NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

PUBLIC SECTOR ACCOUNTING

FOR

ACCOUNTING TECHNICIANS SCHEME OF WEST AFRICA

(ATSWA)

STUDY PACK
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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NOTE:  This is a work in progress.  All topics in the syllabus are covered but editing for necessary corrections is in progress.
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NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

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NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
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PAPER 6  PUBLIC SECTOR ACCOUNTING

AIM:
To examine candidates’ knowledge and understanding of

• Government Accounting (at the three-tier levels: Federal, State and Local Governments); and
• the nature and required skills for the generation and presentation of accounting information for stewardship of Government.

OBJECTIVES:
On completion of this programme of study, candidates will be able to:
(a) Discuss the role of accounting information and data, especially in Government;
(b) Appreciate the uses of government accounting information;
(c) Identify sources of government revenues and the disbursement procedures;
(d) Identify the accounting concepts, bases and policies of Government;
(e) Collect, process and transmit financial data on the approved formats; and
(f) Manage Government funds economically, efficiently and effectively in accordance with the Constitution, laws, rules and regulations.

LINKAGES
This paper is linked to papers 1, 3, 5, 9, 10 and 11.

STRUCTURE OF THE PAPER:
The paper will be a three-hour paper divided into two sections:

Section A (50 Marks): This shall consist of 50 compulsory questions made up of 30 multiple-choice questions and 20 short answer questions covering the entire syllabus.

Section B (50 Marks): Six questions, out of which, candidates are expected to answer any four, attracting 12½ marks.

CONTENTS:

1. 10%
(a) The Constitutional, legal and administrative framework of government accounting (Nigeria):
   • The Regulatory and Constitutional provisions guiding revenue collections and disbursement of Government Funds at the Federal, State and Local Government Levels.
   • The stipulations of the Finance (Control and Management) Act, 1958 as amended by CAP A15 LFN 2004)
   • The provisions of Audit Act 1956 (as amended)
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(b) The Constitutional, Legal and Administrative Framework of Government Accounting (Ghana)

- The Regulatory and Constitutional provisions guiding revenue collection and disbursement of government funds at the local and central government.
- Sources of revenue of the Central and Local Government, Tax and Non tax revenue.
- Internally Generated Funds (IGF)
- Loans and Grant
- Sources of Revenue of the local government fees and fines
- District Assembly common fund, loans and grants
- Financial Administration and Regulations

2 Government Accounting Theory and Processes: 10%

- Accounting methods, concepts, bases and principles applicable to Government accounting.
- Pronouncements and recommendations made on government accounting by the International Federation of Accountants (IFAC), International Public Sector Accounting Standards Board, United Nations Organization and Chartered Institute of Public Finance and Accountancy (CIPFA).
- The Annual Appropriation Law.
- Fiscal Responsibility Act 2007
- Public Procurement Act 2007
- The Financial Memoranda for Local Government
- Investments and Securities Act
- Public Enterprises (Privatisation & Commercialisation) Act
- The Pension Act No 102 and 103 of 1979, and Pension Reform Act No. 2 of 2004.
- The Annual Supplementary Appropriation Laws.
- Treasury Circulars.

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Thanks.

- Public Service Manuals.
- Bye-Laws of Local Government.
- Synchronization of the reporting formats of the Federal, State and Local Governments, (Central, Districts and Local Government).

3. **The Constitutional and Financial responsibilities of Principal Officers of Government:** 10%
   - Minister of Finance
   - Auditor-General for the Federation/of the Republic
   - Auditor-General for the State
   - Auditor-General of the Federation/Republic
   - Auditor-General for Local Government
   - Accountant-General of the Federation/Republic
   - Accountants-General of the State
   - Treasurer of the Local Government

4. **Managing Finance of Government:** 20%
   - Institutional Background:
     - Roles and responsibilities of the National, State and Local Government Assemblies.
     - Financial Control Institutions (Presidency; Due Process: Planning and Budget Directorate in the Ministry of Finance. Treasury Department in the Accountant-General’s office: Expenditure Control Unit in the Ministries). Roles of Various Government Committees such as Public Account Committees, Tender Board, Finance and General Purpose Committee Audit Committee, Parliamentary Audit Committee Parliamentary Finance Committee)
   - Planning and Budgeting:
     - Planning – long run, medium run or short run
     - Budgeting in Government
     - Methods of Budgeting
       - Incremental or Line-Item Budgeting
       - Rolling Plan and Budgeting
       - Zero Base Budgeting (ZBB)
       - Planning, Programming and Budgeting System (PPBS)
       - Perspective Planning
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- Preparation, Evaluation and Control of Budgets:
  - Internal control procedures over revenue collections and disbursement of funds
  - Fund Accounting
  - Sources of Government Revenues
  - Authorisation of Government Expenditure and Operation of Warrants
  - Operation of Departmental Vote Books and Authority – to – Incure Expenditure

- Expenditure Control in Government
  - Legislative Control
  - Executive Control
  - Control by the Minister of Finance
  - Treasury Control
  - Departmental Control

- Accounting Records of Government include:
  - Treasury Cash Books
  - Imprest Cash Book
  - Payment Voucher
  - Adjustment Voucher
  - Method of payment
  - E-payment, E-Receipt/Ticketing

5(a) **Ministerial Accounting System**

- Self, Limited self and non-self Accounting unit
- Preparation and Extraction of monthly transcripts/ATRRS. (Automated Transaction Recording and Reporting System)
- Preparation and posting of monthly payroll - IPPIS (Integrated Personnel & Payroll Information System)
- Extraction of Variation Control Reports.

(b) **Sub-Ministerial Accounting System**

(i) Schools Accounting System
- Domestic Account
- Boarding Account
- PTA Account System
- Foundation and Trust Account

(ii) Parastatal Accounting
- Main objective of setting up Parastatals
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- Sources of income of Parastatals
- Expenditure of Parastatals
- Audit

6. ** Stores and Stores Accounting** 10%
   - Stores classification
   - Receipt of stores
   - Payment for stores
   - Transfer of stores
   - Issuing of stores
   - Accounting Treatment of Loss of Government stores or funds
   - Procedures for Store Survey/Stock-taking

7. ** Board of Survey and Board of Enquiry** 5%
   (a) **Board of Survey**
   - Classes of Board of Survey
   - Nature of the Survey
   - Types of Board of Survey
   - Purpose of Survey
   - Composition of the Boards of Survey
   (b) **Board of Enquiry**
   - Purpose or circumstances for setting up a Board of Enquiry
   - When a Board of Enquiry is not necessary
   - Procedure of Board of Enquiry
   - What action is taken on the Board of Enquiry’s Report
   - Composition of the Board of Enquiry.

8. ** Treasury Final Accounts** 10%
   - Preparation of Statutory Financial Statements
     - Responsibility for Financial Statements (by the Accountant General)
     - Auditor General’s Certificate
     - Cash Flow Statement
     - Statement of Assets and Liabilities
     - Statement of Revenue and Expenditure

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NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

9 **Pension and Gratuity Accounting**

- Pensions
- Contributory Pension Scheme
- Fixed Term Terminal benefit scheme

10 **Ethical Considerations in Government Accounting**

- Management of Economic Crimes: Establishment of
  - Economic and Financial Crimes Commission
  - Independent Corrupt Practices and Other Related Offences Commission
  - Security Exchange and Investments Tribunal
  - Code of Conduct Bureau
  - Security Exchange and Investment Commission
  - Public Complaints Commission
  - Money Laundering Act 2007
  - Fiscal Responsibility Commission

**RECOMMENDED TEXTS:**

1) ATSWA Study Pack on Government Accounting
3) 1992 Constitution of Ghana

**OTHER REFERENCE BOOK**

1) Management and Control of public funds – G.K Scott
CHAPTER ONE

INTRODUCTION TO GOVERNMENT ACCOUNTING SYSTEMS

1.0 LEARNING OBJECTIVES

At the end of this chapter, readers would be able to:

- Define and explain terminologies in Government Accounting.
- Identify the objectives of Government Accounting.
- Understand and appreciate the users of Government Accounting.
- Distinguish between the private and public sectors.

1.1 INTRODUCTION

Government has to do with a whole Nation. It is represented by organisations that are established to use the resources of a Nation for the upliftment and the welfare of its citizens.

For the skilful administration development of a Nation, there is the need to institute financial and accounting systems in the established organisations which are responsible for finances and human resources. In the same way, such systems are to be introduced and nurtured in those organisations that will be using the finances for such National development. The systems introduced should promote transparency, data storage and retrieval, and accountability. Government organisations are different from private sector establishments. Consequently they have different features, objectives and functions, which explain their methods of information and dissemination and stewardship accounting.
1.2 DEFINITION OF TERMS

1.2.1 GOVERNMENT

Government 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 authorised to administer the laws of a Nation.

1.2.2 GOVERNMENT ACCOUNTING SYSTEM AND PROCESSES

Government Accounting refers to all the financial documents and records of public institutions that relate to the collection of tax payers’ money, and the analysis, control of expenditure, administration of trust funds, management of government stores and all the financial responsibilities and duties of the relevant organs. Government Accounting system is the way of accountability through which the established institutions of the public render stewardship on the revenue of the Nation and how it has been disbursed.

Government accounting includes the process of recording, analysing, classifying, summarising, 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 Government 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) Analysing
Analysing involves the process of separating transactions according to their distinct nature and 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) Summarising

Summarising concerns the bringing together of all the classes of accounts and preparing them into reports periodically as are statutorily or organisationally 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 organisation(s). This is to enable the necessary parties and users to take relevant decisions based on their assessments of the reports.

1.3 NATURE AND OBJECTIVES OF GOVERNMENT ACCOUNTING

The objectives of Government accounting include the following:
1.4 PURPOSE OF PUBLIC SECTOR ACCOUNTING

The purposes of Public Sector Accounting include:

1. Demonstrating the proprietary of transactions and their conformity with the law, established rules and regulations.


3. Providing useful information for the efficient control and effective management of government operations.

4. Facilitating audit exercise to be carried out.

5. Planning future operations.

6. Appraising those in the authority, in efficiency and effectiveness.

1.5 USERS OF GOVERNMENT ACCOUNTING INFORMATION
There are two groups of users of Government Accounting information. These are ‘internal’ and External’ users whose peculiarities and areas of interests are briefly discussed, as follows:

1.5.1 Internal Users and Interest Areas:

This group of users includes:

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

Members of the Executive Arm of Government such as the President, Ministers and Governors. Their interest areas are to ensure probity and accountability through score keeping and performance control which are achieved through accounting information.

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

1.5.2 External Users and Areas of Interest.

External Users include

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

The Members of the Public, to demonstrate accountability and assist the people to appreciate or otherwise the efforts of Governments.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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.

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

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.

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.

1.6 COMPARISONS BETWEEN PUBLIC AND PRIVATE SECTORS

The term “Public Sector” refers to all organisations which are created, administered and financed by Government, from the tax payers’ money, on behalf of the members of the public. Such establishments which are referred to as the “three tiers” Government Companies, Parastatals and other public agencies created by the Nation’s Constitution, Acts of Parliament and Bye-Laws.

The organisations produce public goods and services which are available to the citizens free or at very minimum charges. Public sector organisations are managed by appointed members of the citizenry.

“Private Sector” is that part of the economy where the factors of production of land, labour, capital and entrepreneurship are supplied by private individuals who are the business owners. They manage the businesses, beat the risks and earn the
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profits through the sale and production of goods and services as sole traders, business partners or shareholders in limited liability companies.

Public Sector organisations 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. Public concerns do not distinguish between capital and revenue expenditure, unlike private companies. The latter write off the values of fixed overheads and even earn profits. Public concerns do not distinguish between capital and revenue expenditure, unlike private companies. The latter write off the values of fixed assets over estimated useful lives through depreciation.

Public Sector organisations are accountable to the citizens of the Nation through their elected representatives. Private Sector concerns are answerable to their owners.

1.6.1 DIFFERENCES BETWEEN GOVERNMENT ACCOUNTING AND PRIVATE SECTOR ACCOUNTING

These may be discussed as follows:

❖ In Government Accounting, tangible and fixed assets as buildings and motor vehicles, are not shown in the Statement of Assets and liabilities. They are written off immediately in the year of purchase. Private Sector Accounting reflects fixed assets in the balance sheet, displaying the historical cost, accumulated depreciation and written down value of each.

❖ Government Accounting does not record stocks, debtors in the balance sheet (Statement of Assets and liabilities), unlike Private Sector Accounting which displays those items, and others such as “sales”, “cost of goods sold” and “carriage outward expenses” (in the trading and profit and loss accounts).
Private Sector Accounting is peculiar to commercial undertakings which have the maximisation of profit as their main objective. Government Accounting focuses on the provision of adequate welfare to the people with probity, accountability, legal and wise spending in mind.

Government Accounting adopts ‘cash basis’ of accounting, as against ‘accrual basis’ of Private Sector Accounting.

Government 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.’

Government 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’ or capital structure, such as ‘ordinary share capital’ and ‘preference share capital.’

The legal basis of Government Accounting is the Nation’s Constitution and Act of Parliament, unlike Private Sector Accounting which draws its existence and strength from Companies Acts.

Purpose of Financial Statements
9

1.7 SUMMARY AND CONCLUSION

In this chapter, government accounting was discussed as a process which involved the documentation of financial records. The process involves the recording, analysing, classifying and summarising, communicating and interpreting government’s financial transactions. Moreover, the objectives of government accounting were outlined enable .... to be undertaken.

The differences between Public and Private Sector Accounting were discussed. External and internal users and interest areas of government accounting information were highlighted.

1.8 END OF CHAPTER REVIEW QUESTIONS

1. One of the following is not a statutory regulation on the receipts and payments of government money:
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

A. The 1999 Constitution
C. Government gazettes
D. The Audit Act of 1956
E. Financial regulations.

2. Which of the following is not a public sector organisation?
   A. Federal Government.
   B. State Government.
   C. Federal Radio Corporation of Nigeria.
   D. Nigeria Bottling Company Plc.
   E. Local Government.

3. Public sector entities are not owned and financed by the:
   A. Citizens.
   B. Philanthropies.
   C. Members of the National Assembly
   D. Federal Government
   E. State Governments.

4. Which of the following is not an internal user of public sector accounting?
   A. Government employees.
   B. Revenue collectors.
   C. Trade unions.
   D. Local and foreign investors.
   E. Accounting officers.

5. Users of government accounting information are categorises into internal users and .........................
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

6. The main objective of a private enterprise is to maximise profit while that of Government is to:

   A. Decrease expenditure.
   B. Cater for the welfare of the people, at least cost.
   C. Increase Revenue.
   D. Decrease sales
   E. Increase taxation.

7. The fundamental assumptions which embody the preparation of financial statements is called………………………………..

8. The basis of accounting that records anticipated expenditure which has been finally authorized by the management is called ………………………

9. The method and principles applied by an entity to record its financial transactions are known as…………………………

10. Which of the following is not the purpose of Government Accounting?

    A. Ascertainment of the propriety of transactions.
    B. Appraising the efficiency of those in authority.
    C. Tracking down ghost workers.
    D. Planning future operations.
    E. Facilitating the carrying out of audit exercise.

    SOLUTION TO END OF CHAPTER REVIEW QUESTIONS

    1. C
    2. C
    3. B
CHAPTER TWO

CONSTITUTIONAL, AND REGULATORY FRAMEWORK OF GOVERNMENT ACCOUNTING

2.0 LEARNING OBJECTIVES

At the end of this chapter, readers should be able to:-

> Understand the Legal Framework of Government Accounting,
2.1 INTRODUCTION

Government accounting is guided by the Constitution and financial regulations of a Nation. It is concerned with the recording of the mobilisation and prudent utilisation of the finances of a country.

2.2 CONSTITUTIONAL AND LEGAL PROVISIONS

2.2.1 1999 CONSTITUTIONAL PROVISIONS

Chapter 13 of the 1992 Constitution of Ghana gives the authorisation for the generation of the country’s revenue and stipulates that the Nation’s Auditor-General shall prepare and forward his report to the National Assembly within a specified period of time.

The 1999 Constitution of the Federal Republic of Nigeria authorises the receipts and payments of Government, spells 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:

- Section 80(1) to (4): The establishment and operation of the Consolidated Revenue Fund are discussed.
- Section 81 (1) to (4): This provision treats the procedure for authorisation of expenditure from the Consolidated Revenue Fund.
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- Section 82. Where there is no Appropriation Act as yet, this section authorises the President to withdraw money from the Consolidated Revenue Fund of the Federation for six (6) months.
- Section 83. This provides for the creation of the Contingencies Fund.
- Section 84. The remuneration, etc of the President and other statutory officers are covered by this section.
- Section 85. The audit of public accounts is discussed.
- Sections 86 & 87: The sections treat the appointment and tenure of the Auditor-General.
- Sections 88 & 89: The sections give power to the National Assembly to conduct investigations and procure all evidence needed.
- Section 149: Ministers are constitutionally required to declare their assets and liabilities and oaths of allegiance.
- 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.
- Section 163: This deals with the allocation of other revenue.
- Section 164: Federal grants-in-aid of State revenue are treated herein.
- Section 313: The system of revenue allocation is dealt with under this section.

2.2.2 FINANCE (CONTROL AND MANAGEMENT) ACT OF 1958, CAP. 144, 1990

This is the major law on which the foundation of government accounting rests. It is the basic law which 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.

2.2.3 AUDIT ORDINANCE (OR ACT) OF 1956

The Act covers the appointment, tenure, remuneration and termination of the Auditor-General for the Federation. It caters for the audit of public accounts,
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including parastatals. The Act mandates the Accountant-General of the Federation to submit within seven months after the end of each financial year the accounts of the Federation, for his audit report. The Auditor-General shall within sixty days thereafter submit his report to the National Assembly.

Section of the Audit Act requires the Accountant-General to submit, as part of the annual financial statements, documents which shall include:

- Receipts and Payments Account
- A Statement of Assets and Liabilities
- Detailed Statement of Revenue and Expenditure arranged according to heads and sub-heads of activities.

2.2.4 GHANA’S FINANCIAL ADMINISTRATION ACT NO. 654 OF 2003

The Act and Financial Administration Regulation of 2004, L.I. 1802, provide the legal basis on authority while the Accounting Manual and Departmental Accounting instructions give the operational guidelines.

2.2.5 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. Appropriation Acts may direct a change in the way of operating any fund, apart from the Contingencies Fund and the Consolidated Revenue Fund.

2.2.6 FINANCIAL REGULATIONS

They are accounting and financial control documents. As a regulatory instrument, “Financial Regulations” book is the codification of guiding principles and methods. It advocates uniformity in the recording of specified positions, transactions and events. The “Financial Regulations” are a body of rules designed
2.2.7 TREASURY/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.

2.2.8 FISCAL RESPONSIBILITY ACT 2007

Under this Act, there is a Fiscal Responsibility Commission which is changed with the responsibility of ensuring the diligent pursuit of the country’s economic objectives. The Act provides for wise and legal utilisation of the resources of Nigeria. It emphasises the preparation of Medium-term Expenditure Framework, Collection of Public Revenue and Expenditure, Annual Budget and Budgetary Control, Transparency and Accountability.

2.2.9 PUBLIC PROCUREMENT ACT, 2007

Under the Act, the National Council on Public Procurement (NCPP) and the Bureau of Public Procurement (BPP) were created as organs of regulation, for oversight and monitoring of public procurement. They also have the responsibility for regulating and harmonising extant policies of government, developing the legal framework and settling public procurement standards. The Act sets standards, methods and procurement approval limits or thresholds for Bureau of Public Procurement, Accounting Officers and Tender Boards for Ministries, Agencies and Departments.

2.3 BASES OF ACCOUNTING
2.3. 1 Cash Basis

The cash basis of accounting embraces the movement of cash as the basis of recognising income and expenses. Once money is received, income is recognised, whether the goods or services have been supplied or not. On the other hand, an expense is recognised as having been made once payment is made, whether benefit has been received or not.

