conferred upon it by the National Assembly.

Punishment by the Code of Conduct Tribunal on Any Public Officer Guilty of Any of the Provisions of the Act

1. Vacation of office seat in any legislative house
2. Prosecution of the public officer in a court of law
3. Disqualification from membership of a Legislative House and from holding any public office for a period not exceeding ten years.
4. Serve penalties imposed by any law where the conduct is a criminal offence
5. Seizure and forfeiture to the state any property acquired through the abuse or corruption of office.

2.2 Other Public Sector Accounting Laws and Regulations in Nigeria (Term Paper)

1. Financial Reporting Council Act
2. Nigeria Extractive Industries Transparency Initiative, (NEITI) Act, 2007
3. Freedom of Information Act, 2011
4. The Nigeria Sovereign Investment Authority Act
5. International Public Sector Accounting Standards (IPSAS)/ International Financial Reporting Standards (IFRS)

2. 3 BASES OF ACCOUNTING

These refer to how the transaction of government are recognized and recorded in the accounting books. Some common bases of accounts that are used are the cash and accrual bases.

1. Cash Basis

The cash basis of accounting embraces the movement of cash as the basis of recognizing income and expenses. Once money is received, income is recognized, whether the goods or services have been supplied or not. On the other hand, an expense is recognized as having been made once payment is made, whether benefit has been received or not.
In other words, income is recognized as it is received in the form of cash and expenditure is recognized as money is paid. No difference is shown in the treatment of capital and revenue expenditure.
Fixed assets are not treated as capital expenditure items. They are written off as revenue expenditure in the years of purchase.

Main characteristics of cash basis of accounting:

i) It is very simple to develop an accounting system based on the mere recording of cash receipts and payments.

ii) Financial statements generated with this technique are not complicated; they are very understandable and the accounting does not require the making of estimates for depreciation or doubtful debts, or adjustments for accruals and prepayments.

iii) It facilitates fiscal stewardship in that in public sector where the concept of cash limit is used in budgeting the use of resources, compliance can be determined easily.

iv) The concept does not make for proper measurement of performance. It is not easy to measure the physical work produced and the assets consumed in doing that within a period of time. The technique does not recognise the time when resources are used.

v) Performance under this approach is poorly measured since recognition is given to the use of limited cash in any service delivery. The cash basis stresses the economy of a service very much, and does not consider the efficiency and effectiveness in service delivery.

vi) In accounting for the existing resources of government, only cash and near cash items are shown on the balance sheet.

vii)Traditional accounting in government is based on cash accounting. Government's final accounts are prepared, using only movement of cash as a means of determining income and expenses.

2. **Accrual Basis**

Accrual basis of accounting uses the notion of legal obligation to record financial transactions. Once there is a legally binding contract for the receipt of, or render of service, recognition will be given to the income or expenditure arising out of the contract.

The recognition of revenue or expenditure under this technique does not depend on the point in time when cash moves as either receipt or payment, as with the cash basis.

The concept states that the transactions and events of entities should always be recorded in the periods in which the services are rendered or received, rather than in the periods in which cash is received or paid. This basis of accounting leads to the recognition of credit transactions in the preparation of the financial statements of a public sector organization.

The concept recognizes the period when revenue is deemed to have been earned rather than when it is received. Revenue is earned when a benefit has been given and the giver is entitled legally to receive compensation for the benefit given.

Expenses on the other hand, are recognized when incurred rather than paid. Expenses are incurred when users of the benefits are obliged legally to pay, in exchange.

The accrual concept leads to the making of adjustments in financial statements, especially when expected compensation has been given for benefit not received or rendered, or when benefit has been rendered or received without the passing of the compensation.

3. **Modified Accrual Basis**

The basic feature of the modified accrual basis is that it combines the cash and accrual bases of recognizing revenue. The modified accrual concept recognizes revenue only when made available and can be measured.

Revenue is recognized and recorded when received as cash or collectible in some future time, with some certainty.

As an example, under modified accrual basis, revenue from property tax is recognized because the assets on which the tax assessments are made can be identified easily. However, revenue receipts from fines and court charges are recognized on cash basis since they cannot be predicted and estimated with certainty. Predicting future sales tax and valued-added tax, for purposes of accruing the revenue, is very difficult. Expenditure, on the other hand, is recognized for most items on the normal accrual basis.

4. **Modified Cash Basis**

This concept, in some instances, resembles the modified accrual basis. The modified cash accounting technique is appreciated where the accounting books of the government institutions are not closed at the end of a year, but are open for some period into the beginning of the following year. Receipts made during the current year which relate to the past period are recorded and accounted for as revenue of the previous period.

5. **Commitment Basis**

The accounting technique recognizes expenses as soon as expenditure decisions are taken. As soon as a decision is taken for the acquisition of a service or good, accounting records for that begin and cash is set aside to pay for such cost.

Financial transactions are therefore recorded as soon as commitments are made. It is not when there is movement of cash for a transaction, or when there is documentary evidence in the form of invoice. This policy said to be encumbrance accounting. Cash is encumbered when it is set aside for a transaction.

A practical situation is when orders are made for the acquisition of some assets. Once the purchase order is made, entries are expected to be made to reserve money for the items. Though purchase order does not bring about any legal obligation, hence no liability, „an encumbrance entry‟ is made, reserving the necessary amount of money for the order.

2.4 **Accounting Manual**

Accounting manual is a book, prepared by the office of accountant general, containing procedures, guidelines and rules to be followed in keeping books, records and accounts of ministries, departments and agencies (MDAs) of governments. It also provides penalties for breach of the rules and guidelines.

Advantages of Accounting Manual

i)` The book acts as a point of 'vengeance' for those who infringe the rules stipulated
ii) It ensures consistency in the application of its stipulations
iii) It ensures continuity
iv) It serves as a training tool
v) It serves as a guide

Disadvantages of Accounting Manual

i) It is very rigid, since its application does not encourage the use of initiative
ii) Since the use of initiative is not encouraged it is de-motivational
iii) It makes job monotonous
iv) Workers may not produce best results in view of the de-motivational factor

Post-Tests

1. Public sector accounting is guided by the constitution and financial regulations of a nation. Discuss 7 legal and administrative framework of Public Sector Accounting in Nigeria?
2. The Public Procurement Act 2007 was established by the National Assembly of the Federal Republic of Nigeria which in turn established the National Council on Public Procurement.
i. State the Composition of the Council.
ii. Enumerate SIX functions of the Council.
3. (i) Itemize FOUR objectives of Bureau of Public Procurement
(ii) State SIX functions of Bureau of Public Procurement
(iii) Enumerate SIX powers of Bureau of Public Procurement.
4. Differentiate between cash basis of accounting and accrual basis of Accounting. State 5 characteristics of cash basis of accounting?
5. Write short notes on the following accounting bases in the public sector: Cash Basis, Accrual Basis, Modified Cash Basis, Modified Accrual Basis and Commitment Basis?
6. What is Accounting Manual? List 4 advantages and 4 disadvantages of Accounting Manual?

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LECTURE 3
RESPONSIBILITIES OF GOVERNMENT FINANCIAL OFFICERS
3.0 Introduction
Government Officials are saddled with the responsibility of managing government funds and property. They can be grouped into two categories. The first category are the **career officers** who have attained positions by way of experience, hard work, efficiency and cannot be arbitrarily removed. Such officers include the Accountant-General of the Federation, Auditor-General for the Federation, Accounting Officers, Sub-accounting Officers, Federal Pay Officers, Revenue Collectors and Local Government Secretary. The second categories are the **political functionaries** who occupy positions by way of political dispensations; may not necessarily have any experience in the assigned fields. Such officials include Federal Minister of Finance, State Commissioner for Finance, a Local Government Chairman and Councilors.

Objectives
At the end of this lecture, students should be able to:
a. Identify key Government Financial Officers.
b. Understand the financial responsibilities of the Government Officers.
c. Understand the mode of appointment, powers and functions of the Accountant-General of the Federation.
d. Appreciate the mode of appointment, powers, and functions of the Auditor- General for the Federation.

Pre-Test
1. Mention some government officials in the categories of career officers and political functionaries in Nigeria?
2. Who is the accounting officer in the Federal Government Ministries, State Government Ministries and the Local Government?

CONTENT
3.1 ACCOUNTING OFFICER
The term "Accounting Officer" means the Head of a Ministry/Extra Ministerial Department or whoever is empowered to manage the affairs of a government enterprise. He is responsible for all receipts and payments of public money in his Department or Ministry. He is saddled with the responsibility of reporting on the financial activities of his Ministry or Department. With effect from 1st January, 1998,Permanent Secretaries are the Accounting Officers of their various Ministries.

FUNCTIONS OF AN ACCOUNTING OFFICER
The functions of an Accounting Officer include the following:
i. To establish and manage an effective, efficiently run and result-oriented **Internal Control Department** in his Ministry.
ii. To ensure that proper **books of accounts and system** as specified by the Minister of Finance, are kept.
iii. To ensure that all **revenue** accruable to his Ministry are collected and accounted for as and when due.
iv. To ensure that there is provision for effective **security system** over all government funds.
iv. To install adequate preventive measures against **frauds** and misappropriation of funds.
v. To ensure that only trustworthy, dedicated and reputable officers are entrusted with **government funds.**
vi. To ensure that all **payments are backed up with proper authority** and that only services and goods provided are paid for.
vii. To make available all the **cash, stamps, bank statements** etc. in his custody for the inspection of the Auditor-General for the Federation.
viii. To ensure that **financial statements** statutorily required are prepared without delay.

3.2 **ACCOUNTANT-GENERAL OF THE FEDERATION**

Financial Regulation No. 107 of January, 2009, defines the Accountant-General of the Federation as "The Chief Accounting Officer of the receipts and payments of the government of the Federation. He is saddled with the responsibility of general control, custody and supervision of all ministries and departments within the Federation. He is responsible for the preparation of the annual financial statements of accounts of the Nation as may be required by the Minister of Finance." He or his representative shall have access at any reasonable time to all documents, information and records that are needed for the preparation of the accounts of every Ministry and Extra-Ministerial Department.

POWERS OF THE ACCOUNTANT-GENERAL OF THE FEDERATION

a) He has power of **unlimited access** to all financial documents and records of every Ministry or Department at all times.

b) He can carry out any **special investigation**, when the need arises, in any Ministry or Department.

c) The Accountant-General has power to demand for and obtain **any information** and explanation required to carry out his duties.

FUNCTIONS OF THE ACCOUNTANT-GENERAL OF THE FEDERATION.

The functions of the Accountant-General of the Federation as contained in Financial Regulations 107 include:

(a) Serve as the **Chief Accounting Officer** for the receipts and payments of the government of the federation;

(b) Supervise **the accounts** of federal ministries, extra-ministerial offices and other arms of government;

(c) Collate, prepare and publish statutory **financial statements** of the federal government and any other statements of accounts required by the Minister of Finance;

(d) Manage federal government **Investments**;

(e) Maintain and operate the accounts of the **Consolidated Revenue Fund**, Development Fund, Contingencies Fund and other Public Funds and provide cash backing for the operations of the Federal Government;

(f) Maintain and operate the **Federation Account**;

(g) Establish and supervise **Federal Pay Offices** in each state capital of the federation;

(h) Conduct routine and in-depth **inspection of the books of accounts** of federal ministries, extra-ministerial offices and other arms of government to ensure compliance with rules, regulations and policy decisions of the federal government;

(i) Approve and ensure **compliance with accounting codes**, internal audit guides and stock verification manuals of federal ministries, Extra-ministerial offices and other arms of government.

(j) Investigate **cases of fraud**, loss of funds, assets and store items and other financial malpractices in ministries/extra-ministerial offices and other arms of government;

(k) Provide **financial guidelines** through the issuance of treasury circulars to federal ministries/extra-ministerial offices and other arms of government to ensure, strict compliance with existing control systems for the collection, custody and disbursements of public funds and stores;

(l) Supervise and control the **computerization of the accounting system** in the federal ministries, extra ministerial offices and other arms of government;

(m) Carry out **revenue monitoring** and accounting;

(n) Issue **officially approved forms** bearing Treasury numbers for use in all federal ministries, extra-ministerial offices and other arms of government to ensure uniformity;

(o) Formulate the **accounting policy** of the federal government;

(p) Service **public debt** and loans; and

(q) Organize **training** of accounts and internal audit personnel in all federal ministries, extra-ministerial offices and other arms of government.

3.3 **AUDITOR-GENERAL FOR THE FEDERATION**

In accordance with the provisions of Government Financial Regulations, this is the officer responsible under the 1999 Constitution of the Federation, for the **audit and reports on the public accounts of the Federation,** including all persons and bodies established by law entrusted with the receipts, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other property of the Government of the Federation and for the **certification of the annual accounts of the Nation**. He is given free hand to examine the accounts in such a manner as he may deem fit.

At the end of the audit, he is expected to write a report, stating whether in his opinion:

(a) The accounts have been properly kept.

(b) All public funds have been fully accounted for, and the rules and procedures applied are sufficient to secure effective check on the assessment, collection and proper allocation of revenue.

(c) Monies have been expended for the purposes for which they were appropriated and the expenditure have been made as authorized.

(d) Essential records are maintained, and the rules and procedures applied are sufficient to safeguard public property and funds.

APPOINTMENT AND REMOVAL OF AUDITOR-GENERAL FOR THE FEDERATION

The appointment and removal of the Auditor - General for the Federation is legally recognized in S.86 of the 1999 Constitution of the Federal Republic of Nigeria. That is, he/she is:

(a) Appointed by the President, subject to confirmation by the two-third majority of the members of the National Assembly;

(b) The above appointment is based on the recommendation of the Federal Civil Service Commission;

(c) Once appointed, he/she cannot be removed from office, except where he/she can no longer perform the functions of the office due to ill-health, death, gross misconduct or where the terms of his/her office has expired (if he/she has served for 35 years or has attained the age of 60 years, whichever is earlier).

POWERS/FUNCTIONS OF THE AUDITOR-GENERAL FOR THE FEDERATION

Powers

In accordance with Government Regulations, the Auditor-General for the Federation has the following powers:

(a) Power of **access to books and records** of all Ministries and Extra-Ministerial Departments, at reasonable times.

(b) Power to **request for information** and explanation necessary for his duties.

(c) Power to carry out **special/ad-hoc investigations** in any Ministry and Extra-Ministerial Department.

(i) Constitutional Functions

These are as follows:

S. 85 (2): The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on by the Auditor-General to the National Assembly, for that purpose, he shall have access to all the books, records, returns and other documents relating to those accounts.

S. 85 (3): Though the Auditor-General is not authorized to audit the accounts or appoint auditors for government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of The National Assembly, but the Auditor-General shall:-

(a) Provide such bodies with;

(i) A list of qualified and experienced auditors from which the bodies shall appoint their external auditors and

(ii) Guidelines on the level of fees to be paid to the external auditors.

(b) Comment on their annual accounts and auditors reports thereon.

S. 85 (4): He shall have power to conduct periodic checks on all government statutory corporations, commissions, authorities, agencies etc. including all persons and bodies established by an Act of The National Assembly.

S. 85(5): He shall, within **ninety days** of receipt of the Accountant- General's Financial Statements, submit his reports to each House of the National Assembly.

(ii) Functions as per Financial Regulations 109 (2009 Edition)
According to Government Financial Regulations 109 (2009 Edition), The Auditor-General for the Federation shall carry out the following statutory functions:
(a) **Financial Audit:** In accordance with extant laws, in order to determine whether government accounts have been satisfactorily and faithfully kept.
(b) **Appropriation Audit-** To ensure that funds are expended as appropriated by the National Assembly.
(c) **Financial Control Audit** – To ensure that laid down procedures are being observed in tendering, contracts and storekeeping with a view to preventing waste, pilferage and extravagance.
(d) **Value-for-Money (Performance) Audit** – To ascertain the level of economy, efficiency and effectiveness derived from government projects and programmes.

iii) Scope of work of the Auditor-General for the Federation
The scope of work of the Auditor-General include:
(a) Audit of the books, accounts and records of federal ministries, extra-ministerial offices and other arms of government;
(b) Vetting, commenting and certifying audited accounts of all Parastatals and government statutory corporations in accordance with the Constitution of the Federation;
(c) Audit of the accounts of federal government establishments located in all states of the federation including all Area Councils in the Federal Capital Territory, Abuja;
(d) Audit of the Accountant-General's Annual Financial Statements;
(e) Auditing and certifying the Federation Account;
(f) Deliberation, verification and reporting on reported cases of loss of funds, stores, plants and equipment as stipulated in the Financial Regulations;
(g) Pre and post auditing of the payment of pensions and gratuities of the retired military and civilian personnel;
(h) Periodic checks of all Government Statutory Corporations, commissions, Authorities, Agencies, including all persons and bodies established by an Act of the National Assembly; and
(i) Revenue audit of all government institutions.

INDEPENDENCE OF THE AUDITOR-GENERAL
The constitutional provisions which insulate the Auditor-General from being compromised are:
a) S. 85(6): In the exercise of his constitutional functions, the Auditor-General shall not be subject to the direction or control of any other authority or person.
b) S 87(2): The Auditor-General shall not be removed from office before his retiring age as may be prescribed by law, except for inability to perform the functions of his office or for misconduct.
c) S 84(4): The remuneration of the Auditor-General shall be drawn from the Consolidated Revenue Fund of the Federation.
d) S 84 (3): His remuneration and salaries as well as conditions of service other than allowances, shall not be altered to his detriment after his appointment.

REMOVAL OF AUDITOR-GENERAL FOR THE FEDERATION
S. 87 (1) says that a person holding the office of Auditor-General for the Federation shall be removed from office by the President acting on an address supported by two- thirds majority of the Senate on the ground that: -

- He is unable to discharge his constitutional and managerial functions due to illness or insanity.
- He is found to have been involved in a grave act of misconduct.

3.4 **AUDITOR-GENERAL FOR STATE GOVENMENT**

The Office of the State Auditor-General is an Establishment with statutory and constitutional functions. Its powers and responsibilities are derived from the 1999 constitution of the Federal Republic of Nigeria.
It was created mainly to audit the accounts and underlying records of the Auditor- General a State Government can call for audit or special investigation into the books and records of parastatals, ministries and government agencies.

APPOINTMENT OF AUDITOR-GENERAL FOR A STATE GOVERNMENT
According to Section 126 (1) of the 1999 Constitution of the Federal Republic of Nigeria, the Auditor-General for a State shall be appointed by the State Governor on the recommendation of the State Civil Service Commission, subject to confirmation by the State House of Assembly.

FUNCTIONS AND RESPONSIBILITIES OF AUDITOR-GENERAL FOR STATE GOVERNMENTS
i. He is to ensure that adequate accounts are being kept by public establishments.
ii. He is to ensure that all public money is properly accounted for and that the rules and procedures applied are in tandem with the financial regulations.
iii. It is his responsibility to ensure that essential records are kept and the procedures applied are to safeguard and control public assets and cash.
iv. To audit public accounts of the State and all officers and courts of the State.
v. Issuance of Annual Statutory Audit Reports in accordance with the Constitution of the Federal Republic of Nigeria.
vi. To certify computations of pensions and gratuities of retiring public officers.
vii. He is the Chairman of "***Audit Alarm Committee***" and is to act in that capacity.
viii. To monitor and evaluate all government projects.
ix. To liaise with the Public Accounts Committee of the State House of Assembly on matters brought to the notice of the House.
x. To recommend the remuneration payable to appointed External Auditors of Government Corporations, Commissions, Authorities and Agencies established by Law.
xi. To receive and review the reports of the external auditors of government corporations, etc.
xii. To carry out special audit or investigation on the three arms The Executive, The Legislative and the Judiciary of the State Government.

3.5 **OFFICE OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT**
The office of the Auditor-General for Local Government was established in 1999, in line with the Civil Service Reform of 1998. It was excised from the State Audit Department as it was then known.

LEGAL FRAMEWORK OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT
The office operates within the following legal framework:
i) The Local Government financial memoranda
ii) Guideline on local government operations
iii) Updated circulars issued from time to time

STATUTORY FUNCTIONS OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT
i. He is responsible for the audit of the financial statements of Local Governments.
ii. He evaluates the integrity and validity of the financial statements of all local governments and writes reports on them.
iii. He approves sanctions/surcharges through the local government service commission.
iv. Carrying out prepayment audit of gratuity and pension of local government retirees, teaching and non-teaching staff of primary schools in the state.
v. Issuing annual statutory audit reports.
vi. Executing pre-payment audit of major projects of local governments.

vii. Ensuring that proper and adequate system of accounts is established and maintained.
viii. Ensuring that effective and efficient Internal Control System is established in the local governments.
ix. Reporting any defect in procedures for revenue collection and expenditure disbursements.
x. To head the “Audit Alarm Committee” at the Local Government level.

3.6 **THE SUB-ACCOUNTING OFFICER**

This is an officer entrusted with the receipts, custody and disbursements of public funds. He is required to maintain a recognized cashbook together with such other books of accounts as may be required by the Accountant-General. The transactions recorded in his cash book are included in the financial statements presented by the Accountant-General.

FUNCTIONS OF SUB-ACCOUNTING OFFICER

The functions of the Sub-Accounting officer include:-
i. Maintenance of the main cashbooks.
ii. To charge into his accounts under proper heads and sub-heads, all payments of cash and expenditure commitments immediately such are effected.
iii. To check all cash, stamp, paper money and investment records in his carefor verification of the balances with cash register and other registers.
iv. To recognize any excess cash discovered apart from the balance in the cash register, as revenue.
v. To check all cash and stamps in his care, so as to reconcile the amounts with the cash book and stamp register balances.
vi. Supervision of officers under his purview and who are entrusted with the receipts and expenditure of public money and introducing into place anti-fraud measures.

3.7 **THE SUB -TREASURER OF THE FEDERATION**

The Sub-Treasurer of the Federation is an accounting officer who is responsible for the custody, receipt and disbursement of all public money earned and spent from **foreign and indigenous investments**.

FUNCTIONS OF THE SUB-TREASURER OF THE FEDERATION

i. To ensure that all foreign investments are well monitored and supervised.
ii. To ensure that all government foreign investments are secured and generate reasonable interest.
iii. He is responsible for reviewing and updating the accounting systems in use in the office of the Accountant-General.
iv. To perform any other function as may be directed by the Accountant-General.

3.8 **REVENUE COLLECTOR**

A Revenue Collector is an officer who is saddled with the responsibility of collecting some specified forms of revenue on behalf of the Government. He is issued an official Treasury Receipt Book 6A for the regular collection of particular items of revenue as specified in the estimate.
A Revenue Collector should maintain a recognized revenue cashbook. He is responsible to the Accounting Officer of the Ministry/Department who will prepare a code of instructions of the procedures to be followed, to ensure prompt and up-to-date collection of government revenue. It is worthy of note that where the Revenue Collector is entrusted with the collection of more than one form of revenue, he should keep a “ Revenue Classification Slip” where the Date, Description, Amount, Head, Sub-head and the form of revenue are specified.

FUNCTIONS OF A REVENUE COLLECTOR

i. He is required to exercise total authority over the receipt of all revenue accruable to Government and ensure prompt, accurate and up-to-date collection.
ii. He is to classify all his collections under proper heads and sub-heads of all revenue.

iii. He is to safeguard all public funds, securities and paper money entrusted to him.

iv. As a routine function, he should check all cash in his care and reconcile same with the balance in the cash register.

v. He should promptly report any anomaly discovered by way of fraud or mis-appropriation of government money in his care, to a superior officer.

vi. He should ensure that adequate, up-to-date, accurate and reliable accounting records are kept.

vii. He should ensure that the cash limit balance that should be in his possession is not exceeded.

viii. He is to report to his superior officer any loophole that may be exploited by subordinate officers in the modalities employed in the collection of government revenue.

ix. He is responsible for the disclosure of all cash, stamps, paper moneys, securities, e.t.c, and balances in his custody when Board of Survey is raised by the Accountant-General.

x. He should display effective supervision of the officers under his authority to ensure prompt and accurate collection of revenue.

3.9 **THE FEDERAL PAY OFFICER**

He is the officer in charge of the Federal Pay Office located in a State. He performs the same functions as those of the Sub-Accounting Officer.

3.10 **THE DIRECTOR OF BUDGET**

The Director of budget is the officer responsible for the administration of the Department of Budget and Planning. The department is sub-divided into four units namely:- Fiscal, Revenue, Expenditure, and Budget remitting and Evaluation. Each unit plays a separate role different from others.

FUNCTIONS OF THE DIRECTOR OF BUDGET

i. Monitoring of revenue generation and collection by the agencies of government.

ii. Revenue estimation and publication in the budget book.

iii. Comparing of actual revenue received from oil and non-oil sectors with the estimated figure.

iv. Estimating revenue from Joint Venture operations in relation to oil explorations, production and personnel administration.

v. Implementing the budget through the issuance of Authority to Incur

vi. Expenditure papers or Warrants, for both capital and recurrent expenditure.

vii. Assembling, collating and arranging all data, information and other necessary inputs required for budget preparation.

viii. Rendering reports on the performance of the yearly budget and assessing its impact on the economy.

ix. Collection and analysis of expenditure returns.

x. Establishing and maintaining a data bank in the budget office. Monitoring and evaluating the performance of programmes funded through the budget.

xii. He is the liaison officer between the President, Ministries and Departments during budget preparation.

xii. Formulating fiscal, monetary and economic policies required to develop the economy.

3.11 **THE MINISTER OF FINANCE**

This is an officer on political appointment who has the responsibility for the control and management of public fund of the Federation.

APPOINTMENT OF THE MINISTER OF FINANCE

The Minister of Finance under the democratic dispensation is appointed by the President after due consultations and the approval of the Senate.

FUNCTIONS OF THE MINISTER OF FINANCE

i. He is responsible for the preparation of annual estimates of revenue and expenditure of the Federal Government.
ii. He is required to formulate all policies related to fiscal and monetary matters.
iii. The Minister is to ensure the mobilization of both foreign and indigenous financial resources through external and internal financial institutions for development purposes.
iv. To ensure a favourable balance of payments position required to maintain adequate foreign exchange services.
v. To stabilize the value of Nigerian currency both internally and externally.
vi. To supervise all matters in connection with the allocation of revenue to the three tiers of Federal, State and Local Governments.
vii. Relating with relevant International Organizations and Financial Institutions in order to accelerate development process of Nigerian Financial Institutions. Such organizations include: Economic Communities of West Africa (ECOWAS), United Nations National Development (UNND), European Union (EU), and African Union (AU).

Post-Tests
1. The office of the Accountant-General for Local Government was established in 1989 in line with the Civil Service Reform of 1988 which was excised from the State Audit Department as it was then known.
Required:
a) Highlight the framework documents that govern the operations of the Auditor- General for Local Government.
i. Itemize SIX Statutory function of the Auditor- General for Local
Government.

2. The Financial Regulations 101 describes the Accounting Officer as the head of a Ministry\Extra Ministerial Department or whoever is empowered to manage the offices of a public enterprise.
Required: Outline 10 functions of an Accounting Officer.

3. In accordance with Section 85 (2), (3), (4) and (5) of the Constitution of the Federal Republic of Nigeria, identify the statutory functions of the Auditor- General for the Federation.

4. (a) Enumerate 4 Independence Clauses of the Auditor-General as highlighted in Sections 85(6), 87(2) , 84(4) and 84(3) of the Constitution of the Federal Republic of Nigeria.
(b)Who is a revenue collector?
(c) Draw the format of revenue collector cashbook
(d) State 6 functions of the revenue collector

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LECTURE 4

SOURCES OF GOVERNMENT REVENUE AND GOVERNMENT EXPENDITURE

4.0 Introduction

Government generates revenue from various sources to run the administration of the Nation and execute development projects in all sectors of the economy. Such revenue is generated through efficient and effective machinery and allocated through the budgetary system to the spending organizations, for their operations.

A good system of revenue generation is paramount to ensure that government mobilizes enough finances for the expenditure of the nation to meet the varied needs of the people.

Objectives

At the end of this lecture, students should be able to:-

i. Identify the general sources of government revenue;

ii. Discuss the major revenue collection agencies of the government.

iii. List the sources and classification of government revenue in Nigeria and their groupings into the Consolidated Revenue Fund, the Federation Account, the Development Fund and the Contingencies Fund;

iv. Trace the transfer of appropriations from the Federation Account and the Consolidated Revenue Fund, into the Development Fund and Contingency Fund; and

v. Distinguish the different revenue fund/account and prepare them with relevant information.

vi. Discuss expenditure estimation in Government

vii. Discuss the various warrant used to authorise government expenditure

viii. Understand the departmental procedures to requisition for funds

Pre-Test

6. List the 3 tiers of government in Nigeria?
7. List some sources of government revenue you know in Nigeria?
8. List some major revenue collection agencies of government you know in Nigeria?

CONTENT

4.1 GOVERNMENT REVENUE AND SOURCES

Government revenue refers to the income generated by the government through various incomes inside and outside the particular government. The following are the general sources of revenue of various governments:

(a) ***Taxation:*** is a compulsory levy imposed by the government where no direct benefit is received by citizens from the government. The levy is usually payable at different rates depending on the nature of economic activity conducted by an individual or firm.

(b) ***Fees:*** these are payments made by users of public services on a cost sharing basis.

(c) ***Fines:*** refer to the penalties imposed by government against law breaches, i.e. any person or firm from which has been proved guilty by law must be exposed to specific fines as compensation for the destruction made by the person or firm and the collected amount being revenue for the government.

(d) ***Grant:*** refer to non-payable money received by the government from another government with the aim of helping such government either to improve or to start a project which is of great importance to the society of such government.

(e) ***Foreign Investment:*** sometimes government may decide to invest beyond its boundary provided there is a proof for sustainable and profitability cash flow. The obtained amounts after operation constitute revenue for the particular government.

(f) ***Public Debt or borrowing:*** becomes an important source of income to the government when revenue collected from taxes and other sources is not adequate to cover government expenditure. Such borrowings become more necessary in times of financial crises and emergency like war, droughts, etc. Public debt may be raised internally or externally. Internal debt refers to public debt floated within the country, while external debt refers to loans floated outside the country.

(g) ***Sales of National Assets:*** selling national assets through privatization programmes has a constituted a significant source of government revenue across the globe. Revenue from this source is usually used to improve finances or invest in new infrastructure and other key priorities.

4.2 **REVENUE COLLECTING AGENCIES IN NIGERIA**

Several Agencies are responsible for revenue collection from the various sources and they are as follows:

1. **Nigerian National Petroleum Corporation (NNPC)**

NNPC has sole responsibility for upstream and downstream developments, and is also charged with regulating and supervising the oil industry on behalf of the Nigerian Government. Its specific functions and roles include inter alia;

(a) exploration and production, refining, purchasing and marketing of petroleum, its products and by-products;

(b) providing and operating pipelines, tanker-ships and other facilities for the conveyance of crude oil;

(c) constructing, equipping and maintaining tank farms;

(d) research and development; and

(e) doing anything for the purpose of giving effect to agreements entered into by the federal government with a view to seeking participation by the government or the corporation in activities connected with petroleum.

2. **Federal Inland Revenue Service (FIRS)**

The FIRS is to control and administer the different taxes (Companies Income Tax Act, Petroleum Profits Tax Act, and Value Added Tax Act; Personal Income Tax Act in respect of residents of the Federal Capital Territory, members of Nigeria Police Force, members of Armed Forces of Nigeria as well as staff of ministry of foreign affairs and non-residents; and Capital Gains Tax Act and Stamp Duty Act in respect of residents of the Federal capital territory, corporate bodies and non-residents) and laws specified in the First Schedule or other laws made from time to time by the National

Assembly or other regulations made there under by the Government of the Federation and to account for all taxes collected. Accordingly, the FIRS has been striving to operate a transparent and an efficient tax system that optimises tax revenue collection and voluntary compliance.

3. **State Boards of Internal Revenue Service (SBIRS)**

At the state level, the Personal Income Tax Act, 1993 established the States Board of Internal Revenue Service (SBIRS) with responsibility for personal income taxes of individuals and non corporate bodies except residents of the Federal Capital Territory, members of Nigeria

Police Force, members of Armed Forces of Nigeria as well as staff of ministry of foreign affairs and non-residents. In addition, it has responsibilities for Capital Gains Tax Act and Stamp Duty Act except those aspects relating to residents of the Federal capital territory, corporate bodies and non-residents. Generally, the States Board of Inland Revenue Service has the power to and be responsible for:
(a) Assessing, Collecting and Accounting for all taxes, fees, and levies in the State. The Commissioner of Finance is to prescribe the manner the Board is to account for the taxes, fees and levies collected;

(b) Supervise the collection of all revenues due to the State Government with other ministries, extra Ministerial Department, Parastatals and Government Companies.
(c) Revise all obsolete rates collectable by the Board and initiate review and advice the Governor on it.

(d) Liase on tax and revenue matters with the Federal Governments directly through the Joint Tax Board and make recommendations where appropriate to the Joint Tax Board on Tax policy, tax reform, tax registration, tax treaties and exemption as may be required from time to time.

(e) To administer the provisions of the Personal Income Tax Act 1993 as amended and relevant tax laws in the State.

(f) To generally, control the management of the service on matters of policy subject to the provisions of the edicts and imposing discipline on employees of the State Internal Revenue Service.

4. **DEPARTMENT OF PETROLUEM RESOURCES (DPR)**

DPR has the statutory responsibility of ensuring compliance to petroleum laws, regulations and guidelines in the Oil and Gas Industry. The discharge of these responsibilities involves monitoring of operations at drilling sites, producing wells, production platforms and flow stations, crude oil export terminals, refineries, storage depots, pump stations, retail outlets, any other locations where petroleum is either stored or sold, and all pipelines carrying crude oil, natural gas and petroleum products, while carrying out the following functions, among others:
(a) Supervising all Petroleum Industry operations being carried out under licences and leases in the country;
(b) Monitoring the Petroleum Industry operations to ensure that they are in line with national goals and aspirations including those relating to flare down and Domestic Gas Supply Obligations;
(c) Ensuring that Health Safety& Environment regulations conform to national and international best oil field practice;
(d) Maintaining records on petroleum industry operations, particularly on matters relating to petroleum reserves, production/exports, licences and leases;
(e) Advising Government and relevant Government agencies on technical matters and public policies that may have impact on the administration and petroleum activities;
(f) Processing industry applications for leases, licences and permits;
(g) Ensuring timely and accurate payments of Rents, Royalties and other revenues due to government; and
(h) Maintaining and administering the National Data Repository (NDR).

5. **Nigeria Customs Service (NCS)**

The Nigeria Customs Service statutory functions can be broadly classified into two main categories namely, core and other functions:

Core Functions

The two core functions are:

(a) Collection of Revenue i.e. Import and Excise Duties and Accounting for same.

(b) Prevention and suppression of smuggling.

Other Functions

The category of others function include:

(a) Implementation of Government Fiscal Measures

(b) Generation of statistical data for planning purpose

(c) Trade Facilitation

(d) Implementation of bilateral and multilateral agreements entered into by government

(e) Collection of levies and charges

(f) Collaborative functions with government Agencies including CBN, Police, NDLEA, SON, NAFDAC, FIRS, etc.

In addition to these core and group of other functions, the Service also supports the combating of:

(a) Illegal commercial activities and trade in illicit goods, e.g. import of fake and sub-standard goods

(b) Infraction on Intellectual Property Rights

(c) Illegal international trade in endangered species

(d) Illegal trade in arms and ammunition

(e) Money laundering

(f) Traffic of illicit drugs

(g) Illegal trade in cultural Artifacts.

(h) Importation of pornographic materials

(i) Importation of toxic and hazardous substances.

4.3 FEDERATION ACCOUNTS ALLOCATION COMMITTEE - FAAC.

Federation Accounts Allocation Committee (FAAC) was set up by Allocation of Revenue (Federation Account, etc.) Act, Cap. A15, LFN 2004. The major function of the committee is to deliberate upon and allocate funds from the Federation Account to the three tiers of Government (Federal, State and Local Governments. The Federation Accounts Allocation Committee (FAAC) meeting is normally divided into two institutionally sessions, namely

i) Technical Session and

ii) Plenary Session

Membership of FAAC Technical Session:

a) Accountant-General of the Federation- Chairman

b) States' Accountant-General

c) Representatives of the following Agencies:

i) Nigeria National Petroleum Corporation (NNPC)

ii) Federal Inland Revenue Service (FIRS)

iii) Nigeria Custom Service (NCS)
iv) Department of Petroleum Resources (DPR)
v) Revenue Mobilization, Allocation and Fiscal Commission
vi) Federal Ministry of Finance
vii) Central Bank of Nigeria (CBN)
viii) National Planning Commission
ix) Office of States and Local Government Affairs
x) Office of the Vice President
xi) Directorate of Military Pension
xii) Office of Head of Service of the Federation
xiii) Department of Civil Pension

Functions of Technical Session

i) To consider the accounting returns of revenue Collecting Agencies
ii) The deliberate and consider the revenue available for distribution
iii) Make recommendation to the Plenary session foe the adoption of the revenue to be shared to the three tiers of the government.
iv) To consider any other issues sent from the Plenary Session.

Membership of FAAC Plenary Session

a) The Honourable Minister of Finance- Chairman

b) The State Commissioners of Finance

c) The Accountant-General of the Federation

d) The State Accountant- Generals

e) Representatives of the thirteen Organizations mentioned under membership of Federation Accounts Allocation Committee (FAAC) Technical Session

Functions of FAAC Plenary Session

(a) To ensure that allocations made to the States from the Federation Account are promptly and fully paid into the Treasury of each component, on such bases and terms prescribed by law.
(b) To submit annual report of its performance/activities to the National Assembly.

4.4 SOURCES AND CLASSIFICATIONS OF GOVERNMENT REVENUE IN NIGERIA

The Federal Government derives its revenue from different sources, The Federal Government of Nigeria revenue sources were classified into three groups, viz:
(a) Federation Account Revenue Heads;
(b) Value-Added Tax (VAT), and
(c) Federal Government Account Revenue Heads.

1. FEDERATION ACCOUNT REVENUE HEADS

The Federation Account was established by Section 162 of the 1999 Constitution of the Federal Republic of Nigeria. The Federation Account is one into which shall be paid all revenue collected by the Government of the Federation, except the proceeds from the PAYE of the personnel of the Armed Forces of the Federation, the Nigeria Police Force, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja.

The Federation Account is a distributable pool account from which allocations are made to the Federal, State and Local Government Councils on such terms and in a manner prescribed by the law. Currently, the figure in the pool is distributed, using the revenue allocation formulas over the years.

NOTES:

• 13% of **revenue derived from oil sources** goes to the States from which it is obtained, in consonance with the principle of derivation.

• 7% and 4% of the gross revenue in the Federation Account are **allocated to the Customs Service and Federal Inland Revenue Services,** respectively.

•The rates stated above are **"first line charges."** That is, 13% derivation source is adjusted (deducted) in the **oil sector revenue** received from the total oil proceeds; 11% (7% plus 4%) of other revenue receipts are taken out of the **non-oil collections**.

• Whatever remains in the **Federation Account distributable pool** is shared between the three tiers of Government.

• The allocations to the 36 States is distributable, net of the adjustments in the earlier three notes above. Abuja is considered a State, to make **37 `States'** which will share 26.72%.

• The Local Government allocation from the net balance is shared between the 774 Local Governments in Nigeria.

• The **allocation to the 36 States and Abuja** treated as a `State' for this purpose, is redistributed from 1990 till date, using the following criteria;

40% on the equality of all States;
40% on population;
10% on independent revenue effort
10% on social development-***Education (4.0%), Health (3.0%), and Water (3.0%)***
100%

Sources of Revenue Payable to the Federation Account

These Are:

(a) **Head 1- Direct Taxes:** These are payable by the individuals and firms such as company income tax, petroleum profit tax, capital gain tax, back duty assessment, and personal income tax of foreigners residing in Nigeria.

(b) **Head 2 - Indirect Taxes:** These are taxes on goods and services in the form of custom and excise duties, forfeiture penalties, VAT, etc.

(c) **Head 3 - Mining:** These are oil pipeline licence fees, rents of mining rights, mining fees, royalties on minerals, NNPC earnings from direct sales, penalties for gas flared, and rent of oil well.

2. **VALUE-ADDED TAX (VAT)**

VAT is a tax imposed on value which the supplier or seller of good/services add to the goods/services before selling it. The introduction of VAT was necessitated by the need to boost the revenue of the government from non-oil sources following the fluctuations in oil revenue due to the glut in the international market. VAT was introduced in 1994 fiscal year with the promulgation of VAT Decree No. 102 of 1993 at the rate of 5% and is being administered by Federal Inland Revenue Service (FIRS).

Presently the Value- Added Tax is chaired among the three tiers of government as follows:

Federal Government 15%
State Governments 50%
Local Governments 35%

Total **<u>100%</u>**

3. **FEDERAL GOVERNMENT ACCOUNT OR CONSOLIDATED REVENUE FUND**

The Consolidated Revenue Fund (CRF) was established by Section 80 of the Constitution of the Federal Republic of Nigeria, 1999. Except those revenue items which are specifically designated to other funds, all others shall be paid into the Consolidated Revenue Fund.

ANALYSIS OF THE VARIOUS SOURCES OF REVENUE PAYABLE TO CRF

Analyses of various sources of income are given below:

(a) **Head 6-**Direct allocation from the Federation Account at the prevailing rate.

(b) **Head 7-Direct Taxes:** These include PAYE of the Armed Forces and Police Personnel, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja.

(c) **Head 8-Licence & Internal Revenue:** These are realized from the issues of licences, e.g. arms and ammunition licence fees, goldsmith licence fees, radio & T.V Licence fees, gold dealer's licence fees.

(d) **Head 9-Mining:** These include mining fees, rent of crown lands, royalties on gold, tin, iron ore, and coal mines.

(e) **Head 10-Fees:** They are fees received on services rendered by Government officials, e.g., court fees, court fines and medical fees.

(f) **Head 11-Earnings and Sales:** Earnings and sales are derived from the use and subsequent disposal of Government property, e.g. sales of stores, publications and stamps, commission on money order and poundage on postal orders.

(g) **Head 12-Rent of Government Property:** The incomes include rent on Government quarters, land and buildings.

(h) **Head 13-Interest & Repayments (General):** These are interest and repayment of loans granted to individuals by the Government, Corporations, and Government companies. An example is the repayment of motor vehicle loans.

(i) **Head 14-Interest & Repayments (State):** They are interest and repayment of loans granted to the State Governments.

(j) **Head 15-Armed Forces:** The sales of Armed Forces' property such as old vehicles and stores constitute revenue.

(k) **Head 16-Reimbursements:** These are refunds for services rendered to the State and Local Government Councils, Public Corporations and other Statutory Bodies by the Federal Government officers. Examples are reimbursements of audit fees and refunds of overpayments made to Government workers.

(l) **Head 17-Miscellaneous:** These are other sources of revenue, apart from those stated above. Examples are overpayments refunded, lapsed deposits.

All the revenues discussed above are paid into the Consolidated Revenue Fund.

CHARGES TO THE CONSOLIDATED REVENUE FUND

The charges to the Consolidated Revenue Fund are grouped as follows:

(a) **All Recurrent Expenditure Heads in the approved estimates,** e.g. personnel cost, overhead cost and servicing of national debts.

(b) **Salaries and Consolidated Allowances of Statutory Officers:** These are expenditure chargeable directly to the Consolidated Revenue Fund, irrespective of budget approval. Statutory Officers include:

(i) Commissioners of the following Bodies:

(ii) Police Service Commission.
(iii) Public Complaints Commission
(iv) Public Service Commission
(v) Nigerian Law Reform Commission
(vi) Independent National Electoral Commission.
(vii) Auditor - General for the Federation.
(viii) President and Justices of the Federal Court of Appeal
(ix) Chief Judge and Judges of the Federal High Court
(x) Chief Justice and Justices of the Supreme Court.
(c) Pension and Gratuity. These are the entitlements of both statutory and non-statutory officers, including members of the Armed Forces.

4.5 DEVELOPMENT FUND

The existence of the Development Fund was solidified by the 1999 Constitution of the Federal Republic of Nigeria, although created earlier by Section 25 of the Finance (Control & Management) Act of 1958. The Fund was established for the purpose of capital development projects. The sources of money accruing to the Development Fund could be divided into four, viz:

(a) **Contribution from the Consolidated Revenue Fund:** These are yearly transfers of money from the Consolidated Revenue Fund, in the Federal Government's wisdom, notwithstanding that the Constitution does not expressly state this.

(b) **External Grants:** These are usually received from foreign countries and non- financial institutions.

(c) **External Loans:** These may come from such foreign bodies as the International Monetary fund (IMF).

(d) **Internal Loans:** These are loans raised and retired within the country. They may be long-term loans, raised through development stocks, or short-term loans through Treasury Certificates, (which have a life span of two years,) and Treasury Bills which mature in 91 days.

CHARGES FROM THE DEVELOPMENT FUND

The charges from the development fund may also be categorized into four main classes, thus:

(a) Summary of Capital Expenditure Payments: This is expenditure incurred for the provision and maintenance of infrastructural amenities such as the construction of bridges and dams.

(b) General Administration: These are expenditure items made for the provision and maintenance of Army Barracks/Police Stations, Staff Houses, Motor Vehicles and Hospitals.

(c) External Financial Obligations: They are disbursements made for expenditure incurred to provide financial assistance to countries which are in need. The relief may be in form of donations, grants and aids, to neighbouring countries.

(d) Loans made to State Governments in Nigeria: There are different types of loans which the Federal Government grants to the States, for developmental purposes.

4.6 CONTINGENCY FUND

The Contingency Fund has its legality under Section 81 of 1979, and 1989 Constitutions and Section 83 of the 1999 Constitution. The Fund is set up to meet unforeseen expenditure and urgent situations occasioned by natural disasters. The Contingency Fund derives its income from the Consolidated Revenue Fund.

CHARGES ON THE CONTINGENCY FUND

A charge will arise on contingent grounds in exceptional cases where virement is not possible, and where an application for additional provision reveals that the issue of funding cannot be delayed without causing serious injury to public interest. The need cannot wait till a Supplementary Appropriation Act is passed.

4.7 STATE JOINT LOCAL GOVERNMENT ACCOUNT ALLOCATION COMMITTEE - SJLGAAC.

This Committee was set up to ensure equitable distribution of the statutory allocations to local governments from the Federation Account and 10% of the internally generated revenue of the appropriate State Governments are shared to the beneficiaries, in accordance with the 1999 Constitution, using stipulated criteria which include Equality, Population, Primary School Enrolment and Internally Generated Revenue.

COMPOSITION

(a) The Permanent Secretary for Local Government Affairs;
(b) All the Chairmen of the Local Governments in the States;
(c) A representative of the Accountant - General of the State, and
(d) The Federal Pay Officer in the State.

4.8 REVENUE CONTROL

The term "Revenue Control" describes the various checks put in place to ensure that all moneys due are received and accounted for. The revenue control system in the public sector is designed to have the following elements:

(a) Periodic monitoring.
(b) Policing the Revenue Administration System to ensure that services are not rendered without charges being levied.
(c) Timely issuance of demand notices and follow-up action to track down debts.
(d) Timely issuance of all revenue documents.
(e) Prompt lodgment into the bank of all moneys received.
(f) Establishment of authority limits for revenue handling.
(g) Establishment of functional system of internal controls and constant reviews of procedures.

4.9 FUND ACCOUNTING IN NIGERIA

Fund Accounting is one of the fundamental principles underlying Government Accounting. For stewardship purposes, the income of Government is categorized into series of funds. Each Fund caters for a specific welfare activity of Government. The word 'Fund' has been defined as "a separate fiscal and accounting entity in which resources are held, governed by special regulations, separated from other funds and established for specific purposes."

Classification of Funds

Funds can be classified into three categories, namely:

(a) **Government Funds:** They are used to accrue for resources which are derived from the general tax and revenue powers of Government. Examples are debt service fund, special fund and revolving fund.
(b) **Proprietary Funds:** These are funds used to account for the resources derived from the business activities of Government and its Agencies such as the Parastatals.
(c) **Fiduciary Funds:** These are used to account for resources held and managed by Government in the capacity of a custodian or trustee. Such funds are Petroleum Technology Development Fund, Trust and Agency Fund and Pension Trust Fund.

Types of Funds

(a) **General Fund:** It is a fund established for resources which are devoted to financing the general administration or services of Government. It is also called Consolidated Revenue Fund. Section 5 of the Finance (Control and Management) Act of 1958) Cap 144, 1990 stipulates that the management of the Fund shall be in accordance with the requirements of the Constitution of Nigeria.
(b) **Capital Project Fund:** This is a Fund created to accommodate resources meant for the acquisition of capital assets or facilities. It is also known as Development Fund. It came into existence by virtue of Section 18 of Finance (Control and Management) Act of 1958.
(c) **Special Fund:** It is a Fund created for specific purposes, e.g. South African Relief Fund, African Staff Housing Scheme Fund (A.S.H.S.).
(d) **Trust Fund:** It is a Fund whose resources are held by Government as a trustee. It is used for the purpose stated in the Trust Deed, e.g. Petroleum Technology Development Fund and Research Foundation Fund.
(e) **Contingency Fund**: It is a Fund whose resources are meant for expenditure or anticipated expenditure of uncertain amounts. An example is the expenditure on natural disaster. Section 15 of the Finance (Control and Management) Act 1958 brought the Fund into existence.
(f) **Inter-Governmental Service Fund:** This is established to provide service to other Funds, e.g. Government Clearance Fund which helps to maintain (transitionally) the balance between the Federal Government and other State Governments in respect of transactions.
(g) **Revolving Fund**: Revolving Fund is also known as Working Capital Fund. It was created to finance services provided by a designated unit to other Departments within a single Governmental set-up. An example of a Revolving Fund is Revolving Loan Fund.
(h) **Self-liquidating Fund**: This is a Fund into which resources are transferred periodically and out of which any money or amount left has to be transferred to a current fund, e.g. Deposit Fund. Deposits are moneys held on behalf of third parties.

4.10 Illustration 1: - The following information were released by the Office of the Accountant General of the Federation of Banana Republic for the year ended 31st December 2016: -

	N'000
Import Duties	300,000
Export Duties	550,000
Excise Duties	710,000
Petroleum Profit Tax	4,000,000
Capital Gains Tax	40,000
Companies Income Tax	1,200,000
Sale of Crude Oil	12,000,000
Royalty on Oil	2,000,000
Royalty on Coal	80,000

Royalty on Limestone	50,000
Mining Licenses	4,000
Court Fees	3,000
Court Fines	4,000
Medical Fees	4,500
Visa Fees	1,500
VAT – FCT Sales	4,000
PAYE – Armed Forces Personnel	600
PAYE – Ministry of External Affairs Personnel	200
Repayment of Loan – State Government	12,000
Rent of Government Property	3,000
Interest on Investments	1,000
Re-imbursement	11,000

The following expenditure items were incurred during the year:

		N'000
(i)	Personnel Cost	900,000
(ii)	Overheads	4,000,000
(iii)	Transfer to Development Fund	3,000,000
(iv)	Transfer from Contingencies Fund	2,000,000
(v)	Transfer to Contingencies Fund	1,000,000
(vi)	Remuneration of Supreme Court Judges	1,500,000
(vii)	Remuneration of High Court Judges	600,000
(vii)	Pensions & Gratuities of Armed Forces Personnel, Police e.t.c.	450,000

Additional Information:

(a) Statutory Allocation formula to be applied is as follows:
- Federal Government 48.5%
- State Government 24.0%
- Local Government 20.0%
- Special Fund 7.5%

(b) Information about the states in Banana Republic:
- There are 30 states (FCT included) Banana Republic..
- The population of Banana Republic is 150 million while the population of Apple State is 15 million.
- The total internally generated revenue of all the 30 states is N120 billion while Apple State generated N24 billion during the year.
- There are 2,400 secondary schools in the country but Apple State has 240 secondary schools.
- There are 12 million hospital beds in the country while Apple State has 900,000 hospital beds.

- The water mass of the country is 3 million square mile but the water mass in Apple State is 150,000 square mile.

(c) Information about the local governments in Apple State:
- There are 20 local governments in Apple State.
- The population of Apple State is 7.5 million while the population of Lemon local government is 1.5 million.
- The total internally generated revenue of all the 20 local governments is N15 billion while Lemon local government generated N3 billion during the year.
- There are 240 primary schools in Apple State but Lemon local government has 48 primary schools.
- There are 900,000 hospital beds in Apple State while Lemon local government has 90,000 hospital beds.
- The water mass of Apple State is 150,000 square mile but the water mass in Lemon local government is 15,000 square mile.

(d) Other inflows and outflows:

		N'000
i.	Grants from UK	2,000,000
ii.	IMF Loan	2,500,000
iii.	Development Bonds Proceeds	1,500,000
iv.	Treasury Bills Proceeds	1,000,000
v.	Construction of Roads	4,000,000
vi.	Maintenance of Army Barracks	2,500,000
vii.	Donation to Niger Republic	1,000,000
viii.	Loans granted to State Governments	1,500,000
ix.	Feeding of internally displaced people	500,000
x.	Purchase of relief materials for flood victims	250,000

You are required to prepare for the year ended 31st December 2016:-

(a) Federation Account Statement
(b) Consolidation Revenue Fund Account
(c) Statement on cost of collections due to FIRS & Nigerian Customs
(d) Development Fund Account
(e) Contingency Fund Account
(f) Statement of the amount to be paid into CRF Account of Apple State.
(g) Statement of the amount to be paid into the account of Lemon Local Government.

4.12 TYPES OF EXPENDITURE

Expenditure in Government is of two types, namely recurrent/revenue expenditure and capital or development expenditure.

Recurrent/revenue expenditure is incurred for the day-to-day operations. Examples of this expenditure are for the payment of salaries and purchase of stationery.

Capital or development expenditure is made to acquire physical and permanent assets, in form of equipment, vehicles and buildings.

4.13 **EXPENDITURE ESTIMATIONS**

Before government departments spend money, requests have to be made and authorized by the Legislature, through the mechanism of estimates.

The Financial Regulations, of 2009 of Nigeria, outlines the procedures that a Head of Department should follow when estimating expenditure for a budget year. A Head of department should

(a) take into consideration Government's macro-economic framework, resources, and priorities and ceilings approves;

(b) prepare a strategic plan which will include a definition of the department's mission, goals, objectives, output and activities;

(c) cost and prioritize the activities of the department, taking into consideration the resource ceiling;

(d) prepare the budget statement in accordance with directives in the Regulations; and

(e) prepare cash forecast, identifying when expenditure outflow is projected to take place.

4.14 **THE CONCEPT OFWARRANT**

Warrant is a document used by the Ministry of Finance to authorize money for spending by government departments and agencies.

The expenditure of government is made under various forms of authorizations. The authorizations are to ensure that all payments are made

a) From money available for the particular expenditure,

b) Under strict scrutiny of the responsible official of government, and

c) Or the right type of expenditure as authorized by Parliament.

4.15 **CLASSES OF WARRANTS**

There are two broad classes of Warrants, to match the two main types of expenditure of recurrent and capital in nature. Recurrent expenditure is incurred regularly in the course of the organization's annual operations and are for items or services that are used within the year. Capital expenditure is not incurred often. It is for the purchase of fixed assets. Warrants are therefore grouped as Recurrent Expenditure Warrants and Specific or Capital Expenditure Warrants. Within these two main classes, Warrants may be provisional, general and specific.

4.16 **RECURRENT EXPENDITURE WARRANTS**

These are authorizations for expenditure that is of revenue nature. It is expenditure that is incurred regularly on items which are consumed within the year.

Recurrent Expenditure Warrants in use are:

(a) **Annual General Warrant (A.G.W.) of Recurrent Expenditure:**

This authorizes the Accountant-General of the Federation to release funds for the payment of personal emolument and other services provided for in the approved estimate/budget. It also authorizes the officers controlling expenditure votes to incur expenditure for these purposes. However, the Minister of Finance may exclude from the Annual General Warrant any item of expenditure on which he desires to exercise special control. The original copy of the Warrant is addressed to the Accountant-General, while the duplicate is forwarded to the Auditor-General.