In other words, income is recognised as it is received in the form of cash and expenditure is recognised 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:**

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

- 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.
- In accounting for the existing resources of government, only cash and near cash items are shown on the balance sheet. No fixed assets such as buildings and vehicles are shown.
- 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.

2.3.2 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 organisation.

The concept recognises 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.
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Expenses on the other hand, are recognised when incurred rather than paid. Expenses are incurred when uses 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.

In Ghana, the Financial Administration Regulations (FAR), 2004 (L.I. 1802), Part VII, 186, states that government accounts are to be prepared generally, using the accrual basis of accounting.

2.3.3 Modified Accrual Basis

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

Revenue is recognised 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 recognised because the assets on which the tax assessments are made can be identified easily. However, revenue receipts from fines and court charges are recognised 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 recognised for most items on the normal accrual basis.

2.3.4 Modified Cash Basis

This concept, in some instances, resembles the modified accrual basis. The modified cash accounting technique is appropriated where the accounting books
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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.

2.3.5 Commitment Basis

The accounting technique recognises 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 salary is 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.

3.20 PENSION AND GRATUITY TABLE

<table>
<thead>
<tr>
<th>Years in service</th>
<th>Gratuity</th>
<th>Pension</th>
</tr>
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<tbody>
<tr>
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<td>%</td>
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<tr>
<td>5</td>
<td>100</td>
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<tr>
<td>7</td>
<td>116</td>
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</tbody>
</table>
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

8 124 -

9 132 -

10 100 30

11 108 32

" " "

" " "

35 300 80

3.21 DOCUMENTS THAT SHOULD ACCOMPANY APPLICATION FOR RETIREMENT BENEFITS

- Completed Pension form.
- Letter of first appointment.
- Certified true copy of record of service.
- Photocopy of letter of promotion to the last grade level.
- Original and photocopies of death and burial certificate.
- Debt clearance certificate.
- Sworn affidavit as to next of kin or legal representative.
- Letter of administration issued by the probate registry if he dies intestate.
- Two recent passport photograph of each next of kin or legal representative.
- Notice of disengagement from service and approval (on retirement).

3.22 CONDITIONS AND REQUIREMENTS FOR PROCESSING OF GRATUITY AND PENSION

Gratuity and pension will be granted to an officer on his retirement from the public service in any of the following circumstance.

- Voluntary retirement after qualifying service year
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

- Compulsory retirement upon attaining the age of 60 years
- Compulsory retirement for the purpose of facilitating improvement in the organization of the officer’s department or ministry so that greater efficiency or economy may be affected.
- Advise of a properly constituted medical board certifying that the officer is no longer mentally or physically capable of carrying out the functions of his office.
- Total or permanent disablement b while in the service
- Abolition of office occupied by the officer
- He is required by the civil service commission to retire on the ground that his retirement is in the public interest.

3.23 DETERMINANTS OF ENTITLEMENTS

The data required for determining entitlements are:

- Length of service
- Terminal salary and pensionable allowance
- Rates of entitlement to gratuity and pension
- Rules on deferred pension and exception thereto
- Rules on special pension e.g. incapacity or injury pension
- Eligibility of wife and children to pension.

3.24 COMPUTATION OF PENSION AND GRATUITY

(i) PENSION

\( \{(N-1)2\} \% + 30\% \)

Where N is the number of years spent

(ii) GRATUITY

Within the range of 5-9 years of qualifying service years

\( \{(N-5)8\} \% + 100\% \)
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From 10 years to 35 years of qualifying service years

\{(N-10)8\} \% + 100\%

3.25 DEATH BENEFITS

If an officer dies while still in service, his benefit will be calculated as if he has been compulsorily retired.

However, if the person dies, having served for less than 10 years, his benefit will be calculated based on the gratuity table. But where he has served below 5 years, his next-of-kin will be given 100\% of his salary.

Where the officer dies, having served 10 years and above, death gratuity is based on the rates as per attached table. In addition, a total pension a month of as per the table will be paid to his beneficiaries for a cumulative period of five years, upfront.

3.26 PENSION REFORM ACT 2004

By virtue of the Act, both the public and private sector pension schemes are now contributory. The employers and employees are expected to contribute a minimum of 7.5\% each, towards the retirement. The rate is subject to review as may be agreed between the employer and employee.

3.27 S(2) - OBJECTIVES OF THE NEW PENSION REFORM ACT, 2004

- To provide a sustainable and well managed pension to employees, both in the public and private sectors.
- To ensure that all and sundry in the ‘working class’ save in order to make provision for life after retirement.
- To ensure that all and sundry are entitled to and receive terminal benefits as and when due.
To ensure that all regulations and guidelines available for administration and payment of retirement benefits are applicable to both public and private sector officers.

- To sustain a worthwhile standard of living of all employees after retirement.
- To ensure that all pension contributions are fully protected till maturity before the retirement of the beneficiaries.
- To improve pension management structures in Nigeria.
- To create job opportunities.

3.27.1 S(8) EXEMPTION FROM NEW PENSION REFORM ACT 2004

- Employees with 3 or less years to retire.
- All Judicial Officers - S.291 of 1999 Constitution.
- Fully Fund Pension Schemes.

3.27.2 S (9) - RATES OF CONTRIBUTION

(a) Federal Government: - Public Services, Ministries, Parastatals etc. 7.5%

Employer - Minimum of 7.5% of monthly emolument

(b) Military - Employee: - Navy, Police, Army, Air Force - 2.5% of monthly emolument.

Employer - Federal Government 12.5%

3.27.3 S(II) RETIREMENT SAVINGS ACCOUNT (RSA)

(a) Every employee is to maintain an account with any PFA - Pension Fund Administration of his/her choice

(b) Every employee must notify his/her employer of his choice of PFA.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

(c) Employers are empowered to deduct at source and remit to the Pension Asset Custodian (PAC) specified by the PFA of the employee not later than 7 days.

(d) Pension Assets Custodians are to notify the PFA of the receipt of contribution so that PFA can credit employees’ accounts accordingly.

3.27.4 S3 (1) : - WITHDRAWAL FROM RETIREMENT SAVING ACCOUNTS

(a) Withdrawal is not allowed until the employee has attained the age of 50 years except on ground of ill health.

(b) If withdrawal is to be affected before the age of 50 years, it must be established that retirement is in accordance with the terms and conditions of employment.

3.27.5 RETIREMENT BENEFITS

The accumulated fund in the Retirement Savings Account shall be utilized as follows:

(a) A lump sum cash withdrawal that will not affect the purchase of Annuity for life of not less than 50% of annual remuneration at retirement.

(b) Computed monthly or quarterly withdrawals based on expected life span.

(c) Where an officer retires before the age of 50 years, he cannot withdraw more than 25% of his account balance after 6 months of retirement and not in another employment.

3.27.6 TAX EXEMPTION

❖ S7(1) States that any amount payable as a retirement benefits shall not be taxable.

❖ S7(2) - States that where additional voluntary contribution made is withdrawn before the end of 5 years tax is payable.

3.27.7 PENSION FUND COMMISSION
The Pension Fund Commission is responsible for regulation, supervision and effective administration of pension issues in Nigeria.

3.27.7.1 COMPOSITION OF THE COMMISSION

(a) A part time Chairman with university degree or its equivalent and with 20 years experience in pension matters and or insurance.

(b) Director General who shall be the CEO responsible for the day-to-day administration of the commission, he must also possess not less than 20 years experience in pension matters and or insurance or related field.

(c) Four full time commissioners with experience each in Finance Investment, Accounting, Pension Management, Actuarial Science or Business Administration.

(d) Part – time members of the Commission who shall be representatives each of:

- The Head of the Civil Service of the Federation
- The Federal Ministry of Finance
- The Nigeria Labour Congress
- The Nigeria Union of Pensioners
- The Nigeria Employers Consultative Association
- The Central Bank of Nigeria
- The Securities and Exchange Commission.

3.27.7.2 FUNCTIONS OF THE COMMISSION

(a) To supervise, regulate and coordinate the pension scheme established by the Act.

(b) To formulate and issue out guidelines for the investment of pension funds

(c) To approve, license, regulate and supervise Pension Fund Administrators

(d) To ensure the maintenance of a National Data Bank on all pension matters

(e) To carry out public awareness and education on the establishment and management of pension schemes.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
(f) To receive and investigate complaints of impropriety levelled against any pension fund administrator.

3.27.7.3 POWERS OF THE COMMISSION

(a) Power to fix the terms and condition of services including remuneration of employee of the commission.
(b) Power to oversee the overall policy on pension matters in Nigeria.
(c) Power to charge and collect any fee, levy or penalty as may be specified by the Commission.

(d) Power to make request for information from any employer or Pension Fund Administrator on retirement benefits matters.
(e) Power to impose administrative sanctions or fines on any erring employer or Pension Fund Administration.

3.28 PENSION FUND ADMINISTRATOR (PFA)

(a) A Pension Fund Administrator must possess the following:-
(b) A practicing license issued by National Pension Commission
(c) Be a Limited Liability Company set up to manage pension fund only
(d) A minimum of N150m paid-up capital
(e) Professional capacity to manage funds and administer retirement benefit.

3.28.1 FUNCTIONS OF PENSION FUND ADMINISTRATOR (PFA)

(a) Operation of retirement Savings Account with Personal Identification Number (PIN)
(b) To invest and manage pension funds as Assets through Pension fund custodian
(c) To provide relevant information as regards investment strategy, market returns and financial empowerment.
(d) Professional capacity to manage funds and administer retirement benefits.
A Pension Asset Custodian must possess the following:

(a) Issued licence to hold pension funds and assets in trust.
(b) Minimum net worth of Five Billion Naira (5Bn)
(c) A balance sheet position of N125m
(d) Execute the orders of the PFA as regards holding pension funds and assets.

3.29.1 FUNCTIONS OF PENSION ASSET CUSTODIANS (PAC)

(a) To receive contribution on behalf of the PFA.
(b) To hold pension funds and assets in safe custody
(c) To executive investment activities on behalf of the PFA
(d) To make reports to the National Pension Commission on all matters relating to its operation.

3.29.2 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.

3.3 MINISTRY OF FINANCE INCORPORATED (MOFI)
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

This is a legal entity which can sue and be sued. The department manages government investments in quoted and unquoted investments. It attends annual general meetings of companies and receives dividends on behalf of government. The body is to ensure probity and accountability in the management of government investment portfolios. The body also encourages rendering of reports and advices on the activities of the companies in which government has interests.

3.4 SUMMARY AND CONCLUSION

The chapter discussed the constitutional and legal framework of government accounting, International Public Sector Accounting standards issued, the rules, regulations and glossary of terms guiding the preparation of financial statements by public sector organisations. It discussed the various bases of accounting of ‘cash’, ‘accrual’, etc. The provisions of Pension Acts 102 and 103 of 1979, advantages and disadvantages of Financial Regulations/Accounting Manual were discussed. The Pension Reform Act of 2004 was also addressed.

3.5 END OF CHAPTER REVIEW QUESTIONS

1. The minimum statutory age require to join public service is

   A. 12 years
   B. 15 years
   C. 18 years
   D. 21 years
   E. 27 years

2. Gratuity is
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

A. A monthly payment to a retired officer who has served for a statutory period of time.

B. A lump sum paid to an officer that was dismissed.

C. A lump sum paid to a retired officer who has served for the statutory period of time.

D. A monthly payment to an officer who is sick.

E. Annual salary paid to an officer.

3. The statutory investment age of Judges in Nigeria is

A. 65 years

B. 60 years

C. 55 years

D. 70 years

E. 72 years

4. According to Section 102 of the Pension Refund Act 2004, a Pension Asset custodian is an entity

A. That keeps asset of pensioners.

B. That keeps custody of assets of a Pension Fund Administrator.

C. Licensed by the National Pension Commission to hold pension assets in safe custody.

D. That keeps custody of assets and liabilities of all pensioners.

E. That has custody of pension contribution of employer’s duty
5. Which of the following is the ratio of contribution between the Federal Government (employer) and the Armed Forces (employee) respectively?
   a. \(2\frac{1}{2}\% : 12\frac{1}{2}\%\)
   b. \(7\frac{1}{2}\% : 7\frac{1}{2}\%\)
   c. \(15\% : 0\%\)
   d. \(0\% : 15\%\)
   e. \(12\frac{1}{2}\% : 2\frac{1}{2}\%\)

6. In accordance with the Pension Reform act 2004, pension funds are to be managed by .................. licensed by the Pension Fund Commission.

7. The minimum paid up share capital required by the Pension Fund Commission for licensing of potential Pension Fund administrator is ..............

8. Government contribution to pension fund of her workers in charged to ................

9. Any service or employment under the government of the federation in a civil position (Federal, State or local government) recognised by the Ministry of Establishment is called ..............

10. The account opened by the Pension Fund Administrator into which shall be credited all aggregate contributions by the employer and employee is called .................

11. What are accounting and financial control devices called in government?

12. A legal entity which can sue and be sued in government is the Ministry of .................. incorporated.

13. What is a monthly payment made to a retired officer who has served for a statutory period called?

14. A lump sum of money paid once to a retired officer is .........................
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

15. What is the supervision of the activities of a public sector organisation by a superior body called?

16. Which of the following deals with the presentation of cashflow statements?
   (A) IPSAS 1
   (B) IPSAS 2
   (C) IPSAS 3
   (D) IPSAS 4
   (E) IPSAS 5

17. Disclosure and presentation of financial instruments are covered by
   (A) IPSAS 15
   (B) IPSAS 16
   (C) IPSAS 17
   (D) IPSAS 18
   (E) IPSAS 19

18. The specific conventions, bases, principles etc operated by a public entity are called .........................

19. Related party disclosures are treated under IPSAS .................

20. Impairment of non-cash generating assets is covered under IPSAS ............

**Suggested Solutions**

1. B
2. C
3. A
4. B
5. E
6. Pension Fund Administrators
7. ₦150m
8. Consolidated Revenue Fund
9. Public service
10. Retirement Saving Account
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

11. Financial Regulations
12. Finance
13. Pension
14. Gratuity
15. Oversight
16. B
17. A
18. Accounting Policies
19. 20
20. 21
CHAPTER THREE

GOVERNMENT ACCOUNTING THEORY AND PROCESSES

3.1 LEARNING OBJECTIVES

At the end of this chapter, candidates should be able to:

- State the various government theory and processes
- State the objectives of IPSASB

3.2 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD BOARD

The standard guarantees that the financial reporting of public sector contains and conveys true and fair views of the financial position of the financial statement. It takes account of the characteristic features of the public sector.

However, since they are laid down by the International Federation of Accountants (IFAC) which on its own is a private federation, they have no legally binding force.

The International Public Sector Accounting Standard Board was formally known as Public Sector Committee (PSC). It is a board of IFAC, which is formed purposely to develop and issue its own standards to give format for the preparation of Public Sector Financial Reporting. This is aimed at improving the quality and ensures uniformity of financial reporting globally.

The aim is also to facilitate the convergence of International and National standards.

The IPSAB comprises of 15 members, 13 of whom are nominated by the member bodies of IFAC, while the other 2 are public member who in turn are nominated by any individual or organisation.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

3.2.1 THE RELEVANT STANDARDS

IPSAS 4 – The effects of changes in foreign exchange rates

IPSAS 22 – Disclosure of financial information about the General Government Sector

IPSAS 23 – Revenue from non-exchange transactions

IPSAS 24 – presentation of budget information on financial statement

IPSAS 25 – employee benefit

IPSAS 26 – impairment of cash – Generating assets

IPSAS 27 – Agriculture

IPSAS 28 – Financial instrument – Presentation

IPSAS 29 – Financial instrument: Recognition and measurement

IPSAS 30 – Financial instrument – Disclosure

IPSAS 31 – Intangible assets

3.2.2 OBJECTIVES OF THE IPSASB

The objectives of the IPSASB are;

(i) to serve the public interest by developing high quality public sector financial reporting standards
(ii) facilitate the convergence of International and National standards
(iii) Enhance the quality and uniformity of financial reporting throughout the world.

The IPSASB achieves its objectives by:
3.2.3 THE ADOPTION OF IPSASS

The adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The IPSASB recognises the right of governments and National standard setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. The IPSASB encourages the adoption of IPSASs and the harmonization of National requirements with IPSASs.

3.2.4 RELEVANT DEFINITIONS IN IPSASS

Assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Net Assets/Equity
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Net assets/equity is the term used in public sector accounting to describe the residual measure in the statement of financial position (assets less liabilities). Net assets/equity may be positive or negative. Other terms may be used in place of net assets/equity, provided that their meaning is clear.

3.3 PENSION ACTS 102 AND 103 OF 1979

These Acts were promulgated to regulate the various pension plans in force before the Acts and thereafter. The contents include:

- Basis of computation of pension and gratuity
- Authority for pension to be charged to the Consolidated Revenue Fund
- Circumstances in which pension and gratuity may be granted
- Statutory Retirement Age
- Pension and gratuity where an officer dies in service
- Pension and gratuity on abolition of office

3.4 MINISTRY OF FINANCE INCORPORATED (MOFI)

This is a legal entity which can sue and be sued. The department manages government investments in quoted and unquoted companies. It attends Annual General Meetings of companies and receives dividends on behalf of the government. The body is to ensure probity and accountability in the management of government investment portfolios.

The body also allows rendering of reports and advises on the activities of the companies in which the government has interests.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.
3.5 THE ANNUAL APPROPRIATION ACTS

These are annual money bills which become Appropriation Acts when passed into law.

An Appropriate Act serves the following functions:

- Provides authority for spending public monies for services to be rendered during the year to which it applies.
- May direct a change in the methods of operating any Fund other than the Consolidated Revenue Fund.

3.6 FINANCIAL REGULATIONS / ACCOUNTING MANUAL

These are the rules governing the management of public funds. The rules deal with the system concerning the receipts and disbursements of public funds and the procedures entitled to ensure goods accountability and assurance against frauds and other malpractices.

It is the accounting manual of the government stating the rules and regulations governing public sector account.

3.6.1 ADVANTAGES OF FINANCIAL REGULATIONS OR ACCOUNTING MANUAL

1. It ensures consistency
2. It serves as a vengeance point
3. It ensures continuity
4. It serves as a training tool
5. It serves as a guide

3.6.2 DISADVANTAGES OF FINANCIAL REGULATIONS/ACCOUNTING MANUAL
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

1. It is very rigid
2. It does not allow usage of imitative
3. Since one cannot apply his own initiative, it is de-motivational
4. It makes job monotonous
5. Workers may not produce best results due to the de-motivational factor

3.7 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 i.e. the Chairman to the officer at the lowest cadre.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

3.7.1 OBJECTIVES OF THE FINANCIAL MEMORANDA

1. To serve as administrative guidelines which facilitate day-to-day running of Local Government.
2. To expressly highlight the implications of disbursing government fund and property without proper authority, approval and unjustly.
3. To facilitate recording of Local Government financial transactions in the appropriate accounting method.
4. To serve as a learning tool for officers on first appointment or on transfer to a new section.

3.7.2 CONTENT OF LOCAL GOVERNMENT FINANCIAL MEMORANDA

1. The format of budget and budgetary control.
2. The financial responsibilities of the Chairman and other accounting officers of the Local Government.
3. The responsibilities of the Local Government Secretary, Treasurer and Heads of Department.
4. The responsibilities of the Internal Auditor as they relate to Audit Alarm.
5. The powers and functions of the Auditor-General for Local Government.
6. The functions and operations of the Audit Alarm Committee.
7. The various financial offences and their respective sanctions.
8. The means of Revenue Collection and Control.
9. Main books of accounts kept in the Local Government.
10. The custody, accounting and control of stores.
CHAPTER FOUR

THE CONSTITUTIONAL AND FINANCIAL RESPONSIBILITIES OF PRINCIPAL OFFICERS OF GOVERNMENT

4.0 LEARNING OBJECTIVES

At the end of this chapter, candidates would be able to:

1. Identify key Government Finance Officers.
2. Understand the financial responsibilities of the Government Officers.
3. Understand the mode of appointment, powers and functions of the Accountant General of the Federation.
4. Appreciate the mode of appointment, powers, functions of the Auditor-General for the Federation.