(b) **Provisional General Warrant (P.G.W.):** This is issued at the beginning of the financial year before the Appropriation Act comes into operation. It provides for the continuation of services of Government on a scale not exceeding the level of these services in the previous

financial year. The Warrant will be in operation for a maximum period of six months or until the Appropriation Act comes into effect, whichever is shorter.
The amount expendable under the Provisional General Warrant must not be more than the sum expended during the same period in the previous year. Such money spent shall not exceed the amount specified in the approved budget and any such money utilized shall be set-off against the amounts provided in the Appropriation Act when it comes into operation. Original copy of, the Provisional General Warrant is addressed to the Accountant-General of the Federation and duplicate copy forwarded to the Auditor-General for the Federation.
(c) **Supplementary General Warrant (S.G.W.):** The Warrant is issued for additional personal emolument and other services provided for in the approved supplementary estimates. Moreover, the Minister of Finance may exclude from the Supplementary General Warrant any item of expenditure on which he desires to exercise special control. The original copy of a Supplementary General Warrant is addressed to the Accountant-General and signed copy goes to the Auditor-General for the Federation.
(d) **Reserve Expenditure Warrant (R.E.W.):** This authorizes the release of funds included in the approved annual or supplementary estimates but excluded from the A.G.W. or S.G.W. It is the release of fund which the Minister of Finance had initially withheld in order to exercise special control.
(e) **Supplementary (Contingencies) Warrant:** This is issued in exceptional cases where:
(i) Virement is not possible
(ii) Application for additional provision reveals such high degree of urgency that
the issue of funds cannot be postponed until a Supplementary Appropriation Act is passed. Contingencies Fund Warrants must first be issued by the Minister of Finance, authorizing the Accountant-General to transfer necessary funds from the Contingencies Fund to the Consolidated Revenue Fund. Thereafter, a Supplementary (Contingencies) Warrant must be issued, authorizing expenditure from the Head and Sub-Heads concerned.
(f) Virement Warrant (V.W.): This is issued when, as a result of unforeseen circumstances during the time the annual estimates were being approved, an additional provision is required under a particular Sub-Head and an equivalent amount can be saved under another Sub-Head of the same Head. However, Virement Warrants should not be used to create a new Sub-Head or for items disallowed by the Budget or Estimate Committee.
To be successful, applications for virements should:
(i) be in writing;
(ii) state that a particular sub-head is in deficit;
(iii) state that another sub-head is in surplus;
(iv) indicate that both sub-heads are within the same economic Head;
(v) state that after the transfers, the other sub-heads will not be in deficit;
(vi) state that Virement Warrants are not sought to create new sub-heads.
(g) **Supplementary (Statutory) Expenditure Warrants:**
Supplementary (Statutory) Expenditure Warrants authorize additional expenditure over and above that included in the Annual General Warrant and Supplementary General Warrant, from votes chargeable to Consolidated Revenue Fund by legislation, other than Appropriation Acts. The original copy of a Supplementary (Statutory) Expenditure Warrant is addressed to the Accountant-General and a signed copy transmitted to the Auditor-General. It is customary for the Ministry of Finance to notify the officers who are in control of the relevant votes of the supplementary expenditure made available
(i) Imprest Warrant

The Warrant is issued to authorize funds to be released to any senior officer who has to spend the money and account for it periodically.
The following is a typical Imprest Warrant

4.17 **CAPITAL EXPENDITURE WARRANTS:**
These are issued as authorizations for disbursement from the Development Fund (DF). Such expenditure may not be incurred except on the authority of any of the following Warrants issued by the Minister of Finance, The Ministry of Finance forwards copies of such Warrants to Vote Controllers or Departmental Heads and these enable the Heads of departments to apply for approval to incur expenditure.
(a) **Development Fund Annual General Warrant (DFAGW)**
This authorizes the Accountant-General of the Federation to issue funds for expenditure on capital projects, as contained in the approved Capital Estimate, and mandates the Officers controlling expenditure votes to disburse on the capital projects envisaged. The authority to incur expenditure will be conveyed after the National Assembly has approved the Capital Expenditure Budget.
(b) **Provisional Development Fund General Warrant:** This is issued before the approval of the Capital Estimates by then National Assembly at the beginning of the financial year. It authorizes the payment from the Development Fund of such amount that is necessary for carrying on the projects for which expenditure have been authorized in the previous financial year, for a period of six months or until the authority of the National Assembly has been obtained, whichever is shorter.
(c) **Development Fund Supplementary General Warrant (DFSGW):** The DFSGW authorizes the AGF to issue funds, and the officers controlling votes concerned to incur expenditure, on projects as sanctioned by the National Assembly in resolutions approving supplementary capital estimates. The HMF may exclude from SDFGW any item of expenditure included in Supplementary Capital Estimates over which it is desired to exercise special control.
(d) **Development Fund Reserved Expenditure Warrant :** A DFREW authorizes the release of funds in the approved Annual or Supplementary Capital Estimates, but excluded from the DFAGW & DFSGW, i.e. it is the release of funds which the HMF initially withheld in order to exercise special control.
(e) **Development Fund Supplementary Warrant:** A DFSW authorizes additional expenditure over and above that which is included in the DFAGW or DFSGW for purposes of revote capital expenditure which was provided for in the previous financial year but not fully expended in that year, accelerate the provisions of funds already formally allocated but not voted for a project and also accelerate the completion of a specific capital project.
(f) **Development Fund Special Warrant:** A DFSW is issued in exceptional cases where:
(i) Virement is not possible
(ii) Provision for the release of additional funds reveals such high degree of urgency that the release of funds cannot be postponed until a Supplementary Capital Estimate is approved. If the issue of fund is postponed, it will cause serious injury to the public interest. The amount to be expended under this Warrants must not exceed the balance of the Development Fund remaining after all other expenditures provided for in the Capital Estimate have been incurred.
(g) **Development Fund Virement Warrant:**
The Warrant permits the issue of additional funds necessary for the completion of a capital project, for which money already allocated in the Estimate is not enough to complete the

project. There must however be sufficient offsetting savings in the amounts appropriated for other projects in the same Economic Programmed Section. The limitations imposed for the issuance of the Development Fund Virement Warrant include:
(i) Re-allocation can be made only within the same Head of expenditure in the Capital Estimates.
(ii) The re-allocation must not give rise to a new principle or policy.
(iii) It cannot be used to provide funds for new projects.
Note that all Warrants are issued in two copies. The original copies are forwarded to the Accountant-General of the Federation and the duplicate copies to the Auditor-General for the Federation. A notification to the effect that a Warrant has been issued shall also be published in the Federal Office Gazette.

Post-Tests
1. Distinguish between Federation Account and Consolidated Revenue Fund (CRF)?
2. Prepare Federation Account and Consolidated Revenue Fund from the following information:

INFLOWS N'000
Import duties 400,000
Export duties 300,000
Excise duties 200,000
Petroleum profits tax 80,000,000
Companies income tax 71,000,000
PAYE: deductions from the emolument of the Armed Forces 400,000
Police personnel 30,000
Residents of Abuja 20,000
Dividend from Federal Government Investments 120,000

Outflows:
Remuneration of Statutory Officers 13,800,000
Recurrent expenditure 1,500,000
Transfer to: Development Fund 2,500,000
Contingency Fund 20,000

Note: The revenue allocation formula is:
Federal Government 48.5%
State Government 24%
Local Government 20%
Special Fund 7.5%

3. The Financial Regulation of 2009 of Nigeria outlines the procedures that a Head of Department should follow when estimating expenditure for a budget year. Required: Outline the procedure.?
4. (a) What is a Warrant?
(b) Write short notes on the following:
i. Recurrent Expenditure Warrant
ii. Capital Expenditure Warrant
iii. Annual General Warrant
iv. Provisional General Warrant
v. Supplementary General Warrant
5. (a) What is a Virement Warrant?
(b) Outline the circumstances under which Virement Warrant is allowed.

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LECTURE 5

PREPARATION OF VOUCHERS, CASH BOOKS, TRANSCRIPTS AND SUBSIDIARY ACCOUNTS

5.0 Introduction

Recording of government transactions involves preparation of vouchers, cash books, transcripts and subsidiary accounts from which financial statements are prepared at the end of the fiscal year.

Objectives

At the end of this lecture, students should be able to:-

i. Discuss the various types and uses of vouchers, identify the contents of a voucher and discuss the treatment of loss of a payment voucher
ii. Prepare cashbooks, transcripts and subsidiary accounts (Departmental Vote Expenditure Allocation Books, DVEA) to record government transactions.
iii. Understand the different types of advances available in the public sector.

Pre-Test

9. What are vouchers?
10. Differentiate between cashbooks and transcripts?

CONTENT

5.1 VOUCHERS

A voucher is a documentary evidence of payment or receipt of money which is available for future reference, accounting and auditing purposes. It is the document that serves as evidence of receipt or disbursement of government money, with adequate authority and procedures.

TYPES OF VOUCHERS

1. **PAYMENT VOUCHERS**

These are vouchers that serve as evidence for the disbursement of government fund. It is to prove that there has been payment for goods supplied and services provided for any Ministry Agency or Department. Any disbursement of government fund must be backed with a valid payment voucher. Raising of vouchers must be done when payments are to be made for:

i. goods that are ordered and supplied by contractors
ii. goods purchased directly from retailers, wholesalers or manufacturers
iii. services rendered to government by the public or other government corporation, e.g. Power Holding Company Plc- the company that generates and supplies electricity

iv. services rendered to government by its workers, the public servants
v. execution of contract jobs properly awarded to contractors
vi. retirement benefits of retired public officers

The following should be considered and keenly observed in a voucher, failure of which the business document may be dishonoured, viz:.

i. All vouchers should be type-written, written in ink or ball pens
ii. Separate vouchers should be used for separate heads
iii. Original vouchers should be signed in ink while copies are initialled.
iv. The voucher certificate should be signed separately.
v. Vouchers should be presented for payment within 90 days of their preparation

vi. All vouchers should be certified by the officers that are authorised to do so.
vii. Vouchers should be stamped "Entered in the Votebook" and duly signed by the officer keeping the votebook.
viii. All vouchers should be marked "Checked and Passed", by the checking officer in the Pay Station
ix. Vouchers should be supported with valid, tenable and authentic supporting documents

Features of a Valid Payment Voucher
For a voucher to be valid, it should contain the following features:-
i. Date of the voucher
ii. Classification code, that is Head/Subhead.
iii. Voucher Number
iv. Description of Payment, that is job done or service rendered.
v. Name and address of payee
vi. Amount (in words and figures)
vii. Signature of the paying cashier
viii. Cashier's stamp "PAID"
ix. Signature of the payee
x. Cheque number (where cheque is issued for payment.)
xi. Authority:- Types of warrant that release the money.
xii. Signature of officer controlling expenditure
xiii. Supporting documents:-
a. Local Purchase Order (LPO) – original copy
b. Receipt/Invoice – original copy.
c. Special Letter of Authority
d. Delivery Note
e. Tender Certificate (in case of contract)

FORMAT OF A PAYMENT VOUCHER
LOGO OF FEDERAL OR STATE GOVERNMENT
NAME OF MINISTRY/DEPARTMENT/PARASTATAL
Head……………………………Station………………………...
Sub-Head………………………… Voucher No………………
Date………………………………
Amount N………………………..
Name (of payee)…………………………………
Address (of payee)………………. Signature of Accounting officer……………
DESCRIPTION OF PAYMENT   RATE   AMOUNT N
- This section will contain the purpose
- for which the payment is made, e.g.
- supply of goods, rendering of service
- payment of salaries, execution of
- contracts, e.t.c.

TOTAL
- Authority – (i) The warrant that released the money
(ii)Signature of officer controlling expenditure
- Amount (in words) ....

- Signature of Payee ....
- Signature of Cashier ....

Loss of a Payment Voucher

Where a raised payment voucher is missing and confirmed lost, the following procedures should be followed:

a. The Accounting Officer must be notified immediately.

b. The loss should be investigated, considering all circumstances leading to that effect.

c. The investigation should confirm whether payment against the voucher has been effected or not.

d. Where payment has been made, it should be confirmed whether the cash withdrawn is still in possession of the payee or not.

e. Where fraud is suspected and confirmed, the Accounting Officer should consider all the necessary factors to determine whether a Board of Enquiry should be raised or not.

f. Where it is established that there is no loss of cash or fraud has not taken place, the Accountant-General should be forward a detailed report concerning the circumstances of the loss, in the first place by the Accounting Officer of the Ministry or Department.

2. RECEIPT VOUCHERS

These are vouchers raised as evidences for the receipts of government funds and property. The following documents are used to acknowledge the receipt of government revenue:

i) Printed Government receipts

ii) Counterfoil books

iii) Licences

iv) Stickers

v) Emblems.

The Revenue unit of the Accounts section of a Ministry or Department will render stewardship for all revenue generated during the year, by issuing receipts, counterfoil books, licences and emblems.

3. ADJUSTMENT VOUCHERS

Adjustment vouchers are documents used in the Ministries and other public corporations to effect transfers from one account to another without resorting to any movement of physical cash. This is similar to general journals used in the private sector.

Uses of Adjustment Vouchers

Adjustment vouchers are used for the following purposes:-

i) Effecting payments for services rendered by one Ministry or Department to another.

ii) Adjusting wrong postings of transactions in respect of expenditure and revenue heads or subheads

iii Re-classification of transactions

iv Allocation of unallocated stores

Content of Adjustment Vouchers

The following particulars are to be contained in a valid adjustment voucher:

(a) Reason for the adjustment or transfer from one Ministry or Department to another has to be clearly stated

(b) The voucher number
(c) Date indicating the month of account

4. **JOURNAL VOUCHERS**
Journal vouchers are used for effecting transfers from one account to the other without involving physical movement of cash. There are two main types of Journal Vouchers:- These are: Supplementary Journal Voucher (SJV) and Principal Journal Voucher. (PJV)

i. Supplementary Journal Voucher (SJV)
This is used under the following circumstances:
a. Where transfers and adjustments are to be made before the 'below-the-line' statement is extracted.
b. Where differences are discovered between the transcript posting of a Ministry or Department and bank statement received.
c. Where there is need to re-classify accounts into suitable heads and subheads before the trial balance is prepared.

ii. Principal Journal Voucher (PJV)
This is primarily used for the following:-
a. To correct accounts that has been mis-classified
b. To adjust wrong postings for example, fund belonging to one Ministry could have been wrongly credited to another Ministry
i. To effect year-end transfers from the Federation Account to other Ministries and Departments
ii. To effect month-end transfers from "Above-the-line" Accounts to "Below-the-line Accounts"

5 SALARY VOUCHERS
The documents and records required to be prepared and maintained in the Personal Emolument Section of the Ministry or Department as regards payment of salaries and wages are:-

i. PERSONAL EMOLUMENT FORM
This is the form that confirms that an officer is still in service as at the beginning of a year. The Personal Emolument Forms are competed and forwarded by Sectional Heads to all departmental Heads at the beginning of a year. It contains the grade levels and posts of the office

ii. PERSONAL EMOLUMENT RECORD CARD
This is kept in respect of every officer in the civil service. Any change that affects the remuneration of an officer will be entered in the Personal Emolument Record Card. It contains the new salary scale in the event of promotion or increment. It also contains deductions as regards servicing of advances.

iii. GROUP REGISTER
It is maintained to record the names of all civil servants within a Ministry or Department. It serves as a control against the insertion of ghost workers in the payrolls. It register" the Personal Emolument Card Number, the name of the officer, rank and date registered. The

number in the register should correspond with the control number in the Personal Emolument Card.

iv. SALARY VARIATION ADVICE

This is used by the Personal Emolument Department of the Ministry to inform the Accounts Section about any changes affecting the salary of an officer. It is issued when an officer is being promoted, retired, suspended, dismissed or transferred. Five copies of the paper are prepared and distributed to the following sections/files:

- Payroll Section
- Variation Control Section
- Internal Audit Section
- Variation Control File
- Officer's Personal File.

v. VARIATION CONTROL SHEET

This is prepared by the Variation Control section to serve as check over the payroll prepared by the salary preparation unit. It is a record that is maintained to show each variation in the month of emoluments, taxable allowances and the deductions made for each officer. The aggregate of these variations are summed up or subtracted from the relative aggregate of that of the previous month. The figure arrived at after the addition or subtraction will determine the total emoluments, taxable allowances and other types of deductions to be effected in the current month's salary.

vi. PAYROLL SUMMARY VOUCHER

It is the form used to sum up the various columns or the separate payrolls. The total obtained is compared with that on the Variation Control Sheet.

vii. ADVICE OF DEDUCTION FROM SALARY

This is a form used to cover any deduction made from the salary of an officer, e.g. taxes, union dues and advances. It is prepared by the Sectional Head and forwarded to the salary section. The purpose is to notify the salary preparation section of the deductions to be made from the salary of an officer for the period.

viii. ON-PAYMENT VOUCHERS

These are vouchers raised at the personnel department of the salary preparation section, in respect of deductions that have been made from salary and are payable directly to other authorities such as NSITF, National Housing Fund, Union Dues and Federal Inland Revenue Service. etc.

ix. CHEQUE OR CASH ORDER FORM

This is a form that usually accompanies a prepared payroll and payment voucher when cash is to be obtained from the Federal Pay Office for the payment of salaries.

5.2 THE CASH OFFICE

The Cash Office is a very sensitive department in an establishment, and as such only diligent, trustworthy, hardworking, experienced and security conscious personnel should be put there.

Essential Features of a Cash Office

i. Paying cage or cubicle.
ii. Notice to the public showing working hours in the office.
iii. Cash tank or Safe with dual control keys.
iv. Notice of restriction of entry by non-staff or unauthorized persons.
v. Security personnel.
vi. A Close Circuit Monitor.
vii. Security Alarm Device.

viii. Counting Machine.
ix. Mercury light.
x. Computer System.
xi. Fire Alarm.

Functions of the Cash Office
These include:
a. Receipts and payments of liquid cash.
b. Safe custody of cash.
c. Maintenance of a conventional cash book to record all cash transactions.
d. Operation of the Ministry’s current account on which cheques are drawn.
e. Balancing of cash book transactions on daily basis.
f. Reconciliation of bank statement balances with cash book balances monthly or as at when required.
g. Submission of original cash book and all copies of vouchers to the accounts department. This is required for preparation of final accounts.

Books of Accounts to be Maintained in the Cash Office
The documents should be monitored to have a record of the officers who are working on them. The documents should always be under security system when they are not in use. They include the following:
i. Treasury Receipt Book.
ii. Cheque Summary Register.
iii. Bank Teller
iv. Cash Book
v. Cheque Book
vi. Cheque Dispatch Register
vii. Payment Voucher Register
viii. Paper Money Register, e.g. dividend warrants, stamps, money orders, postal orders e. t. c.
ix. Pay-in Form.
x. Dishonoured Cheque Register
xi. Safe Content Register

5.3 THE CASH BOOK
There are three types of cash book kept in a Ministry. They are:
i. The Treasury Cash Book
ii. The Imprest Cash Book
iii. Revenue Collector’s Cash Book

The Treasury Cash Book (TF15a)
This is the main accounting book of original entry. It is an invaluable component of the ledger accounts. The Treasury Cash Book is used in recording all receipts and payments of any nature, belonging to “above-the-line‟ or “below-the-line‟ accounts. Both revenue and expenditure are entered in the cash book. A cash book is divided into two sections. The right side contains all payments while the left side has the record of receipts. Each side consists of eight columns.

Receipt Side consists of: Voucher No. and Date, From Whom Received, Head and Sub-head, Treasury Receipt No., Bank Credit Slip No., Deduction or Cash, Bank and Total Columns.
Payment Side consists of: Voucher No. and Date, To Whom Paid, Head and Sub-head, Payee Bank, Cheque No., Total or Gross Amount, Deduction or Cash and Bank or Net.

Example 1 - The following transactions were extracted from the books of the Ministry of Education during the month of March 2014:
a) 1/3 Bal b/d from February 2014
Bank N1, 650,000
Cash N 37,800
b) (i) 3/3 Allocation for recurrent expenditure - N8,500,000
(ii) 3/3 Allocation for capital expenditure - N11,500,000
c) 5/3 Final payment for the construction of 20 blocks of classrooms 211/12 N4,600,000 (UBN cheque No 001638 issued).
d) 7/3 Payment of staff salaries on UBN cheque No 001641 – N4,000,000.The following deductions were made : -
Advances - Salary 15/6 N15,000
Advances - Motor Vehicle 15/8 N65,000
Advances - Correspondence 15/3 N60,000
Surcharge of senior officers 11/7 N50,000
e) 10/3 Issue of UBN cheque No 001618 to R. T. Motors, for repair of motor vehicles (18/7) N58,000
f) 10/3 Payment for electricity with UBN cheque No 001644 (23/8) N97,000
g) 15/3 Maintenance of office building (23/2) N64,000 on cheque No 001616
h) 15/3 Cash withdrawn from bank N70,000
i) 15/3 Cash received for registration for information technology training, from 31 candidates at
N2,000/candidate. Treasury receipt No A12701 to A12731 issued serially – 10/16
j) 20/3 Cash proceed from disposal of office furniture (17/6) N80,000 – Treasury Receipt A12733.
k) 20/3 Payment to bank N70,000 – Bank Slip No 0011364.
l) 25/3 Purchase of Computer Systems by cheque No 001629 (10/13) N180,000
m) 28/3 Cash payment for printing and stationery (11/24) cash N64,000
n) 31/3 Paid for telephone bills (17/8) N9,000
You are **required** to post the transactions in the Treasury Cash Book for the month of March 2014.

5.4 IMPREST CASH BOOK

Imprest: - An imprest is defined by the "Financial Regulation" as the aggregate amount of cash advanced to government officers to meet up with urgent expenditure which is provided for in the budget but which vouchers cannot be prepared and presented immediately to the Sub-Accounting officer or the Accountant-General for payment.

Imprest Holder

This is an officer other than the Sub-Accounting Officer, who is entrusted with government money for disbursement where vouchers cannot be prepared and presented to the Sub-Accounting officer for payment.

Types of Imprest

i. ***Standing Imprest***: - This is a general imprest which is in use from the beginning of a fiscal year to the end of that year. It is re-imbursed as and when required. All standing imprest balances should be retired on or before 31st December of the year.
ii. ***Special Imprest*** – This is an imprest that is generated for special purpose when the need arises. Special imprest must be terminated and all balances retired immediately the purpose for which it is set up is achieved.

Checks and Balances for Keeping an Imprest Account

i. The imprest holder should be an officer from grade level 04 and above.
ii. The officer should be an officer of proven integrity.
iii. Imprest money should not be used for any other purpose.
iv. The officer keeping imprest cash book should balance the book regularly.
v. The imprest cash book should be checked regularly for any anomaly or sharp practices by the Sub-Accounting officer.
vi. Any balance on imprest must be retired at the end of the fiscal year.
vii. Any imprest amount from N50,000 and above should be banked by the imprest holder in an account to be opened in his official status.
viii. All expenditures from imprest should be properly authorized and approved.
ix. Payment vouchers should be raised for all disbursements from the imprest money.
x. There should be no lending to employees from the imprest money.

Re-Imbursement of Imprest

The imprest holder is required to present all payment vouchers for the money spent to the Sub-Accounting officer before re-imbursement of imprest account. The vouchers are not to be recorded under imprest as done in the private sector but classified directly under the expenditure heads affected.

Example 2

The following transactions were extracted from the books of Alaba Local Government in the month of April 2016. The monthly float for the Local Government is N50,000. The imprest holder receives reimbursement from the Sub-Accounting officers on any amount expended as at the last day of the month.

Date	**Details**		**N**
Bal b/f		2,500	
Transfer from the Sub-Accounting officer to imprest through FBN cheque		47,500	
1-4-2016	Soft drinks and fish rolls		700
3-4-2016	Stationery		300
4-4-2016	Total – Petrol		1,200
4-4-2016	Phone recharge card – MTN		750
5-4-2016	Photocopies		300
8-4-2016	Mr. Bigg"s food		2,300
9-4-2016	Calculator		2,700
10-4-2016	Con-oil – Petrol		1,500
11-4-2016	Stationery		400
12-4-2016	Motor Vehicle Repair		4,000
15-4-2016	Beverages – Coffee & Milk		800
16-4-2016	Electricity bills		6,000
17-4-2016	Typing and Printing		4,200

18-4-2016	Flat and Arch files	1,000
19-4-2016 fro (Lagos - Calabar)	Transportation of five officers to and	12,000
22-4-2016	MTN – Cards	3,000
23-4-2016	Total – Petrol	1,600
25-4-2016	Photocopies	200
26-4-2016	Stationary	1,300
29-4-2016	Electricity Bills	700
30-4-2016	Soft drinks and meat pie	800
30-4-2016	Con-oil – Petrol	1,500

You are **required** to draw up the imprest account of Alaba Local Government and determine the amount of re-imbursement at the beginning of May 2016.

Note:- Draw up analysis column for
- Telephone and Postages
- Stationery and Printing
- Entertainment
- Electricity and Electrical Works
- Transportation
- Motor Vehicle Repairs and Maintenance

5.5 REVENUE COLLECTOR'S CASH BOOK

Revenue Collector: - This is a government officer in possession of an official receipt book TF6 or TF6A or any other receipt books for the collection of specified items of the revenue provided for in the approved budget.

The Debit Side: - This is made up of the **date** on which the collection is made, **Revenue Receipt Number** (This is the number of the receipt issued to the payer), **Classification (head/subhead of the ministry or department)**, the description or particulars of the payment, usually the name of the payer (**From Whom**) and the **amount**.

The Credit Side: - This is used to record the remittance of total revenue collected to the Sub-Accounting Officer by the revenue collector. The remittance could be daily, weekly or monthly or anytime **(Date)** the Sub-Accounting Officer directs. The revenue collector is issued a Treasury Receipt **(TR No.)** by the Sub-Accounting officer or cashier. He records the **amount** remitted in the Cash Remittance Register. Any outstanding not remitted as at the end of the month's carried forward.

Example 3

Mr. Malik Al-Mudashir is a revenue collector in the Works Department of Funtua Local Government. His revenue collections for the month ended July 2017 are as stated below:

Revenue
Receipt No
Date Head/Subhead Particulars of Payers Amount
N

T01001 1-7-2017 107/03 Kabir Mohammed 3,600
T01003 3-7-2017 107/05 Hajia Fatimah 4,800
T01005 7-7-2017 107/09 Muninu Kunmi 12,000
T01002 2-7- 11-7-2017 107/06 James Koleh 1,600
2017 107/05
Zubair Abba

15,000 T01007

T01004	4-7-2017	107/08	Shehu Kaduo	13,200
T01006	9-7-2017	107/04	Mathew Ahmed	400
T01008	13-7-2017	107/14	Theo Jafar	1,750
T01009	14-7-2017	107/13	Felicia Gambo	10,250
T01010	18-7-2017	107/11	Janet Onwa	3,200
T01011	25-7-2017	107/17	Badlam Bawa	1,700
T01012	31-7-2017	107/10	Yusuf Jibo	4,300

You are required to prepare a Revenue Collector's cash book to show Mr. Al-Mudashir's collections after remitting the total amount collected as at 31st July, 2017 to the Sub-Accounting Officer and obtained a Treasury Receipt No B0275006 for the amount remitted.

5.6 TRANSCRIPTS

A transcript is a document by which self-accounting units transmit information on their financial transactions to the office of the Accountant-General to prepare the required financial statement. Transcripts replicate trial balances which are prepared in the private sector. It contains the summarized financial transactions concerning the receipts and disbursements of money posted to the cashbook for a particular month. A separate section is usually created in the Ministry called "The Final Accounts Section". The section is saddled with the function of preparing monthly transcripts.

Types of Transcripts

There are three types of transcripts, these are:

i. ***Cash Transcript***: - This is the transcript used by self accounting and sub accounting units. It is also called Main Transcript.

ii. ***Supplementary Transcript***: - This is used for summarizing and transmitting inter-ministerial or inter-governmental transactions.

iii. ***Control Book or Control Sheets***: - This is the transcript used by Federal Pay Offices of the Federation.

Preparation of Transcripts

In the preparation of transcripts, the following steps should be followed and in the order in which they are listed:

i. Collation of receipt and payment vouchers along with the main cash book.

ii. Checking the vouchers against the cash book entries. This is by ticking all copies of vouchers into the cash book in order to ensure complete and correct entries and prevent any problem arising from errors and mistakes.

iii. Sorting of vouchers into their respective heads and subheads.

iv. Pre-listing of vouchers: - This is done by adding to the total column, subhead by subhead, and ensuring that they agree with the cash book entries.

v. Posting into Analysis Book: - After pre-listing vouchers, the figures are then posted into the analysis book under heads and subheads. This is done on a daily basis.

vi. Balancing of Analysis Book: - This is done at the end of the month. The aggregate figure obtained should agree with the total columns of debit and credit sides of the cash book.

vii. Compilation of the Transcripts: - This is done, starting with the balance brought forward (if any).

viii. Preparation of a voucher schedule: - This should be carried out at the end of each month for each subhead.

Documents to Accompany Transcripts
The following documents should be prepared and taken along with transcript: -
i. Bank Reconciliation statement.
ii, The cash and bank balances certificate: - This is required to certify that the actual cash and bank balances agree with the cash book and bank statement balances.
iii. Original copies of cash book.
iv. Breakdown of expenditure.
v. In limited self-accounting unit, the duplicate copies of vouchers should also accompany the transcript.
vi. List of outstanding vouchers

Certificate of Cash and Bank Balances
The actual cash balance ought to agree with the one in the transmitted transcript. That is why a certificate of cash balance should be issued and signed. A similar certificate should be executed for bank balance by stating the opening balance at the beginning of the month, adding up total receipts by cash and bank to the opening balance and deducting total payments in order to arrive at the transcript's balance.

Format of a Transcript
A transcript has 6 columns on each side of the Debit and Credit. The **Debit side** has Head, Subhead, Description, Receipts, Sub-Total and Total. while the **credit side** has Head, Subhead, Description, Payments, Sub-Total and Total.
NOTE: - All transactions of below the line accounts (items of expenditure or receipts that are not listed in the budget) are shown separately in the transcript.

Example 4
The following are the transactions extracted from the books of the Ministry of Finance for the month of September, 2015.
Balance b/d 1-9-2015 Bank N4,350,000 Cr and Cash N125,200 Dr
The following are the revenues realized for the month.

REVENUE

CLASSIFICATION		**DESCRIPTION**	**AMOUNT**
Head	**Sub-head**		**N**
10	11	Fee	2,500,00
8	3	Renewal of Licenses	1,420,700
12	3	Rent On Govt. Property	750,000
11	2	Contractors registration	210,000
13	13	Investment Interest	70,000
11	8	Institutional Registration Fees	300,000
7	13	Companies Income Tax	1,0;00,000

13	11	Sales of Investment	1,000,000
9	2	Royalty on Mine	1,200,000
7	1	VAT	4,200,000

BELOW-THE-LINE REVENUES

1710	Correspondence Advance Repayment	126,400
1421	Miscellaneous Deposits	72,600
1330	Motor Vehicle Advance Repayment	100,000

PAYMENT

CLASSIFICATION		**DESCRIPTION**	**AMOUNT**
Head	**Sub-head**		**N**
11	1	Personnel Cost	6,305,200
11	2	Travel and Transport	1,336,000
11	3	Utility Services	341,000
11	4	Telephone and Postages	47,200
11	5	Printing and Stationeries	81,480

BELOW-THE-LINE PAYMENTS

3001	Advance Salary	15,000
3002	Salary Advance	35,000
1710	Correspondence Advance	160,800
1421	Miscellaneous Deposits paid	85,000
1330	Motor Vehicle Advance	125,000

You are **required** to prepare the monthly transcript for the month of September 2015.

5.7 CHEQUE SUMMARY REGISTER

This is a book that serves the purpose of ensuring that all bank transactions contained in the cash book are accurately entered. It is used for balancing bank transactions in the cash book.

The following hitherto entered in the cash book are to be posted into the register as it affects bank transactions:-

- Issued Cheques.
- Received Cheques.
- Vouchers raised against cheque payments.
- Tellers of payments of cash or cheque into the bank.

The register must be accurately updated by extracting the balances daily. The balances are then compared to the cash book balance and it should be ensured that they agree. The register must be routinely checked on daily basis by the Head of Accounts.

5.8 PREPARATION OF BANK RECONCILIATION STATEMENT

This is required in order to ensure that the bank balance as contained in the bank statement agree with the cash book balance. Differences may arise as a result of any or a combination of the following:

a) Unpresented cheques: - These are issued cheques already credited to the cash book as payment but are yet to be presented by the contractors for payment in the bank. While the cash book has been credited, the bank is yet to effect the debit entry of the transaction.

b) Uncredited cheques: - These are received cheques which have been paid into the bank and debited to the cash book as receipt but the bank is yet to effect the credit entry in the statement.

c) Direct Credits: - These are payments into the bank directly through State or Federal Government or any other person or interest on investment but which are yet to be debited in the cash book as receipts.

d) Standing Order:- These are standing instructions issued by the Treasury Department on the movement of money. They are usually addressed to the bank to effect transfer of a sum certain in amount to the payee e.g. Federal Government, Central Bank and Pensioner.

e) Others: - These include bank charges, commission on turnover, cheque book e. t. c. It could also be due to error on the part of the bank or the cashier keeping the Cash book.

The documents required for the exercise are:

i. Cheque summary register

ii. The cash book

iii. Cheque stubs

iv. Bank statements.

v. Previous month's bank reconciliation statement

Example 5

The bank column of the cash book of College of Arts and Science, Igbonla showed a debit balance of N5,316,200 as at 31st December 2013 while the bank statement showed a credit balance of N6,860,010.

However, the following transactions required further consideration:

i. Unpresented Cheques: -

i. Unpresented Cheques: -

No L0013788 - N350,000

L0013789 - N410,000

L0013791 - N520,000

L0013792 - N1,250,000 ii. Uncredited Cheques: -

No X010007 - N533,000

Y010008 - N296,500

MD03147 - N1,134,385 iii. The following are direct credits discovered:-

a) Government Subvention paid directly into the bank without the knowledge of the school amounted to N3,000,000

b) Interest received on investment N7,010 c) Interest on Fixed Deposit N18,300

iv. Direct Debits: -

a) Commission on Turnover – N30,300

b) Monthly insurance premium on the School Power Generating Plant – insurance policy in the sum of N16,000 was on a standing order and was not recorded in the bank book.

c) Bank Charges for cheques book and VAT on Commission on

Turnover amounted to N1,315. You are required to prepare

i. An Adjusted Cash book.

ii. Bank reconciliation statement as at 31st December 2013.

5.9 ADVANCES

Advances can be defined as cash credits granted to an employee in a firm, establishment or institution where he is employed. Advances are also granted in the public service and are regulated by Chapter 18 of the Financial Regulations.

TYPES OF ADVANCES

1. Non Personal Advances: - They are authorized by the Minister of Finance through the Auditor-General for the Federation.

They are advances used to write off loss of public funds through theft, overpayment, misappropriation, fraud or abandonment of revenue receivable and Personal Advances.

2. Personal Advances: - These are advances of cash to individual officers in the public sector. They are grouped into 6 namely:

i. Salary Advance: - This is an advance granted to an individual officer who has met any of the underlisted conditions: -

a) He is returning from leave of about 21 days and he is to proceed on transfer immediately. The officer is also required to foot the transportation bill.

b) He is on first appointment in the public service.

c) He is on transfer to an overseas office of the Ministry of External Affairs.

d) He has just been transferred to a new Department or Ministry outside his station.

Repayment: - Salary Advance is payable within three months instalmentally.

ii. Advance Salary: - This is the salary paid to an officer when he is to proceed on annual leave. The month or period when he is on leave is paid in advance.

Repayment: - Advance Salary is repayable en-bloc at the end of the same month.

iii. Motor Vehicle Advance: - This is granted to senior public officers for the purchase of motor vehicles. It is granted to officers from Grade Levels 8 and above. Officers who are on Grade Level 7 whose duties involve travelling are also eligible to motor vehicle advance. Officers who have obtained motor vehicle advance approval can also be given a refurbishing loan of N20,000.

Conditions for granting Motor Vehicle Advance

a) Any officer who has obtained Motor Vehicle Advance will not be granted another one until after 3 years of the former one. However where the vehicle in his possession has been completely written down and certified so by an insurance company, he will be granted.

b) Payments as regards purchase of motor vehicle are to be made directly to the dealer.

c) An agreement must be signed by the officer that all outstanding on the advance shall be deducted from his gratuity or salary on retirement or resignation from office. Where such is not enough, the vehicle should be recovered and sold.

Repayment: - Motor Vehicle advance is payable on monthly instalments for a period of 3-4 years.

iv. Correspondence Advances: - This is an advance granted for taking correspondence courses. It is interest free.

Conditions for granting Correspondence Advance

- The officer must be competent and have the required qualification to proceed on the course.
- The course to be taken must be relevant to his job.
- The course on completion must be able to improve his efficiency and effectiveness.
- The course must be taken in an approved and recognized institution.

Repayment: It is payable on monthly instalments for a period of 1-2 years.

v. Spectacle Advance: - This is granted to an officer for the procurement of spectacles which has been prescribed by government medical officer and an optician.
Repayment: - Minimum period of 6-months instalmental payment.

vi. Touring Advance: - This is regulated by Financial Regulation 1880 to
1886. It is granted to alleviate problems associated with transportation and hotel bills of a government official who is on duty outside his station.
Conditions for granting Touring Advance
1. It must not be granted to an officer who has not retired previous touring advance.
2. In the case of failure to retire it, it should be deducted en-bloc from salary of the officer responsible.
Repayment: - It must be retired within 7 days of return from tour.

Advance Payment Vouchers

All vouchers relating to advances must contain the following: -
a. Name of the officer and his grade level.
b. Name of the account chargeable.
c. Type of advance.
d. Terms and conditions guiding the granting of the advance.
e. Status of the officer
f. Authority for the advance.

5.10 DEPARTMENTAL VOTE EXPENDITURE ALLOCATION BOOK (D.V.E.A)

This is simply referred to as the Vote Book. It is a record kept by all officers entrusted with the responsibility of having total and express control of the expenditure vote in his Ministry or Department. This is done by making reference to the provision for expenditure in the approved annual estimate.
The Vote Book makes records of all expenditures including liabilities incurred as regards the votes allocated to a particular Ministry or Department. The Vote Book is controlled by the Accounting Officer in a Ministry or Department. This is done by making reference to the provision for expenditure in the approved annual estimate.

PURPOSE OF KEEPINGA VOTE BOOK

i. To have absolute control over expenditure.
ii. To prevent any reckless spending or abuse of vote in a Ministry or Department.
iii. To ensure that votes meant for a particular expenditure are not channelled to other expenditures which are not provided for in the approved budget.
iv. To reveal balances available.
v. To show all commitments and outstanding liabilities.
vi. To review uncommitted balance at a glance.

MAINTENANCE OF VOTE BOOK

A Vote Book must be maintained by an officer who has been in the system over some years and must have proved to have integrity, experience, competence, dedication and be responsible. The officer must not be below the rank of a Senior Finance Assistant.
The officer must always be under the supervision of another senior officer in order to ensure that the objectives of maintaining the Vote Book are not neglected.

VERIFICATION OF ENTRIES IN THE VOTE BOOK

To ensure that all entries posted in the Vote Book are up-to-date, the vouchers must be stamped "Entered in the Vote Book" by the officer controlling expenditure and must be initialled by him.
Also the entries can be verified by ensuring that:
a) Totals in columns 6 and 7 must agree with the Authorised Amount.
b) Totals in columns 11 and 13 must agree with the amount shown in column 7.

FUNCTIONS OF OFFICER CONTROLLING EXPENDITURE

i. To ensure that the Vote Book is properly maintained by entering all payments accurately.
ii. To forward on monthly basis, returns to the Vote issuing Ministry or Department.
iii. To make investigation, reports and take any other action as he deems fit where he discovers any irregularity in a payment voucher.
iv. To ensure that all expenditures are justified.
v. He must ensure that votes are applied for the purpose for which they are provided.
vi. To ensure that votes are always available throughout the fiscal year by spreading them evenly.
vii. To demand for additional provision of votes where he feels that incurred liabilities will be more than the vote obtained.

Example

The following information was submitted by the Sub-accounting officer of the Federal Ministry of Education for the month ended April 30th 2010.
1-4-2010 The sub-accounting officer collected the second quarter allocation of N3,000,000 in respect of stationeries through AGN377.
Head of Expenditure is 501 while the sub-head is 007.
3-4-2010 Paid N150,000 for the purchase of Higher Education and Hard Cover Notebooks on P. V. No 3001 from Abiola Bookshop.
8-4-2010 Paid N175,000 to Ajayi Bookshop for the supply of stencils and typing sheets on P. V. No 3002.
16-4-2010 Paid N200,000 to Ekanem Bookshop for biros, pencils, rulers, erasers and mathematical instrument sets on P. V. No 3003.
18-4-2010 Issued an LPO No 4001 to the tune of N400,000 to Abiola Bookshop for the supply of carbon papers, staple pins, perforators and gums.
19-4-2010 Issued an LPO No 4002 to Maryam Ventures for the supply of computer accessories to the tune of N370,000.
22-4-2010 Abiola Books supplied the requested items worth N300,000 as per their invoice and P. V. No 3004 was raised for payment.
23-4-2010 Paid the sum of N370,000 to Maryam Ventures for the supply of computer accessories on P. V. No 3006
24-4-2010 Paid the sum of N300,000 on P. V. No 3007 to Jaiye & Sons for the supply of Flat files and Arch files.
27-4-2010 Issued an LPO No 4003 to Jamganza Bookshop for the supply of Fine Art materials worth N250,000.
29-4-2010 Paid the sum of N250,000 to Jamganza Bookshop for the items supplied on P. V. No 3008.
30-4-2010 P. V. No 3008 was revoked as a result of supply of obsolete Fine Art materials by Jamganza.
You are **required** to post the transactions in a D. V. E. A. Book.

Post-Tests

1. (a) What is a Payment Voucher?
(b) What are the major considerations in the preparation of Payment Voucher the absence of which may render it invalid?
(c) State three uses of Adjustment Voucher
2. (a) Enumerate 10 types of Vouchers used in the Public Sector
(b) In the event of loss of a raised Payment Voucher, what are the procedures required to be followed by the Accounting Officer of the Ministry concerned.
(c) List 5 documents required to accompany a Contract Payment Voucher.
3. (a) Differentiate between Supplementary Journal Voucher and Principal Journal Voucher stating the functions of each separately.
(b) Enumerate the salient features of an Advance Payment Voucher.
4. The Chief Accountant in charge of expenditure in the Ministry of Health, Sabamu State, supplied the following information for the First Quarter of Year 2017. Fund has been released for purchase of Stationeries, under Head 2025; Sub-Head 1127,
The following additional information is available
a. Amount released on AIE/MSH/2017/01 dated 1 January, 2017, was N2million.
b. On 5 January, LPO No. 001/005 was issued to Deala Press Ltd, Success Road, Agidigi for the printing of payment vouchers in the sum of N650,000
c. On 10 January, cash purchase of various stationery items was made in the sum of N350,000 as detailed on Payment Voucher No. 01/005
d. On 15 January, Deala Press Ltd delivered the payment vouchers. The company submitted a bill of N750,000 for settlement. It attributed the increase in price to the escalating cost of materials. However, the increase was approved and payment effected, accordingly on Payment Voucher No. 02/005.
Required: With the aid of an annotated Departmental Vote Expenditure Allocation Book (D.V.E.A) Write up the entries.

Bibliography

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Omolehinwa E. O. and Niayeju, J. K. (2011). Theory and practice of government accounting in Nigeria (1st ed.), Lagos, Pumark Nigeria Limited.

LECTURE 6

GOVERNMENT FINANCIAL REPORTING AND ITS REFORMS IN NIGERIA

6.0 Introduction

Government or public sector also prepares financial statements at the end of a fiscal year as in the private sector. It should be noted that there are some differences in the components of financial statements in the two sectors. The applicable accounting basis and principles are also different. However, adoption of IPSAS (which is IFRS-based) by the public sector has narrowed these differences. In addition to the coverage of government financial reporting, this lecture will also expose the students to various financial reforms of government in Nigeria.

Objectives

At the end of this lecture, students should be able to:-

i. List the rules and regulations guiding the preparation of financial statements as contained in the International Public Sector Accounting Standards (IPSAS)
ii. Prepare the financial statements of Government
iii. Appreciate Treasury Single Account (TSA) Concept, Design, Benefits and the Role of Stakeholders at Federal and State Government Levels in Nigeria
iv. Understand other Financial Management Reforms in Nigeria

Pre-Test

11. List the components of financial statement of the federal government in Nigeria?
12. List some financial reporting reforms of the federal government of Nigeria you know?

CONTENT

6.1 FEDERAL GOVERNMENT FINAL ACCOUNTS

The Final Accounts of the Federal Government can be obtained in four different documents. These are:

1. **THE ESTIMATE-** This is the estimated revenue and expenditure of the Federal Government for the oncoming year. In the preparation of a realistic estimate, emphasis is placed on past information contained in last year's actual financial statements. The problems associated with preparation of estimates include lack of adequate information and timely availability of data required.
2. **THE OFFICIAL GAZETTE-** This is the source of information that is compiled from the Accountant General's records. The weakness of this source is that it is usually prepared in arrears of about three to six months.
3. **THE ANNUAL REPORTS OF THE ACCOUNTANT- GENERAL -** They are the most detailed source as they contain a number of Financial Statements. The reports are prepared and signed by the Accountant-General and addressed to the Minister of Finance. The reports contain:-
   (a) The narrative reports on the Federal Government Finance.
   (b) The State of financial affairs of the Federal Government.
   (c) Data, Tables, Time Series, Extracts, e.t.c.
   (d) Remarks on Promotions, Transfers, and Resignations in the Federal Civil Service.
   (e) The Financial Statements

6.2 THE OFFICE OF THE ACCOUNTANT-GENERAL OF THE FEDERATION (TREASURY)

The Office of the Accountant-General of the Federation is an Extra- Ministerial Agency under the Federal Ministry of Finance. The office is charged with the responsibility of producing and publishing the accounts of the Federal Government of Nigeria, in such a manner that will show a true and fair view of the financial position of the Government and its relationship with the States and Local Government Councils.

6.3 SOURCES OF INFORMATION FOR PREPARATION OF FEDERAL GOVERNMENT ACCOUNTS

The various sources from which information are obtained for the production of the Federal Government Accounts are:
(a) Transcripts from the Ministries and Extra-Ministerial Departments.
(b) Accounts from the Federal Pay Offices, States and Local Government Councils.
(c) Accounts from the Nigeria High Commissions Overseas.

6.4 ANNUAL FINANCIAL STATEMENTS

The Accountant- General is charged with the responsibility of preparation, and publication of monthly and annual statements of accounts. Specifically, Sections 13 (1) and 14 (1) of the Audit Act of 1956 and Section 24 of the Finance (Control and Management) Act require the Accountant – General of the Federation to prepare and submit to the Auditor – General for the Federation the following annual financial statements:
(a) Cash flow Statement - Statement No 1.0
(b) Statement of Assets and Liabilities - Statement No 2.0
(c) Statement of Consolidated Revenue Fund; No 3.0
(d) Statement of Capital Development Fund; No 4.0
(e) Notes to the Account;
(f) Performance Reports;
(g) Statistical Reports;
(h) Accounting Policies.
(i) Note on public debt

1. STATEMENT NO. 1.0: CASH FLOW STATEMENT

Cash flow Statement (statement of Receipts and payments) is one of the Statements required Cash IPSAS.
(a) The cash flow statement identifies the sources of **cash inflows and outflows**, the items on which cash was expended during the reporting period, and the cash balance as at the reporting date.
(b) Cash flows are basically reported under three (3) separate activities as follows: i**) Operating activities ii) Investing Activities and iii) Financing Activities**
(c) Cash flow of an entity must fall within the above three activities

2. STATEMENT NO. 2.0 - STATEMENT OF ASSETS AND LIABILITIES

True to its name, the Statement is the balance sheet of the Federal Government. It highlights the **various funds** on the liability side, while **investments and cash** held against the funds are shown on the asset side. Comparative figures for the previous year are placed side-by-side.

3. **STATEMENT NO. 3.0 - STATEMENT OF CONSOLIDATED REVENUE FUND**

According to Section 80(1) of the 1999 Constitution all collections made by and accruing to the Federal Government directly and allocations from the Federation Account shall be lodged into the Consolidated Revenue Fund. The outflows from this Fund are to meet:

(a) Recurrent expenditure.
(b) Transfers to Contingency Fund.
(c) Redemption of Treasury Bills.
(d) Transfers to Development Fund.
(e) Consolidated Revenue Fund charges.

NOTE ON RECURRENT REVENUE

This shows the actual cumulative figures of revenues collected to the end of the current period with comparative figures for the previous period. A recurrent revenue item is collected from the Government's day-to-day activities. Examples are court fees, interest on fixed deposits and rent of Government property.

NOTE ON RECURRENT EXPENDITURE

The Statement contains the actual cumulative figures of recurrent expenditures incurred to date, with comparative figures for the previous year. Recurrent expenditures relate to the day-to-day disbursements to run the administration of Local Government Councils, State and Federal Governments. Examples are the salaries of Government workers, electricity bills and maintenance of vehicles.

4. **STATEMENT NO.4 - STATEMENT OF DEVELOPMENT FUND (OR CAPITAL EXPENDITURE)**

The Fund is meant to finance general capital projects such as the construction of government hospitals. The inflows into the Fund include loans, grants from foreign countries and releases from the Consolidated Revenue Fund.

6.5 LIMITATIONS OF FINANCIAL REPORTING IN THE PUBLIC SECTOR

These limitations may be briefly discussed as follows:

(a) **Diversity of Users**: As a result of wide network of users of government financial statements, it is difficult to satisfy all of them as the information supplied may not meet the yearnings of certain people.

(b) **Inadequacy of information**: There is the need to produce other documents required to explain some unanswered questions in the report.

(c) Problems are associated with **delay in the preparation of reports** thus rendering them useless for economic purpose or performance appraisal.

(d) **Human resource constraints** may hinder the government from adopting a particular basis of accounting.

(e) The reports are usually based on **inaccurate data and/or information**, thus rendering them unreliable.

6.6 Practice Exercise 1

The following information were extracted from the books of Confluence
State of Nigeria as at 31 December 2015:

	Dr. (N'000)	Cr. (N'000)
Bank Account	15,000	
Cash Account	2,500	
Consolidated		

Revenue Fund b/fwd		17,000
Allocation from Federation A/c		30,000
Licenses and Fines		3,000
Loans from Federal Government		11,000
Fees		4,500
Earnings and sales		2,500
Loans to Local Government	7,000	
Re-imbursement		11,000
Development Fund (Capital Vote)		15,000
Interest on Repayment		500
Development Fund as at 1st Jan	35,000	
Internal Loans		20,000
External Loans		35,000
Capital Expenditure	42,000	
Advances	13,500	
Fixed Deposit with GTB plc	22,000	
Ord. Shares of N1.00 each at NASCOM Plc	16,000	
Other Income		3,000
Recurrent Expenditure	22,500	
Special Fund		23,000
	175,500	175,500

Additional information:
i. The sum of N25,500,000 should be transferred to Development Fund.
ii. Expenditure amounting to N2,000,000 had been omitted from the books.
iii. A total grant of N7,500,000 collected from Federal Government for Capital Projects to be executed in the second quarter of the year had not been recorded in the books.
iv. The actual amount received on interest on repayment was N400,000
You are **required** to prepare for the year ended 31st December 2015
a) Consolidated Revenue Fund Account.
b) Development Fund Account.
c) Statement of Assets and Liabilities

6.7 CASH FLOW STATEMENTS

A Cash flow Statement shows the various sources of income and expenditure in analytical form comprising inflows and outflows, from operating activities, investing activities and financing activities.
These may be further discussed as follows:
(a.) ***Operating Activities***: - These comprise the principal revenue generation and disbursement activities through the business of an organization, during production for example.
Examples of inflows Operating Activities:
a. Cash receipts from taxes, levies and fines
b. Cash receipt from charges for goods and services provided by the entity
c. Cash receipt from grants or transfers and other appropriations or other budget authority made by central government or other public sector entities
d. Cash receipt from royalties, fees, commissions and other revenue

e. Cash payments to other public sector entities to finance their operations (not including loans)
f. Cash payment to suppliers for goods and services
g. Cash payments to and on behalf of employees
h. Cash receipts and payments of an insurance entity for premiums and claims, annuities and other policy benefits.
i. Cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities
j. Cash receipts and payments from contracts held for dealing or trading purposes
k. Cash receipts or payments from discontinued operations
l. Cash receipts or payments in relations to litigation settlements

Investing Activities:- These have to do with the acquisition and disposal of fixed assets, investments and intangible assets such as trademark, goodwill, patent rights.
Examples of Investing Activities:
a. Cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.
b. Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets
c. Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents and those held for dealing or trading purposes)
d. Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to tbe cash equivalents and those held for dealing or trading purposes)
e. Cash advances and loans made to other parties (other than advances and loans made by a public financial institution)
f. Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution)
g. Cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.
h. Cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities

Financing Activities:- These are activities that bring out structural changes in the composition of equity capital of an enterprise.
Examples of Financing Activities:
a. Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings.
b. Cash repayments of amounts borrowed
c. Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease

6.7.1 PREPARATION OF CASHFLOW STATEMENT.
There are two methods of preparing cash flow statements. These are:

1. ***Direct Method***: - This is a method whereby the proceeds from operating activities in form of sales and payments to suppliers of goods and providers of services are shown, including all other expenses paid.
2. ***Indirect Method***: - Here the operating profit/loss from the operating activities is highlighted. Then adjustment is made for non-cash transactions and working capital.

6.7.2 FORMAT OF CASHFLOW STATEMENT

1. CASH FLOW STATEMENT MINISTRY OF INTER GOVERNMENTAL AFFAIRS CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 (DIRECT METHOD)

Cash flow statement for the year ended 31 December, 2016

	2016	**2015**
Cash flows from operating activities	N'000	N'000
Receipts		
Statutory Allocations: FAAC	x	x
Statutory Allocations: Other Agencies	x	x
Value Added Allocation	x	x
Direct Taxes	x	x
Licences and Internal Revenue:	x	x
Mining	x	x
Fees	x	x
Earnings and Sales	x	x
Sale/Rent of Government Properties	x	x
Interest and Repayment: General	x	x
Re-imbursements	x	x
Miscellaneous Expenditure Including Plea Bargain	x	x
Share of FRW Special Accounts	x	x
Total Receipts	xx	xx
Payments		
Personnel Costs	x	x
Federal Republic Contribution to Pension	x	x
Overhead Charges	x	x
Consolidated Revenue Fund Charges	x	x
Service Wide Vote Expenditure	x	x
Subvention to Parastatals	x	x
Total Payments	xx	xx
Net Cash Flow from Operating Activities	x	x
Cash Flows from Investing Activities		
Capital Expenditure – Economic Sector	x	x
Capital Expenditure – Social Service Sector	x	x
Capital Expenditure – Law and Justice	x x	
Purchase of Foreign Currency Securities	(x)	(x)
Capital Expenditure – Regional Development	x	x
Capital Expenditure – Administrative Sector	x	x
Net Cash Flow from Investing Activities	x	x
Cash flow from financing activities		
Proceeds from external loans	x	x
Proceeds from internal loans	x	x

Proceeds from development of natural resources	x	x
Repayment of External loans	(x)	(x)
Repayment of Internal loans	(x)	(x)
Net cash flow from financing activities	x	x
Movement in other cash equivalent accounts		
Increase / (decrease) in investments	x	x
Net increase / (decrease)in below – the- line items	(x)	(x)
Total cash flow from other cash equivalent accounts	x	x
Net cash for the year	x	x
Cash and cash equivalent at the beginning of year	x	x
Cash and cash equivalent at the end of year	x	x

2. FORMAT OF CASH FLOW STATEMENT MINISTRY OF INTER GOVERNMENTAL AFFAIRS CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 (INDIRECT METHOD)

	2016	**2015**
	N'000	N'000
Surplus/(deficit) from ordinary activities	x	x
Non-cash movements		
Depreciation	x	x
Amortization	x	x
Increase in provision for doubtful debts	x	x
Increase in payables	x	x
Increase in borrowings	x	x
Increase in provisions relating to employee costs	x	x
(Gains)/Losses on sale of property, plant & equipment	(x)	(x)
(Gains)/Losses on sale of investments	(x)	(x)
Increase in other current assets	(x)	(x)
Increase in investments due to revaluation	(x)	(x)
Increase in receivables	(x)	(x)
Net cash flow from operating activities	x	x
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(x)	(x)
Proceeds from sale of plant and equipment	x	x
Proceeds from sale of investment	x	x
Purchase of foreign currency securities	(x)	(x)
Net cash flows from investing activities	x	x
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	x	x
Repayment of borrowings	(x)	(x)
Distribution/dividend to government	x	x
Net cash flows from financing activities	x	x
Net increase/(decrease) in cash and cash		

equivalents	x	x
Cash and cash equivalents at the beginning of year	x	x
Cash and cash equivalents at the end of yeajmr	x	x

6.8 **TREASURY SINGLE ACCOUNTING (TSA)**

DEFINITION OF TSA

The Treasury Single Account (TSA) is part of the Public Financial Management (PFM) Reforms approved in 2004. The TSA is a bank account or set of linked accounts through which Government transacts financial operations. It is a unified structure that gives consolidated view of Government Cash resources with a view to strengthening effective budget implementation, check idle cash balances, make planning easy and allow for effective decision making.

OBJECTIVES OF TSA

The cardinal objective of TSA is to facilitate the implementation of an effective Cash flow Policy with a view to:

a) Ensuring that sufficient cash is available as and when needed to meet payment commitments;

b) Controlling the aggregate of cash flows within fiscal, monetary and legal limits;

c) Improving the management of Government's domestic borrowing programmes;

d) Enhancing operating efficiency through the provision of high quality services at minimal costs;

e) Investing of excess or idle cash;

f) Ensuring greater accountability in public expenditure.