4.1 INTRODUCTION

Government Officials who are saddled with the responsibility of managing government funds and property can be grouped into two categories briefly discussed as follows:

(a) The officials who have attained positions by way of experience, hard work, and 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.

(b) The officials who occupy positions by way of political dispensations. They 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 Councillors.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

4.2 ACCOUNTING OFFICER

The term ‘Accounting Officer’ in Nigeria, 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.

4.2.1. FUNCTIONS OF THE ACCOUNTING OFFICER

The functions of an Accounting Officer include the following:

- To establish and manage an effective, efficiently run and result-oriented Internal Control Department in his Ministry.
- To ensure that proper books of accounts and system as specified by the Minister of Finance are kept.
- To ensure that all revenue accruable to his Ministry are collected and accounted for as and when due.
- To ensure that there is provision for effective security system over all government funds.
- To install adequate preventive measures against frauds and misappropriation of funds.
- To ensure that only trustworthy, dedicated and reputable officers are entrusted with government funds.
- To ensure that all payments are backed up with proper authority and that only services and goods provided are paid for.
- To make available all the cash, stamps, bank statements etc. in his custody when such is requested for by the Accountant-General of, or Auditor-General for, the Federation.
4.3 ACCOUNTANT-GENERAL OF THE FEDERATION

The 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.”

4.3.1 APPOINTMENT OF THE ACCOUNTANT-GENERAL OF THE FEDERATION

He is appointed by the President, on the recommendation of the Federal Civil Service Commission.

POWERS OF THE ACCOUNTANT-GENERAL OF THE FEDERATION.

- He has power of unlimited access to all financial documents and records of every Ministry or Department at all times.
- He has the power to carry out any special investigation, when the need arises, in any Ministry or Department.
- The Accountant-General has power to demand for and obtain any information and explanation required to carry out his duties.

4.3.2. FUNCTIONS OF THE ACCOUNTANT-GENERAL FOR THE FEDERATION.

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

1. Acting as Chief Accounting Officer of the receipts and payments of all government money.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

2. Supervising the accounts of Federal Government, Ministries and Extra-Ministerial Departments.


4. Presenting the Nation’s annual financial statements as required by the Minister of Finance.

5. Investigating cases of fraud, loss of funds, assets and other malpractices in Federal Ministries and other public agencies.

6. Maintaining and operating the Federation Account.


8. Servicing public loans and debt.


10. Supervising and controlling the computerisation of the system of accounting in the Federal Ministries and government agencies.

11. Ensuring all revenue is monitored and accounted for.

12. Establish and supervise Federal Pay Offices in each State Capital of Nigeria.

4.4 AUDITOR-GENERAL FOR THE FEDERATION

The Financial Regulation 108 of January 2009 defines the Auditor-General for the Federation as “the officer recognised by the Constitution of the Federal Republic of Nigeria, 1999 as amended and the Audit Ordinance of 1956 to audit the accounts of all accounting officers and all persons entrusted with the collection, custody, receipts, issuance or payments of public money”.

He has the power to examine the accounts in any way he deems fit and at the end of the audit, he is required to write a formal report detailing whether in his opinion:

- Proper books of accounts have been kept
- The accounts show a true and fair view of the state of affairs of the Nation as a whole for the period under review
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

- All money collected by Ministries and Departments are expended for the purpose provided for in the approved estimate.
- All financial rules and regulations have been strictly complied with.
- All essential and important records of accounts are kept and maintained in accordance with the rules and procedures that will guarantee the security of government fund and property.

4.4.1 APPOINTMENT OF AUDITOR-GENERAL FOR THE FEDERATION.

According to S86 (1) of the 1999 Constitution, the Auditor-General for the Federation shall be appointed by the President on the recommendation of the Federal Civil Service Commission, subject to confirmation by the Senate.

4.4.2 FUNCTIONS OF THE AUDITOR-GENERAL FOR THE FEDERATION.

According to Financial Regulation No 109 of January 2009, the functions of the Auditor-General include

- Appropriation audit. This is to ensure that funds are utilised as approved by the National Assembly.
- Financial Audit in compliance with existing laws, so as to determine whether government accounts have been satisfactorily and faithfully kept.
- Financial Control Audit. This is to ensure that laid down procedures are being adhered to in storekeeping, contracts and tendering. The view is that pilfering, extravagance and waste should be prevented.
- Value-for-Money (Performance) audit, to ascertain the level of economy, efficiency and effectiveness achieved from government programmes and projects.
- Revenue audit of government institutions.
- Periodic checks of all public corporations, commissions, agencies, bodies and persons established by Acts of the National Assembly.
- Audit of the Accountant-General’s Yearly Financial Statements.
- Auditing and certifying the Federation Account.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

- Audit of the accounts of Federal Government establishments located in all states of the Federation including the Federal Capital Territory (Abuja).
- Pre and post audit of civilian and military pensions.

4.4.3 CONSTITUTIONAL FUNCTIONS OF THE AUDITOR-GENERAL OF THE FEDERATION

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, and for that purpose he shall have access to all the books, records, returns and other documents relation to those accounts.

- S. 85 (3): Though the Auditor-General is not authorised 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, submits his reports to each House of the National Assembly.

4.4.4 INDEPENDENCE OF THE AUDITOR-GENERAL
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

- 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.
- 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.
- S 84(4): The remuneration of the Auditor-General shall be drawn from the Consolidated Revenue Fund of the Federation.
- 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.

4.5.5 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.

4.5 AUDITOR-GENERAL FOR STATE GOVERNMENT

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.

4.5.1 APPOINTMENT OF AUDITOR-GENERAL FOR 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.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

on the recommendation of the State Civil Service Commission subject to confirmation by the State House of Assembly.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

4.5.2 FUNCTIONS AND RESPONSIBILITIES OF AUDITOR-GENERAL FOR STATE GOVERNMENTS

- He is to ensure that adequate accounts are being kept by public establishments.
- 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.
- It is his responsibility to ensure that essential records are kept and the procedures applied are to safeguard and control public assets and cash.

4.5.3 THE CONSTITUTIONAL FUNCTIONS OF STATE AUDITOR-GENERAL (S. 125)

1. To audit public accounts of the State and all officers and courts of the State.
2. Issuance of Annual Statutory Audit Reports in accordance with the Constitution of the Federal Republic of Nigeria.
3. To certify computations of pensions and gratuities of retiring public officers.
4. He is the Chairman of ‘Audit Alarm Committee’ and is to act in that capacity.
5. To monitor and evaluate all government projects.
6. To liaise with the Public Accounts Committee of the State House of Assembly on matters brought to the notice of the House.
7. To recommend the remuneration payable to appointed External Auditors of Government Corporations, Commissions, Authorities and Agencies established by Law.
8. To receive and review the reports of the External Auditors of government corporations, etc.
9. To carry out special audit or investigation on the three arms The Executive, The Legislative and the Judiciary.

4.7 OFFICE OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
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.

4.7.1 LEGAL FRAMEWORK

The office operates within the following legal framework

a) The Nigerian Constitution of 1999
b) The Local Government financial memoranda
c) Guideline on local government operations
d) Updated circulars issued from time to time

4.7.2 STATUTORY FUNCTIONS OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT

1. He is responsible for the audit of the financial statements of all Local Government in the state
2. He is responsible for the inspection of all the financial statements of all local governments and writes a report thereon
3. Imposition of sanctions/surcharges through the local government service commission
4. To carry out pre-audit of gratuity and pension of local government retirees, teaching and non-teaching staff of primary schools in the state.
5. To issue Annual Statutory Audit Reports.
6. To execute pre-audit of major projects of local governments.

4.7.3 THE FINANCIAL DUTIES OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

1. To ensure that proper system of accounts recognised by laws are establishes and maintained
2. To ensure that adequate provisions are made for the security of documents in the Accountant-General’s office
3. To ensure that an effective and efficiently man-powered Internal Control System is established in the local govern and maintained
4. To report any defect in procedures for revenue collection and expenditure disbursement
5. To effectively supervise the members of staff under his direct control
6. To head the Losers and Audit Alarm Committee at the Local Government level

4.8 SUB-ACCOUNTING OFFICER

This is an officer entrusted with the receipt, custody and disbursement of public funds. He is required by law to maintain a recognised conventional cashbook together with any other book required by the Accountant-General. The transactions recorded in his cash book are included in the financial statements presented by the Accountant-General.

4.8.1 FUNCTIONS OF SUB-ACCOUNTING OFFICER

The Sub-Accounting officer performs the same functions as the accounting officer. However, other functions of the sub-accounting officer different from those of the accounting officer include:

1. Maintenance of main cashbooks.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

2. To charge into his accounts under proper heads and sub-heads, all payments of cash and expenditure commitments immediately such are effected.

3. To check all cash, stamp, paper money and investment records in his care for verification of the balances with cash register and other registers.

4. To recognize any excess cash discovered different from the balance in the cash register as revenue.

5. To carry out any other function as may be required by the Accounting Officer or Minister of Finance.

4.9 SUB -TREASURER OF THE FEDERATION

The Sub-Treaser 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.

4.9.1 FUNCTIONS OF THE SUB-TREASURER OF THE FEDERATION

1. To ensure that all foreign investments are well monitored and supervised.

2. To ensure that all government foreign investments are secured and generate reasonable interest.

3. He is responsible for reviewing and updating the accounting systems in use in the office of the Accountant-General.

4. To perform any other function as may be directed by the Accountant-General.

4.10 THE REVENUE COLLECTOR

The Revenue Collector is the officer who is saddled with the responsibility of collecting some specified revenue on behalf of the government. He is issued an
official treasury receipt 6A for the regular collection of particular items of revenue as specified in the estimate.

The Revenue Collector must maintain a recognised revenue cashbook. He is responsible to the accounting officer of the ministry/department who will prepare a code of instructions of the procedure to be followed in his ministry/department to ensure prompt and up-to-date collection of government revenue. It is worthy of note that where the revenue collector is entrusted with collection of more than one form of revenue, he must keep a “Revenue Classification Slip” where the Date, Description, Amount, Head, Sub-head and the form of revenue will be specified.

### 4.10.1 FUNCTIONS OF REVENUE COLLECTOR

1. He is required to exercise total authority over the receipt of all revenue accruable to the government and ensure prompt, accurate and up-to-date collection.

2. He is to classify all his collections under proper heads and sub-heads of all revenue collected by him.

3. He is to safeguard all public funds, securities and paper money entrusted in his care.

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

5. Promptly report any anomaly discovered by way of fraud or mis-appropriation of government money in his care to a superior officer.

6. He must ensure that adequate, up-to-date accurate and reliable accounting records are kept.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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

8. 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.

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

2. He is required to have effective supervision of the officers under his authority to ensure prompt and accurate collection of revenue.

4.10.2 REVENUE COLLECTOR’S CASH BOOK

This is the cash book required to be kept and maintained by the revenue collector. This is where he will record the receipts of all revenue collected with date and the number on receipts issued.

4.11 THE FEDERAL PAY OFFICER

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

4.11.2 FUNCTIONS OF THE FEDERAL PAY OFFICER

(a) He is to administer all the financial transactions between the Federal Government and State Government.
(b) He is to ensure hitch free financial transactions between Federal Government Ministries in each state of the Federation.

(c) He is to ensure unperturbed financial transaction between Federal Government Departments in each state of the Federation.

4.12 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 other departments namely: fiscal, revenue, expenditure, and budget remitting and evaluation. Each department plays a separate role different from others.

4.12.1 FUNCTIONS OF THE DIRECTOR OF BUDGET

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

2. Revenue estimation and publication in the budget book.

3. Reconciliation of actual revenue from oil and non-oil sectors and their comparison with estimated revenue.

4. Estimation of revenue from Joint Venture operations in relation to oil explorations, production and personnel administration.

5. Implementation of the budget through issuance of Authority to Incur Expenditure or Warrants for both capital and recurrent expenditure as appropriate.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

6. Assembly, collation and arrangement of all data, information and other necessary inputs required for budget preparation.

7. To make reports on the performance of budget and assess the impact of the budget on the economy.

8. Collection and analysis of expenditure returns.

9. Establishing and maintaining a data bank in the budget office.

10. To monitor and evaluate the performance of programmes funded through the budget.

11. To act as the liaison between the President, Ministries, and Departments during budget preparation.

12. To assist the President in the preparation of annual estimates.

13. To formulate fiscal, monetary and economic policies required to develop the economy.

4.13 MINISTER OF FINANCE

This is an officer on political appointment on whom the constitution confers the responsibility for the control and management of public fund of the Federation.

4.13.1 APPOINTMENT OF MINISTER OF FINANCE

The Minister of Finance under the democratic dispensation is appointed by the President on the recommendation by the Governor of his/her state of origin subject to a successful interview by the Senate and final ratification by two/thirds of the National Assembly.
4.13.2 FUNCTIONS OF THE MINISTER OF FINANCE

1. He is responsible for the preparation of annual estimates of revenue and expenditure for the Federal Government.

2. He is required to formulate all policies related to fiscal and monetary matter.

3. The minister is to ensure the mobilisation of both exotic and indigenous financial resources through both external and internal financial institutions for development purposes.

4. To ensure a favourable balance of payment position required to maintain adequate foreign exchange services.

5. To maintain the value of Nigerian currency both internally and externally.

6. Responsible for the supervision, monitoring and co-ordination of all government revenue accruing from oil and non oil resources.

7. To supervise the banking and insurance industry by liaising with their regulatory bodies.

8. To supervise all matters in connection with allocation of revenue to the three tiers of government i.e. Federal, State and Local Government.


4.14 SUMMARY:
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
The chapter discussed the various posts held by financial officers in the federation and their respective functions. The means of appointment and powers of some statutory financial officers were also discussed.

4.15 END OF CHAPTER REVIEW QUESTIONS

1. The officer saddled with the responsibility of collecting a specified form of revenue on behalf of the government is called:

   A. Cashier  D. Local Officer
   B. Bursar    E. Finance Director
   C. Revenue Collector

2. Which of the following government officials is responsible for the administration of Inter-Government financial transactions?

   (A) Accountant-General of the Federation
   (B) Auditor-General for the Federation
   (C) The Revenue Collector.
   (D) The Minister of Finance
   (E) The Federal Pay Officer.

3. Which of the following officer is not part of the Executive arm of Government?

   A. The President
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. 
Thanks.
B. The President of the Senate

C. A state Governor

D. A Local Government Chairman

E. A Minister.

4. In line with Section 84 of the 1999 Constitution, the following enjoy the benefit of direct charge except:-

A. Auditor General for the Federation

B. Accountant –General of the Federation

C. The President

D. The Inspector General of Police

E. Pension and Gratuity

5. Which of the following is not Recurrent Expenditure?

A. Running Cost

B. Salaries and Allowance

C. Road Construction Cost

D. The Inspector General of Police

E. Pension and Gratuity

6. What are Below –the-line accounts?

7. The accounting basis under which financial transactions are recorded in the public sector is.................................
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

8. The authority which confers power on government officers controlling expenditure or vote to incur expenditure is called…………………………………..

9. The officer who has the power to pass and express comments on the government annual account and report of the external auditors is called ---- ---------

10. The officer responsible for the revenue and expenditure estimation and publication in the budget book is called ________________

SOLUTION TO END OF CHAPTER  REVIEW QUESTIONS

1. C

2. E

3. B

4. B

5. C

6. Below –the-line accounts are transactions of receipts or payments that whose values cannot be fairly and accurately determined as at the time of preparing the budget estimate of a ministry, department or parastatal and are therefore not included in the estimate e.g. Advances and Deposits.

7. Cash Basis

8. Warrant

9. The Auditor-General
CHAPTER FIVE

SOURCES OF GOVERNMENT REVENUE

5.1 LEARNING OBJECTIVES

At the end of this chapter, candidates should be able to

- identify and discuss the main sources of government revenue.
- identify and discuss other sources of government revenue.
- identify the procedure government departments have to follow to estimate departments' revenue needs.

5.2 INTRODUCTION

Government generates revenue from various sources to run the administration of the Nation and to provide the development projects in all sectors of the economy. Such revenues are generated by the revenue generation agencies and organisations through effective machinery, and allocated through the budgetary system to the spending organisations for their operations.
This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

A good system of revenue generation is paramount to ensure that government mobilises enough finances for the expenditures of the Nation to meet the varied needs of the people.

5.3 SOURCES OF STATE AND LOCAL GOVERNMENT FINANCE

5.3.1 STATE/CENTRAL GOVERNMENT

5.3.1.1 PUBLIC MONIES

Government revenue is made up of Public Monies which come from

- tax and non-tax revenue and Grants, and
- other receipts

(a) Tax Revenue

This is the main source of government revenue. This refers to monies that are collected from individuals, in their private capacities, and from organisations. Government collects monies from these sources to enable it to provide the services that it is responsible to undertake for the citizens.

According to the principles of public finance, tax revenue should be the main source of finance for the public sector. Citizens should in the main be the contributors of such finance for the development of the Nation

Tax is divided into direct tax and indirect tax.
Direct Tax: - This tax is paid directly by individuals and organisations and is charged on the income that they earn from their professions and operations.

Examples of Direct Tax

Income tax: - which is paid by individuals on their income. This is commonly referred to as Pay As You Earn (PAYE).

Corporate Tax: - which is paid by business organisations on the profits which they make from their operations.

Indirect Tax: - This is a tax which is not paid directly by the person who suffers or bears the burden. This type of tax is put on goods and services that are bought and consumed by individuals.

Examples of Indirect Tax are

Petroleum Tax: - Such tax is put on the price of petrol or gas fuel

Value added tax: - This tax is put on some classes of goods and services.

Import Duties: - taxes put on goods imported into the country

Export Duties: - taxes put on goods exported out of the country
(b) Non-tax Revenue

This is made up of all revenues, other than taxes, that are generated by government departments. Examples of these can be internally generated revenues and fines and penalties by law enforcement agencies and the courts, fees and charges, property and vehicle licenses by licensing authorities, rent on government lands and buildings.

(c) Internally Generated Revenues

These are monies that are generated by government departments from various internal activities or operations that they undertake. These are also known as user-fees or user-charges.

Examples of such internally generated revenues are:

- Passport fees collected by Passport Office for the Ministry of Foreign Affairs
- Fees collected by Vehicles ExamiNation & Licensing Department
- Products testing fees by the Standards Board
- Academic Facilities User Fees (AFUF) of the Universities of Ghana
5.3.2 LOCAL GOVERNMENT/DISTRICT ASSEMBLY REVENUES

5.3.2.1 CENTRAL GOVERNMENT REVENUES

These are other revenues that central government makes available to the local government or district assembly apart from the Common Fund. Examples of these revenues are:

(a) Grants-in-aid

These are donations received from foreign governments through the central government.

(b) Recurrent Transfers

These are moneys that the central government gives to meet salaries and other remunerations and pensions of district assemblies’ staff as well as the normal operational and administrative expenses of the assemblies.

(c) Ceded Revenues

These are sources of moneys which central government has given over to district assemblies beginning from the decentralisation period.