TSA MODELS

a) The "Pure" TSA – Model 1-No account sub-structure; all deposit and payment transactions processed through a single bank account. This is relatively rare.

b) The Decentralized TSA -Model 2

i. Separate accounts, in commercial banks or central bank, zero-balanced overnight (ZBAs)

ii. More normal in a decentralized environment where commercial banks process transactions

iii. Each ministry/agency makes its own payments and directly operates the respective bank account under the TSA system.

iv. Ministry of Finance sets the cash disbursement limits (based on unit of appropriation) for control purposes

REASONS FOR THE INTRODUCTION OF TSA

i) Inability of government to determine cash position at any point in time

ii) Unlimited Commercial bank accounts maintained by MDA

iii) Growing domestic debt and borrowing not aligned to need

iv) Idle cash balances/unspent balances in MDA accounts

v) Excessive use of ways and means in financing budget expenditure

vi) Inability to undertake effective cash planning and management as required by the Fiscal Responsibility Act

vii) No reliable basis to prepare Warrants to MDA, delays in Budget Execution and perennial existence of unspent balances by the year end. Warrants/AIEs releases were not based on cash plan

BENEFITS OF TREASURY SINGLE ACCOUNT (TSA)

i) Help government unify banking arrangements;

i. Assist the Federal Government in the efficient utilisation of government funds for approved projects;

ii. Promote transparency and accountability in government operations;

iii. Reduce the amount, and cost of government borrowing by maximising the use of available government resources to deliver projects.

iv. Ensure centralized control over revenue through effective cash management.

v. Enhance accountability and enables government to know how much is accruing to it on a daily basis.

vi. Reduce fiscal criminality and help tame the tide of corruption.

COMPONENTS OF TSA

a) E-Payment- The Federal Government of Nigeria commenced the implementation of Treasury Single Account (TSA) in April, 2012, with the e-payment component. It is a direct payment through electronic transfer to an individual or an organisation using the medium of computer technology.

b) E- Collection- The e-Collection component of TSA commenced in January, 2015. The first Treasury Circular on e-Collection was issued on the 19th of March, 2015 followed by Guidelines in September, 2015. It is a comprehensive electronic solution for the remittance, management and reporting for all Federal Government receipts (revenues, donations, transfers, refunds, grants, fees, taxes, duties, tariffs, etc.) into the TSA and Sub-Accounts maintained and operated at the CBN.

OBJECTIVES OF TSA (E- PAYMENT)

i. To avoid borrowing and paying additional charges to finance the expenditure of MDA while some MDA keep idle funds in their respective bank accounts

ii. To ensure effective aggregate control of cash in monetary and budget management

iii. Minimizing transaction cost;

iv. Making rapid payments of expenses;

v. Facilitating reconciliation

vi. Efficient control and monitoring of funds allocated to MDA

vii. Support monetary policy implementation.

BENEFITS OF TSA (E- PAYMENT)

a) Provides complete and timely information on government cash resources

b) Improve operational control on budget execution

c) Enables efficient cash management

d) Reduces bank fees and transaction costs

e) Facilitates efficient payment mechanisms

f) Improves bank reconciliation and quality of fiscal data

g) Improves liquidity of government

h) Issuance of Warrants and AIEs based on cash plan

i) No more commercial bank accounts maintenance by MDA

j) Drastic fall on the ways and means by which overdrafts are requested for from CBN requirement from CBN

k) Support government budget execution

OBJECTIVES OF TSA (E- COLLECTION)

a) To ensure total compliance with the relevant provision of the 1999 Constitution of the FRN (Section 162 & 80)

b) To collect and remit all revenue due to the Federation Account and Consolidated Revenue Fund (CRF)

c) To block all leakages in government revenue generation, collection and remittance.

d) To enthrone a new regime of transparency and Accountability in the management of government receipts.

e) To improve on availability of funds for the development programs and projects.

f) To align with CBN Cashless Policy.

g) To ease the burden of revenue payers.

BENEFITS OF TSA (E- COLLECTION)

i. It helps in controlling and monitoring of receipts and payments of FGN funds

ii. It prevents and detects potential and actual frauds

iii. It improving planning through MTEF

iv. It avoids double payments and likely build- up of payment in arrears;

v. Creating an accurate cash flow statements to help governments obtain appropriate line of credit,

vi. It implements cash collection acceleration techniques,

vii. It integrates policy priorities into annual budgets and thereby ensure that available resources are channeled to priority sectors;

viii. Minimize deficits and borrowings within limits set by government

ix. Improves transparency and accountability of all FGN receipts

GENERAL AND OPERATIONAL CHALLENGES

General

i. Fees charged by service provider deducted at source not provided for in the Budget;

ii. Lack of unified service agreement among Stakeholders;

iii. Some MDAs still maintain hidden Commercial Bank Accounts;

iv. Connectivity;

v. Infrastructure, incentives and logistics;

vi. Funding.

vii. Resistance by some MDAs

viii. Capacity gap of Users

ix. Inadequate Sensitization

x. Diversion of tax revenue into personal accounts

Operational

• Mopped up Funds- What to do with it?

• Investible Funds?

• Overextension of CBN's existing capacity in view of new roles.

• Unethical practices by Banks

• Government Finances of 2016 Budget

• Implications for Financial Reporting

• Different IT Platforms- Remita, GIFMIS, NIBBS

• Endowment Funds implications

• Treatment of Donor Funds Through the TSA

•Direct Debits by CBN

• Lack of adequate framework for Domiciliary Accounts payments by CBN

• Delay in payments of Salaries

• Resistance by some MDAs to join the TSA

• Incessant transfer of funds from TSA to Commercial Banks Accounts in the name of Counterpart Funding/ Associated project Accounts by MDAs

6.9 AUTOMATED ACCOUNTING TRANSACTION RECORDING AND REPORTING SYSTEM (ATRRS).

It is an ICT based **Accounting Software application which facilitates the input of Accounting Transactions, its reconciliation and the generation of Standard Accounting Reports that meet the required Standard of the Treasury.** The software is developed by the Treasury (OAGF). It provides a leverage solution to automate the manual recording of the accounting transactions in the Line Ministries, Agencies and Parastatals of Government.

The introduction helps in:

- the prompt rendition of financial and accounting returns;
- accurate presentation of financial reports;
- enhanced capacity to generate complex analytical reports;
- enhanced ability to cope with large volume of transactions;
- automatic mode of processing transactions and
- ability to eventually operate on-line real time processing, thereby ensuring that solution is provided to most of the challenges posed by the manual accounting process.

BENEFITS OF THE ATRRS ACCOUNTING SOFTWARE

1. Familiarize the workforce with the use of IT equipment at an early stage of Government Integrated Financial Management Information System (GIFMIS) implementation, which would enable a smoother transition to the GIFMIS Software.
2. Potentially reduces training period and requirement for GIFMIS.
3. Potentially reduces GIFMIS implementation cost.
4. Shortens Business Process re-engineering period (i.e. it is faster to transit from a semi automated process than a manual process.
5. Facilitates ease of reconciliation of the various bank accounts maintained by Government agencies.
6. Ensures clean and accurate data will be available for migration in to GIFMIS.

6.10 INTEGRATED PERSONNEL & PAYROLL INFORMATION SYSTEM (IPPIS)

IPPIS was conceived by the Federal Government of Nigeria (FGN) **to improve the effectiveness and efficiency in the storage of personnel records and administration of monthly payroll** in such a way as to enhance confidence in staff emolument costs and budgeting.

OBJECTIVES OF PPIS

The objectives of IPPIS are as follows:

a. Facilitates planning: Having all the civil service records in a centralized database will aid manpower planning as well as assist in providing information for decision- making.

b. Aid Budgeting: An accurate recurrent expenditure budget on emolument could be planned and budgeted for on a yearly basis.

c. Monitors the monthly payment of staff emolument against what was provided for in the budget.

d. Ensures database integrity so that personnel information is correct and intact.
e. Eliminates payroll fraud such as ghost workers syndrome.
f. Facilitates easy storage, updating and retrieval of personnel records for administrative and pension processes.

FUNCTIONS OF COMPONENT OF IPPIS

These are summarised as follows:
a. Data captive equipment with fingerprint scanners for biometric enrolment and camera for employee photographs.
b. Each of the pilots MDA can capture, update and process its personnel records.
c. There are at present about 30,000 public servants from the pilot MDAs whose records and biometric data have been captured, verified and stored in the centralized personnel database of IPPIS.
d. Salaries are now paid directly into the bank accounts of public servants whose records exist in the IPPIS database

e. Third party agencies such as FIRS, SBIR, PENCOM and Cooperative Societies also receive their payments directly.

6.11 GOVERNMENT INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (GIFMIS)

GIFMIS is a sub component of the ERGP (Economic Reform and Governance Project) which will support **the public resource management and targeted anti-corruption initiatives area through modernizing fiscal processes using better methods, techniques and information technology.** The Government Integrated Financial Management Information System (GIFMIS) is **an IT based system for budget management and accounting** that is being implemented by the Federal Government of Nigeria to improve Public Expenditure Management processes, enhance greater accountability and transparency across Ministries and Agencies.

GIFMIS is designed **to make use of modern information and communication technologies to help the Government of Nigeria to plan and use its financial resources more efficiently and effectively.**

The Government recognizes nevertheless that additional challenges remain and that Public expenditure management needs to be further strengthened to
(i) build an integrated budget based on programs that are clearly linked to key development objectives;
(ii) ensure greater accountability from budget holders;
(iii) allow greater emphasis on budget outcomes and impact; and
(iv) identify and address remaining sources of leakage in budget execution in order to strengthen efficiency of public expenditures.

This will require in addition to changes in policies and regulations, considerable modernization and automation of current budget and financial management and procurement practices.

PURPOSE OF GIFMIS

The purpose of introducing GIFMIS is **to assist the FGN in improving the management, performance and outcomes of Public Financial Management (PFM).** The immediate purpose of this project is to enable an executable budget, i.e. a budget which can be implemented as planned by addressing the critical public financial management weaknesses including:

- Failure to enact the budget before the start of the financial year.
- The budget is not based on realistic forecasts of cash availability.
- Lack of effective cash management – multiple bank accounts within Treasury and MDAs that make effective control impossible; when combined with the lack of cash forecasting this leads to inefficient and unplanned borrowing.
- A lack of integration between different financial management functions and processes, e.g. budget is prepared in a way that makes it difficult to manage budget execution through the chart of accounts.

It must be underscored that whereas GIFMIS is part of the solution to the above problems, it (GIFMIS) cannot be a driver of change to better public financial management – rather it is a tool to facilitate change. To this end, the introduction of a GIFMIS will be combined with major changes to business processes. As a matter of fact GIFMIS provides an opportunity to move to Treasury Single Account and to reduce the number of stages in transaction processing. In addition it will provide better access to information which can be used to improve fiscal and operational management. GIFMIS will also reduce fiduciary risk by enabling greater transparency and by reducing the opportunities for manual intervention in financial transactions.

OBJECTIVES OF GIFMIS

The overall objective is to implement a computerized financial management information system for the FGN, which is efficient, effective, and user friendly and which:

(i) Increases the ability of FGN to undertake central control and monitoring of expenditure and receipts in the MDAs.

(ii) Increases the ability to access information on financial and operational performance.

(iii) Increases internal controls to prevent and detect potential and actual fraud.

(iv) Increases the ability to access information on Government's cash position and economic performance.

(v) Improves medium term planning through a Medium Term Expenditure Framework (MTEF).

(vi) Provides the ability to understand the costs of groups of activities and tasks.

(vii) Increases the ability to demonstrate accountability and transparency to the public and cooperating partners.

SCOPE OF GIFMIS

i. GIFMIS will be used to support the government in all aspects of budget preparation, execution and management of government financial resources.

ii The system will cover all spending units financed from the government's budget, and will process and manage all expenditure transactions (including interfaces) pertaining to these units.

iii. All steps in the expenditure cycle including, budget appropriations, financing limits, commitments, verification and payment transactions will be recorded by and managed through the system.

iv. In other words, the system will be a modern, efficient and user-friendly facility, providing comprehensive information on all the financial affairs of the Government.
v. This will act as a reliable basis for multi-year budgeting, annual budgeting, commitment control, payment control, financial and cash management and economic planning.
vi. The financial management functions of the GIFMIS will cover the entire financial management cycle including:
a. Budget preparation
b. Budget maintenance and management
c. Budget execution and treasury management
d. General ledger
e. Procurement, including commitments of purchase orders, maintenance of a central supplier register and support for e-procurement.
f. Receipting, accounts receivable and revenue management
g. Payments and accounts payable
h. Inventory and Stock Control
i. Asset Management
j. Budget execution reporting
k. Financial reporting
l. Project accounting
m. Loans and Advances

GIFMIS CRITICAL SUCCESS FACTORS
The following factors have been identified as critical to the success of GIFMIS implementation;
• Sustained Management Support
• Effective Organizational change
• Good Project Scope Management
• Adequate Project Team Composition
• Comprehensive Business Process Re-engineering
• Adequate Project Sponsor and Champion Role
• User Involvement and Participation
• Trust between Partners
• Dedicated Staff and Consultants
• Strong Internal & External Communication
• Formalised Training Program
• Adequate Training Program
• Data Conversion Management
• Empowerment of Project Management Team & Sponsor
• Adequate GIFMIS implementation strategy
• Avoidance of Extensive Customization.

Post Test
1 a. What is e-payment**?**
b. List TEN benefits of e-payment.
c. State two types of transactions covered by e-payments.
d. Itemise the Content of an e-payment voucher.

2 a. Ex plain the concept of Treasury Single Account (TSA)

b. Discuss any FIVE benefits of TSA

3 a. What is the full meaning of the Acronym GIFMIS?
b. State the main objectives of GIFMIS.

4. A cash flow Statement is that which shows the various sources of income and expenditure in analytical form comprising inflows and outflows, from operating activities, investing activities and financing activities.
Required: Define each of the three ACTIVITIES giving FIVE examples of Operating Activities, FOUR of Investing Activities and THREE of Financing Activities.

5. LABEODAN State of NAIBERIA extracted the following information from their treasury's final account for the year ended December 31, 2016

2016 2015
Nm Nm
Tax collected 1,313 1,150
Revenue from services 987 750
Grant from Canada 875 675
Interest from lag lagan 982 759
Accrued operating surplus 821 525
Proceeds from sale of treasury bills 639 495
Proceeds from sale of bonds 789 653
Purchase of equipments 700 650
Employee cost 1,450 1,210
Pension 350 290
Contract supplies 150 120
Interest paid on loans 101 89
Other administrative expenses 301 207
Purchase of foreign currency 315 301
Proceeds from sale of equipment 115 100
Loans 340 240
Repayment of loans 140 120
Cash book balance at January 1st 4,375 2,015
Cash and cash equivalent at December 31st 7, 729 4,375
You are required to prepare the Cash flow Statement of the State for the year ended December 31st, 2016 using the Direct Method.. (Show Comparisons)

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LECTURE 7
LOCAL GOVERNMENT ACCOUNTING

7.0 INTRODUCTION

Local Government relates directly with the people in a community. It is the government through which the populace have their aspirations and grievances attended to by the Federal Government. While the Federal Government has control over them, State Governments too have considerable influence over Local Governments.

OBJECTIVES

At the end of this lecture students should be able to:-

i. Understand the functions of the Local Governments
ii. Identify the various Local Government Officers and their respective functions.
iii. Present in analytical form how the Local Governments keep their accounts.
iv. Understand the financial controls available in Local Government Account.

Pre-Test

1. List the three tiers of government in Nigeria?
2. How important is the local government to the people in Nigeria?
3. Name some officials of the local government you know?

CONTENT

7.1 **FUNCTIONS OF LOCAL GOVERNMENTS**

1. The Fourth Schedule of the 1999 Constitution of Nigeria states the functions of a Local Government Council, as follows:

(a) The consideration and the making of recommendations to a State Commission on economic planning or any similar body on -

(i) The economic development of the State, particularly in so far as the areas of authority of the council and of the State are affected, and

(ii) Proposals made by the said commission or body ;

(b) Collection of rates, radio and television licences;

(c) Establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirmed/invalids;

(d) Licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel barrows and carts;

(e) Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences;

(f) Construction and maintenance of roads, streets, street lightings, drains and other public highways, parks, gardens, open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of a State;

(g) Naming of roads and streets and numbering of houses;

(h) Provision and maintenance of public conveniences, sewage and refuse disposal;

(i) Registration of all births, deaths and marriages;

(j) Assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the House of Assembly of a State; and

(k) Control and regulation of-

(i) Out-door advertising and hoarding,
(ii) Movement and keeping of pets of all description,
(iii) Shops and kiosks,
(iv) Restaurants, bakeries and other places for sale of food to the public,
(v) laundries, and
(vi) Licensing, regulation and control of the sale of liquor.

2. The functions of a local government council shall include **participation of such council in the Government of a State** as respects the following matters-
(a) the provision and maintenance of primary, adult and vocational education;
(b) the development of agriculture and natural resources, other than the exploitation of minerals;
(c) the provision and maintenance of health services; and
(d) such other functions as may be conferred on a local government council by the House of Assembly of the State.

7.2 FUNCTIONS OF LOCAL GOVERNEMNT OFFICERS

The organs or key officers in a Local Government are: -
(a) Chairman.
(b) Vice-Chairman.
(c) Secretary.
(d) Treasurer.
(e) Head of Personnel Management.
(f) Legislature.

1. Functions of the Chairman

These include the following:
(a) He is responsible for decision-making as regards finance and accounting in the local government. Consequently, he is the Chief Executive and Accounting Officer.
(b) He is to preside over all Council meetings and cast vote when the situation demands.
(c) He is responsible for the custody of all funds and property entrusted in his care.
(d) He is to prepare the Local Government's annual budgets and submit to The legislative arm for approval.
(e) He is to prepare monthly statements of accounts to the Legislative House for examination and comment.
(f) He is required to have documentary evidences of all receipts and disbursements of public funds.
(g) The Chairman is to prepare and present annual reports of his Local Government to show that he is accountable for the funds and property entrusted in his care. The account is to be presented to the Public Accounts Committee.
(h) He is to ensure that all the rules and regulations guiding the receipts and disbursements of government funds and property are strictly adhered to.
(i) He is to ensure that there is palpable peace and harmony between the neighbouring communities in his Local Government.
(j) He is to make positive, effective and commendable impact on the populace in his community.
(k) He shall abide by any other rules, regulations and guidelines governing the functions of an executive local government Chairman.

2. Functions of the Vice-Chairman

(a) He is to preside over Council meetings in the absence of the Chairman.

(b) He is to be closely involved in the running of the Local Government by assisting the Chairman.

(c) He is to attend to matters of utmost urgency where the Chairman is not available and relate same to the Chairman for decision-making.

(d) He is to perform any other function as may be directed by the Chairman.

3. **Functions of the Secretary**

As the Secretary to the Local Government:

1. He intimates the Chairman, Vice-Chairman and the Council with the notice of meetings.
2. He records the minutes of the Council meetings.
3. He is to settle amicably differences between Officers in the Local Government and the Councillors.
4. The Secretary is to deliberate on financial, social and political issues with "The Council", i.e. the legislature, as they affect the Local Government.
5. He is to receive and dispatch all correspondence between the Local Government and the public or State Government.
6. The Secretary performs any other function as may be prescribed by law or assigned to him by the Council.

4. Functions of the Treasurer

The Treasurer has the following roles to play:

(a) He is responsible for all the receipts and disbursements of funds.

(b) He is responsible for keeping accurate and timely accounting records of funds received or disbursed.

(c) He should ensure that all records kept by his subordinate officers are checked routinely for accuracy.

(d) He is to intimate the Local Government of any economic policy that will increase the internally generated revenue (IGR) of the Council.

(e) He should exploit all the opportunities available for the collection of all forms of revenue as specified in the budget estimate.

(f) He is to see that all the laid out procedures as regards disbursements of funds are followed.

(g) He should assist in the preparation of annual and supplementary budgets.

(h) He is to be actively involved in the appraisal of all capital projects before they are executed.

(i) He is to make recommendations to the Council in his capacity as the financial adviser.

(j) He is responsible for ensuring that the liquidity position of the Council is favourable at all times.

(k) He should ensure that payment vouchers are validly prepared and presented for payment.

(l) He should maintain all records of accounts in a form suitable for decision- making by the Council.

5. Functions of the Head of Personnel Management

His functions include the following:

(a) He is to serve as a signatory, on behalf of the Council, on all vouchers and cheques.

(b) He is to approve by signing all contractual agreements and local purchase orders relating to contracts and supplies, on behalf of the Council, subject to prior approval by the Chairman.
(c) He is responsible for the control and supervision of the civil servants in the Local Government.
(d) He is to assist the Audit Alarm Committee in performing its functions whenever it is constituted.
(e) He is to act as the Clerk of the Legislature Council in their deliberations.

6. Functions of the Council Legislature
(a) To promulgate laws guiding the administration of the Local Government as may be allowed by the Constitution.
(b) To analyse, debate, approve and amend the Local Government annual budgets.
(c) To critically examine, consider, approve and monitor the execution of all capital projects and programmes in the annual estimate.
(d) To examine and make comments on the monthly financial statements of the Council as presented by the Chairman.
(e) To consult, intimate and advise the Chairman on matters affecting the development of the Council.
(f) To serve the Chairman notice of impeachment and thereafter proceed on the procedures for the exercise, where he is found to have committed an impeachable offence.
(g) To receive, debate on and examine the annual audited reports of the Council submitted by external auditors.
(h) To perform any other function as may be directed by the State House of Assembly.

7.3 FINANCIAL CONTROL IN LOCAL GOVERNMENT
Financial control in Local Governments can be classified into two. These are: - (a) Internal Control and (b) External Control.

1. Internal Control
(a) This involves all the internal control procedures that are set up to ensure that receipts and disbursements of public funds and property are justly, validly and essentially carried out.
They include: -
(i) Issuance of Warrants before disbursements of funds.
(ii) Constitution of stand-in-committees for special services.
(iii) Authorisation of all disbursements of fund from and into the Council by the Accounting Officer, only.
(iv) Control and regulation of payments by the preparation of payment vouchers, following the laid down rules and regulations guiding their preparation.
(v) Constitution of Budget Implementation Committee for the preparation of annual estimates of revenue and expenditure.
(vi) Monitoring of checks and balances by the Internal Auditor, who should approve all forms of payments and report any unauthorized or inappropriate payment to the Audit Alarm Committee or Auditor- General for Local Government.

2. External Control
This comprises the control systems which are put in place outside the Local Government. They are those established by the Financial Memoranda and other rules and regulations guiding the establishment of Local Governments. They are statutory controls which include: -

a) Legislative Control: - The Legislature (otherwise known as the Council) has the right to remove from the budget on estimate proposal any item of expenditure is considered as waste of government resources. The Legislative members have the power to reduce an amount proposed by the Chairman for any project. The legislature members also have the power to impeach the Chairman where any case of embezzlement or misappropriation of government fund is established against him.
b) ***State Government Control***: - All audited accounts of the Local Government must be presented and reported to the State House of Assembly, through the Public Accounts Committee, which is empowered to invite any executive member, Accounting Officer or Sub-Accounting Officer, who has been implicated in the audit report.
c) ***External Auditor's Control***: - The Local Government accounts must be audited annually by the Office of the Auditor-General for Local Governments, who is empowered to appoint external auditors. The external auditors are qualified personnel who independently examine critically the financial statements and accounting records of the Local Governments and are required to express their opinion through a report submitted to the Auditor-General for Local Government.
d) ***Auditor General for Local Government Control***: - The Office of the Auditor-General for Local Government embarks on quarterly routine audit of the Local Governments. He is empowered to report any anomaly detected in the running of any Local Government (especially as it concerns disbursement of funds) to the Public Accounts Committee of the State House of Assembly.
e) ***Petitions***: - The members of the public have the right to express their dissatisfaction as to the conduct of the executive arm of the Local Government by forwarding a report in form of petition to the State House of Assembly.

7.4 FINANCIAL MEMORANDA FOR LOCAL GOVERNMENT

The Financial Memoranda for Local Government is a publication by the Federal Government which contains the administrative guidelines, the existing systems of checks and balances as well as the roles of all the officers from the Chief Accounting Officer, the Chairman, to the officer at the lowest cadre.

1. Objectives of the Financial Memoranda

These include:
(a) To serve as administrative guidelines which facilitate day-to-day running of Local Governments.
(b) To expressly highlight the implications of disbursing government fund.
© To facilitate recording of Local Government financial transactions in the appropriate accounting method.
(d) To serve as a learning tool for officers on first appointment or on transfer to a new section.

2. Contents of Local Government Financial Memoranda

These may be summarised, as follows:
(a) The format of budget and budgetary control.
(b) The financial responsibilities of the Chairman and other Key Officers of a Local Government.
(c) The responsibilities of the Local Government Secretary, Treasurer and Heads of Departments.
(d) The responsibilities of the Internal Auditor as they relate to Audit Alarm.

(e) The powers and functions of the Auditor-General for Local Government.
(f) The functions and operations of the Audit Alarm Committee.
(g) The various financial offences and their respective sanctions.
(h) The means of Revenue Collection and Control.
(i) Main books of accounts kept in the Local Government.
(j) The custody, accounting and control of stores.

7.5 DOCUMENTATION OF REVENUE AND EXPENDITURE

1. ***Financial Statements***: All Local Governments must prepare and submit to the office of the Auditor- General for Local Government annual financial statements. These must be submitted **within three months** of the following year.
The items are -
(a) Statement of Assets and Liabilities.
(b) Statement of Revenue and Expenditure.
(c) Statement of Actual Revenue.
(d) Statement of Actual Expenditure.
(e) Statement of Advance Account Balances.
(f) Statement of Deposit Account Balances.
(g) Statement of Suspense Account Balances.
(h) Statement of Reserve Fund Account Balances.
(i) Statement of External Loans Outstanding.

2. ***Purposes of the Financial Statements***: These include -
(a) It is a means of accounting for public money
(b) It is a means of showing the financial position of government funds at that level
(c) It is a basis of assessing the performance of government
(d) It is a means through which the legislature can exercise its power over public accounts.

3. ***The books of accounts*** kept by the accounting and sub-accounting officer in the Local Governments:
(a) The Cash Book
(b) The Adjustment Record
(c) The main Ledger for the following accounts:- (d) General Revenue Balance Account
(e) Advance Account
(f) Deposit Account
(g) Suspense Account
(h) Investment Account
(i) Fixed Deposit Account
(j) Renewal fund Deposit Account
(k) Reserve Fund Investment Account
(l) Renewal Fund Investment Account.
(m) Subsidiary Accounts. These include:
i. Departmental Vote Revenue Allocation Book
ii. Departmental Vote Expenditure Allocation Book
iii. Individual Advances Account

iv. Individual Deposit Account
v. Investment Register.

7.6 SOURCES OF LOCAL GOVERNMENT REVENUE

These can be classified into 3 groups, as follows: -

a. ***Statutory Sources of Revenue***
i. Statutory Allocation
ii.10% of State owned derived income

b. Permissive Sources of Revenue
i. Radio & T.V. license fees.
ii. Special rates, fees and fines.
iii. Registration & License fees
iv. Tenement rates/property tax.

c. Incidental Sources of Revenue
i. Proceeds from economic projects.
ii. Grants from Federal and State Governments.
iii. Loans granted by State Government.
iv. Borrowing from other sources.
v. Investment income.
vi. Income generated from maintenance of market stalls, car parks.
vii. Income from maintenance of cemeteries. viii. Income from registration of births, deaths and marriages.
ix. Outdoor advertising.
x. Income from restaurant, kiosks and shops.
xi. Income from naming of streets, roads, avenue, close and crescents.
xii. Earnings from commercial undertakings.

7.7 FORMAT OF STATEMENT OF REVENUE AND EXPENDITURE: ABC LOCAL GOVERNMENT

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 20XX

			N	N
Revenue				
Balance b/fwd				xx
Revenue for the year	Description			
Head 1001	Taxes	xx		
1002	Rates		Xx	
1003	Local Licenses, Fees and Fines		Xx	
1004	Commercial undertakings		Xx	
1005	Rent on LG property		Xx	
1006	Interest and Dividend earned		Xx	
1007	Other Grants		Xx	

1008	Miscellaneous receipts	Xx	
1009	Statutory Allocation: -		
- Federal		Xx	
- State		<u>Xx</u>	
Total Revenue for the year			<u>xx</u>
Total Revenue Available			xx

Expenditure

Head	Description		
2001	Office of the Chairman	Xx	
2002	Office of the Secretary	Xx	
2003	The council	Xx	
2004	Personnel Department	Xx	
2005	Finance Department	Xx	
2006	Education Department	Xx	
Total Expenditure			<u>xx</u>
Surplus/Deficit			<u>xx</u>

7.8 FORMAT OF STATEMENT OF ASSETS AND LIABILITIES

ASSETS N	
Fixed Deposit	xx
Investment	xx
Loans and Advances	xx
Deposits for Assets	xx
Cash at Bank	xx
Cash in Hand	xx
Others	<u>xx</u>
	<u>xx</u>

LIABILITIES	
Deposit Liabilities, e.g. P.A.Y.E, N.U.L.G.E	xx
Loans	xx
General Revenue Balance	xx
Others	<u>xx</u>
	<u>xx</u>

7.9 ILLUSTRATION

The "Accountant" of XYZ Local Government submitted the following as the transactions for the year ended 31st December, 20XX:

N"000
Local licenses, fees and rates 45,398
Local rates and
taxes 36,492
Statutory
allocation306,108
Grants from State 69,115

Government	
Grants from Federal Government	126,707
Office of the Chairman	69,645
Office of the Secretary	76,895
Traditional Office Expenses	12,490
Primary Health Care	43,510
Rural Electrification Expenses	9,440
Capital Expenditure	359,060
District Area Office Administration	116,525
Rent on Local Government Property	118,260
Miscellaneous Expenses	330
Planning and Budgeting Expenditure	5,301
Interest payments and dividends received	6,350
Earnings from commercial undertakings	129,642
Legislative Deposits	36,308
Payee and union due balance	375
Advance Salaries to staff	963
Deposit for purchase of computer systems	24,130
Pension Balance	649
Revenue brought forward	5,306
Bank Balance	120,773
Cash in Hand	2,108
Withholding Tax	13,660
Finance and Supply	53,200

Required: Prepare the (i) statement of revenue and expenditure and (ii) Statement of assets and liabilities of XYZ local government.

7.10 AUDIT OF LOCAL GOVERNMENT ACCOUNTS

Auditing of Local Government accounts can be classified into two parts. These are

a) Internal Auditing

b) External Auditing

1. INTERNAL AUDITING: - This is a set of audit programmes drafted to carry out an independent appraisal of the transactions within the Local Government in order to ensure they are in conformity with the Constitution, extant rules and regulations.

Objectives of Internal Auditing of Local Governments

(a) To evaluate the effectiveness of the internal control procedures.

(b) To ensure that the financial memoranda is strictly complied with as regards receipts and disbursements of funds.
(c) To ascertain, verify and confirm the existence of fixed assets.
(d) To embark on special investigations where fraud is established.
(e) To check the validity, reliability and timeliness of accounting information submitted as reports.

2. EXTERNAL AUDITING: - This is carried out by the Auditor-General for Local Government in the State where the Local Government is situated. The Auditor- General is empowered to appoint External Auditors to audit the accounts of Local Governments. Their reports are submitted to him for appraisal and he in turn will transmit them to the State House of Assembly through the Public Accounts Committee.

Objectives of External Auditing of Local Government

These are to ascertain whether:

(a) The activities of the Local Governments are in conformity with due process.
(b) The activities are conducted in an effective way in compliance with relevant laws.
(c) The funds and property entrusted in the care of the executive are effectively utilized.
(d) The payments made are justified and properly authorized.

Problems/Limitations of Local Government Councils

The problems facing Local Government Councils are:
(a) Local Government Councils are not allowed to raise tax or introduce a new form of tax without express permission from the State Government.
(b) They have limited revenue sources.
(c) They cannot raise loans or maintain loan funds without permission.
(d) Because they cannot raise loans, Councils find it difficult to execute essential capital development projects.
(e) Poor revenue collections may cause delay in the payment of staff salaries and difficulty in executing essential capital development projects.
(f) The non-payment or delay in payment of Federal/State Government grants or shares of oil revenues to the local authorities.
(g) The non-viability of certain local authorities, especially those whose areas have small population figures.
(h) Rising cost and increasing demand for improved services.
(i) Ineffective financial and management controls, internally and externally.

Post-Tests

1. Who is the accounting officer in the local government? List 10 of his functions.
2. With examples, outline the sources of revenue to the local governments.
3. List ten (10) functions of the local government as contained in the fourth schedule of the 1999 constitution of the Federal Republic of Nigeria.
4. What are the problems facing the local government in Nigeria? How can such problems be overcome?
5. List 5 internal and 5 external financial controls in the Local Government?
6. List the components of financial statements in the Local Government and the purposes for which is prepared.

7. Differentiate between internal and external auditing in the Local Government. List 10 offences and sanctions that may arise while auditing the Local Government Accounts.

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LECTURE 8
STORES AND STORES ACCOUNTING
8.0 INTRODUCTION
"Stores include all moveable property purchased with public funds or otherwise acquired by Government." Stores in Public Sector Accounting simply refer to stock of materials purchased with Government money for official use. All purchases of and indents for stores have to be authorized by the Officer controlling expenditure, and the local purchase orders or indents signed by him. The Accounting Officer is therefore responsible for designing the measures to be adopted to ensure adequate stock control and store accounting procedures which cover the receipts, custody, issues and disposals of stores. The Accounting Officer is responsible for the loss of stores and other Government property in his care.

Objectives
At the end of this lecture students should be able to:
a) Explain the importance of store and store accounting;
b) Appreciate different classification of Stores; and
c) Understand the differences between the Board of Survey and the Board of Enquiry.

Pre-Test
1. Give examples of store items.
2. List stock valuation methods you know.

CONTENT
8.1 **STORES CLASSIFICATION**

1. For accounting purposes, stores are classified into two **based on urgency of needs**. These are: 'Allocated Stores' and 'Unallocated Stores'.

(a) ALLOCATED STORES
Allocated stores are stores whose costs are chargeable directly to and remain a charge to the sub-head of expenditure in which funds for their purchase are provided for in the budget. They may be either purchased directly or obtained from the stock of unallocated stores. They are taken on numerical charge and may be placed in an Allocated Stores or put to immediate use.
Purposes of Allocated Stores
These include the following:
i) To make provision for acquisition of quality stores and make them available always when required.
ii) To create the required storage space always. This is by adhering to the policy of holding the minimum stocks required.
iii) To ensure that those stores which are always needed are made available.
iv) To incur minimum cost as regards the acquisition of stores.

(b) UNALLOCATED STORES
Unallocated Stores are those stores purchased for general stock rather than for a particular work or service, for which the final vote of charge cannot be stated at the time of purchase. The cost of purchase is debited to an unallocated stores sub-head in the expenditure estimates. They are held on charge by both value and unit and when issued for use, are

charged to the appropriate sub-head of expenditure as allocated stores. The corresponding credit entry is made in the Unallocated Stores sub-head.

The Purposes of Unallocated Stores

(a) To acquire stores of a standard design and in constant demand.
(b) By holding minimum stock requirements to avoid ‘stock outs’.
(c) To make the stocks immediately available when required for a project or service.
(d) To allow the vote of the relative project, department or service to be charged with the value of the stores when issues are made from the unallocated stores.
(e) To reduce overall cost and maximizing benefit.

2. Stores can further be classified into three, **based on their life span**. These are:
(a) ***Expendable Stores: -*** These are stores that are used in the day-to-day activities of an organization. They have a life span of about 2 to 5 years. They include Computer, Television, and Farm implements such as cutlasses, shovels and Calculators.
(b)***Non-Expendable Stores: -*** These are stores that can be used for a long period of time. They need only maintenance and repairs when required. They have a life span of 5 years and above. Examples of the stores are plant and machinery, building, motor vehicles, and furniture.
© ***Consumable Stores:*** - They are used in the day-to-day running of an establishment. They are used up immediately demand is made for them. An example of consumable stores is Stationery.

8.2 STORES ACCOUNTING

Store accounts involve store ledger postings generated from store receipt vouchers. As for unallocated Stores, the vouchers and ledgers record quantities and values. Storekeepers keep tally or bin cards only. They have no business with the store ledgers. A separate ledger has to be opened for each store item. Records of articles of the same group should be kept in one ledger and items arranged in alphabetical order. Store ledger items should be clearly indexed and properly kept. Receipts into and issues out of stores should be posted daily or at the earliest practicable time. Unserviceable and obsolete stores should be posted in separate ledgers.

Minimum Records to be maintained by each Ministry/Extra-Ministerial Department and other arms of Government must include:

(a) Purchases Journal or Stores Cost Book
(b) Issues Journal or Stores Issues Summary
(c) Stores Ledger which must include an account for each category of store, and a separate account for:
(i) Shortfalls and Excesses (or Price Adjustments)
(ii) Claims.

8.3 DOCUMENTATION OF STORES

Store records are contained in the stock ledger accounts which are extracted from vouchers. In the case of unallocated stores, the quantities, values and balances are recorded in the stock ledgers and vouchers. It is worthy of note that a storekeeper is not responsible for the maintenance of store ledgers. This duty is assigned to the **store officer or store accountant**.
The store officer is required to keep separate ledgers for different items of stores. All items of stores should be serially recorded and arranged. All stores that belong to the same class should be recorded in one single ledger.

1. **MAINTENANCE OF TALLY CARDS OR BIN CARDS**

Tally card or Bin card is a card that is being kept by the **store keeper** to ensure that all the items in the store at any point in time tally with those in the store ledgers. The tally cards should be marked with the ledger folios checked and updated frequently. Tally cards should be updated from the information on the vouchers prepared for the receipts or issues of stores.

2. **RECEIPT OF STORES**

The store items can be obtained from the following sources:
(a) Acquisitions through local purchase orders.
(b) Transfers from other stores.
(c) Converted or Manufactured goods.
(d) Acquisitions through letters of awards.
(e) Returned stores.
(f) Excess taken on charge
(g) Other avenues.

There must be efficient internal check in the ***ordering***, ***collection*** of deliveries and payment procedures. When stores are received, the authorized officer in charge should ensure that they meet the specifications and are of the required quality and quantity. All ***store receipt documentation procedures*** should be duly observed. ***The store officer should ensure that all received items are entered in the store ledger and charged to the appropriate expenditure sub-head.***

3. **PAYMENT FOR STORES**

The storekeeper has to certify that stores have been received and ***taken on charge*** in the appropriate ledger. ***A payment voucher*** has to be supported with a ***copy of the local purchase order (LPO)***, ***invoice and a copy of stores receipt voucher*** issued by the storekeeper.
Expendable and consumable stores obtained in small quantities for immediate use (that is, not for stock) e.g., soap, brooms and uniforms, should be taken on charge. ***A certificate*** should be inserted in the payment voucher to the effect that the stores were required for immediate use and not taken on charge. For some types of consumable stores, records of consumption may be necessary for purposes of control and to guide against misappropriation, for example, logbooks record the issues of liquid fuel for vehicles and the mileage covered.

4. **TRANSFER OF STORES**

There may arise a situation where one store in a department is out of stock of a particular item. In this case, items may be transferred from other store. The transfer is carried out by raising a ***stores transfer requisition (STR)*** by the first store making the request. The STR will be prepared in duplicate and the original forwarded to the issuing store. The latter then issues a ***store issue voucher (SIV)***, also in duplicate, a copy of which will accompany the transferred stores. The other copy will serve as a receipt voucher.

5. **ISSUE OF STORES**

Before the storekeeper issues out any requisition for stores, a ***store requisition form (SRF)*** will have to be prepared and signed by the authorized officer of the department or unit where the material is needed.

All stores issue voucher (SIV's) will be prepared to support all store issues on the prescribed forms. An SIV is to be prepared in duplicate. The storekeeper will update his records by posting the tally or bin cards, with the information on the quantity and dates of issues.

6. **CONDEMNED STORES**

Where a Board of Survey has condemned some items of stores and approval given to write them off, a store issue voucher (SIV) has to support the issue of the stores, duly authenticated.

8.4 FUNCTIONS OF THE STORE KEEPER

(a) Maintenance of proper books of accounting records to timely reflect the transactions.
(b) Diligent arrangement of the store.
(c) Ensuring cleanliness of the store.
(d) Invitation of purchase requisitions from the needy department.
(e) Collection of store items from the supplier to ensure that the items supplied agree with the specification, and the agreed price stated on the Local Purchase Order (LPO).
(f) Updating the bin or tally cards.
(g) Issuing of items out of the store, on the strength of properly authenticated store requisitions.
(h) Preparation of store receipt and issue vouchers.
(i) Ensuring that there is adequate security over the custody of the store materials.

8.5 LOSS OF STORES

Where there is establishment of loss of stores, the ***accounting officer may authorize its write-off***. This, however, is determined by the factors surrounding the loss. ***Where any of the following conditions prevails the loss may be written off,*** viz:
1. The value of the items lost is not more than N200.
2. The internal control system exists and is devoid of any exploitable weakness.
3. The loss cannot be traced to or narrowed down to outright fraud, theft, or unauthorized usage.
4. The loss is not due to negligence of the store officer.

1. PROCEDURE FOR REPORTING OF LOSS OF STORES

In the event of loss of stores, discovered by the store-keeper, he should make official report to the Head of Department who will in turn forward detailed information to the Accounting Officer. He will determine the materiality of the loss and if found to be much, he completes Part IV of the Treasury Form 146 and forwards a copy each to: -
i. The Accountant-General of the Federation
ii. The Auditor-General for the Federation; and
iii. Head of Accounts Section

2. SUMMARY OF ACTIONS TO BE TAKEN BY CONCERNED OFFICERS IN THE EVENT OF LOSS OF STORE.

a. ***Store Keeper: -***
i. Where fraud or theft is established and an officer is suspected, he reports to the police.
ii. Collects, completes the Treasury Form 146 and thereafter submits it to the Head of Department.
b. ***Head of Department: -***

i. Reports the loss in detail to the Accounting Officer.
ii. Carries out thorough investigation about the loss of stores and computes Parts II and III of Treasury Form 146.
iii. Makes recommendation to the Accounting Officer when he deems fit that the Board of Enquiry should be constituted to investigate the loss.
c. ***Accounting Officer: -***
i. Where the loss is found to be substantial, he is to carry out independent investigation and order for the constitution of Board of Enquiry.
ii. Ensures that the recommendations of the Board of Enquiry are effected to the letter.
d. ***Accountant-General of the Federation:--***
i. Ascertains that the composition of Board of Enquiry is not devoid of experienced, reliable and competent officers of proven integrity.
ii. He is to ensure that an accounts officer who is versed in public sector accounting or the internal auditor of the department is a member of the Board of Enquiry.

8.6 STOCK VALUATION METHODS
The Valuation methods in use include the following:
1. ***First-In-First-Out (FIFO): -*** Under this method, issues are priced at that of the oldest batch of stock in store until all units of it have been exhausted, after which the price of the next oldest item is used.
Characteristics
i. It is a realistic costing system.
ii. It is a good representation of effective store keeping practice whereby the oldest store items are issued first.
iii. It is acceptable by the Statement of Accounting Standard No 4 and International Accounting Standard No 2.

2. ***Last In First Out (LIFO):*** - Under this approach, issues are charged out at the price of the most recent batch received and continued to be batched until a new batch is received.
Characteristics
i. It understates the taxable profit available.
ii. Stocks are valued at the new prices.
iii. It is not acceptable by the Statement of Accounting Standard No 4 and International Accounting Standard No 2.

3. ***Average Price Method:*** - Under this method, the issues will be priced at the average of all the prices or charges received before the issue.

4. ***Weighted Average Price Method: -*** In this method, issue price will be calculated after each receipt, taking into consideration both quantities and values available.

8.7 STOCK TAKING
The Accounting Officer has to ensure the ***periodic check of store account balances***. A Stock Verifier could undertake this. However, if the services of a Stock Verifier are not available, the Accounting Officer will apply to the Federal Ministry of Finance for the appointment of a Board of Survey.
Stocktaking should be carried out at least once a year. ***A Board of Survey is required to inspect a minimum of forty per cent (40%) of stock categories, but if a serious discrepancy***

is found or suspected, a hundred per cent (100%) inspection should be made. The storekeeper should not be privy to the programme and the proposed dates for the stocktaking of items selected for verification. The items should include all categories of stock, especially those in general demand, or which are attractive in nature. The Stock Verifier appointed should vary the timing of the items.

1. **PROCEDURES FOR STOCK-TAKING**

The procedures are:
(a) Instruct the Storekeeper to update entries in the bin cards for all receipts and issues of materials up to the point of closure of the store.
(b) Make physical count of the stock of sampled items of each category.
(c) Note physical count on the survey sheet.
(d) Compare the physical stock count with the tally card balance and the stock balance as shown in the store accounts.

8.8 BOARD OF SURVEY

In Government Accounting, "survey" refers to a situation where one Officer or a group of Officers are charged with the responsibility of making the examination of something and submitting a report on it thereafter. A Board of Survey on cash and bank is made up of members appointed by the Accountant-General to ascertain the balances to be surrendered by each Ministry or Extra-Ministerial Department at the end of each financial year. Surprise Boards of Survey may emerge on cash imprests and account.

1. **Classes of Boards of Survey:**

Boards of Survey can be classified into:
(i) Survey of cash and bank balance
(ii) Survey of stamps balance
(iii) Survey of stores, plant, buildings and equipment.

2. **Composition of the Board of Survey**

A Board shall consist of ***three Officers***, including the President and not less than two members. The President of each Board should hold a post in grade level 08 or higher. Other members of the Board should not be below Grade Level 06. Where it is not possible, one member of the Board may be appointed, but reasons for this have to be clearly stated on the Survey Report.

3. **Procedural Activities for the Conduct of Surveys**

Each Board should take the following procedures:
(a) Check the cash and stamp register by casting the entries for the last month of the year and comparing the balance at hand with one disclosed by the record
(b) Ensure that for a bank account, a certificate of bank balance is obtained and reconciled with the one shown in the cash book.
(c) Ensure that all currency notes and coins (if any) are counted and denominated.
(d) Certify the cash and bank balance on both the original and duplicate copies of the cash book.
(e) Bring any surplus disclosed to account in the cash book as a credit to Revenue Head. Any shortage must be made good. A serious shortage should be reported to the Accountant-General.

(f) On completion of the survey, a report is rendered in triplicate on treasury form 42 and the certificate signed by all members of the Board. Copies of the report are transmitted to the Auditor-General and Accountant-General.

8.9 BOARD OF ENQUIRY

A 'Board' can be defined as a group of one or more persons set up for a specific purpose. The word "enquiry" means a "question", an "investigation" as to make inquiries about something; to hold an official inquiry into something. Hence, a board of enquiry can be described as a situation in which one or more persons are constituted into a Board to conduct an investigation.

1. **CIRCUMSTANCES WHICH WARRANT SETTING UP A BOARD OF ENQUIRY**

In the Public Service, an enquiry may be set up to investigate the circumstances leading to an abnormality such as a loss of fund or stores. In considering whether a Board of Enquiry should be held, evaluation is always given to the following points:
(a) If fraud could have taken place.
(b) If the loss is significant.
(c) If the fraud or loss has taken place through a syndicate.
(d) If the responsibility of officers is not well spelt out.
(e) If the loss took place systematically, over time.

2. **WHEN IS A BOARD OF ENQUIRY NOT NECESSARY?**

A Board of Enquiry may not be necessary in the following circumstance:
(i) If the loss involves small amount of money.
(ii) If it is peculiar and `one-of' item.
(iii) If the officer responsible can be located and identified.

3. **TERMS OF REFERENCE:**

Whenever a Board of Enquiry is set up, the Agency which constitutes it should stipulate the relevant terms on which the Board is to draw searchlight. This act is referred to as drawing "Terms of Reference", copies of which are to be made available to the Permanent Secretary of the Ministry concerned or the Head of the Extra Ministerial Department as the case may be; the Accountant-General, Federal Ministry of Finance, Secretary Federal Civil Service Commission and the Auditor-General for the Federation.

4. **THE CONVENER OF THE BOARD OF ENQUIRY**

Whenever a loss of fund occurs, the ***Head of the Division***, where the officer concerned is serving will:
(a) Transmit brief information of the case to his Permanent Secretary or Head of Extra-Ministerial Department.
(b) Carry out an investigation into the whole incident at the earliest possible moment and complete Parts II and III of Treasury Form 146, forwarding one copy to each of the following officers:
(i) The Permanent Secretary of his Ministry.
(ii) The Accountant-General of the Federation.
(iii) The Auditor-General for the Federation, and
(iv) The Secretary, Federal Civil Service Commission

(c) Evaluate whether or not a Board of Enquiry is necessary. If so, he will request the Secretary, of the Permanent Board of Survey and Enquiry based in the Federal Ministry of Finance, to convene a Board.

5. **COMPOSITION OF THE BOARD:**

The Board of Enquiry shall be made up of two or more members. From experience, three members may constitute the Board. The President shall not be less than a grade level 08 Officer. Other members should not be lower than level 06 Officers. Where there is only one person elected to serve as a 'Board' the facts of this case have to be furnished in his report.

6. **PROCEDURE OF BOARD OF ENQUIRY:**

The Board may meet at its earliest convenient time. Where the Police personnel are involved, the final recommendations of the Board will take into consideration the outcome of court proceedings or Police investigation.

Although it is difficult for the Board to examine any person against whom a criminal charge is outstanding. It is imperative for the Accountant-General of the Federation apprised with the information relating to the loss, urgently, so that any weakness in the accounting system may be plugged. Ideally, evidence admitted by the Board, should be recorded verbatim. Where impracticable, the evidence is summarized by the Board in such a way as to effectively communicate the facts of the case.

7. **CONTENTS OF THE BOARD'S REPORT**

The contents of the Enquiry shall include the following:

(a) A statement on the exact amount of loss sustained or involved.

(b) Expression of idea as to whether or not the accounting system was faulty. Suggestions as to any remedy which may be instituted in the peculiar circumstance.

(c) Recommendations for improving the physical security measures, to remove current inadequacy.

(d) Recommendations for the evaluation of the extent of negligence of the Officers who are responsible for the loss.

8. **REMISSION OF COPIES OF THE BOARD'S REPORTS**

The President of the Board of Enquiry is responsible for transmitting five copies of proceedings and reports. Where practicable copies of supporting documents such as, Police reports and Court proceedings have to be forwarded to each of the following:

(a) The Permanent Secretary of the Ministry or Head of Extra-Ministerial Department;

(b) The Accountant-General of the Federation;

(c) The Secretary, Federal Public Service Commission; and

(d) The Auditor-General for the Federation.

9. **ACTION TAKEN ON THE BOARD OF ENQUIRY'S REPORT**

On the receipt of the Board's report, the Permanent Secretary or Head of Extra-Ministerial Department concerned will collate all information and urgently submit his comments to the following persons:

(a) The Accountant-General of the Federation.

(b) The Secretary, Federal Public Service Commission, and

(c) The Auditor-General for the Federation.

His comments have to include the pinning down of responsibility for the loss and the amount, if any, to be surcharged.

8.10 USE OF SHORTFALLS AND EXCESSES ACCOUNT OR PRICE ADJUSTMENT ACCOUNT.

(a) To accommodate the differences between the total costs and the fixed prices of issues
(b) To accommodate the value of stores found surplus.
(c) To accommodate the value of minor discrepancies of stores and of goods short-landed or damaged when written-off.
(d) To accommodate the value of unserviceable stores written-off the store ledger.
(e) To accommodate increase or decrease in the valuation of stocks on a change of fixed price.

Post-Test

1. List functions of storekeeper.
2. Outline the role of storekeeper, head of department, accounting officer and Auditor-General of Federation on loss of stores.
3. Distinguish between board of survey and board of enquiry.

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LECTURE 9
BUDGETING IN THE PUBLIC SECTOR

9.0 INTRODUCTION

The word budget originated from the French word "Bougette" meaning a little bag (Perrin, 1958). In Britain, the word budget was used to describe the leather bag containing the statement of government needs and its sources which the Chancellor of the Exchequer carried to the parliament. Later on, budget came to mean the document contained in the bag which were plans for government finances submitted for legislative approval (Buchhead, 1956). In Nigeria, budget is a well-known phenomenon among the rule and the ruled. It is a major means of contact between the executive and the legislative while paddling the affairs of the nation. Thus, this lecture will cover the meaning, objectives, types and preparation of budgets as well as budgetary control.

Objectives

At the end of this lecture students should be able to:

i. Understand the concept of budget and budgeting
ii. State the objectives of budgeting
iii. Discuss budgeting process (Budget Cycle) and budgetary control
iv. Discuss the types of budget systems
v. Prepare Cash budget, Personnel and overhead cost budget, Capital expenditure budget and income and expenditure budget.

Pre-Test

3. Differentiate between budget and budgeting.
4. List the types of budget systems you know.

CONTENT

9.1 **Definitions of Budget and Budgeting**

Budget is an authorized financial plan of the anticipated revenue and expenditure of a Government. Before the document is approved and hence authorized for implementation, it is referred to as estimates. It is a document that is developed for the financial operations of a Nation.

Budgeting is the process of putting together the financial information that will enable an organization or a Nation to plan and execute its set goals and objectives. It is the process of putting together the financial demands of Government Institutions.

9.2 **Objectives of Budgeting**

Budgeting has the following objectives:

i. It is to assist policy makers to develop ***policies*** that will help the Nation to achieve its main objectives.
ii. The process is aimed at ***estimating the total income*** of Government to support its expenditure plans and developments.
iii. It is to give ***authority*** to future spending
iv It is to provide a mechanism to ***control*** the Nation's revenue and expenditure.
iv. It aims at setting standards to enable ***performance*** to be monitored and evaluated.
vi. It serves as ***motivating device*** for both government employees and the departmental managers.
vii. It helps to ***coordinate*** the separate sub-systems of a Nation to enable them work together towards the achievement of set objectives.

9.3 **Uses of Budgets**

Budgets are used for the following purposes:

(i) **Planning**

Budgets are used to plan. Planning involves setting goals and formulating strategies on how to attain the set goals. Budgets are plans to which monetary values are assigned, of what are to be achieved in a determinable future time, for example, a year.

(ii) **Communication**

Budgets assist in communicating horizontally and vertically. When budgets are being prepared, individuals, groups, communities and associations will inform Government about their areas of interests. This is 'upward communication.' When the budget is approved, Government reads it to the members of the public and publishes it in the newspapers. This is 'communicating downwards'.

(iii) **Motivation**

A budget is a target to be achieved. Government motivates the staff through promotions and improved conditions of service, for assisting in the full and successful implementation of the budget.

(iv) **Standard for Measurement of Performance**

Since a budget is a target, it is a measure of performance. What is achieved is recorded and compared with the target of performance set. The process of implementation draws management attention to problematic areas.

(v) **Evaluation of Economic and Social Policy**

Budgets are used to solve the social problems of inflation and unemployment.

(vi) **Cost Reduction Technique**

Budget monitoring and evaluation may lead to cost reduction. Evaluation of operations and procedures may result in cost savings.

9.4 **Factors affecting Budgeting System in the Public Sector**

The key factors which militate against efficient and effective budget implementation in the public sector are as follows:

(i) **Human Element**

Top management members see budgeting as restraining and challenging. They tend to develop a lot of apathy towards its adoption and implementation. The lack of probity and accountability of some operatives affect successful budgeting.

(ii) **Uncertainties Underlying Data Inputs**

There is a lot of uncertainties in the data used for the budget preparation. The projections in revenue accruing from oil may not be forthcoming in view of the vagaries in the world market. Lack of efficient data base also hamstrings reliable forecasts.

(iii) **The Type of Project for which Budget is Prepared**

How successful a budget will be depends on the type of project to which it relates. Some projects are popular while others are not. Those which are not popular may face stiff implementation problems.

(iv) **The Problem of Inflation**

Inflation tends to reduce the purchasing power of money. When the value of money is falling, budget implementation may run into problems. The revenue available will not be able to cover the expenditure.

(v) **Social Political and Cultural Elements.**

Each segment of the Nation has its own cultural beliefs and taboos which may take time to change. Introducing innovation may be met with stiff opposition. For example, a section of the Country may not be willing to provide land for development purposes. Secondly, where there is political instability, budget implementation is at risk.

(vi) **Changing Government Policies.**

To implement a budget, a lot depends on the policy of Government. For effective budget implementation, Government policies have to be harmonized and consistent. Frequent changes of government policies affect budget implementation.

(vii) **The Problem of Debt Management and Optimal Use of Limited Resources**.

There is the challenge of striking a balance between what parts of the Nation's resources should be used for servicing debts and the amount that should be utilized for economic development.

(viii) **Fiscal Indiscipline.**

Most spending Officers are budget maximizers. Under the incremental budgeting system, they tend to expend the last Naira available in a year's budget in order to justify the demand for increased allocation in the subsequent year, with little or nothing to show under the current dispensation

(ix) **External Factors.**

Uncertainties in the economy of other countries of the world, even developed Nations, affects Nigeria either directly or indirectly. For instance, fluctuations and nose diving of crude oil prices in the world market had an adverse effect on foreign income and thus would affect budget estimate implementation.