These include:

- Entertainment Duty
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.
Casino Revenue

Betting Tax

Advertisement Tax

5.3.2.2 LOCALLY GENERATED REVENUES

The following are some of the revenues that district assemblies can generate locally:

a) Various Rates and levies on animals e.g. cattle, products, entertainments, etc.
b) Taxes on the incomes of self-employed persons/businesses – e.g. auto mechanics
c) Interests on Investments.
d) Profits from trading activities and projects.
e) Vehicle licenses for carts, wagons, trucks, bicycles, etc.
f) Loans. An Assembly can raise an overdraft or loan facility to the tune of 20million subject to the approval of the Ministers of Local Government and Finance.
g) General and specific grants from both local and especially foreign donors
5.3.3 LOANS AND GRANTS

5.3.3.1 Loans

Loans are monies that the government secures from either the local sources or foreign sources.

Foreign loans can be secured from either governments or International bodies like IMF and World Bank.

Local loans are contracted mainly through the central bank and usually in the form of securities such as Treasury Bills and Bonds.

4.3.3.2 Grants

These are monies received by government from other countries and International bodies for some projects and other developments. These are free monies that are not paid back by the government.

Grants are of two kinds: Specific Grant and General Grant.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
Specific grant is given for a specific purpose, for instance an identified project to build a community school for a village. It is also called programme or project support.

General grant is given not for any identified activity. Such a grant can be used on any activity that the government has budgeted for. It is also called budget support. To ensure that the budget support is not in excess of what the government needs, the donors pool their resources together and it is referred to as multi-donor budget support (MDBS).

5.3.4 Other Public Monies

These monies are:

- government loans and advances repaid
- dividends from shares in profit making organisations
- interests
- sale of government financial securities and instruments
- sale of government equity investments
- sale of government properties

5.3.5 Trust Monies

Other receipts of government are trust monies, monies which government holds for other organisations. These are Special and Trust Funds, meaning that the government holds such moneys in trust for those organisations. Example can be
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Superannuation fund which the government holds normally in trust for its employees until retirement.

5.4 REVENUE ESTIMATIONS

Though this is part of the budgetary preparation, it has been treated separately under this chapter which is on government revenue sources.

The Financial Administration Regulation, Section 159, spells out the procedure that the head of department of a government organisation should follow when determining the revenue that the department would be able to generate during the budget year.

The head of department should

(a) identify all activities that already generate revenue;
(b) identify all activities that have the potential to generate revenue;
(c) estimate the frequency of these activities and calculate the revenue arising from these activities; and
(d) produce a monthly forecast identifying when revenue flows are projected to take place.

The head of department is expected to examine how past revenue estimates have been accurate in comparing that to the actual collections, how the revenue can be collected efficiently without any administrative problems, and how rates and charges are relevant to current economic conditions or financial policies.
The estimates to be made are to be based on current rates or charges, and where there is the desire to make some proposals for changes in the rates or charges, the head of department should show the effect of the changes.

Where a department is legally authorised to use part of the revenues that it generates, it is expected that the head of department would show such monies as part of the department’s annual non-tax revenues.

5.5 FEDERAL/UNITARY GOVERNMENT ACCOUNTS

Government accounts can be discussed as either federal or unitary accounts depending on the form of political arrangement of the Nation.

The country can be considered as a group of semi autonomous units or territories which can be said to be grouped together under a federal system of government whose accounts can be said to be federal or federation accounts. Example is the case of Nigeria.

The country can also be considered as a unitary form of political Nation where such autonomous or semi autonomous forms of units or territories do not exist. In this case, the accounts of such a Nation can be considered as unitary account. This is the case in Ghana.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.
Either of these forms can still be considered as public accounts.

5.5.1 PUBLIC ACCOUNTS

The term Public Account is used generally in the FAA and FAR to mean all documents and records pertaining to public and trust moneys received into, held in and paid from the Consolidated Fund (Section 74 of FAA). The FAA Sections 40 and 41 as well as Regulation 191 of the FAR define Public Accounts as comprising the following:

(a) A statement of the financial assets and liabilities of the Consolidated Fund at the close of the financial year, annotated with such qualifying information as may affect the significance of figures shown in the statement;

(b) a summary statement of the receipts into and payments from the Consolidated Fund in comparison with the budget summary for the financial year;

(c) a statement of the revenue and expenditure for the financial year in comparison with the approved revised estimates for the year;

(d) a statement of transactions during the year and an analysis of the position at the end of the year for

   i) the public debt.

   ii) deposits and other trust moneys;

   iii) the securities of government;
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
iv) advances;
v) public loans;
vi) equity investments of the Consolidated Fund;
vii) a cash flow statement of the Consolidated Fund for the year; and
viii) such other statement as may be required by any enactment.

Keeper of Public Accounts

The Regulations require that the Controller and Accountant-General prepares and keeps the Public accounts.

5.5.2 DEPARTMENTAL ACCOUNTS

Each MDA is required to prepare accounts of the department on monthly and annual basis which shall comprise

a) a balance sheet showing the assets and liabilities of the department as at the end of the year;

b) a statement of revenue and expenditure for the year;
c) a cash flow statement of the department for the year; and
d) notes that from part of the accounts which shall include particulars of the extent to which the performance criteria in the estimate in relation to the provision of the department’s output were satisfied.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

NB. Department as used in the FAA and the FAR includes Ministries and Agencies of Government (Section 74 of FAA)

5.5.3 OTHER GOVERNMENT ACCOUNTS

These refer to other records that cover the collection of revenue, control of expenditure in departments, the administration of Trust Funds, management of public stores and other financial businesses.

(a) Keeper of Other Government Accounts

The Regulations requires that such records are kept by the heads of departments in the relevant MDAs.

5.6 THE FUND SYSTEM OF ACCOUNTING

Public funds are monies owned by the Nation and controlled and applied by the central government for public works and services. In Ghana, such funds consist of the Consolidated Fund, Contingency Fund and any other funds that Parliament may establish under any special Act.

The fund accounting system is a concept which is used to describe how government resources are accounted for from one major fund source. The word fund is therefore used to describe the whole government set up as one big fund in terms of structure.
5.6.1 DEFINITION OF FUND

Technically a Fund is seen to be an independent accounting entity which can command the use of resources hence the need to set up an accounting system for it which is made up of a self-balancing set of accounts. Financial report can therefore be presented showing the operation of the fund system.

Hence, government accounting is at times described as fund accounting, the stress being on the term fund to represent the various splinter organisations, departments and units within the whole government set up which utilise the taxpayer’s moneys and other revenues. Accounting systems are therefore set up for such departments and units to account for the resources.

The fund system of accounting is operated through series of rules and laws that are passed by the legislature to ensure that the resources are well utilised by the relevant government institutions.

5.6.2 TYPES OF FUND

The various fund systems in government accounting are enumerated as follows:

(a) Public Funds

In accordance with Article 175 of the Constitution and Section 5 of the FAA, the public funds of Ghana consist of the Consolidated Fund, the Contingency Fund and such other funds as may be established by or under an Act of Parliament.
Examples of funds established by Act of Parliament are:

The Road Fund, 1997 (Act 536)

The Ghana Education Trust Fund, 2000 (Act 581)

District Assemblies Common Fund, 1993 (Act 455)

Ghana Investment Fund, 2002 (Act 616)

Venture Capital Trust Fund, 2004 (Act 680)

Business Assistance Fund

HIPC Fund

Social Investment Fund

The term Public Funds is the generic term used to describe all public monies. It is the summation of all funds established by the Constitution, Acts of Parliament or under the authority of an Act of Parliament. The Consolidated Fund, Contingency Fund, Road Fund are subsets of the Universal Set of Public Funds

(b) The (General) Consolidated Revenue Fund

The Consolidated Fund is the Fund that holds all forms of monies that belong to the Central Government except revenue and other moneys:

(i) payable by or under an Act of Parliament into some other Fund established for a specific purpose (i.e. Contingency Fund, Road Fund, etc; or

(ii) that may, under an Act of Parliament, be retained by the department or
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

agency of Government that received them for the purpose of defraying the expenses of that department or agency.

This means that revenues collected and payable into Road Fund, GETfund, or any other fund legally established and any monies collected and legally retained by MDAs that collected them do not form part of the Consolidated Fund – See Article 176 (1) and (2) of Constitution and Section 6 (1) and (2) of the FAA.

In Nigeria, Section 120 of the 1999 Federal Constitution specifies the Consolidated Revenue Fund as the main Fund of the Federal Government into which all revenues generated for the State should be paid into, and out of which all legally authorised expenditures should be paid from.

(c) The Contingency Fund

This is the Fund established for any unbudgeted expenditure which comes up as very urgent or were unforeseen during the budgeting period, for instance for unexpected flood disaster, or outbreak of some disease in certain part of the Nation. The Constitution provides that moneys voted for the purpose shall be paid into the Contingency fund and advances may be made from that Fund which are authorised by the committee responsible for financial measures in Parliament whenever that committee is satisfied that there has arisen an urgent or unforeseen need for expenditure for which no other provision exists to meet the need. Furthermore where an advance is made from the Contingency Fund, a supplementary estimate shall be presented as soon as possible to Parliament for the purpose of replacing the amount so advanced. The fund if established is under the Finance Committee of Parliament and not the President nor Minister responsible for Finance.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Parliament in Ghana is expected to vote moneys to be transferred into such Fund and to be used at any time when any of such contingencies arise (Article 177).

In Nigeria, the setting up of such Contingency Fund is authorised in Section 123 (1) of the Federal Constitution.

(d) Contingency Reserve Fund

It is that part of the normal approved appropriation which is set aside by the Executive. It is normally part of the planned expenditure (possibly a certain percentage of all estimates or votes), which is deducted and reserved, with the aim of helping out any spending organisation in the future to meet any unexpected spending.

This reserve is within the control of the Executive and can help out a spending organisation in the event of the need for extra funds, and reduce significantly the problem of going through either supplementary request from the Legislature or the issue of looking for areas for possible virement.

This can be a good way to plan for any unexpected shocks, though its existence can also encourage misuse of funds especially when the reserve swells over the years and proper guidelines and control for its use are not effected.

(e) Internally Generated Funds

This means revenue generated from the activities of a government agency from its operations other than taxes collected by the Revenue Agencies and includes non-tax revenues.

(f) Capital Project Fund
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

This fund is established into which moneys are accumulated to undertake projects or for the acquisition of capital assets.

(g) National Loans Fund

Where the policy of the government is to keep such separate account, it accounts for the receipts of loans that are contracted, both foreign and local and the payments of interest on such loans and the repayments of the principal sums. Transfers are made out of this into consolidated fund to meet any budget deficits. Monies for the loan liquidation in terms of both principal and interest payments are also made from the consolidated fund into this account.

(h) Trust and Agency Fund

This fund is established to hold moneys that the government holds in trust for some institution or body. Government holds this money as a trustee or an agent to the owner. Example can be moneys that the government holds from International bodies as rewards to the National armed forces for International peacekeeping assignment.

(i) Debt Service Fund/Sinking Fund

This special fund is kept as alternative to Loans Fund, where the policy of the government is to keep any loan contracted in the Consolidated Fund. The Fund is for the service of both the principal and interest payments hence transfers into this are purely moneys from the Consolidated Fund necessary for the principal and interests payments.
Alternative to this is the creation of a Sinking fund into which amount is paid annually for a specific loan redemption with the annual payment calculated in such a way that the annual payment (the principal) plus the interest earned which is reinvested will be sufficient for the future liquidation of the loan.

When a loan is due for repayment, Bank of Ghana and Accountant General arrange for the liquidation of the Fund i.e. the sale of investments to make money available. If at any time the amount realised is less than the required for the loan liquidation, transfers are made from the Consolidated Fund to balance up.

(j) Counterpart Fund

This is a fund, which is set established by governments and is used to support projects which are funded by foreign donations. Foreign donations can be made either by cash or at times by goods. Where donors at times donate goods rather than giving physical cash towards some specific projects such fund is created for any moneys generated from such goods. The government makes a contribution in addition to the foreign donations, towards the completion of the project.

(k) Intra-governmental Service Fund

A fund can be created as a unit with a central function of providing some basic services among government organisations or departments to ensure economy and efficiency. A stationery depot can be established within a government publishing house to supply various departments with their stationery needs.

(l) Revolving Fund

Such fund is an established fund out of which spending organisations can ‘borrow’ monies for particular project or activity which is sold later and once sold, the monies generated are paid back into the fund. For instance the Ghana Education
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Service can access such funds to purchase textbooks for some secondary schools, which funds can be replaced once the books are sold and paid for by the students.

(m) Local Government Fund

This Fund is established specifically for the activities of the local government, to be used by the local authorities established for the social and economic development of the individual localities and districts. This can be seen as the district assemblies’ common fund in Ghana. In Ghana, the local government structure is made up of metropolises, municipalities and districts.

(n) The District Assemblies’ Common Fund

This Fund is a separate fund from all other revenues that can be generated by the districts to supplement other government revenues for the general activities of the districts.

This is the local government fund in Ghana which the 1992 Constitution (Section 252) authorised to be established.

The District Assemblies’ Common Fund (DACF) was established in 1993 by an Act of Parliament, Act 455.

The Act defines the DACF as "...all monies allocated by Parliament... and any interest and dividends accruing from investments of monies from the Common Fund".
Moneys to be paid into the DACF should be at least 5% of the total annual revenue of Ghana, which moneys are to be paid in quarterly instalments into the Fund.

An appointed DACF Administrator oversees the use of such Fund and has the responsibility to recommend annually to Parliament a way for the distribution of the Fund among the various districts.

A separate bank account, the Common Fund Account, is opened for each district to hold the monies that are transferred by the DACF Administrator.

The DACF is to be used for developmental projects in the districts and a district is expected to prepare a supplementary budget, a development budget for approval before moneys can be used from the fund.

Copies of the supplementary budgets are to be distributed to Regional Coordinating Councils, Minister of Finance, Minister of Local Government and Rural Development, the Development Planning Commission, the Common Fund Administrator.

A copy of the budget is sent to the bank where the Common Fund Account of the district is kept.

5.7 SUMMARY OF TYPES OF FUND
1. **General fund**: This is a fund where all government resources are kept e.g. Consolidated Revenue Fund.

2. **Capital Project fund**: This is a fund used to finance capital projects such as refineries, dams, roads etc. e.g. Development fund.

3. **Trust fund**: This is a fund that belongs to third parties but is being held and managed by government.

4. **Contingencies fund**: This is a fund used in emergency cases whenever there is a natural disaster such as flood, fire, war etc.

5. **Asset renewal fund**: The fund is mostly used in Local Government Council to replace their equipments like harvesters, tractors, bulldozers etc.

6. **Stabilization fund**: This is also referred to as Revenue Fund. It is an account set aside by government to be sued later if there is any fall in revenue generated.

7. **Special fund**: This is a fund that is created for a specific purpose e.g. Education Fund, National Housing Fund, Small and Medium Enterprise Fund (SMEF), Agricultural Development Fund (ADF).

5.8 **ADVANTAGES OF FUND**
1. It ensures financial control. When a fund is created, the purpose of the fund is expressly state and as such money meant for a project can only be used for the at project.

2. It can be used to stress government policy.

3. It can be used for sympathetic purposes.

4. It can be used for control purposes.

5.9 DISADVANTAGES OF FUND

1. There is no provision for debtors and creditors.

2. Assets are not capitalised. They are written off in the year of purchase.

3. Effective financial control on all funds may be difficult.

4. It makes consolidation of government accounts difficult.

5.10 ACCOUNTING ENTRIES

1. Dr. Bank Account

   Cr. Fund Account

   - With the proceed realised on creation of fund.

2. Dr. Fund Account

   Cr. Fund Account

   - With expenditure from the fund

3. Dr. Fund Investment Account

   Cr. Bank Account
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
- With value of investment purchased with fund

4. Dr. Fund Investment Disposal Account
   Cr. Fund Investment Account
   - With the value of investment disposed

5. Dr. Book Account
   Cr. Fund Investment Disposal Account
   - With the proceed on disposal of investment

6. Dr. Fund Investment Disposal Account
   Cr. Fund Account
   - With profit realised on disposal of investment

7. Dr. Fund Account
   Cr. Fund Investment Disposal Account
   - With loss on realised on disposal of investment

Illustration: The following trust funds were created on 3\textsuperscript{rd} of January 20xx with the amount state below:

\begin{tabular}{|l|c|}
\hline

Fola Foundation Fund & N\,000 \\
Bola Ajayi Scholarship Fund & 6,000 \\
Mobolaji Children Fund & 10,000 \\
\hline
\end{tabular}
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
Investments were made on these funds as follows:

3/6/20xx Fola Foundation Fund – 500,000 Cadbury shares of ₦1.00 each were purchased at ₦5.00 each

7/8/20xx Bola Ajayi Scholarship Fund – 200,000 Level Brothers Shares were purchased at ₦3.00 each

11/11/20xx Mobolaji Children Fund – 1,920,000 shares of Flour Mills were purchased at ₦5.00 each

Other transactions during the year are as follows:

15/2/20xx Expenses of Fola Foundation Fund – ₦1,700,00

18/9/20xx Scholarship awards under Bola Ajayi Fund cost ₦300,000

26/12/20xx 420,000 shares in Flour Mills were sold for ₦1,720,000.

You are required to:

a. Write all the Trust Fund Accounts relating to this transaction showing the Funds accounts and Investment accounts separately.

b. To prepare Consolidated Balance Sheet for the Fund as at December 31, 20xx

SOLUTION
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
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<tr>
<td>3/6/20xx</td>
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<td>3/1/20xx</td>
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<td>7/8/20xx</td>
<td>Bola Ajayi S.F.</td>
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<tr>
<td>6/12/20xx</td>
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<td>15/2/20xx</td>
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31.720

Fola Foundation Fund Account

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<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>31/12/20xx</td>
<td>17,020</td>
<td></td>
</tr>
</tbody>
</table>
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

3/6/20xx Bank 1,700 3/1/20xx Bank 6,000
Bal c/d 4,300

6,000 6,000
Bal b/d 4,300

Bola Ajayi Scholarship Fund Account

N’000 N’000

18/9/20xx Bank 300 3/1/20xx Bank 10,000
Bal c/d 9,700

10,000 10,000
Bal b/d 9,700

Mobolaji Children Fund Account

N’000 N’000

Loss on Disposal 3.80 3/1/20xx 14,000
31/12/2011 Bal c/d 13,630 Bal. b/d
13,620

Fola Foundation Fund Investments Accounts

N’000 N’000
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

3/6/20xx  Bank  2,500  Bal c/d  2,500

31/12/20xx  Bal b/d  2,500

Bola Ajayi Scholarship Fund Investment Account

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/8/20xx</td>
<td>Bank</td>
<td>600</td>
</tr>
<tr>
<td>31/12/20xx</td>
<td>Bal b/d</td>
<td>600</td>
</tr>
</tbody>
</table>

Mobolaji Children Fund Investment Account

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/11/20xx</td>
<td>Bank</td>
<td>9,600</td>
</tr>
<tr>
<td>26/12/20xx</td>
<td>Mobolaji C.F. Inv. Disposal</td>
<td>2,100</td>
</tr>
<tr>
<td></td>
<td>Bal c/d</td>
<td>7,500</td>
</tr>
<tr>
<td>31/12/20xx</td>
<td>Bal b/d</td>
<td>7,500</td>
</tr>
</tbody>
</table>

Mobolaji Children Fund Investment Disposal Account

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>26/12/20xx</td>
<td>Mobolaji C.F Inv. Proceed from disposal</td>
<td>2,100</td>
</tr>
<tr>
<td></td>
<td>(bank)</td>
<td>1,720</td>
</tr>
<tr>
<td></td>
<td>Loss on disposal (Mobolaji F)</td>
<td>380</td>
</tr>
</tbody>
</table>

89
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

b.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 20XX

<table>
<thead>
<tr>
<th>Assets</th>
<th>₦1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fola Foundation Fund Investment</td>
<td>2,500</td>
</tr>
<tr>
<td>Bola Ajayi Scholarship Fund Investment</td>
<td>600</td>
</tr>
<tr>
<td>Mobolaji Children Fund Investment</td>
<td>7,500</td>
</tr>
<tr>
<td>Bank Balance</td>
<td>17,020</td>
</tr>
<tr>
<td></td>
<td>27,620</td>
</tr>
</tbody>
</table>

FINANCED BY

<table>
<thead>
<tr>
<th></th>
<th>₦1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fola Foundation Fund</td>
<td>4,300</td>
</tr>
<tr>
<td>Bola Ajayi Scholarship Fund</td>
<td>9,700</td>
</tr>
<tr>
<td>Mobolaji Children Fund</td>
<td>13,620</td>
</tr>
<tr>
<td></td>
<td>27,620</td>
</tr>
</tbody>
</table>

Workings

Loss on disposal of Investment

Cost of Mobolaji Children Fund Investment ₦

= 420,000 units @ ₦5.00  
2,100,000
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

Proceed from Disposal \( (1,720,000) \)

Loss on disposal \( (380,000) \)
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

5.11 SUMMARY & CONCLUSION

Government generates revenues from taxes as well as other non-tax sources.