9.5 Government Budgeting Process (Budget Cycle)

The budget cycle is the period which begins with the initiation of the preparation of the budget for any new financial year, through the authorization of estimates into budgets for spending, the processes of spending such amounts authorized, and the final accountability of such spending to parliament as confirmed by the audit of the financial reports revealing the spending. However, government budgeting process or budget cycle can be divided into four major stages:

i. **Budget Preparation or Formulation Stage** – This is the first stage of government budgeting process. At the federal government level, Minister of Finance will issue Budget Call Circular to all ministries, departments and agencies (MDAs) to instruct them on how their budget should be prepared and submitted to the budget office. Budget preparation involves estimating the amount of fund that will be available for spending during the next fiscal year. Then, the government sectors that the fund will be allocated to will be determined. This is followed by ascertaining the projects and programmes to be funded within each government sector. Preferences of the stakeholders will be taken into consideration when allocating fund to projects and programmes. Projects and programmes that can be financed through alternative sources will also be examined and excluded from the budget. After preparation, the budget will be submitted to budget office for scrutiny. The budget office will then consolidate all the budget estimates of various MDAs as the draft budget.

ii. **Approval Stage** – The draft budget will be presented to the president for approval. The approved draft budget called appropriation bill and other supporting documents will be presented to the national assembly for approval. When the appropriation bill is approved by the national assembly, it becomes appropriation act. Then, the president will sign the appropriation bill into appropriation act if he has no objection to the appropriation bill as passed by the national assembly. But if the president has objections, the appropriation bill will be represented to the national assembly with detailed explanation on the objections.

iii. **Implementation Stage** – This is the stage at which the revenues due to the government are collected and the fund approved in the budget is spent to carry out the government plans as authourized in the appropriation act. In order for fund to be released from CRF Account and reach the MDAs, expenditure warrants from minister of finance and expenditure mandate from the Accountant General of the Federation are essential.

iv. **Monitoring and Evaluation Stage** – Budget monitoring is concerned with periodic review project and programme implementation in order to assess its delivery and identify the problem areas in order to take remedial actions. It involves financial physical and input-output analysis monitoring. It should be ensured that the fund released for execution of projects and programmes is expended as planned (Financial monitoring). There should be critical examination of activities such as purchases and constructions arising from government spending (Physical monitoring). Efficiency and effectiveness of the projects or programmes should be determined by checking whether the level of output is commensurate with the quantity of input consumed (input-output analysis monitoring). Budget evaluation is concerned with the assessment of the worthiness of the project or programme in the light of the objectives of the government. It provides feedback on the progress of the project or programme and aids in proffering solutions to identified implementation challenges.

9.6 **Budgetary Control**

Budgetary control is a process which is undertaken to enable budgets and targets set to be continuously examined for review or adjustment, depending on performance attained so far. It is used as a means of making managers and Heads of Departments be accountable for their actions and non-performance. Budgets are prepared for departments and units under the control of responsible officials or managers, and they are compared periodically with the achievements made in the form of actual expenditure. Any deviations or variances which may be either positive or negative are determined and necessary remedial actions.

However budgetary control in the public sector covers the following areas:

(a) Revenue Control

This concerns the procedures set up to ensure the collection of revenue of Government through properly identified sources, the adequate monitoring of such collections and ensuring that they are accounted for.

(b) Fund Control

It is the procedure adopted to ensure that the Nation's fund is properly kept and used in the right way, with the issues of probity and accountability in mind. Fund control of a Government starts from the Legislature. In the British system, this role of the Legislature earned it the name "Controller of the Purse". Parliament has to authorise the use of money from the Fund by examining and approving the Appropriation Bill into Appropriation Act.

(c) Expenditure Control

This is the control system which ensures that all the spending done is as approved. This is also known as Vote Control and is exercised by the Accountant General of the Federation.

(d) **Cost Control**

This is the control measure to ensure that the total cost of any activity to an organization is within the right valuation. The control measure involves an awareness by every organization or personnel to ensure that items are procured which will give the highest benefit from the spending, and the acquisition of items or services through proper negotiation and bargaining to ensure cost reduction.

(e) Cash Control

This system is the availability of cash resources for any item of good or service that the organization wishes to acquire. It therefore ensures that spending plans for a period are made by a department based on approved vouchers. Cash forecast is expected here so as to avoid any overspending request that will lead to deficit.

(e) **Payment/Disbursement Control**

This relates to pre-spending checks to ensure that money to be spent has been approved on properly authourized activities. Disbursement control brings about pre-audit checks to ensure that, for instance, authorisation has been given for the presented vouchers, the supplier of the activity has been properly identified, and the quantity of items has been well identified and agreed on. It also ensures that the right amount has been identified, subject to any discounts, and other terms of payment, and the necessary documentation has been provided or attached to the main request.

(f) **Salary/Payroll Control**

This is concerned with the control of the rewarding systems in the organization to ensure that good remuneration is paid to the right employees to prevent fraud.

9.7 Types of Budget System

1. Traditional or Incremental Budgeting

By this system of budgeting, the budget for any year is prepared by making adjustments in the form of either increases or decreases in the preceding year's budget figures. This system of budgeting develops the revenue and expenditure by their nature or type.

Advantages

i) The budget system is simple to prepare.
ii) It is a means of expenditure control.
iii) It ensures that money is used for assigned purposes.
iv) It ensures the protection of the finances of an organization.
v) Changes can be made in the "line items" easily.
vi) It is also easy to make detailed comparisons between budgeted and actual revenue and expenditure.

Disadvantages

i) The budget is concerned more with conforming to legal requirements rather than proper planning and development.
ii) It stresses on the importance to spend exactly the amount budgeted for a type of expenditure, without being concerned about the achievement.
iii) It encourages inefficient spending habits by public officers.
iv) Expenditure items are not scrutinized in detail.
v) Items of expenditure are often not easily taken out of the budget, resulting in wrong allocation of resources.

2. Performance Budgeting

The Government of the United States spear head in budgetary reforms when the traditional budget was not satisfactory. The Hoover Commission recommended performance budgeting

technique in 1949. This led to the passing of the National Security Act Amendment of 1949 and the Budgeting and Accounting Procedures Act of 1950.
This budgeting system stresses on the functions and projects which are undertaken, as against the traditional budget which stresses on inputs, or expenditure items such as materials, wages and stationeries. The functions and projects refer to the output of the expenditure. Hence, it was budget known as Output Budget. For this system of budgeting, attention is on the general character and relative importance of the work to be done. Attention is centred on the function or activity, and on the accomplishment of the purpose. Requirements are submitted for budget preparation through programme classification, indicating the past activities of the organization, their costs, the activities to be undertaken during the next year, results expected and the pattern of responsibilities assignment.

Advantages

i) This budgeting system gives sufficient information since it includes a narrative description of each project, and the services provided by, the organization.
ii) Inputs and outputs are both shown and measured,
iii) It is a monitoring device, since the results of each activity are noted and measured.
iv) Emphasis is on the activities of the organization, as well as on controlling costs.

Disadvantages

The technique was used with little success, even in the United States where it originated. The weaknesses are as follows:
i) There is difficulty regarding the classification of programmes and the provision of cost data in respect of many activities.
ii) The process of allocation of cost estimates over the activity or programme elements is difficult.
iii) Personnel for project costing and analysis are difficult to obtain in the public sector.
iv) Most public sector activities are not easily measurable in output terms.
v) The technique fails to stress on long-run objectives of government, just as the traditional budget.

3. Zero-Based Budgeting (ZBB)

This budgeting technique stresses that every item of expenditure to be budgeted for should be scrutinized and justified for such item to be funded in the budget. The technique expects that organizations should justify the need that they should continue to exist. The budget, by implication, tries to discourage wasteful expenditure, and is aimed at ensuring that useless projects are not undertaken.
Organizations and personnel are encouraged to do better analysis of their activities of the past and ensure that only relevant ones are to be budgeted for. This type of budgeting follows three main procedures:
i. First, various ***decision units*** are identified, which involve clearly defined and measurable objectives of the organization or units of the organization. Identified managers or leaders responsible for such objectives and the effects or impacts thereof are also clearly noted.
ii. Second, ***decision packages*** are developed or determined, which refers to the means of achieving the decision units stated above, in the form of the services to be performed, and the relevant costs or the finance for such services.
iii. Third, the decision packages are reviewed and then ***ranked in order of priority.*** Those decision packages that can be applied very efficiently to the relevant decision units are then selected by the authorities or managers responsible for the achievement of the objectives or

programmes. The arrangement of the packages in the order of priority can often be subjective.

Advantages

i) Items of expenditures are reviewed and justified before they are accepted.

ii) It is a mark of financial discipline which is imposed on the organization.

iii) The process involves all the personnel in the units, departments or organization which is commendable, since it enables every person to feel as being part of decision making.

Disadvantages

i) The technique requires a lot of time and resources to identify.

ii) The decision units cannot be developed easily because objectives and output of public organizations are not easy to identify and measure clearly.

iii) The decision packages or programmes cannot be ranked easily in order of priority; such actions are very subjective. For an instance, certain costly activities may be preferred for political reasons.

4. Planning Programming Budgeting System (PPBS)

The main features of this budgeting technique are identified in the three main words in the concept:

(a) Planning

This involves the development of long range objectives and goals of the public sector institutions. Such goals and objectives are at times prioritized for the purposes of their achievement.

(b) Programming

Programmes are developed to achieve the objectives or goals as identified under the planning. Alternative programmes are identified here and compared.

(c) Budgeting

This involves placing money values on the programmes, putting together the costs of the programmes and the relevant benefits that will be derived. Subsequently a full system is developed and implemented from an integrated set of selected efficient programmes and this is followed by constant monitoring and reviews.

Advantages

i. It stresses more on the future, since planning involves projecting.

ii. It enables budget authorities to evaluate programmes to determine their efficiency and effectiveness.

iii. It encourages constant review of programmes.

Disadvantages

i. The long range planning process is often difficult since going deep into the future is very subjective.

ii. Planning cannot be done well since most of the goals or objectives in the public sector system cannot be physically identified and measured easily.

iii. The process requires a lot of resources like time, money and personnel who can do good analyses financially and technically.

iv. There is also the problem that most public sector output issues cannot be quantified and measured. Consequently, performance cannot be measured easily through such budgeting system.

9.8 Medium Term Expenditure Framework (MTEF)

MTEF is a high level strategic plan of the government, spanning three years in Nigeria and which forms the basis of annual budgeting. It takes into consideration the law requirement that spending should not exceed revenue by more than 3% of GDP. It shifts the psychology of budgeting from "needs" to an "availability of resources".

Objectives

i. To improve macroeconomic balance, including fiscal discipline through good estimates of the available resource envelope, which are then used to make budgets that fit squarely within the envelope.

ii. To improve inter- and intra- sectoral resource allocation by effectively prioritizing all expenditures and dedicating resources only to the most important ones.

iii. To increase greater budget predictability as a result of commitment to more credible sectoral budget ceilings.

iv. To increase greater political accountability for expenditure outcomes through legitimate decision making.

v. To make public expenditures more efficient and effective, essentially by allowing ministries greater flexibility in managing their budgets in the context of hard budget constraints and agreed upon policies and programs.

Content of MTEF

MTEF contains the following segments for the next three financial years:

1. A Macro-Economic Framework,
2. A Fiscal Strategy Paper,
3. An Expenditure and Revenue Framework,
4. A Consolidated Debt Statement and
5. A Statement on Contingent Liabilities

Challenges/Risks to MTEF

i. Global Development- Fragile Economic Recovery and the Emergence of New Political Risks

ii. Persistence of Oil Price Decline- Low oil prices expected to remain in the medium term

iii. Oil Production and Oil Sector Management- Oil production bedeviled by crude oil theft and oil pipeline vandalism

iv. Non- Oil Revenue Risks- Due to low remittance by Government's Owned Enterprises into Treasury due to lack of Transparency e. g Operating Surplus

9.9 Practice Exercises

1. Cash Budget

Sunshine State has the reputation of surpassing its Estimated Revenue since its inception. The State is fairly populated with several construction works in progress within and outside the state capital hence, the need for the Accountant General of the State to maintain a reasonable financial liquidity during any year. The following income and expenditure are available during the first quarter of the year:

Revenue

	Actual Revenue in the Month (N)
November 2016	1,800,000
December 2016	1,850,000
January 2017	1,370,000
February 2017	1,950,000
March 2017	2,000,000

Expenditure

	January	February	March
	N	N	N
Personnel cost	450,000	450,000	460,000
Grants and subvention	300,000	305,000	305,000
Rent	180,000	180,000	180,000
Other charges	150,000	180,000	200,000
Capital expenditure	750,000	850,000	950,000

Additional information:
From past records, an average of 60% of revenue due is collected during the month, 25% in the following month and the balance in the second month after. Of the amount due on Grants and Subventions, it was the Council's policy to delay payment for one month. Council's bank account has a credit balance of ₦500,000 at the beginning of the year.
You are **required** to prepare a cash budget of the state for the 1st quarter of 2017. (Show all workings in details)

2. Personnel and Overhead Cost Budget
The Ministry of Establishment of Caliphate State provided the following information about its budgeted and actual overhead and personnel costs in respect of year 2017.

Sub Head	Description	Provision 2017 Nm	Actual 2017 Nm
01	Personnel costs	1,650	1,530
02	Travel and Transport	240	290
03	Utility services	180	160
04	Telephone services	110	140
05	Stationery	510	480
06	Office furniture and maintenance	350	290
07	Maintenance of motor vehicle	470	490
08	Maintenance of capital assets	1,110	940
09	Subvention and grants	990	990
10	Staff training and development	130	110
11	Miscellaneous expenses	770	740
12	Contribution to foreign bodies	430	420

The following information are also relevant:
i) an inflation factor of 10% on overhead cost is recognized in the computation of 2017 budget.
ii) Increase in activities in 2017 will attract 15% of overhead cost.
iii) 10% of total salaries for 2016 is required to meet the additional personnel cost in 2017. The personnel cost of year 2016 include N380,000,000 spent on staff salaries.
iv) The staff allowance will be 30% of year 2017 staff salaries.
You are **required** to prepare 2017 personnel and overhead cost budget on incremental system basis (Show workings)

3. Income and Expenditure Budget

Peak Local Government is inhabited by 3.5 million citizens. The council is expected to generate from various sources and incur expenditure on approved expenditure projects. The following details are provided for in 2014 fiscal year:

- Taxable adult in the Local Government is 1 million. The rate of tax is ₦2,300 per taxable adult.
- There are 2,500 industries expected to pay tenement rates of ₦100,000 per annum per industry.
- There are 200,000 residential buildings expected to pay tenement rates of ₦5,000 per annum per house.
- The modern markets within the local government will generate ₦600 per annum per stall and ₦5,000 per seller and hawker operating in the market.
- The 300 mass transit buses of the local government generate ₦250,000 per day. There are 28 days in a month.
- The council expects the following additional revenue in the year:

Statutory allocation - ₦500,000,000
Miscellaneous - ₦100,000,000
The following expenditure will be incurred:

	N'000
LG Council	10,000
Miscellaneous	5,000
Education	700,000
Health	40,000

- Personnel cost will be:

1. 200 senior staff. An average of ₦300,000 per annum is to be paid to each.
2. 1,200 junior staff. An average of ₦200,000 per annum is to be paid to each

- Culvert/drains construction:

1. 2,000 culverts at ₦750,000 per culvert
2. 10,000km drains to be cleared at ₦500,000 per km

- Mass transit buses to be procured will cost ₦21,000,000,000

1. The council is always faced with acute inadequate budget provision in the year
2. There are 2,000 market stalls and 200,000 hawkers

Additional Note: Budget items are coded as follow:
Revenue 10
Revenue expenditure 20
Capital expenditure 40
You are **required** to: Prepare the Income and Expenditure budget for the fiscal year of 2017 (Show your workings)

Post-Tests

1. Differentiate between budget and budgeting. Outline the objectives of budgeting in the public sector.
2. List and explain 5 uses of budget in the public sector.
3. List and explain 10 factors affecting budgeting in the public sector.
4. What is budget cycle? Explain the stages of budget cycle in relation to the federal government of Nigeria.

5. What is budgetary control? List and explain various budgetary controls in the public sector.
6. In a tabular form, differentiate between incremental budgeting, ZBB and PPBS.

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LECTURE 10
PENSION AND GRATUITY

10.0 INTRODUCTION

After working for a specified period or attainment of a particular age, an employee will go on retirement. However, to compensate him or her for contribution made to the growth of his former organization he will be paid gratuity as a lump sum to settle down for private life and subsequently will be receiving monthly pension. Nevertheless, pension issue has witnessed some development which will be covered in the course of this lecture.

Objectives

At the end of this lecture students should be able to:

•Explain the concepts of pension and gratuity;
• List the conditions for granting retirement benefits;
• Discuss the Provisions of Pensions Act, 1979 (as updated) and Pension Reform Act of 2014 as amended;
• Identify major pension regulatory bodies and their respective functions
• Compute retirement benefits from relevant information

Pre-Test

5. Differentiate between pension and gratuity.
6. What is the retirement age and maximum length of service of public officials in Nigeria?

CONTENT

10.1 **DEFINITION OF TERMS**

(a) **Pension:** It is a monthly payment made to a retired officer who has served for a statutory period. Pension is payable for a minimum period of five years or till death.
(b) **Gratuity:** It is a lump sum of money paid once to a retired officer who has served for a minimum of 5 years in service.
(c) **Pensionable Emoluments:** It is the gross salary (basic salary and allowances) attached to a retiring officer's substantive rank as at the time of his retirement.
(e) **Withdrawal of service:** This is the cessation of service after an officer has served for a minimum of 5 years, but below 10 years. This condition qualifies him for gratuity only.
(e) **Retirement:** It is the cessation of service after an officer has served for a minimum of 10 years, qualifying the person for gratuity and pension.
(f) **Qualifying Service:** Means service after an officer has served for a period of not less than the minimum qualifying years, which is 5 years for gratuity and 10 years for gratuity and pension. Qualifying service determines the qualification or otherwise of the person for pension and gratuity.
(g) **Next of Kin:** Means those persons whose names were furnished by the deceased officer on his record of service kept in the Records Office of the Establishment or furnished by him to the Ministry, in writing, at any time before his death.
(h) **Public Service:** Means any service or employment under the Government of the Federation in a civil position, recognized as such by the Establishment. It shall include employment declared as Approved Service, by the Pension Act (as amended).

10.2 **PROVISIONS OF THE PENSIONS ACT, NO.102 OF 1979**

Conditions for Granting Retirement Benefits

The conditions for granting retirement benefits include the following:

(a) On voluntary retirement, after a qualifying service of 10 years.

(b) On compulsory retirement for the purpose of facilitating improvement in the Department or Ministry.

(c) On compulsory retirement upon attaining the retiring age of 60 years or 35 years in service, whichever comes earlier.

(d) On total or permanent disablement while in service.

(e) In Public Interest.

(f) On Abolition of office, e.g. for the reasons of re-organization and redundancy.

10.3 STATUTORY AGE OF RETIREMENT

All officers shall retire on reaching the age of 60 years or having served for 35 years in service, whichever comes earlier. But an officer may be retired at anytime on reaching the minimum age of 50 years, subject to 3 months' notice in writing or 3 months' salary in lieu of notice being paid.

10.4 NOTICE OF WITHDRAWAL OR RETIREMENT

Officers who have served for less than ten (10) years give one month's notice or pay a month's salary in lieu of notice. Those who have put in ten (10) or more years service give three months' notice or pay three (3) months' salaries in lieu of notice.

10.5 QUALIFYING SERVICE FOR PENSION AND GRATUITY

(a) For gratuity, the officer must serve for minimum of five (5) years but not up to ten (10) years.

(b) For gratuity and pension, the officer must serve for at least ten (10) years. Pension is payable when the retiring officer reaches the age of 50 years, with the exception of ill-health or compulsory retirement of officer in the public interest, when pension becomes payable immediately without the officer reaching the age of 50 years.

(c) 'War Services' are in connection with the internal security, maintenance of law and order, between 27 May, 1967 and 15 January, 1970, and other services as may be declared by the President of Nigeria.

10.6 THE ARMED FORCES ACT NO. 103 OF 1979

Under the Armed Forces Act No. 103 of 1979 quoted above, the considerations are:

(a) Each completed year of war service shall count as two years.

(b) Period of war service exceeding 4 months but below 6 months is counted as 6 months.

(c) Period of war service below 4 months is counted as 6 months.

(d) Period of war service exceeding 6 months is counted as 1 year.

A period of service (other than war service) for a period over 6 months would be approximated to one year, provided the officer has served the qualifying service in the first instance.

10.7 Death Gratuity

Where an officer dies while in active service, a death gratuity based on the following rates will be paid to his legal representative or survivor:

5 years: 100% final pay.

6 years: 108% of final pay.

7 years: 116% of final pay.

8 years: 124% of final pay.

9 years: 132% of final pay.

10 years and above: Death gratuity is based on the rates as per the Pension and Gratuity Table.

10.8 MINIMUM AND MAXIMUM PENSION

The minimum pension payable is 8,000.00 per annum, while the maximum is 80% of final pay.

10.9 **DEATH GRATUITY IN COURSE OF SERVICE**

(1) Where an Officer is Killed

(a) Where an officer, e g a pilot, is killed in the course of carrying out his official duty, the following entitlements shall be paid to his next of kin or designated survivors:

(i) Gratuity to which the officer would have been entitled to at the date of his death.

(ii) A pension for life to his widow if the officer leaves any, provided the widow remains unmarried and of good character. However, the pension should not be more than 1/3rd of the deceased officer's accrued pension at the date of his death.

OR

(b) In addition to 'i' above, if the deceased leaves a number of children below 18 years, pension of not more than the deceased officer's one month pay shall be paid to each child until they attain 18 years of age.

(c) If the deceased officer leaves only one child below 18 years a pension not more than 2/3rd of the deceased officer's accrued pension shall be paid to the child until he reaches 18 years of age.

(d) If the deceased officer leaves a child or children and a widow to whom a pension is granted under 'i' above, subsequently dies, a pension in respect of each child as from the date of the death of the widow until such child attains the age of 18 years, of 1/6th of the accrued pension of the deceased officer.

(2) **Limitations**

(a) The pension shall not be paid to more than 6 children.

(b) A pension granted to a female child ceases when she marries or attains 18 years, whichever comes first.

(c) Where the deceased officer leaves more than one widow, the Minister may grant pension to one or more of such widows. However, the pension to be shared among the widows shall not be more than the one to be granted to a sole widow.

10.10 **DEFINITION OF A CHILD**

The Pension Act, 1979 (as amended) defines a child as:

(a) Posthumous child.

(b) A child born out of wedlock, but whose paternity has been accepted.

(c) A step child or a child adopted in a manner recognised by a law before the death of the deceased officer.

10.11 TRANSFER OF SERVICE

Where an officer moves from one Government service to the other, e.g. from the Federal to the State Service, such officer may transfer the years he has served from the old to the new employer.

However, the following conditions must be compiled with, viz:

(a) The transfer must be effected within two (2) years.

(b) The normal procedure for recruitment to such appointment has to be followed, e.g by advertisement and interview.

10.12 MERGER OF SERVICE

This is applicable to all military organizations and the conditions are the same with those of transfer of service.

10.13 MINIMUM YEARS FOR COLLECTING PENSION

All officers who qualify for pension will enjoy it for a minimum period of five (5) years. That is, where an officer dies within five (5) years after retirement, his next of kin will be entitled to the same pension till the end of five (5) years, from the date of his retirement.

10.14 NON-PENSIONABLE SERVICE

(a) Where an officer joins service before the age of 15 years, all the years he served before reaching 15 years of age shall not be recognized for computation of his pension or gratuity.

(b) Where an Officer was absent from duty, or was on leave without pay, except prior permission has been received from the Minister, such period will be regarded as non-pensionable.

10.15 Pension and Gratuity Table

Year in Service	**Up to 31/5/92**		**WEF 1/6/92**	
	Gratuity (%)	**Pension (%)**	**Gratuity (%)**	**Pension (%)**
5	-		100	
6	-		108	
7	-		116	
8	-		124	
9	-		132	
10	100		100	30
11	110		108	32
12	120		116	34
13	130		124	36
14	140		132	38
15	100	30	140	40
16	110	32	148	42
17	120	34	156	44
18	130	36	164	46
19	140	38	172	48
20	150	40	180	50
21	160	42	188	52
22	170	44	196	54
23	180	46	204	56
24	190	48	212	58
25	200	50	220	60
26	210	52	228	62

27	220	54	236	64
28	230	56	234	66
29	240	58	252	68
30	250	60	260	70
31	260	62	268	72
32	270	64	276	74
33	280	66	284	76
34	290	68	292	78
35	300	70	300	80

10.16 Illustration

Tunde Smart joined the Ministry of Works at the age 12 years as Works attendant on 1st January 1981. He eventually rose to the post of Director of Works before he retired after 35 year in service on 31st December, 2015. However, he was on leave without pay for 7 years, between 1996 and 2002, to acquire university degree certificates. He retired on a basic salary of N6m per annum and his total allowance on retirement is N3m per annum. **Required**: Compute his gratuity on retirement and his monthly pension.

10.17 PENSION REFORM ACT 2014

By virtue of the Act both the Public and Private Sectors Pension Schemes are now contributory. The employers and employees are expected to contribute a minimum of 18% in aggregate towards the retirement of the employee. The rate is subject to review as may be agreed between the employer and employee.

10.18 OBJECTIVES OF THE NEW PENSION REFORM ACT, 2014

(a) To provide a sustainable and well managed pension to employees both in the public & private sectors.
(b) To ensure that all and sundry in the working class save in order to make provision for life after retirement.
(c) To ensure that all and sundry is entitled to and receive terminal benefits as and when due.
(d) To ensure that all regulations and guidelines available for administration and payment of retirement benefits are applicable to both public and private sector officers.
(e) To sustain a worthwhile standard of living of all employees after retirement.
(f) To ensure that a pension contributions are fully protected till maturity before the retirement of the contributor.
(g) To improve pension management structures in Nigeria
(h) To create job opportunities.

10.19 S 5(1) EXEMPTION FROM NEW PENSION REFORM ACT 2014

The categories of persons exempted from the Contributory Pension Scheme are:
(a) The categories of persons mentioned in Section 291 of the Constitution of the Federal Republic of Nigeria 1999 (as amended) including the members of Armed Forces, the intelligence and Secret Services of the Federation.
(b) An employee who is entitled to retirement benefits under any Pension Scheme existing before 25th day of the 25th day of June 2004 and has 3 or less years to retire.
(c) Fully Funded Pension Scheme

10.20 NATIONAL PENSION COMMISSION

(1) Objectives

The objectives of establishing the National Pension Commission are:
(a) To ensure that every person who works in the public service of the
Federation, FCT and private sector receives his retirement benefits as and when due.
(b) To assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.
(b) To establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the public service of the Federation, Federal Capital Territory and the private sector.

(2) Powers of the Commission
According to the Act, the Commission shall have power to
(a) Formulate, direct and oversee the overall policy on pension matters in Nigeria,
(b) Fix the terms and conditions of service, including remuneration of the employees of the commission,
(c) Request or call for information from any employer or pension administrator or custodian or any other person or institution on matters relating to retirement benefit,
(d) Charge and collect such fees, levies or penalties, as may be specified by the Commission,
(e) Establish and acquire offices and other premises for the use of the Commission in such locations as it may deem necessary for the proper performance of its functions,
(f) Establish standards, rules and regulations for the management of the pension funds,
(g) Investigate any Pension Fund Administrator, custodian or other party involved in the management of pension funds,
(h) Impose administrative sanctions or fines on erring employers or Pension Fund Administrators or Custodians,
(i) Order the transfer of management or custody of all pension funds or assets being managed by a pension fund administrator or held by a custodian whose licence has been revoked or subject to insolvency proceedings to another pension fund administrator or custodian,
(j) Do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Commission.

(3) Functions of the Commission
The functions of the Pension Commission as stated in S.20 of the Act are:
(a) To regulate and supervise the scheme established under this Act.

(b) To issue guidelines for the investment of pension funds.

(c) To approve, license, regulate and supervise Pension Fund Administrators, Custodians and other institutions relating to pension matters as the Commission may from time to time determine.

(d) To establish standards, rules and guidelines for the management of the pension funds under this Act.

(e) To ensure the maintenance of a National Data Bank on all pension matters.

(f) To carry out public awareness and education on the establishment and management of the scheme.

(g) To promote capacity building and institutional strengthening of pension fund administrators and custodians.
h) To receive and investigate complaints of impropriety levelled against any pension fund administrator, custodian or employer or any of their staff or agent.

(i) To perform such other duties which, in the opinion of the commission, are necessary or expedient for the discharge of its functions under the Act.

(4) Composition of National Pension Commission

The Commission comprises:

(a) A part-time Chairman in possession of a University Degree or its equivalent and 20 years experience.

(b) A Director-General who shall be the Chief Executive Officer of the Commission and in possession of appropriate professional skills with not less than twenty years cognate experience.

(c) Four (4) full time Commissioners, who shall each possess professional skills and not less than 20 years cognate experience in Finance, Investment, Accounting, Pension Management, Business Administration or Actuarial Science.

Representatives of:

(d) Head of the Civil Service of the Federation.

(e) The Federal Ministry of Finance.

(f) The Nigeria Union of Pensioners.

(g)The Nigeria Employers' Consultative Association.

(h) The Central Bank of Nigeria.

(i) The Nigerian Labour Congress.

(j) The Securities and Exchange Commission.

10.21 THE RATES OF DEDUCTIONS

The contribution for any employee to which this Act applies shall be made in the following rates relating to his monthly emoluments:

(a) a minimum of 10 percent by the employer.

(b) a minimum of 8 percent by the employee.

These deductions should be made from the workers' salaries at source, while Government's contributions shall be a first charge on the Consolidated Revenue Fund of the Federation. In addition to the rates specified above, employers shall maintain life insurance policies in favour of the employees for a minimum of three times the annual total emoluments of the individuals.

No employee will be allowed to withdraw or have access to his contributions until he clocks 50 years of age.

10.22 WITHDRAWAL FROM RETIREMENT SAVINGS ACCOUNT

The conditions which govern withdrawal from the scheme are as follows:

(a) Withdrawal is not allowed until the attainment of 50 years of age.

(b) An officer retired and is less than 50 years, on the advice of suitably qualified physician or properly constituted Medical Board, certifying that the employee is no longer mentally and physically capable of carrying out the function of his office, may withdraw; OR If the officer is retired due to his total or permanent disability either of mind or body.

(c) Where the employee retires before the age of 50 years in accordance with the terms and conditions of his employment he shall be entitled to make withdrawals.

10.23 AGE OF CONTRIBUTOR

The authentic age of an employee entering the public service or any other employment shall be that submitted by him on entering the service or taking up the employment.

10.24 PAYMENT OF RETIREMENT BENEFITS

A holder of retirement savings account upon retirement or attaining the age of 50 years, whichever is later, shall utilize the balance standing to the credit of his retirement saving account for the following benefits:

(a) Programmed monthly or quarterly withdrawals calculated on the basis of an expected life span.

(b) Annuity for life purchased from a life insurance company licensed by the National Insurance Commission with monthly or quarterly payments.

(c) A lump sum from the balance standing to the credit of his retirement savings account, provided that the amount left after that lump sum withdrawal shall be sufficient to procure an annuity of fund programmed withdrawals that will produce an amount not less than 50 per cent of his annual remuneration as at the date of his retirement.

(d) Where an employee retires before the age of 50 years, the employee may request for withdrawal of lump sum of money of not more than 25% per cent of the amount standing to the credit of the retirement savings account, provided that such withdrawals shall only be made after six months of such retirement and the retired employee does not secure another employment.

10.25 DEATH OF EMPLOYEE

Where an employee dies:

(a) The entitlement under the life insurance policy maintained shall be paid to his retirement savings account.

(b) The pension fund administrator shall add the amount paid from life insurance policy in favour of the beneficiary under a will or the spouse and children of the deceased or the absence of wife and child, to the recorded next of kin or any person designated, by him during his life time or in the absence of such designation, to any person appointed by the Probate Registry as the administrator of the estate of the deceased, in line with the payment of retirement benefit.

10.26 WHERE AN EMPLOYEE IS MISSING

Where an employee is missing and is not found within a period of one year from the date he was declared missing, and a Board of Inquiry set up by the Commission concludes that it is reasonable to presume that he has died, normal payment of pension proceeding should be followed.

That is to say that the employee's entitlements under the life assurance policy maintained shall be paid to his retirement savings account.

10.27 EXEMPTION FROM TAX

Any amount payable as a retirement benefit under this Act shall not be taxable. Any voluntary contribution shall be subject to tax at the point of withdrawal where the withdrawal is made before the end of 5 years from the date the voluntary contribution was made. Any contribution under the scheme shall form part of tax deductible expenses in the computation of tax payable by an employee or employer under the relevant income tax law.

10.28 CONTRIBUTION UNDER THE SCHEME
Every employee shall maintain an account referred to as retirement savings account, in his name, with any Pension Fund Administrator of his choice.
The employee may, not more than once in a year, transfer the retirement savings account maintained from one pension administrator to another without adducing any reason for such transfer.

10.29 EXEMPTION FROM THE SCHEME
Any employee who at the commencement of the Pension Reform Act 2004 is entitled to retirement benefits under any pension scheme existing before the commencement of this Act but has three (3) or less years to retire shall be exempted from the scheme.

10.30 TRANSFER FROM ONE EMPLOYMENT TO THE OTHER
Where an employee transfers his service on employment from one employer or organisation to another, the same retirement savings account shall continue to be maintained by him.

10.31 PENSION FUND ADMINISTRATION
Pension funds shall be managed by only Pension Fund Administrators licensed by the Commission.
The Pension Fund Administrators shall carry out the following functions, viz;
(a) Open retirement savings accounts for all employees with personal identity numbers (PIN) attached.

(b) Invest and manage pension funds and assets.

(c) Maintain books of accounts on all transactions.

(d) Provide regular information on investment strategy, market returns and other performance indicators to the Commission and employees or beneficiaries of the retirement savings accounts.

(e) Provide customers' service support to employees, including access to employees' account balances and statements on demand.

(f) Process the calculations and payments of retirement benefits.
(g) Carry out other functions as National Pension Funds Commission may assign from time to time.

10.32 PENSION ASSET CUSTODIANS
Section 46 of Pension Reforms Act of 2004 states that Pension Asset Custodian must be a licensed financial institution set up to hold pension fund assets on trust with a minimum net worth of N5 billion.
The pension asset custodians shall carry out the following functions:
(a) Receive the total contributions remitted by employers on behalf of the pension fund administrators.
(b) Notify the pension fund administrators within 24 hours of the receipt of contribution from any employer.
(c) Hold pension funds and assets in safe custody on trust for the employees and beneficiaries of the retirement savings account.
(d) Settle transactions and undertake activities related to pension fund investments, including the collection of dividends and related activities.

(e) Provide data and information on investment to the Pension Fund Administration and the Commission.

10.33 FAILURE TO OPEN RETIREMENT SAVINGS ACCOUNT

Where an employee fails to open such retirement savings account within a period of six months after assumption of duty, his employer shall subject to guidelines issued by the commission, request a Pension Fund Administrator to open a nominal retirement savings account for each employee for the remittance of his pension contributions S11(5).

10.34 FAILURE TO DEDUCT OR REMIT CONTRIBUTIONS

An employer who fails to deduct or remit the contributions within the time stipulated in subsection (3) (b) of this section shall, in addition to making the remittance already due be liable to a penalty to be stipulated by the Commission. S11(6) which shall not be less than 2 percent of the total contribution that remains unpaid for each month or part of each month as long as the default continues and the amount of the penalty shall be recoverable as a debt owed to the employee's savings account as the case may be.

10.35 INVESTMENT OF PENSION FUNDS

All contributions are to be invested by the PFA with the objectives of safety and maintenance of fair returns. Pension funds and assets shall be invested in any of the following:-

(a) Bonds, Bills and other Federal Government and CBN Securities

(b) Ordinary Shares of Public Liability Companies (PLC)

(c) Bank Deposits and Bank Securities

(d) Real Estate Investment.

Post-Test

4. List functions of storekeeper.
5. Outline the role of storekeeper, head of department, accounting officer and Auditor-General of Federation on loss of stores.
6. Distinguish between the functions of pension fund administrators and pension fund custodians.

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LECTURE 11
ETHICS IN PUBLIC SECTOR ACCOUNTING

10.0 INTRODUCTION

Public sector accountants are in fiduciary relationship with the citizens. They should not betray the confidence the public have in them. Therefore, the study of ethics in accounting is a necessity in order to produce accountants that are not only professionally competent but are also morally upright. Consequently, professional and government regulations should be well appraised by accountants for effective discharge of their duties.

Objectives

At the end of this lecture students should be able to:

a. Appreciate professional codes of ethics for accountants.
b. State the respective Acts that established the various ethical bodies for Government Accounting in Nigeria.
c. State the Composition of the Bodies.
d. Enumerate the powers and functions of the Bodies.

Pre-Test

7. What is Ethics?
8. List some bodies responsible for ethical considerations in public sector accounting in Nigeria.

CONTENT

11.1 **Ethics in Accounting**

Ethics is a branch of Philosophy that deals with the concepts of what is right and what is wrong. It focuses on the concept of morality. A public sector accountant is expected to comply with code of ethics of his professional body. ICAN has code of conduct that sets minimum behavior expected of its members. It includes integrity, objectivity, independence, competence and professional behavior. International Federation of Accountancy Bodies (IFAC) also has professional code of ethics that all members of professional bodies that is in turn a member of IFAC should adhere to. In fact, ICAN code of conduct can be said to be derived from the IFAC code of ethics.

11.2 Ethical bodies for Public Sector Accounting in Nigeria

Various Acts of parliaments have established some bodies to promote ethical discipline in Public Sector Accounting in Nigeria. Such bodies include:

1. EFCC
2. ICPC
3. Fiscal Responsibility Commission
4. Bureau of public procurement
5. Code of conduct bureau
6. Financial reporting council
7. SEC
8. Security exchange and investment tribunal
9. Public complaint commission

11,3 **The Securities And Exchange Commission (SEC) ACT 2007**

The body, Security and Exchange Commission (SEC) was established under the Securities and Exchange Act no. 29 of 2007. It came into existence upon the Investments and Securities Act, 1999, as the apex regulatory organ for the Nigerian Capital Market. The Commission is a body corporate with perpetual succession and a common seal. It may sue and be sued, in its corporate name.

They are to regulate the market for the protection of investors, maintenance of fair, efficient and transparent market, reduction of risks in the system and related issues.

Composition of the Board of the Commission

The Commission has a Board which is made up of:

(a) A part-time Chairman;

(b) the Director-General and Chief executives as Accounting officer;

(c) three full time Commissioners;

(d) A representative of the Federal Ministry of Finance

(e) A representative of the Central Bank of Nigeria; and

(f) Two part-time Commissioners, one of whom shall be a legal practitioner qualified to practice in Nigeria with ten years post call experience.

A person shall not be qualified for appointment to the Board of the Commission unless he is fit and proper person and

(a) in the case of the Chairman or Director-General of the Commission, he has a university degree or its equivalent with not less than 15 years cognate experience in capital market operations;

(b) in the case of any other member apart from an ex-officio member, he should be a holder of a university degree or its equivalent, with not less than 12 years cognate experience in capital market operations or legal practice as the case may be; and

(c) in the case of an ex-officio member, he is not below the rank of a director in the Ministry or Central Bank of Nigeria, as the case may be.

Duties of the Board

(a) Formulate general policies for the regulation and development of the capital market and the achievement and exercise of the functions of the Commission;

(b) approve the audited and management accounts of the Commission as may be presented to it by the management;

(c) appoint Auditors for the Commission;

(d) consider and approve the annual budget of the Commission as may be presented to it by the management;

(e) establish zonal offices of the Commission; and

(f) carry out such other activities as are necessary and expedient for the purposes of achieving the objectives of the Commission.

Appointment and Tenure of office of the Board members

(a) The Director-General and the three full time Commissioners are appointed by the President, upon the recommendation of the Minister and confirmation by the Senate.

(b) The Director-General holds office for a period of 5 years in the first instance and appointable for a further period of five years.

(c) The three full time Commissioners hold office in the first instance for a period of four years and are reappointable for a further term of four years.

(d) The Chairman and part-time Commissioners (apart-from the ex-officio

Commissioners) each holds office for a term of four years and no more.
(e) Notwithstanding the provisions of the subsections 14.9.5 (a) and (b) of this section, the President may extend the tenure of office of the Director-General and any of the Commissioners whose term of office has expired until a successor to such Director-General or Commissioner is appointed.
The Director-General and the full time Commissioners shall devote their full time to the service of the Commission. While holding office they shall not hold any other office or employment, except where appointed by virtue of their office in the Commission into the membership of the Board of any agency of the government in Nigeria or any international organization to which the Commission is a member or an affiliate.
The Director-General or, in his absence, one of the Commissioners nominated by the Director-General is responsible for the day-to-day management and administration of the Commission and is answerable to the Board of the Commission.

Disqualification and cessation of appointment
(a) A member of the Board shall cease to hold office if he
(i) is of unsound mind ;
(ii) becomes bankrupt or makes a compromise with creditors;
(iii) is convicted of a felony or any offence involving dishonesty;
(iv) is guilty of serious misconduct in relation to his duties; or
(v) is a person who has a professional qualification, and is disqualified or suspended (other than at his own request) from practising his profession in any part of Nigeria by the order of any competent authority made in respect of him personally.
(b) The President has the power at any time and upon the recommendation of the Minister to remove a person to whom subsection (a) of this section applies, provided no full time member of the Board of the Commission is removed from office without the approval of the Senate.

Functions and Powers of the Commission
The Commission is the apex regulatory organisation for the Nigerian capital market carries out the functions and exercises all the powers prescribed in this Act and, in particular
(a) regulates investments and securities business in Nigeria;
(b) registers and regulates securities exchanges, capital trade points, futures, options and derivatives exchanges, commodity exchanges and any other recognised investment exchange;
(c) regulates all offers of securities by public companies and entities;
(d) registers securities of public companies;
(e) renders assistance as may be deemed necessary to promoters and investors wishing to establish securities exchanges and capital trade points;
(f) prepares adequate guidelines and organises training programmes. It disseminates information necessary for the establishment of securities exchanges and capital trade points;
(g) registers and regulates corporate and individual capital market operators as defined in the Act;
(h) registers and regulates the workings of venture capital funds and collective investments schemes in whatever form;
(i) facilitates the establishment of a nationwide system for securities trading in the Nigerian capital market so as to protect investors and maintain fair and orderly markets;
(j) facilitates the linking of all markets in securities with information and communication technology facilities;

(k) acts in the public interest, having regard to the protection of investors and the maintenance of fair and orderly markets. To this end it establishes a nationwide trust scheme to compensate investors whose losses are not covered under the investors protection funds administered by securities exchanges and capital trade points;
(l) keeps and maintains a register of foreign portfolio investments;
(m) registers and regulates securities depository companies, clearing and settlement companies, custodians of assets and securities, credit rating agencies and such other agencies and intermediaries;
(n) protects the integrity of the securities market against all forms of abuses including insider dealing;
(o) promotes and registers self-regulatory organisations including securities exchanges, capital trade points and capital market trade associations to which it may delegate its powers;
(p) reviews, approves and regulates mergers, acquisitions, takeovers and all forms of business combinations and affected transactions of all companies as defined in the Act;
(q) authorises and regulates cross-border securities transactions;
(r) calls for information from and inspects, conducts, inquiries and audit of securities exchanges, capital market operators, collective investment schemes and all other regulated entities;
(s) promotes investors‟ education and the training of all categories of
intermediaries in the securities industry;
(t) calls for, or furnish to any person, such information as may be considered necessary by it for the efficient discharge of its functions;
(u) levies fees, penalties and administrative costs of proceedings or other charges on any person in relation to investments and securities business in Nigeria in accordance with the provisions of this Act (v) intervenes in the management and control of capital market operators which it considers has failed, is failing or in crisis including entering into the premises and doing whatsoever the Commission deems necessary for the protection of investors;
(w) enters and seals up the premises of persons illegally carrying on capital market operations;
(x) in furtherance of its role of protecting the integrity of the securities market, seeks judicial order to freeze the assets (including bank accounts) of any person whose assets were derived from the violation of the Act, or any securities law or regulation in Nigeria or other jurisdictions;
(y) relates effectively with domestic and foreign regulators and supervisors of other
financial institutions including entering into co-operative agreement on matters of common interest;
(z) conducts research into all or any aspect of the securities industry.

11. 4 **The Security Exchange And Investments Tribunal Act 1999**
A Tribunal is a group of people who are appointed to give judgements, on particular issues. It is a court of justice or arbitration appointed to adjudicate in certain matters.
The Investment and Securities Tribunal was created under Act no.45 of 1999, as a specialized body. The factors which informed the creation of the body include the following:
(a) By their nature capital market disputes are very technical, requiring of specialized handling. The Tribunal, for example, adjudicates in the disputes between quoted companies and regulators (Securities Exchanges). Normal Courts are ill-equipped to handle capital market issues.

(b) Subjecting capital market cases to normal court procedures may take a lot of time. The delay caused may compound losses in capital market issues such as share values.
(c) Cost of litigation and access to Courts may be unaffordable.
(d) Tribunals undertake "pre-trial‟ hearings which tend to narrow down areas of dispute.

Membership/Appointment/Quorum/Tenure/Removal from Offfice:
The membership of Investments and Securities Tribunal is made up of nine (9) persons who are referred to as "capital market assessors". They are people who are versed in the laws, regulations, norms, practices and procedures of the capital market.
The Chairman of the Tribunal is a legal practitioner of at least fifteen (15) years, versed in capital market issues. The appointment into and removal from the Tribunal is by the Minister of Finance. To give legitimacy and legal backing to the Tribunals deliberations and meetings there must be quorum of five (5) persons present. The tenure of the appointees is five (5) years, from commencement or upon attainment of seventy (70) years of age.

11.5 **Money Laundering Prohibition Act 2011**
"Money Laundering" is defined as exchanging money or assets that were obtained criminally for money or assets which are clean. The clean money or assets do not have an obvious link with any criminal activities. Money laundering also includes money which is used to fund terrorism, regardless of how it is obtained.

Prevention of Money Laundering
1. **Limitation of the amount of cash payment**

Except in a transaction through a financial institution, no person shall make or accept cash payment of a sum greater than:-
(a) N500,000 or its equivalent, in the case of an individual;
(b) N2million or its equivalent, in the case of a body corporate
2. Obligation to report international transfers of funds and securities
(a) A transfer to or from a foreign country of funds or securities of a sum greater than US $10,000 or its equivalent should be reported to the Central Bank of Nigeria (in this Act referred to as "the Central Bank")
(b) A report made under „a‟ above should include an indication of the nature and amount of the transfer, and the names and addresses of the sender and receiver of the funds or securities.

Regulation of over-the-counter exchange transactions
(a) A person whose usual business is the carrying out of „over-the-counter‟ exchange transactions should:-
(i) before starting his business, submit to the Central Bank a declaration of his activity;
(ii) prior to any business transaction involving a sum greater than US $100,000 or its equivalent with a customer identifies the customer by requiring him to present an authentic document bearing his photograph;
(iii) record all transactions under his section in chronological order, indicating each customer's surnames, forenames and addresses in a register numbered and initialed by an officer authorized by the Central Bank for that purpose;
(b) A register kept as prescribed shall be reserved for a period of at least ten years after the last transaction recorded in the register.

Mandatory disclosure by financial institutions

(1) Notwithstanding anything to the contrary in any other enactment, a financial institution or casino shall disclose and report to NDLEA in writing, within seven days, any single transaction, lodgement or transfer of funds in excess of:-

(a) N500,000 or its equivalent, in the case of an individual; and

(b) N2 million or its equivalent, in the case of a body corporate

(2) A person, other than a financial institution or casino, may voluntarily give information on any transaction, lodgement or transfer of funds in excess of amount already specified.

(3) The Agency shall acknowledge receipt of any disclosure, report of information received under this section and may collect such additional information as it may deem necessary.

(4) The acknowledgment of receipt shall be sent to the financial institution within the time allowed for the transaction to be carried out and it may be accompanied by a stop notice deferring the transaction for a period not exceeding 72 hours.

(5) If the acknowledgment of receipt is not accompanied by a stop notice, or if, when the stop notice expires, the order specified in subsection (6) of this section to block the transaction has not reached the financial institution, the financial institution may carry out the transaction.

(6) When it is not possible to determine the origin of the funds within the period of stoppage of the transaction, the Federal High Court may, at the request of the Agency, order that the funds, accounts or securities referred to in the report be blocked.

(7) An order made by the Federal High Court under subsection (6) of this section shall be enforceable forthwith.

Money Laundering offences

(1) A person who:-

(a) converts or transfers resources or property derived directly or indirectly from illicit traffic in narcotic drugs or psychotropic substances, with the aim of either concealing or disguising the illicit origin of the resources or property, or aiding any person involved in the illicit traffic of narcotic drugs or psychotropic substances to evade the legal consequences of his action; or

(b) collaborates in concealing or disguising the genuine nature, origin, location, disposition, movement or ownership of the resources, property or rights thereto derived directly or indirectly from illicit traffic in narcotic drugs or psychotropic substances, is guilty of an offence under this section and liable on conviction to imprisonment for a term of not less than fifteen years or more than 25 years.

(2) A person shall be guilty of an offence under subsection (1) of this section and be subject to the penalty specified in that subsection notwithstanding that the various acts constituting the offence were committed in different countries.

11.6 Public Complaints Commission

The Public Complaints Commission (Nigeria's Ombudsman) was established by the Federal Government of Nigeria, by virtue of Decree No 31 of 1975 which was amended by decree No. 21 of 1979. The Decree became part of the 1979 Constitution of Nigeria and is now Cap. P37 LFN 2004.

Appointment, Tenure of Office, etc of Chief Commission and Commissioners .The Commission may establish such number of branches of its offices in the country as may be approved by the National Assembly. A Chief Commissioner (for the Head Office at Abuja) and other Commissions (for the States) are appointed by the National Assembly, for three (3) years in the first instance. They are eligible for re- appointment for a second term of three (3) years, after which they vacate offices.

A commissioner may be removed by the National Assembly at any time. While in office, a commissioner is not expected to hold any other remunerated office, whether in the public or private sector.

Commission's Mandate

The mandate of the commission includes the following:

(a) To investigate and conduct research in Ministries and Departments, private companies and on officials of these Bodies.

(b) To investigate administrative procedures of any court of law in Nigeria

(c) To report crimes in the course or after investigation.

(d) To report any erring officer for disciplinary action.

(e) To interpret policies of Government and advise her and companies.

(f) To make public reports after investigation.

(g) To have access to all information.

(h) To make recommendations.

Post-Test

7. What is Ethics? A public sector accountant is expected to comply with code of ethics of his professional body which includes integrity, objectivity, independence, competence and professional behavior. Discus?
8. (a) State the composition of the Code of Conduct Bureau and **six** powers of the Bureau.

(b) Outline the punishment which can be imposed by the Code of Conduct Tribunal, where a public officer is found guilty of contravention of any of the provisions of the Code of Conduct.

3. What is an Ombudsman? Outline its mandates in Nigeria.

4. What is money laundering? Outline the regulation of over-the-counter exchange transaction in Nigeria.

5. List 10 functions of security and exchange commission (SEC) in Nigeria.

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LECTURE 12
PUBLIC SECTOR AUDIT

12.0 Introduction

Public sector is the foremost driver of the economy of any country, with the amount of resources – human and material – committed. The enormity of inputs – money, men and materials – calls for auditing, in the quest for stewardship rendering to the taxpayers. At the apex of the verification process is the Auditor – General for the Federation of Nigeria who, under section 85 of the 1999 Constitution is to ensure that the Executive arm of Government is carrying out its avowed duties with probity, efficiency, effectiveness and accountability. At the State Level, section 125 of the Constitution caters for the appointment of Auditors – General who replicate the symbol and the role of their Federal counterpart. However, at the local government level, Auditor – General for Local Government appointed by the state governor handles the external audit function at that level.

Objectives

a. Understand the nature of audit procedures in public sector organizations.
b. Appreciate and understand the technicalities of value-for-Money Audit.
c. Understand how to conduct the audit of government companies and parastatals.

Pre Test

1. What is audit?
2. Who audits the accounts of each of the three tiers of government in Nigeria?

Content

12.1 **Audit of the accounts of Federal, State and Local Governments**

The Auditor-General for the Federation works within Ninety days of receipts of the Accountant – General's financial statements and submits his report to each House of the National Assembly. Section 85(4) of the 1999 Constitution empowers the Auditor – General to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly."

At the State level, under section 125(5) of the constitution, the Auditor-General has the same number of days to report on the Accountant General"s financial statements and annual accounts to the House of assembly for the appropriate committee for public accounts to consider. Section 125(4) of the 1999 Constitution stipulates that the state Auditor-General has power to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by a law of the House of Assembly of the State".

There is the appointment of Auditor-General for Local Governments in each State of the Federation whose role, duties and responsibilities are the same as for the Auditor- General for the Federation and the state, as discussed above.

12.2 Audit of the accounts of corporations, boards and government companies.

The organizations, under their enabling laws, have the right to appoint statutory (external) auditors under the guidance of the State or Federal Auditor-General. The latter also influences the scale of fees payable to the external auditors and has the right to appraise the audited accounts and comment on them. The role of the internal auditor is that of a watchdog of the agency's resources since he is in the establishment all the time. He monitors the effectiveness or otherwise of the existing internal control procedures. The internal auditor performs also „helper role‟ by drawing the attention of management to areas of deficiencies which call for remedy. The statutory (external) auditor is an independent analyst who is described as a coroner because his work is at the end of a year is a post-mortem exercise.

12.3 Types of Audits in the Public Sector

1. Financial Audit

Financial audit is one in which is carried out so as to ensure that the financial and accounting controls are efficient and that payments are effected only for goods and services of the right quantity and quality ordered and delivered. The technique measures the extent to which the financial statements generated are in consonance with the underlying records, and reflect a true and fair picture during the period under review.

2. Regulatory Audit

This is „Compliance Audit? It poses questions as, "is the expenditure duly authorised, In accordance with the financial regulations?" "Is there sufficient fund under the head and sub-head of the budgeted expenditure?"

The documents which the compliance auditor may require for conducting his assignment includes the 1999 Nigerian Constitution, Civil service rules, treasury circulars, financial regulations and appropriation Acts.

3. Value – for – Money Audit

Value-for-money is known by British classification as performance audit. Some authorities refer to it as audit of economy, efficiency and effectiveness" The audit is carried out to determine whether or not a public sector organization is acquiring or managing its resources which include money, men and materials, economically (cheaply, but not at the expense of quality), efficiently (of the right specification for maximum output) and effectively (for the achievement of the set goals). The evaluation of value-for- money‟ is a procedural audit of the efforts made by management to get the best service or quality product for each naira outlay of the taxpayer‟s money. Bulk purchasing of goods, for example, from producers rather than retailers appears a way of getting value for money in terms of reduced prices and quality acquisition. The drive of this technique is to eliminate or drastically reduce waste, extravagance and fraud.

Value-for-money is the idea which seeks maximum benefit from the disposal of scarce resources in the pursuit of public well being. It ensures that programmes and activities are carried out at the least possible cost, but with maximum advantage accruing. In pursuit of these goals, there are three, forerunners, to be achieved. These are economy, „efficiency and effectiveness, briefly discussed as follows:

a. **Economy**

This addresses how economically management acquires resources in the needed quantity and quality at the lowest possible costs.

b. **Efficiency**

There are two ways at looking at „efficiency‟. The first application is that a given or required level of production is achieved at the minimum outlay of inputs on resources. The second outlook is that maximum qualitative output is obtained with the least expenditure of resources.

c. **Effectiveness**

The concept of effectiveness ensures that the production from a given activity achieves the desired goals set out.
There is interrelationship between the three concepts, discussed above. They are the tripod on which "value-for-money" pursuit rests. „Economy" addresses the issue of thrift and cost management. "Efficiency focuses on "doing a thing well" at the least possible cost. An operation is efficiently conducted if reduced costs are used to obtain a given quantity of output on a specified level of cost has obtained increased output. Effectiveness is finding the right thing to do and doing it well. There is no effectiveness in diligently producing bicycles if the market demand is for motor cars.

12.4 Basic Elements of the Auditor's Report

The financial statements will be submitted to the Auditor-General of the Federation who will audit and write an audit report on the financial statements. The Auditor's report includes the following basic elements, ordinarily in the following layout:
a) Title;
b) Addressee;
c) *Opening or introductory paragraph* which must identify the financial statements audited and a statement of the responsibility of the entity's management and the responsibility of the auditor;
d) *Scope paragraph (describing the nature of an audit)*, making reference to the International Standards of Auditing (ISAs) or relevant national standards or practices. Also, a description of the work the auditor performed
e) *Opinion paragraph containing* making reference to the financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework when the framework used is not International Accounting Standards); and an expression of opinion on the financial statements;
f) Date of the report;
g) Auditor's address; and
h) Auditor's signature.

Post Tests

1. Explain the concept of Value-for-Money Audit in the public sector.
2. Outline the basic elements of auditor's report.
3. Distinguish between financial audit and regulatory audit.

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