For taxes, there are direct and indirect taxes, and for non-taxes, there are various forms of charges, penalties, licenses, dividends and interests, proceeds from sale of government properties and investments.

Additionally there are grants and loans, grants being free monies that are often given to the government by other countries and International organisations.

The fund system has been the predominant accounting system that is applied and this system is the situation where government revenue and its spending is considered under fund arrangement where institutions and departments are recognised as individual and separate units that are authorised to undertake specific government activities.

5.12 END OF CHAPTER REVIEW QUESTIONS

1. The following are sources of fund for development fund EXCEPT

   A. Contribution form CRF
   B. External Capital Grant
   C. External Capital loan
   D. Internal Capital loan
   E. External grants for training of staff of Ministry of Education.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

2. Tax paid directly by individuals and organizations and is charged on the income that they earn from their professions and operations is called

A. Corporate Tax
B. Income Tax
C. Direct Tax
D. Progressive Tax
E. Indirect Tax

3. Which of the following is NOT an indirect tax?

A. Petroleum profit tax
B. Pay as you earn
C. Value Added Tax
D. Import Duties
E. Export Duties

4. Which of the following is NOT a public money?

A. Government loans repaid
B. Dividend from government investment
C. Interest Earned
D. Sales of government properties
E. Deposit.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

5. Which of the following is NOT Capital expenditure?

A. Construction of Road
B. Construction of Bridge
C. Construction of Runaway
D. Payment of salaries
E. Purchase and installation of a new power plant.

6. A fund operated by the government to take care of all forms of natural disaster is fund

7. What is a fund?

8. A grant that is tied to a specific project is called……………………………………

9. The fund set aside by Local Government to replace fixed assets is called……………………

10. The fund whose assets are held by the government as trustee for application to purposes stated in the trust deed is called……………………………………

SOLUTION

1. E
2. C
3. B
4. E
5. D
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

6. Contingences Fund

7. Fund is defined as a separate fiscal entity in which accounts are kept, separated from other funds and governed by specified rule and regulation.

8. Specific grant

9. Asset Renewal fund

10. Fiduciary fund.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
CHAPTER SIX

GOVERNMENT EXPENDITURE

6.1 LEARNING OBJECTIVES

At the end of this chapter, candidates should be able to

- Discuss expenditure estimation in government departments.
- List and discuss kinds of warrant to authorise government expenditures.
- Discuss the departmental procedure to request for funds to spend.

6.2 INTRODUCTION

The chapter discusses how government expenditures are estimated by the spending organisations as authorised by the government financial regulations. And when the spending plans are approved, spending organisations are expected to make requests for monies to spend on their activities while different authorisations are needed for different spending.

The chapter discusses the process the spending organisations follow to request for monies and the spending authorisations needed by the spending organisations from the revenue control authorities for the different expenditure types.

6.3 TYPES OF EXPENDITURES

Expenditures of government are in two types, recurrent/revenue expenditures and capital or development expenditures.
Recurrent/revenue expenditures are expenditures that are incurred by government departments in the day to day operations and services of the departments. Examples of these expenditures are for salaries, stationeries and supplies, and other expenditures for general administration.

Capital or development expenditures are the expenditures that are made to acquire physical and permanent assets, either in form of equipments, vehicles and buildings.

### 6.4 EXPENDITURE ESTIMATIONS

Before government departments would spend any moneys, these moneys would have to be requested for and approved or authorised by the legislature.

Government departments make estimations for such expenditures in their budgetary estimates.

The Financial Regulation, Section 160, outlines the procedure that the head of department should follow when estimating the expenditures for the budget year.

The head of department should

(a) take into consideration the Government’s macro-economic framework, Government resources and priorities, and any ceilings approved by Cabinet;
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

(b) prepare a strategic plan which shall include a definition of the department’s mission, goals, objectives, outputs and activities;
(c) cost and prioritise 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.

And where a department is legally authorised to use part of the revenues that it generates, it is expected that the head of department would show the portion of the expenditures that will be funded by the internally generated revenue which has been retained for spending.

6.5 EXPENDITURE AUTHORISATION PROCEDURES

The following is the general procedure for the authorisation of moneys to be spent by any institution of government:

- Ministry of Finance and Economic Planning (MOFEP) prepares a National workplan based on MDA work plans to MOFEP as stipulated in the budget guidelines.
- MOFEP issues quarterly Cash Ceiling to Cost Centres, sub-totalled at National, Regional and District levels for each MDA.
- MOFEP issues monthly expenditure warrants to Controller & Accountant-General attaching cost centre details submitted by MDAs which show the sub-totals at National, Regional and District levels.
- Based on the Monthly warrants from MOFEP, CAGD issues warrants directly to cost centres but aggregated to show sub-totals at National, Regional and District levels. An amount equal to the warrants for the National, Regional and District level
warrants is transferred into the sub-Consolidated Fund Bank Account of the MDA, RCC and District Assembly respectively.

The treasuries have merged with the accounts or finance divisions of MDAs, RCCs and MMDAs.

- Each ministry has its own accounts/finance department which also performs the treasury functions
- Each Regional Co-ordinating Council has its finance directorate that also performs treasury functions at regional level.
- Each District Assembly has its finance office that performs treasury functions at the district level.

A special Bank Accounts (Sub-Consolidated Fund Bank Account) has been opened for the Ministries, Regional Co-ordinating Councils and District Assemblies as follows:

Each ministry has one Consolidated Fund sub-account (i.e. Special Bank Account). This bank account serves the ministry and all National level departments and agencies. The bank account is with the Bank of Ghana.

Each Regional Administration has one Consolidated Fund sub-account (i.e. special bank account). This bank account serves the Regional Administration and all Regional level departments, agencies and institutions. These accounts are at the nearest Bank of Ghana branches.
Each District Assembly has one Consolidated Fund sub-account (i.e. 138 special bank accounts for the Assemblies). This bank account serves the District Assembly and all district level departments, agencies and institutions. These bank accounts are at the Bank of Ghana branches nearest to the districts.

6.5.1 COMMITMENT PROCESS

On receipt of the quarterly cash ceilings the MDAs review their work plans. On receipt of expenditure warrants and the Bank Transfer Advices,

- The cost centre at the Head Office, Regional or District levels prepares Activity and Expenditure Initiation Form to initiate Commitment process.
- The cost centre requests for Quotation from suppliers and select the best.
- The cost centre prepares Purchase Order (PO) and submits for approval.
- The cost centre submits approved PO to Servicing Treasury for commitment
- The cost centre dispatches PO to supplier.

6.6 THE CONCEPT OF WARRANT

**Warrant** is the process used by Ministry of Finance to authorise moneys to be released for spending by government departments and agencies.

The expenditures of government are made under various forms of authorisations.

The authorisations are to ensure that all payments are made
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
- from available monies for the particular expenditure,
- under strict scrutiny of the responsible official of government, and
- for the right type of expenditure as authorised by Parliament.

6.7 CLASSES OF WARRANTS

There are two main classes of warrants, to match the two main classes of expenditures, the recurrent or revenue expenditures, and capital expenditures. Recurrent expenditures are expenditures that are incurred regularly in the course of the organisation's annual operations, and are for items or services that are used within the year. Capital expenditures are incurred not very often, and are incurred to acquire fixed assets.

Warrants are therefore grouped as Recurrent Expenditure Warrants and Specific or Capital Expenditure Warrants.

Within these two main classes, warrants can be provisional, general and various specific warrants.

6.7.1 RECURRENT EXPENDITURE WARRANTS

These are authorisations for expenditures that are of revenue nature, expenditures that are incurred regularly on items that are consumed within the year.

Kinds of Recurrent Expenditure Warrants are:
NOTE:  This is a work in progress.  All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
(a) Imprest Warrant
(b) Provisional General Warrant
(c) Annual General Warrant
(d) Supplementary General Warrant
(e) Reserved Expenditure Warrant
(f) Contingencies Warrant
(g) Statutory Expenditure Warrant
(h) Establishment Warrant
(i) Virement Warrant

(a) Imprest Warrant

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

NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
You are hereby authorised and required to issue to the person described in the subjoined Schedule, the amount of .................................................. to be accounted for in the manner and at the date specified.
**NOTE:** This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

<table>
<thead>
<tr>
<th>Description of Person for Account or Account</th>
<th>Purpose for which issued</th>
<th>Amount (GH₵)</th>
<th>Particulars and Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Accounting and Repayment</td>
</tr>
</tbody>
</table>

Controller and Accountant: General

---

105
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

<table>
<thead>
<tr>
<th>Signature of the Officer Submitting the Schedule for Warrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECEIVED this .................day of ............................................2007</td>
</tr>
<tr>
<td>from the .................................................................</td>
</tr>
<tr>
<td>the sum of ..............................Ghana Cedis and ..................pesewas</td>
</tr>
<tr>
<td>being .................................................imprest</td>
</tr>
<tr>
<td>for .................................................................</td>
</tr>
<tr>
<td>to be accounted for not later than the .............................</td>
</tr>
</tbody>
</table>

(b) PROVISIONAL GENERAL WARRANT

This authorisation is issued by the Minister of Finance to the Controller and Accountant General to enable moneys to be released for expenditures for the early part of the year before the Appropriation Act is passed.
Such expenditures are made in respect of existing services and continuing projects at the beginning of the financial year while the annual estimates of the Government are examined for approval.

This warrant enables the Controller and Accountant General to send circulars to Vote Controllers of government departments to enable them request for moneys by preparing a Financial Encumbrance (FE), a document for expenditures of their organizations.

Provisional warrant is normally for the first 3 months of the year and is for an amount which is 25% of the Annual Estimates to be approved.

(c) **ANNUAL GENERAL WARRANT**

This warrant is issued by the Minister of Finance to the Controller and Accountant General after the annual estimates have been approved for all recurrent expenditures.

(d) **RESERVED EXPENDITURE WARRANT**

This warrant is issued by the Minister to the Controller and Accountant-General to release moneys that were reserved by the Minister out of the approved Annual Estimates. The money is released to organisations that apply for such moneys with explanation for the reasons for the request.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

(e) CONTINGENCIES WARRANT

This warrant is issued for moneys for unexpected but urgent expenditures that cannot be delayed. The warrant authorises the Controller and Accountant-General to release moneys from the Contingency Reserve Fund into the Consolidated Fund to meet the unbudgeted expenditure.

(f) ESTABLISHMENT WARRANT

This type of warrant has to do with promotions, when the Controller and Accountant General’s Department uses that to fix the salary and position of a staff who has been promoted in any department.

(g) VIREMENT WARRANT

This virement is required for moneys to be transferred from an estimate where there are surplus moneys to another expenditure estimate where all moneys have been spent though there are other activities to be met.

Such warrant is allowed under the following circumstances:

1. Virement is not allowed between line items of expenditure, i.e. it is not possible to switch between votes; it is possible between sub-items of expenditure;
2. It is allowed where savings have been made in other expenditure items;
3. It is allowed where the savings do not arise from the deferment of expenditure;
4. It is allowed if the extra funds are required for existing services, but not for any new services;
5. It is not allowed for capital expenditure, or expenditure which can lead to incurring extra expenditure in the future;
6. It is not allowed for an expenditure that will end up in a change in government policy.

6.7.2 SPECIFIC OR CAPITAL EXPENDITURE WARRANT

This warrant is issued for capital expenditures. It is issued by the Minister of Finance to the Controller and Accountant-General to authorise the Controller for the release of moneys to spending organisations for such expenditures.

The Ministry of Finance sends copies of such warrants to Vote Controllers or Departmental Heads and these enable heads to apply to the Controller for such expenditures.

The term development fund is used where the Central Government has a separate development fund for capital expenditures.

The following are forms of Capital Expenditure Warrants:

(a) Provisional Development Fund General Warrant
(b) Development Fund General Warrant
(c) Development Fund Supplementary General Warrant
(d) Development Fund Reserved Expenditure Warrant
(e) Development Fund Supplementary Warrant
(f) Development Fund Special Warrant
(g) Development Fund Virement Warrant
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

(a) PROVISIONAL DEVELOPMENT FUND GENERAL WARRANT

This warrant is issued by the Minister of Finance to authorise moneys to be release from the development fund to the spending ministries for the first three months of the budget year while the estimates are being examined for the Appropriation Act to be passed. This is to enable the relevant ministry carry on with capital projects that were begun in the previous year(s).

(b) DEVELOPMENT FUND GENERAL WARRANT

This warrant is issued after Parliament has issued the Appropriation Act to approve the various capital expenditure estimates as the development budget. This enables various spending organisations to get moneys for the current year’s capital projects.

(c) DEVELOPMENT FUND SUPPLEMENTARY GENERAL WARRANT

This warrant is issued to authorise the Controller and Accountant General to release moneys that have been approved by Parliament in the development supplementary estimates.

(d) DEVELOPMENT FUND RESERVED EXPENDITURE WARRANT

This warrant is issued for the release of project development moneys that were reserved earlier from approved development estimates.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

(e) DEVELOPMENT FUND SUPPLEMENTARY WARRANT

This warrant authorises the release of moneys that are to be spent over and above the normal annual development estimate approved for the year. One reason for such warrant is to authorise for the release of moneys for past project approved but not spent in the past year.

(f) DEVELOPMENT FUND SPECIAL WARRANT

This warrant is for the release of moneys for urgent project whose estimate has been submitted to, but is yet to be approved by, Parliament.

(g) DEVELOPMENT FUND VIREMENT WARRANT

The warrant authorises for transfer of moneys from approved estimates of one capital project where there are surplus moneys to another estimates of a capital project where estimates are not enough.

6.8 PAYMENT PROCEDURE

When an MDA or a cost centre incurs expenditure as a result of work done, goods supplied or services rendered, they submit payment vouchers with the relevant supporting documents to the treasury for payment.

The Internal audit and the Voucher ExamiNation Section at the treasury examine and sanction the details which make the payment voucher valid for payment.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Some of the details that are checked include:

(a) Authority for payment
(b) Correct Account Code or Number
(c) Appropriate supporting documents
(d) Proper description of details
(e) Arithmetic Accuracy

After the checking, the Treasury Officer finally approves the payment voucher, and a record is made in the FE Sheet before the cashier finally makes payment.

6.9 SUMMARY & CONCLUSION

Government expenditures in the form of recurrent and capital/development expenditures are to be estimated properly by the spending organisations.

The revenue controlling authorities give proper authorisations for the release of monies for the various types of expenditures. Such authorisations are referred to as warrants and are grouped into recurrent expenditure warrants and capital/development expenditure warrants.

And before each organisation can have access to monies to spend, proper procedures should be followed to request for the spending through the preparation of the document referred to as Financial Encumbrance, FE.

The expenditure system is therefore seen to be well planned which ensures proper utilisation of government finances.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

6.10 END OF CHAPTER REVIEW QUESTIONS

1. Which of the following is NOT a Memorandum Account?
   A. Cheque summary register
   B. List of Motor Vehicles
   C. List of Depositor
   D. Statement of Asset and Liabilities
   E. Bank reconciliation

2. Which of the following is NOT a recurrent expenditure warrant?
   A. Development fund supplementary warrant
   B. Supplementary general warrant
   C. Reserve expenditure warrant
   D. Annual general warrant
   E. Supplementary statutory expenditure warrant

3. The warrant that allows an officer to spend more than the budgeted amounts is called?
**NOTE:** This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

A. Supplementary statutory expenditure warrant

B. Annual general warrant

C. Reserve expenditure warrant

D. Supplementary general warrant

E. Provisional general warrant

4. The federal government makes use of the following agencies to collect revenue **EXCEPT**

A. Federal inland revenue service

B. Nigerian National Petroleum Corporation

C. Nigeria Prisons Service

D. Nigeria Customs Service

E. Nigeria Railway Corporation.

5. The book used to record expenditure and liabilities incurred in respect of funds in notes at the disposal of a department or Ministry is called

A. Expenditure book

B. Vote book

C. Revenue book

D. Cash book

E. Treasury book

6. The details regarding the keeping of a vote book is contained in the ......................
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

7. The account that does not form part of the double entry system although indispensable for its valuable control function is called..........................

8. All financial warrants must be issued and signed by the ............................

9. The procedure which enables fund to be transferred from a subhead vote with surplus funds to another sub-head in need under the same head is called ..........................

10. The incomes and expenditures that are not budgeted for but are listed are called ......................... transactions.

SOLUTION

1. D

2. D

3. A

4. C

5. B

6. Financial regulation

7. Memorandum Account

8. Minster of finance

9. Virement

NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

CHAPTER SEVEN

PREPARATION OF VOUCHERS

7.1 LEARNING OBJECTIVES:

At the end of this chapter, candidates should be able to:

1. Mention the various types of vouchers and their respective uses

2. State the contents of a voucher

3. Discuss the treatment of loss of a payment voucher


7.2 INTRODUCTION:

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 and disbursement of government money with adequate authority and procedures.

7.2.1 TYPES OF VOUCHERS:-

Vouchers can be classified into three main types. These are:-

a. Payment Vouchers

b. Receipt Vouchers
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
c. Adjustment Vouchers
d. Journal Vouchers.

7.3 PAYMENT VOUCHERS

These are vouchers that serve as evidence for the disbursement of government fund. It is to prove that there has indeed been payment for goods supplied and services provided for the ministry or department. Any disbursement of government fund must be backed with a valid voucher. Vouchers must be prepared when payments are to be made for:

- Goods that are ordered and supplied to the ministries by contractors
- Goods purchased directly from retailers, wholesalers or manufacturers
- Services rendered to government by the public or other government corporation e.g. Power Holding Company Plc- the company that generates and supplies electricity
- Services rendered to government by her workers i.e. Civil Servants.
- Execution of contract jobs properly awarded to contractors.
- Retirement benefits to retired Civil Servants.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

The following must be considered and keenly observed in a voucher, failure of which the voucher may be dishonoured.

1. All vouchers should be type-written or written in ink
2. Separate voucher should be used for separate head.
3. Original voucher must be signed in ink while copies should be initialled.
4. The voucher certificate should be signed separately.
5. Voucher must be presented within 90 days of its preparation
6. All vouchers must be certified by an officer that is authorised to do so.
7. The voucher must be stamped “Entered in the Votebook” and duly signed by the officer keeping the votebook.
8. All vouchers should be marked “Checked and passed” by the checking officer in the Pay Station
9. Vouchers must be supported with valid, tenable and authentic supporting documents.

7.3.1 FEATURES OF A VALID PAYMENT VOUCHER

For a voucher to be valid, it must contain the following features:-

1. Date of the voucher
2. Classification code- i.e. Head/Subhead.
3. Voucher Number.
4. Description of Payment i.e. Job done or service rendered.
5. Name and address of payee
6. Amount (in words and figures)
7. Signature of the paying cashier
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

8. Cahiers stamp “PAID”

9. Signature of the payee

10. Cheque number (where cheque is issued for payment.)

11. Authority:- Types of warrant that release the money.
    - Signature of officer controlling expenditure

12. Supporting documents:- Local Purchase Order (LPO) – original copy
    - Receipt/Invoice – original copy.
    - Special Letter of Authority
    - Delivery Note
    - Tender Certificate (in case of contract)

7.3.2 VOUCHER CERTIFICATE

Prepared by ........................................

Checked by ........................................

Recorded in vote book by ....................

Passed by .................................

Paid by .................................

Authorised by .................................
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

7.3.3 FORMAT OF A PAYMENT VOUCHER

LOGO OF FEDERAL OR STATE GOVERNMENT

NAME OF MINISTRY/DEPARTMENT / PARASTATAL

Head……………………………Station…………………………

Sub-Head……………………….VoucherNo…………………………

Date………………………………

Amount N…………………………

Name (of payee)…………………………………………………

Address (of payee)……………………Signature of Accounting officer……………………

<table>
<thead>
<tr>
<th>DESCRIPTION OF PAYMENT</th>
<th>RATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section will contain the purpose for which the payment is made e.g.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply of goods, rendering of service,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of salaries, execution of</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
Contract 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---------------------------------------------------------------

7.3.4 LOSS OF 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 must be confirmed whether the cash withdrawn is still in possession of the payee.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

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 must be forwarded with a detailed report concerning the circumstances of the loss in the first place by the Accounting Officer of the ministry or department

7.4 RECEIPT VOUCHERS

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

a. Printed Government receipts
b. Counterfoil books
c. License
d. Stickers
e. Emblems.

The revenue branch of the accounting section of a ministry /department will render a proper accounting record of revenue generated during the year by issue of receipts, counterfoil books, licenses and emblems.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

7.4.1 ILLUSTRATION OF RECEIPT VOUCHER

<table>
<thead>
<tr>
<th>REVENUE RECEIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE COLLECTOR’S RECEIPT (LOGO)</td>
</tr>
</tbody>
</table>

Treasury Book No. 6A

FEDERAL GOVT. OF NIGERIA

STATION…………………………
DATE………………………………

HEAD…………………………………………                         R. N.
No…………………………..

SUB-HEAD……………………………………

Receive
from…………………………………………………………………………………………………………………………

...the sum
of…………………………………………………………...Naira…………………………...Kobo

being (description of payment)………………………………………………………………………………

…………………………………………………………………………………………………………………………

____________________
____________________
7.5 **ADJUSTMENT VOUCHERS**

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

7.5.1 **USES OF ADJUSTMENT VOUCHERS**

Adjustment vouchers are used for the following purposes:

a. Effecting payment for services rendered by one ministry/department to another.

b. Adjusting wrong posting of transactions in respect of expenditure and revenue heads or subheads.

c. Reclassification of transactions.

d. Allocation of unallocated stores.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

7.5.2 CONTENT OF ADJUSTMENT VOUCHERS

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

(a) Reason for the adjustment or transfer from one ministry or department to another must be clearly stated.

(b) The voucher number

(c) Date indicating the month of account

7.6 JOURNAL VOUCHERS

Journal entries 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:

(i) Supplementary Journal Voucher (SJV)

(ii) Principal Journal Voucher (PJV)

7.6.1 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 ministry’s/department’s transcript posting and bank statement received.
(c) Where there is need to re-classify accounts into suitable heads and subheads before the trial balance is prepared.

7.6.2 **PRINCIPAL JOURNAL VOUCHER (PJV)**

This is primarily used for the following:-

a. To correct accounts that are found to have been mis-classified i.e. re-classification of Accounts.

b. To adjust wrong postings e.g. fund belonging to one ministry has been wrongly credited to another ministry.

c. To effect year-end transfers from the Federation Account to other ministry/department.

d. To effect month-end transfer of accounts from Above-the-line Accounts to Below-the-line Accounts.

7.7 **ACCOUNTING TREATMENT OF LOSS OF GOVERNMENT FUND**

Where it is confirmed or established that there has been loss of cash due to embezzlement, armed robbery, fraud or failure to receive an advance granted or collect revenue for service rendered, adjustment vouchers are not raised. Such losses are charged to Non-Personal Advance account by preparing payment voucher.
According to the Financial Regulation, the type of accounting entry required for the treatment of such losses however depends on the following:

- a. Nature of the loss
- b. Date of the transaction which led to the loss
- c. Date on which the loss occurs.
- d. Date of passing the entries
- e. The type of fund involved.

7.7.1  **ACCOUNTING ENTRIES**

<table>
<thead>
<tr>
<th>S/N</th>
<th>TYPE OF LOSS</th>
<th>ACCOUNTING ENTRIES REQUIRED</th>
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</thead>
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<tr>
<td></td>
<td></td>
<td>Dr</td>
</tr>
<tr>
<td>1.</td>
<td>Loss of cash.</td>
<td>Non Personal</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Fraudulent payment or overpayment made and discovered</td>
<td>Non Personal</td>
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<tr>
<td></td>
<td>within the current financial year</td>
<td>Relevant</td>
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<td></td>
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</tbody>
</table>
3. Fraudulent payment or overpayment in previous financial year charged to Consolidated Revenue: Non Personal Revenue, Advance A/c Sundry. Fund (CRF) or Development Fund (DF).

4. Fraudulent payment or overpayment made in previous financial year charged against public fund other than CRF or DF: Non Personal, Advance A/c originally debited.

5. Abandonment of the recovery of an amount or advance charged initially to an Advance A/c: Loss of Fund Advance A/c A/c A/c.

6. Overpayment not involving fraud made in previous financial year charged against CRF or DF: No. Adjustment Required, but the loss will be recognized by the Accountant-General.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

7 Abandonment of recovery of advances issued
   Initially from Re-current expenditure

8 Abandonment of the recovery of unpaid revenue
   Same as above
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

ILLUSTRATION 7.1

On 5th October, 2010, a double payment was made to Alhaji Abdullah, a supplier of computer systems to the Ministry of Works and Housing. The amount involved was ₦2,500,000 and the discovery was made in December of the same year.

You are required to journalize the discovery.

SOLUTION TO ILLUSTRATION 6.1

This is an overpayment made and discovered within the same year.

<table>
<thead>
<tr>
<th></th>
<th>Dr</th>
<th>Cr</th>
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</thead>
<tbody>
<tr>
<td>Non-Personal Advance A/C</td>
<td>₦</td>
<td>₦</td>
</tr>
<tr>
<td></td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>Ministry of Works/Housing 402/07</td>
<td></td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

(Being overpayment for the supply of computer systems).

ILLUSTRATION 7.2

The case is similar to the one in illustration 6.1 above but the overpayment was not discovered until February 2004. You are required to journalize the discovery.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

**SOLUTION TO ILLUSTRATION 7.2**

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Personal Advance A/C</td>
<td>\text{N}</td>
<td>\text{N}</td>
</tr>
<tr>
<td>Revenue Sundries A/c</td>
<td>2,500,000</td>
<td></td>
</tr>
</tbody>
</table>
ILLUSTRATION 7.3

A sum of ₦3,200,000 was fraudulently withdrawn from Research Foundation in December 2009. It was not discovered until October 2010. You are required to journalize the discovery.

SOLUTION TO ILLUSTRATION 7.3

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Personal Advance A/c</td>
<td>N 3,200,000</td>
</tr>
<tr>
<td>Research Foundation A/c</td>
<td>3,200,000</td>
</tr>
</tbody>
</table>

ILLUSTRATION 7.4

The following discoveries were made by the Accountant-General of Yado State while carrying out a special check on the books of accounts of the State.

(i) On 3rd April, 2010, the sum of N315,000,000 was fraudulently withdrawn from Imuala State and charged to CRF. The fraud was discovered on 13th February, 2011
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

(ii) On 17th of July, 2011, an overpayment of N1,050,000 was made to EKKAN Ltd in respect of supply of furniture to the new Government House built by the former administration. This was discovered on 21st September of the same year.

(iii) On 29th October, 2011 an amount of N45,000.00 being the revenue accruable to the State Government from rent of her property but never received was abandoned.

(iv) On 3rd of November 2011, an officer died while in active service and the aggregate of his pension and gratuity was N77,605 while he had an outstanding motor vehicle advance of N96,815.

(v) On 12th of November 2011, the sum of N365,000.00 which was initially charged to correspondence advance had been abandoned.

You are required to journalize the transactions and discoveries made above.

SOLUTION

Dr. Cr.

N N

i) Non-Personal Advance A/c 315,000,000

Consolidated Revenue Fund 315,000,000

Being an amount fraudulently withdrawn

from State Accounts and charged to CRF
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

ii) Non-Personal Advance A/c

Ministry of Works & Housing 1,050,000

Being over-payment for the supply of furniture.

iii) No. Adjustment Required

Note: The abandonment of the recovery must be registered by Accountant-General for the State as a loss.

iv). Loss of Fund A/c

Motor Vehicle Advance A/c 9,210

Being an outstanding advance found to be irrecoverable and written off.

v.) Loss of Fund A/c

Correspondence A/c 365,000

Being an amount charged to advance account and now abandoned
7.8 **SALARY VOUCHERS**

The account documents and records required to be prepared and maintained in the Personal Emolument Section of the Ministry/Department as regards payment of salaries and wages are:

- a. Personal Emolument Form
- b. Personal Emolument Record Card
- c. Group Register
- d. Salary Variation Advice
- e. Variation Control Sheet
- f. Payroll Summary Voucher
- g. Advice of Deduction from Salary
- h. On-Payment Voucher
- i. Cheque or Cash Order Form

7.8.1 **PERSONAL EMOLUMENT FORM**

This is the form that confirms that an officer is still in service as at the beginning of the year. The Personal Emolument Form is filled and sent by Sectional Heads to all Departmental heads at the beginning of the year. It contains the grade level and post of the officer.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

ILLUSTRATION OF PERSONAL EMOLUMENT FORM

LAGOS STATE GOVERNMENT

MINISTRY OF TRAINING AND ESTABLISHMENT

PERSONAL EMOLUMENT FORM (PEF)

NAME:

ALABI JOHNSON ADEKOLA

Surname First Name Other Name

ADDRESS: 18, SHOWUMI STREET, BARIGA

DEPARTMENT: TRAINING
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

LAST POST HELD: SENIOR ACCOUNTS CLERK

NEW POST ACCORED: ACCOUNT SUPERVISOR

LAST GRADE LEVEL: 07

NEW GRADE LEVEL: 08

_______________________  ____________________
HEAD OF DEPARTMENT       SIGNATURE
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.

7.8.2 PERSONAL EMOLUMENT RECORD CARD

This is required to be 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.

7.8.3 GROUP REGISTER

This 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 contains the Personal Emolument Card No, 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.

7.8.4 SALARY VARIATION ADVICE

This is used by the Personal Emolument Department of the ministry to inform the Account 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 would be prepared and distributed to the following sections/files

- Payroll Section
- Variation Control Section
- Internal Audit Section
- Variation Control File
- Officer’s Personal File.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

7.8.5 VARIATION CONTROL SHEET

This is prepared by the variation control section to serve as control over the payroll prepared by the salary section. It is a record that is maintained to show each variation in the month of emoluments, taxable allowances and the deductions from emolument for each officer. The aggregate of these variations will be 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.

7.8.6 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.

7.8.7 ADVICE OF DEDUCTION FROM SALARY

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

7.8.8 ON-PAYMENT VOUCHERS
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
These are vouchers raised at the personnel department of the salary section in respect of deductions that have been made from salary and are payable directly to other authorities e.g. NSITF, National Housing Fund, Union Dues, Taxes etc.

7.8.8 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.

7.9 INTEGRATED PERSONNEL & PAYROLL INFORMATION SYSTEM (IPPIS)

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

Objectives

1. Facilitates planning: having all the civil service records in a centralised database will aid manpower planning as well as assist in providing information for decision making.
2. Aid Budgeting: An accurate recurrent expenditure on emolument could be planned and budgeted for on a yearly basis.
3. Monitor the monthly payment of staff emoluments against what was provided for in the budget.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.

Thanks.

4. Ensure database integrity so that personnel information is correct and intact.
5. Eliminate payroll fraud such as ghost workers syndrome.
6. Facilitate easy storage, updating and retrieval of personnel records for administrative and pension processes.

MDAs are Ministries Department and Agencies within the Civil Service where the IPPIS will be implemented. Six MDAs selected in the pilot phase of the project are:

1. Federal Ministry of Education
2. Federal Ministry of Finance
3. Federal Ministry of Foreign Affairs
4. Federal Ministry of Information
5. Federal Ministry of Works
6. National Planning Commission

7.9.1 FUNCTIONS OF COMPONENT OF IPPIS

1. Data captive equipment with fingerprint scanners for biometric enrolment and camera for employee photograph.
2. Each of the pilots MDA can capture, update and process their personnel records.
3. There are presently about 30,000 civil servants from the pilot MDAs whose records and biometric data have been captured, verified and stored in the centralized personnel database of IPPIS.
4. Salaries are now paid directly into the bank account of civil servants whose records exist in the IPPIS database
5. Third party agencies like FIRS, SBIR, Pencom and Cooperative Societies also receive their payments directly.
7.10 SUMMARY

The chapter discussed the various types of vouchers, their preparation and their respective uses. The content of a valid voucher together with the treatment of loss of payment voucher was also looked into. The chapter also discussed how loss of government fund is treated.

7.11 END OF CHAPTER REVIEW QUESTIONS

1. Which of the following is the correct accounting entry where there is fraudulent payment or overpayment of government money and discovered within the current year?

   A. Dr. Advance A/c Cr. Cash A/c
   B. Dr. Non-Personal Advance A/c Cr. Government A/c
   C. Dr. Loss of Funds A/c Cr. Advance A/c
   D. Dr. Non-Personal Advance A/c Cr. Relevant Sub-Head
   E. No adjustment is required.

2. In which of the following situations will a sub-accounting officer dishonour a voucher and render it invalid? Where the voucher:

   (i) is written in pencil
   (ii) certificate is not signed by the relevant authority.
   (iii) is presented for payment after 90 days of preparation.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

A. i & ii only

B. i & iii only

C. all of the above

D. ii & iii only

E. none of the above

3. Variation advices are prepared in five copiers and will be distributed to forms of the five listed officers.

1. Employees
   A. 1, 2, 3, and 4

2. Employees file
   B. 1, 3, 4, and 5

3. Variation sector
   C. 2, 3, 4, and 5

4. Internal audit
   D. 1, 3, 4, and 5

5. Account general
   E. 1, 2, 3, and 5

4. Which of the following is a Non-personal Advance.

   A. Loss of government fund advance

   B. Salary advance

   C. Advance salary

   D. Motor vehicle advance

   E. Specific advance
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

5. Which of the following vouchers is invalid?

A. Prepared in ink

B. Whose certificate is signed separately

C. Presented for payment after 90 days

D. Certified by an officer authorised to do so

E. Stamped “Entered in the vote book”

6. What is a Voucher?

7. The voucher which is similar to journals in the private sector and used for amending errors is called -----------------

8. The Form that would be sent to all ministries and department heads for confirmation that an officer is still in service as at the beginning of a current year is called ---------------- Form

9. The document used by the Personal Emolument Department of the ministry to inform the Account Section about any changes affecting the salary of an officer is called ------------------------

10. What is the significance of pay roll summary vouchers?

SOLUTION

1. D

2. D

3. A
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

4. A

5. C

6. A voucher is a documentary evidence of payment or receipt of money which is available for future reference accounting and auditing purposes

7. Adjustment voucher

8. Personal emolument record card

9. Salary Variation Advice

10. It is the document used to communicate changes in salary to the officers. It emanates from variation unit in the administrative department.
CHAPTER EIGHT

PRERARATION OF CASH BOOK, TRANSCRIPTS AND SUBSIDIARY ACCOUNTS.

8.1 LEARNING OBJECTIVE:

At the end of this chapter candidates should be able to:-

- Prepare different types of cash book in the Public Sector.
- Prepare monthly Transcripts given the required information.
- Explain the function of the Cheque Summary Register.
- Prepare a Departmental Vote Expenditure Allocation Book (DVEA).
- State types of advances available in the Public sector.

8.2 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 in charge.

8.2.1 ESSENTIAL FEATURES OF A CASH OFFICE

1) Paying cage or cubicle.
2) Notice to the public showing working hours in the office.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress.
Thanks.
3) Cash tank or Safe with dual control keys.
4) Notice of restriction of entry by non staff or unauthorized person.
5) Security personnel.
6) A Close Circuit Monitor.
7) Security Alarm device.
9) Mercury light.
10) Computer System.
11) Fire Alarm.

8.2.2 FUNCTIONS OF THE CASH OFFICE

- Receipt and payment of liquid cash.
- Safe custody of cash.
- Maintenance of a conventional cash book to record all cash transactions.
- Operation of the Ministry/Departments current account on which cheques are drawn.
- Balancing of cash book transactions on daily basis.
- Reconciliation of bank statement balances with cash book balances monthly or as at when required.
- Submission of original cash book and all copies of vouchers to the accounts department. This is required for the preparation of final accounts.

8.2.3 BOOKS OF ACCOUNTS TO BE MAINTAINED IN THE CASH OFFICE
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

The following books and documents are required to be kept in any cash office. The documents must be monitored to have a record of the officers who have them in their possession. The documents should always be under security system when they are not in use.

They include:

- Treasury Receipt Book.
- Cheque Summary Register.
- Bank Teller
- Cash Book
- Cheque Book
- Cheque Dispatch Register
- Payment Voucher Register
- Paper Money Register e.g. dividend warrant, stamp, money order, postal order e. t. c.
- Pay-in Form.
- Dishonored Cheque Register
- Safe Content Register – used to take account of the items in the safe as at the end of a day's work. This should be checked for accuracy on the following day before beginning a new transaction.

8.3 THE CASH BOOK

There are three types of cash book kept in the ministry. They are:

- The Treasury Cash Book
- The Imprest Cash Book
- Revenue Collector’s Cash Book
8.3.1 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 whether belonging to above the line or below the line accounts. Both revenue and expenditure are entered in the cash book. The cash book is divided into two sections. The right side contains all payments while the left side contains record of receipts. Each side consists of eight columns.
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

**FORMAT OF A TREASURY CASH BOOK (TF15a)**

<p>| | | | | | | | | | | | | | | | |</p>
<table>
<thead>
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<td>1. Voucher No</td>
<td>9. Treasury No or Dept No</td>
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<tr>
<td>2. From Whom Received</td>
<td>10. To whom Paid</td>
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<tr>
<td>4. Treasury Receipt No issued</td>
<td>12. Payee Bank</td>
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<td>5. No on Bank Slip</td>
<td>13. Cheque No</td>
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<td>7. Bank</td>
<td>15. Deduction or Cash</td>
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<td>8. Total Amount</td>
<td>16. Bank or Net</td>
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NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

Illustration 8.1 - The following transactions were extracted from the books of the Ministry of Education during the month of March 20XX.

a) Bal b/d from February 20XX

Bank $1,650,000
Cash $37,800

b) i. Allocation for Recurrent Expenditure - $8,500,000

ii. Allocation for Capital Expenditure - $11,500,000

c) Final payment for the construction of 20 blocks of classrooms 211/12 $4,600,000 – UBN cheque No 001638 issued.

d) Payment of Staff Salaries with UBN cheque No 001641 – $4,000,000, from which the following deductions were made:

Advances - Salary 15/6 $15,000

Advances - Motor Vehicle 15/8 $65,000

Advances - Correspondence 15/3 $60,000

Surcharge of Senior officers 11/7 $50,000

e) Issue of UBN cheque No 001618 to R. T. Motors for repair of motor vehicles 18/7 $58,000

f) Payment for electricity with UBN cheque No 001644 23/8 $97,000

g) Maintenance of office building 23/2 $64,000 with cheque No 001616

h) Cash withdrawn from bank $70,000
NOTE: This is a work in progress. All topics in the syllabus are covered but editing for necessary corrections is in progress. Thanks.

i) Cash received for registration for Computer Institute from 31 candidates at ₦2,000/candidate. Treasury receipt No A12701 to A12731 issued serially – 10/16

j) Cash from disposal of office furniture 17/6 ₦80,000 – Treasury Receipt A12733.

k) Payment to bank ₦70,000 – Bank Slip No 0011364.

l) Purchase of Computer Systems by cheque No 001629 10/13 ₦180,000

m) Payment for Printing and Stationery 11/24 cash ₦64,000

n) Payment for telephone bills 17/8 ₦9,000 Cash

You are required to post the transactions in the Treasury Cash Book for the month of March 20XX.
**Solution to Illustration 8.1**

**MINISTRY OF EDUCATION**

**TREASURY CASH BOOK FOR THE MONTH OF MARCH 20XX**

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The following transactions took place in the Ministry of Women Affairs during the month of January 20XX. The ministry uses only cash book to record its transactions.

a) Balance brought forward from December 20XY.
   - Bank ₦600,000
   - Cash ₦10,000

b) 1st quarter allocation for recurrent expenditure
   ₦6,000,000

c) 1st quarter allocation for capital expenditure
   ₦3,000,000

d) Payment of Salaries via payroll no MWA/A/01/20XX/
   FBN Cheque No 000136 ₦1,500,000

Deductions:

- Rent on quarters 12/13 ₦4,000
- Motor Vehicle advance Repayment 13/7 ₦3,000
- Salary Advance repayment 13/10 ₦3,000
- Correspondence Advance repayment 13/11 ₦8,000

e) Payment for repair of furniture by cheque (voucher No MWA/03/077/FBN Cheque 00137) 35/09 ₦25,000
f) Utility service paid by cash
   64/07
   ₦4,000

g) Travelling and Transport paid by cash
   17/1
   ₦6,000

h) Cash withdrawn from Bank
   ₦100,000

i) Renewal of licenses fees received from contractors
   Cash vide Treasury Receipt No B014047
   ₦15,000

j) Maintenance of Motor Vehicle by cheque via
   Voucher No MWA/04/079/FBN Cheque No 000138
   ₦16,400

k) Purchase of Computer systems by cheque via
   Voucher No MWA/05/078/FBN Cheque No 000139
   ₦1,600,000

l) Cash paid to bank
   ₦70,000

m) Payment for the purchase of new furniture &
   Fittings by cheque via Voucher No MWA/06/
   080/FBN Cheque No. 000141
   ₦800,000

You are required to post the above items in the Treasury cash book
of the Ministry for the month of January 20XX.
SOLUTION TO ILLUSTRATION 8.2

MINISTRY OF WOMEN AFFAIRS

TREASURY CASH BOOK FOR THE MONTH OF JANUARY 20XX

<table>
<thead>
<tr>
<th>Voucher No</th>
<th>From Whom</th>
<th>Classification</th>
<th>Treasury Receipt No</th>
<th>Bank Slip No</th>
<th>Cash</th>
<th>Bank</th>
<th>Total Amount</th>
<th>Treasury No</th>
<th>To Whom</th>
<th>Classification</th>
<th>Payee Bank</th>
<th>Cheque No</th>
<th>Gross Amount</th>
<th>Deduct Or Cash</th>
<th>Bank Or Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation</td>
<td>Bal b/d</td>
<td>100,000</td>
<td>600,000</td>
<td>700,000</td>
<td>MW A/01/20X</td>
<td>MW A/03/077</td>
<td>Salaries</td>
<td>FBN 00136</td>
<td>1,500,000</td>
<td>18,000</td>
<td>1,482,000</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>i. Recurrent Expenditure</td>
<td></td>
<td>6,000,000</td>
<td>6,000,000</td>
<td></td>
<td>Repair of Furniture</td>
<td>35/09</td>
<td>FBN 00137</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>ii. Capital Expenditure</td>
<td>12/13</td>
<td>4,000</td>
<td>4,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>Utility Service</td>
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<td>4,000</td>
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<td></td>
<td></td>
<td></td>
<td>Travelling &amp;</td>
<td>17/1</td>
<td></td>
<td></td>
<td>70,000</td>
<td>6,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Description</td>
<td>Date</td>
<td>Rent on Quarters</td>
<td>Motor Vehicle Advance</td>
<td>Salary Advance</td>
<td>Correspondence Advance</td>
<td>Total</td>
<td></td>
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<td></td>
<td>13/7</td>
<td>3,000</td>
<td>3,000</td>
<td>8,000</td>
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<td>3,000</td>
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<td>16,400</td>
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<td>13/11</td>
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<tr>
<td>Transport Cash</td>
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<tr>
<td>Maint O M.V</td>
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</tr>
<tr>
<td>Furn. &amp; Fittings</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>5,636,600</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bank &amp; Renewal of Licences</td>
<td>Cash</td>
<td>Bal b/d</td>
<td>233,000</td>
<td>9,670,000</td>
<td>9,903,000</td>
<td>9,903,000</td>
<td>233,000</td>
<td>9,670,000</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>106,800</td>
<td>12,771,000</td>
<td>12,947,800</td>
<td>Bal c/d</td>
<td>MVA/06/080</td>
<td>5,781,600</td>
<td>9,903,000</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
8.4  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 expenditures which are 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.

8.4.1  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.

8.4.2  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 imperest balances must 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.

8.4.3  Checks And Balances for Keeping An Imprest Account

1. The imprest holder must be an officer from Grade Level 04 and above.
2. The officer must be an officer of proven integrity.
3. Imprest money must not be used for any other purpose.
5. The imprest cash book must be checked regularly for any anomaly or sharp practices by the Sub-Accounting officer.
6. Any balance on imprest must be retired at the end of the fiscal year.
7. Any imprest amount from ₦50,000 and above must be banked by the imprest holder in an account to be opened in his official status.
8. Any expenditure from imprest must be properly authorized and approved.
9. Payment vouchers must be raised for all disbursements from the imprest money.
10. There should be no lending to employees from the imprest money.

8.4.4 Re-Imbursement of Imprest

The imprest holder is required to present all payment vouchers for the money spent from the imprest money 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.

FORMAT OF IMPREST CASH BOOK

<table>
<thead>
<tr>
<th>Date</th>
<th>Re-imbursement Details</th>
<th>No Off Bank Credit Slip</th>
<th>Cash</th>
<th>Bank</th>
<th>Date</th>
<th>Desc.</th>
<th>P.V. No</th>
<th>Class.</th>
<th>Cash</th>
<th>Bank</th>
</tr>
</thead>
</table>

Illustration 8.4.1
The following transactions were extracted from the books of Alaba Local Government in the month of April 20XX. The monthly float for the Local Government is ₦50,000. The imprest holder gets reimbursement from the Sub-Accounting officers on any amount expended as at the last day of the month.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bal b/f</td>
<td>₦2,500</td>
</tr>
<tr>
<td></td>
<td>Transfer from the Sub-Accounting officer to imprest through FBN cheque No 00012345</td>
<td>₦47,500</td>
</tr>
<tr>
<td>1-4-20XX</td>
<td>Softdrinks and fishrolls</td>
<td>₦700</td>
</tr>
<tr>
<td>3-4-20XX</td>
<td>Stationery</td>
<td>₦300</td>
</tr>
<tr>
<td>4-4-20XX</td>
<td>Total – Petrol</td>
<td>₦1,200</td>
</tr>
<tr>
<td>4-4-20XX</td>
<td>Phone recharge card – MTN</td>
<td>₦750</td>
</tr>
<tr>
<td>5-4-20XX</td>
<td>Photocopies</td>
<td>₦300</td>
</tr>
<tr>
<td>8-4-20XX</td>
<td>Mr. Bigg’s food</td>
<td>₦2,300</td>
</tr>
<tr>
<td>9-4-20XX</td>
<td>Calculator</td>
<td>₦2,700</td>
</tr>
<tr>
<td>10-4-20XX</td>
<td>Con-oil – Petrol</td>
<td>₦1,500</td>
</tr>
<tr>
<td>11-4-20XX</td>
<td>Stationery</td>
<td>₦400</td>
</tr>
<tr>
<td>12-4-20XX</td>
<td>Motor Vehicle Repair</td>
<td>₦4,000</td>
</tr>
<tr>
<td>15-4-20XX</td>
<td>Beverages – Coffee &amp; Milk</td>
<td>₦800</td>
</tr>
<tr>
<td>Date</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>16-4-20XX</td>
<td>Electricity bills</td>
<td>6,000</td>
</tr>
<tr>
<td>17-4-20XX</td>
<td>Typing and Printing</td>
<td>4,200</td>
</tr>
<tr>
<td>18-4-20XX</td>
<td>Flat and Arch files</td>
<td>1,000</td>
</tr>
<tr>
<td>19-4-20XX</td>
<td>Transportation of five officers to and fro (Lagos - Calabar)</td>
<td>12,000</td>
</tr>
<tr>
<td>22-4-20XX</td>
<td>MTN – Cards</td>
<td>3,000</td>
</tr>
<tr>
<td>23-4-20XX</td>
<td>Total – Petrol</td>
<td>1,600</td>
</tr>
<tr>
<td>25-4-20XX</td>
<td>Photocopies</td>
<td>200</td>
</tr>
<tr>
<td>26-4-20XX</td>
<td>Stationeries</td>
<td>1,300</td>
</tr>
<tr>
<td>29-4-20XX</td>
<td>Electrical Bills</td>
<td>700</td>
</tr>
<tr>
<td>30-4-20XX</td>
<td>Soft drinks and meat pie</td>
<td>800</td>
</tr>
<tr>
<td>31-4-20XX</td>
<td>Con-oil – Petrol</td>
<td>1,500</td>
</tr>
</tbody>
</table>

You are required to draw up the imperest account of Alaba Local Government and determine the amount of re-imbursement at the beginning of May 20XX.

Note:- Draw up analysis column for

- Telephone and Postages
- Stationery and Printing
- Entertainment
- Electricity and Electrical Works
- Transportation
- Motor Vehicle Repairs And Maintenance
## Solution to Illustration 7.2

**ALABA LOCAL GOVERNMENT**

**IMPREST ACCOUNT FOR THE MONTH OF MARCH 20XX**

<table>
<thead>
<tr>
<th>Date</th>
<th>Reimbursement Details</th>
<th>No of Ban</th>
<th>Cash</th>
<th>Bank</th>
<th>Date</th>
<th>Desc.</th>
<th>Classification</th>
<th>Cash</th>
<th>Bank</th>
<th>ANALYSIS</th>
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</thead>
<tbody>
<tr>
<td>1-4-20XX</td>
<td>Bal b/d 00012345</td>
<td>2,500</td>
<td>47,500</td>
<td>47,500</td>
<td>1-4-20XX</td>
<td>Cash c</td>
<td>0</td>
<td>700</td>
<td>300</td>
<td>700</td>
</tr>
<tr>
<td>1-4-20XX</td>
<td>Reimbursement Bank</td>
<td>47,500</td>
<td></td>
<td></td>
<td>1-4-20XX</td>
<td>Softdrinks</td>
<td>0</td>
<td>300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-4-20XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3-4-20XX</td>
<td>Stationery</td>
<td>0</td>
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<td></td>
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</tr>
<tr>
<td>1-4-20XX</td>
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<td>Petrol</td>
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<td>750</td>
<td>750</td>
<td></td>
</tr>
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<td>1-4-20XX</td>
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<td>4-4-20XX</td>
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<td>0</td>
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<td>1,200</td>
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</table>

**M/V Repairs**

**TRANSACTIONS**
<table>
<thead>
<tr>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>5-4-20XX</td>
<td>Phone card</td>
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</tr>
<tr>
<td>8-4-20XX</td>
<td>Photocopies</td>
<td>2,300</td>
</tr>
<tr>
<td>9-4-20XX</td>
<td>Mr. Biggs</td>
<td>2,700</td>
</tr>
<tr>
<td>10-4-20XX</td>
<td>Calculator</td>
<td>1,500</td>
</tr>
<tr>
<td>11-4-20XX</td>
<td>Petrol</td>
<td>400</td>
</tr>
<tr>
<td>12-4-20XX</td>
<td>Stationery</td>
<td>4,000</td>
</tr>
<tr>
<td>15-4-20XX</td>
<td>M/V Repairs</td>
<td>800</td>
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<tr>
<td>16-4-20XX</td>
<td>Coffee&amp;Mi</td>
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<td>17-4-20XX</td>
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<td>12,000</td>
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Total: 6,000
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<th>Date Range</th>
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<td>30-4-20XX</td>
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<td>1-5-20XX</td>
<td>b/d</td>
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<td>Reimbursement</td>
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<td>18-4-20XX</td>
<td>Electricity</td>
<td>47,450</td>
</tr>
<tr>
<td>20XX</td>
<td>Typg.&amp;Printing</td>
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<tr>
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<td>Files</td>
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<tr>
<td>20XX</td>
<td>Transport</td>
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<tr>
<td>22-4-20XX</td>
<td>Phone cards</td>
<td>1,300</td>
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<tr>
<td>23-4-20XX</td>
<td>Petrol</td>
<td>700</td>
</tr>
<tr>
<td>25-4-20XX</td>
<td>Photocopies</td>
<td>800</td>
</tr>
<tr>
<td>26-4-20XX</td>
<td>Stationerie</td>
<td>1,500</td>
</tr>
<tr>
<td>29-4-20XX</td>
<td>Bal c/d</td>
<td>10,400</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>700</td>
</tr>
<tr>
<td></td>
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<td>9,800</td>
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<td>30-4-20XX</td>
<td>30-4-20XX</td>
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</tr>
</tbody>
</table>

8.5 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 duties of the revenue collectors are exhaustively discussed in Chapter 3 of this Study Pack.

FORMAT OF A REVENUE COLLECTOR’S CASH BOOK

<table>
<thead>
<tr>
<th>MINISTRY/DEPARTMENT:...............</th>
<th>DATE:...............</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DR</strong></td>
<td><strong>CR</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Revenue Receipt No</th>
<th>Classification</th>
<th>From Whom</th>
<th>Amount</th>
<th>Date</th>
<th>Treasury Receipt No</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Head</td>
<td>Subhead</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*The Debit Side:* - This consists of the date on which the collection is made, Revenue Receipt No – i.e. the receipt issued to the payer, head/subhead of the ministry or department, the description or particular of the payment usually the name of the payer 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 the sub-accounting officer requests for such. The revenue collector is issued a
Treasury Receipt by the Sub-Accounting officer or cashier and records the amount remitted in the Cash Remittance Register. Any outstanding not remitted as at the end of the month will be carried forward.

**ILLUSTRATION 8.3**

Mr. Malik Al-Mudashir is a revenue collector in the Works Department of Funtua Local Government. His revenue collections for the month ended July 20XX are as stated below.

<table>
<thead>
<tr>
<th>Revenue Receipt No</th>
<th>Date</th>
<th>Head/Subhead</th>
<th>Particular of Payer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>T01001</td>
<td>1-7-20XX</td>
<td>107/03</td>
<td>Kabir Mohammed</td>
<td>3,600</td>
</tr>
<tr>
<td>T01003</td>
<td>3-7-20XX</td>
<td>107/05</td>
<td>Hajia Fatimah</td>
<td>4,800</td>
</tr>
<tr>
<td>T01005</td>
<td>7-7-20XX</td>
<td>107/09</td>
<td>Muninu Kunmi</td>
<td>12,000</td>
</tr>
<tr>
<td>T01002</td>
<td>2-7-20XX</td>
<td>107/05</td>
<td>Zubair Abba</td>
<td>15,000</td>
</tr>
<tr>
<td>T01007</td>
<td>11-7-20XX</td>
<td>107/06</td>
<td>James Koleh</td>
<td>1,600</td>
</tr>
<tr>
<td>T01004</td>
<td>4-7-20XX</td>
<td>107/08</td>
<td>Shehu Kaduo</td>
<td>13,200</td>
</tr>
<tr>
<td>T01006</td>
<td>9-7-20XX</td>
<td>107/04</td>
<td>Mathew Ahmed</td>
<td>400</td>
</tr>
<tr>
<td>T01008</td>
<td>13-7-20XX</td>
<td>107/14</td>
<td>Theo Jafar</td>
<td>1,750</td>
</tr>
<tr>
<td>T01009</td>
<td>14-7-20XX</td>
<td>107/13</td>
<td>Felicia Gambo</td>
<td>10,250</td>
</tr>
<tr>
<td>T01010</td>
<td>18-7-20XX</td>
<td>107/11</td>
<td>Janet Onwa</td>
<td>3,200</td>
</tr>
<tr>
<td>T01011</td>
<td>25-7-20XX</td>
<td>107/17</td>
<td>Badlam Bawa</td>
<td>1,700</td>
</tr>
<tr>
<td>T01012</td>
<td>31-7-20XX</td>
<td>107/10</td>
<td>Yusuf Jibo</td>
<td>4,300</td>
</tr>
</tbody>
</table>

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, 20XX to the Sub-Accounting Officer and obtained a Treasury Receipt No B0275006 for the amount remitted.
SOLUTION TO ILLUSTRATION 8.3

FUNTUA LOCAL GOVERNMENT

WORKS DEPARTMENT

REVENUE COLLECTOR’S CASH BOOK FOR THE MONTH OF JULY 20XX

<table>
<thead>
<tr>
<th>Date</th>
<th>Revenue Receipt No</th>
<th>Revenue Head</th>
<th>Sub Head</th>
<th>Particular of Payer</th>
<th>Amt</th>
<th>Date</th>
<th>Treasury Receipt No</th>
<th>Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-7- 20XX</td>
<td>T01001 107</td>
<td>03</td>
<td>Kabir</td>
<td>3,600</td>
<td>31-7-20XX</td>
<td>3275006</td>
<td>71,800</td>
<td></td>
</tr>
<tr>
<td>2-7- 20XX</td>
<td>T01002 107</td>
<td>05</td>
<td>Zubair Abba</td>
<td>15,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-7- 20XX</td>
<td>T01003 107</td>
<td>05</td>
<td>Hajia Fatimah</td>
<td>4,800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4-7- 20XX</td>
<td>T01004 107</td>
<td>08</td>
<td>Shehu Kaduo</td>
<td>13,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-7- 20XX</td>
<td>T01005 107</td>
<td>09</td>
<td>Muninu Kunmi</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9-7- 20XX</td>
<td>T01006 107</td>
<td>04</td>
<td>Mathew Ahmed</td>
<td>400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11-7- 20XX</td>
<td>T01007 107</td>
<td>06</td>
<td>James Koleh</td>
<td>1,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13-7- 20XX</td>
<td>T01008 107</td>
<td>14</td>
<td>Theo Jafar</td>
<td>1,750</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Ref.</td>
<td>No.</td>
<td>V.I.</td>
<td>Name</td>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>-----</td>
<td>------</td>
<td>------------</td>
<td>--------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14-10</td>
<td>T01009</td>
<td>107</td>
<td>13</td>
<td>Felicia</td>
<td>10,250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-10</td>
<td>T01010</td>
<td>107</td>
<td>11</td>
<td>Janet Onwa</td>
<td>3,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-10</td>
<td>T01011</td>
<td>107</td>
<td>17</td>
<td>Badlam</td>
<td>1,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-10</td>
<td>T01012</td>
<td>107</td>
<td>10</td>
<td>Yusuf Jibo</td>
<td>4,300</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal c/d</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,800</td>
</tr>
<tr>
<td><strong>Bal c/d</strong></td>
<td>71,800</td>
</tr>
</tbody>
</table>
ILLUSTRATION 8.4

Mrs Elizabeth Kamson is the revenue collector of the Health & Social Welfare in Kaju Local Government. Her collections for the month ended 28th of February, 20XX are as follows.

<table>
<thead>
<tr>
<th>Revenue Receipt No</th>
<th>Date</th>
<th>Head/Subhead</th>
<th>Paid By</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>M12361</td>
<td>2-2-20XX</td>
<td>115/06</td>
<td>J. Okada</td>
<td>3,000</td>
</tr>
<tr>
<td>M12362</td>
<td>2-2-20XX</td>
<td>115/09</td>
<td>M. Badmus</td>
<td>1,800</td>
</tr>
<tr>
<td>M12364</td>
<td>3-2-20XX</td>
<td>115/01</td>
<td>T. Aluko</td>
<td>3,600</td>
</tr>
<tr>
<td>M12365</td>
<td>8-2-20XX</td>
<td>115/03</td>
<td>T. Banjo</td>
<td>5,000</td>
</tr>
<tr>
<td>M12363</td>
<td>7-2-20XX</td>
<td>115/05</td>
<td>S. Ekanem</td>
<td>17,000</td>
</tr>
<tr>
<td>M12367</td>
<td>9-2-20XX</td>
<td>115/15</td>
<td>L. O. Biggs</td>
<td>4,000</td>
</tr>
<tr>
<td>M12369</td>
<td>18-2-20XX</td>
<td>115/12</td>
<td>Z. Z. Zacheus</td>
<td>2,200</td>
</tr>
<tr>
<td>M12368</td>
<td>15-2-20XX</td>
<td>115/09</td>
<td>M. Ojo</td>
<td>1,800</td>
</tr>
<tr>
<td>M12366</td>
<td>9-2-20XX</td>
<td>115/07</td>
<td>K. Taiwo</td>
<td>3,600</td>
</tr>
<tr>
<td>M12370</td>
<td>23-2-20XX</td>
<td>115/10</td>
<td>F. Lambo</td>
<td>11,200</td>
</tr>
<tr>
<td>M12372</td>
<td>27-2-20XX</td>
<td>115/14</td>
<td>F. M. Righteous</td>
<td>8,500</td>
</tr>
<tr>
<td>M12373</td>
<td>27-2-20XX</td>
<td>115/02</td>
<td>T. Jawando</td>
<td>6,700</td>
</tr>
</tbody>
</table>

You are required to prepare a Revenue Collector’s cash book disclosing Mrs. Kamson’s takings after paying the total amount collected as at 23rd of February, 20XX to the Chief Accounting Officer and were issued a Treasury Receipt No AA0176313 for the sum.
**SOLUTION TO ILLUSTRATION 8.4**

KAJU LOCAL GOVERNMENT

HEALTH AND SOCIAL WELFARE DEPARTMENT

REVENUE COLLECTOR’S CASH BOOK FOR THE MONTH OF FEBRUARY 20XX

<table>
<thead>
<tr>
<th>Date</th>
<th>Revenue Receipt No</th>
<th>Revenue Sub Head</th>
<th>Particular of Payer</th>
<th>Amt</th>
<th>Date</th>
<th>Treasury Receipt No</th>
<th>Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-2-20XX</td>
<td>M12361 115 06</td>
<td>J. Okada</td>
<td>3,000</td>
<td>23-2-20XX</td>
<td>AA 0176313</td>
<td>53,200</td>
<td></td>
</tr>
<tr>
<td>2-2-20XX</td>
<td>M12362 115 09</td>
<td>M. Badmus</td>
<td>1,800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-2-20XX</td>
<td>M12364 115 01</td>
<td>T. Aluko</td>
<td>3,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-2-20XX</td>
<td>M12363 115 05</td>
<td>S. Ekanem</td>
<td>17,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8-2-20XX</td>
<td>M12365 115 03</td>
<td>T. Banjo</td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9-2-20XX</td>
<td>M12366 115 07</td>
<td>K. Taiwo</td>
<td>3,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9-2-20XX</td>
<td>M12367 115 15</td>
<td>L. O. Biggs</td>
<td>4,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-2-20XX</td>
<td>M12368 115 09</td>
<td>M. Ojo</td>
<td>1,800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-2-20XX</td>
<td>M12369 115 12</td>
<td>Z. Zacheus</td>
<td>2,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Code</td>
<td>Account</td>
<td>Name</td>
<td>Amount</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>--------</td>
<td>---------</td>
<td>---------</td>
<td>----------</td>
<td>--------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23-2</td>
<td>M12370</td>
<td>115</td>
<td>F. Lambo</td>
<td>11,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27-2</td>
<td>M12372</td>
<td>115</td>
<td>F. M.</td>
<td>8,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20XX</td>
<td></td>
<td></td>
<td>Righteous</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27-2</td>
<td>M12373</td>
<td>115</td>
<td>T. Jawando</td>
<td>6,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bal c/d</td>
<td>-</td>
<td>15,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>68,400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>68,400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3</td>
<td></td>
<td>Bal b/d</td>
<td></td>
<td>15,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE** :- As at 23rd of February 20XX, the revenue collected by Mrs. Kamson in the sum of N53,200 paid to the accounting officer was the total amount realized as revenue as at that date. Subsequent collections are entered in her cash book and carried forward.

**8.6 TRANSCRIPTS**

Transcript is the document by which self accounting units transfer their financial transactions to the office of the Accountant-General to prepare the required financial statement.
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.

8.6.1 TYPES OF TRANSCRIPTS

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

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

3. **Control Book or Control Sheets**: This is the transcript used by Federal Pay Officer in the Federation.

8.6.2 PREPARATION OF TRANSCRIPTS

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

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

2. Checking the vouchers against the cash book content. This is by ticking all copies of vouchers into the cash book in order to ensure complete and correct entry of all vouchers and to remove any problem arising from errors and mistakes.
3. Sorting of vouchers into their respective heads and subheads.

4. 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.

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

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

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

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

8.6.3 DOCUMENTS REQUIRED TO BE TRANSMITTED ALONG WITH TRANSCRIPT.

The following documents should be prepared and taken along with the transcript: -

1. Bank Reconciliation statement.

2. 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.


5. In limited self-accounting unit, the duplicate copies of vouchers should also accompany the transcript.

6. List of outstanding vouchers
8.6.4  CERTIFICATE OF CASH AND BANK BALANCES

It is very important that the actual cash balance agrees with the one in the transmitted transcript hence the certificate of cash balance. The same should be exercised for bank balance by stating the opening balances at the beginning of the month, adding up total receipts through cash and bank to the opening balance and deducting total payment in order to arrive at the transcript's balances.
FORMAT OF CERTIFICATE OF BANK AND CASH BALANCES

e.g. for Month ending 31st of May 20XX.

I hereby state the position of my cash book concerning the cash and bank balances for the month of May 20XX as follows:-

CASH BALANCE

₦

Opening Balance as at 1-5-20XX xx

add Total receipts for the month xx

xxx

less Total payments for the month xx

Closing balance as at 31-5-20XX xxx

ANALYSIS OF CLOSING BALANCE

₦

₦1,000 Note - X pieces xx

₦500 Note - X pieces xx

₦200 Note - X pieces xx

₦100 Note - X pieces xx
₦50 Note - X pieces xx

₦20 Note - X pieces xx

₦10 Note - X pieces xx

₦5 Note - X pieces xx

₦2 Coin - X pieces xx

₦1 Coin - X pieces xx

50k Coin - X pieces xx ______

Cash balance as at 31-5-20XX xxx ______

BANK BALANCE

₦

Opening Balance as at 1-5-20XX xx

add Total receipts for the month xx

xxx

less Total payments for the month xx

Closing balance as at 31-5-20XX xxx

The sub-accounting officer or cashier will certify the cash and bank positions by writing thus: -
I certify that at the end of May 20XX, my cash book had a cash balance of Nxxx which agreed with the physical cash available and had a bank balance of Nxxx which had been reconciled with the bank statement which also accompanies this transcript.

............................

............................

Name & Post               Signature & Date
A transcript has 6 columns on each side of the Debit and Credit. The Debit side has Head, Subhead, Description, Receipts, Total and Balance while the credit side has Head, Subhead, Description, Payments, Total and Balance.

**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.

**ILLUSTRATION 8.5:** The following are the transactions extracted from the books of the Ministry of Finance for the month of September, 20XX.

Balance b/d 1-9-20XX
The following are the revenues realized for the month.

**Revenue**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 11</td>
<td>Fees</td>
<td>2,500,000</td>
</tr>
<tr>
<td>8 3</td>
<td>Renewal of Licenses</td>
<td>1,420,700</td>
</tr>
<tr>
<td>12 3</td>
<td>Rent On Govt. Property</td>
<td>750,000</td>
</tr>
<tr>
<td>11 2</td>
<td>Contractors registration</td>
<td>210,000</td>
</tr>
<tr>
<td>13 13</td>
<td>Investment Interest</td>
<td>70,000</td>
</tr>
<tr>
<td>11 8</td>
<td>Institutional Registration Fees</td>
<td>300,000</td>
</tr>
<tr>
<td>7 13</td>
<td>Companies Income Tax</td>
<td>3,600,000</td>
</tr>
<tr>
<td>13 11</td>
<td>Sales of Investment</td>
<td>1,000,000</td>
</tr>
<tr>
<td>9 2</td>
<td>Royalty on Mine</td>
<td>1,200,000</td>
</tr>
<tr>
<td>7 1</td>
<td>VAT</td>
<td>4,200,000</td>
</tr>
</tbody>
</table>
### BELOW-THE-LINE REVENUES

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

### PAYMENT

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEAD SUBHEAD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 1</td>
<td>Personnel Cost</td>
<td>6,305,200</td>
</tr>
<tr>
<td>11 2</td>
<td>Travel and Transport</td>
<td>1,336,000</td>
</tr>
<tr>
<td>11 3</td>
<td>Utility Services</td>
<td>341,000</td>
</tr>
<tr>
<td>11 4</td>
<td>Telephone and Postages</td>
<td>47,200</td>
</tr>
<tr>
<td>11 5</td>
<td>Printing and Stationeries</td>
<td>81,480</td>
</tr>
<tr>
<td>11 6</td>
<td>Maintenance of Office Furniture</td>
<td>108,370</td>
</tr>
<tr>
<td>11 7</td>
<td>Mtce. Of Motor Vehicle &amp; Other Assets</td>
<td>428,000</td>
</tr>
<tr>
<td>11 8</td>
<td>Consultancy Services</td>
<td>218,000</td>
</tr>
<tr>
<td>11 9</td>
<td>Grants, Contributions and Subventions</td>
<td>1,118,000</td>
</tr>
<tr>
<td>11 10</td>
<td>Training and Development</td>
<td>218,000</td>
</tr>
<tr>
<td>11 11</td>
<td>Entertainment and Hospitality</td>
<td>112,000</td>
</tr>
<tr>
<td>11 12</td>
<td>Miscellaneous Expenses</td>
<td>47,500</td>
</tr>
</tbody>
</table>

### BELOW-THE-LINE PAYMENTS

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>3001</td>
<td>Advance Salary</td>
<td>15,000</td>
</tr>
<tr>
<td>3002</td>
<td>Salary Advance</td>
<td>35,000</td>
</tr>
<tr>
<td>1710</td>
<td>Correspondence Advance</td>
<td>160,800</td>
</tr>
<tr>
<td>1421</td>
<td>Miscellaneous Deposits paid</td>
<td>85,000</td>
</tr>
<tr>
<td>1330</td>
<td>Motor Vehicle Advance</td>
<td>125,000</td>
</tr>
</tbody>
</table>
You are required to prepare the monthly transcript for the month of September 20XX
# SOLUTION TO ILLUSTRATION 8.5

MINISTRY OF FINANCE

TRANSCRIPT FOR THE MONTH OF SEPTEMBER 20XX

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head</strong></td>
<td><strong>Sub</strong></td>
</tr>
<tr>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Account Description</td>
<td>Amount 1</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Contractors registration</td>
<td>1,200.00</td>
</tr>
<tr>
<td>Institutional Reg. Fees</td>
<td>2,500.00</td>
</tr>
<tr>
<td>Rent on Govt. Property</td>
<td>210,000</td>
</tr>
<tr>
<td>Sales of Investment</td>
<td>300,000</td>
</tr>
<tr>
<td>Investment Interest</td>
<td>750,000</td>
</tr>
<tr>
<td>BELOW THE LINE</td>
<td></td>
</tr>
<tr>
<td>M/V Advance Repayment</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Miscellaneous Deposits</td>
<td>70,000</td>
</tr>
<tr>
<td>Corresp. Adv. Repymnts</td>
<td>100,000</td>
</tr>
<tr>
<td>Mtce of M/V Othr Asst</td>
<td>81,480</td>
</tr>
<tr>
<td>Consultancy Service</td>
<td>81,480</td>
</tr>
<tr>
<td>Grants, Cont. &amp; Subven</td>
<td>1,118,00</td>
</tr>
<tr>
<td>Training &amp; Develpmnt</td>
<td>10,360,750</td>
</tr>
<tr>
<td>Entert. &amp; Hospitality</td>
<td>112,000</td>
</tr>
<tr>
<td>Misc Expenses</td>
<td>47,500</td>
</tr>
<tr>
<td>BELOW THE LINE</td>
<td></td>
</tr>
<tr>
<td>Advance Salary</td>
<td>35,000</td>
</tr>
<tr>
<td>Salary Advance</td>
<td>15,000</td>
</tr>
<tr>
<td>Motor Vehicle Advance</td>
<td>35,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>126,400</td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8.7  **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.

8.8  **PREPARATION OF BANK RECONCILIATION STATEMENT**

This is required in order to ensure that the bank balance as contained in the bank statement agrees 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
FORMAT OF BANK RECONCILIATION STATEMENT

\[ \begin{array}{cc}
\text{Balance as per cash book on 28-2-20XX} & \text{xx} \\
\text{Add} & \\
\text{Unpresented cheques} & \text{xx} \\
\quad \text{Error in Cash book or} & \\
\quad \text{Bank statement due to receipts} & \text{xx} \\
\quad & \text{xx} \\
\text{Less} & \\
\text{Uncredited cheques} & \text{xx} \\
\quad \text{Error in Cash book or} & \\
\quad \text{Bank statement due to payments} & \text{xx} \\
\text{Balance as per Bank Statement on 28-2-20XX} & \text{xxx}
\end{array} \]

ILLUSTRATION 7.6

The bank column of the cash book of College of Arts and Science, Igbonla showed a debit balance of \( \text{₦5,316,200} \) as at 31st December 20XX while the bank statement showed a credit balance of \( \text{₦6,860,010} \).

However, the following transactions required further consideration:

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 20XX.
SOLUTION TO ILLUSTRATION 8.6

College of Arts and Science, Igbonla.

i. Adjusted Cash Book as at 31st December 20XX.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/d</td>
<td>N5,316,200</td>
</tr>
<tr>
<td>C. O. T.</td>
<td>N30,300</td>
</tr>
<tr>
<td>Govt. Subvention</td>
<td>N3,000,000</td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>N16,000</td>
</tr>
<tr>
<td>Interest on Investment</td>
<td>N7,010</td>
</tr>
<tr>
<td>VAT &amp; Other Bank Charges</td>
<td>N1,315</td>
</tr>
<tr>
<td>Interest on Fixed Deposit</td>
<td>N18,300</td>
</tr>
<tr>
<td>Bal c/d</td>
<td>N8,293,895</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>N8,341,510</td>
</tr>
</tbody>
</table>

Bal b/d N8,293,895
ii. **Bank Reconciliation Statement as at 31\textsuperscript{st} December 20XX**

<table>
<thead>
<tr>
<th>Naira (₦)</th>
<th>Naira (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as per Adjusted Cash book</strong></td>
<td>8,293,895</td>
</tr>
<tr>
<td><strong>Add</strong></td>
<td></td>
</tr>
<tr>
<td>Unpresented cheques</td>
<td></td>
</tr>
<tr>
<td>L0013788</td>
<td>350,000</td>
</tr>
<tr>
<td>L0013789</td>
<td>410,000</td>
</tr>
<tr>
<td>L0013791</td>
<td>520,000</td>
</tr>
<tr>
<td>L0013792</td>
<td>1,250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,530,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,823,895</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
</tr>
<tr>
<td>Uncredited cheques</td>
<td></td>
</tr>
<tr>
<td>X010007</td>
<td>533,000</td>
</tr>
<tr>
<td>Y010008</td>
<td>296,500</td>
</tr>
<tr>
<td>MD03147</td>
<td>1,134,385</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(3,963,885)</td>
</tr>
<tr>
<td><strong>Balance as per Bank Statement</strong></td>
<td>6,860,010</td>
</tr>
</tbody>
</table>

**ILLUSTRATION 8.7**

The following is extracted from the books of Akadama State Ministry of Commerce & Industries as at 31\textsuperscript{st} July 20XX
a) The cash book has a debit balance of ₦4,800,000 while the bank statement showed an overdrawn balance of ₦2,741,000.

b) Cheques paid to suppliers specified below have not been presented to the bank for payment.

Cheques No     A007307 - ₦3,160,000
               A007308 - ₦11,000,000
               A007309 - ₦14,000,000
               A007310 - ₦4,340,000

c) A deposit of ₦37,000,000 is yet to be credited to the ministry’s account by the bank.

d) The bank debited a cheque of ₦1,000,000 being grant from State Government to the ministry’s account. On investigation, the bank admitted the error.

e) A cheque of ₦420,000 was dishonoured by the bank but this has not been effected in the cash book.

f) A cheque drawn for ₦2,000,000 has been entered in error as receipt from the State Government.

g) Bank charges of ₦621,000 on the bank statement has not been recorded in the cash book.

You are required to prepare

i. An Adjusted Cash book.

ii. Bank Reconciliation Statement as at 31st July 20XX.

**SOLUTION TO ILLUSTRATION 8.7**

**AKADAMA STATE**
## MINISTRY OF COMMERCE AND INDUSTRIES

### ADJUSTED CASH BOOK AS AT 31ST JULY 20XX

<table>
<thead>
<tr>
<th></th>
<th>£</th>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/d</td>
<td>4,800,000</td>
<td>Dishonoured Cheque</td>
<td>420,000</td>
</tr>
<tr>
<td>Error in Bank</td>
<td>2,000,000</td>
<td>Error in Cash Book</td>
<td>4,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank Charges</td>
<td>621,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bal c/d</td>
<td>1,759,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>6,800,000</strong></td>
<td></td>
<td><strong>6,800,000</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bal b/d</td>
<td>1,759,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## BANK RECONCILIATION STATEMENT AS AT 31ST JULY 20XX

ii. b) 

<table>
<thead>
<tr>
<th></th>
<th>£</th>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Unpresented Cheques</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Balance as per Adjusted Cash Book</td>
<td>1,759,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Add: Unpresented Cheques</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Cheque A 007307</td>
<td>3,160,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Cheque A 007308</td>
<td>11,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Cheque A 007309</td>
<td>14,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Cheque A 007310</td>
<td>4,340,000</td>
<td></td>
<td>32,500,000</td>
</tr>
<tr>
<td>i)</td>
<td></td>
<td></td>
<td>34,259,000</td>
</tr>
<tr>
<td>j) Less: Uncredited deposit</td>
<td>(37,000,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k) Balance as per Bank Statement</td>
<td>(2,741,000)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8.9  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.

8.9.1 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 revenue written off.

2. **Personal Advances**: These are advances of cash to individual officers in the public sector.

They are grouped into 6 namely:

- i. **Salary Advance**
- ii. **Advance Salary**
- iii. **Motor Vehicle Advance**
- iv. **Correspondence Advance**
- v. **Spectacle Advance**
- vi. **Touring Advance**

   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 to 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 Level 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 ₦20,000.

**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 outstandings 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 installments 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 installments 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 the officer responsible.
Repayment: It must be retired within 7 days of return from tour.

8.9.2 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. Authority for the advance.

8.10 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.

8.10.1 PURPOSE OF KEEPING A VOTE BOOK
1. To have absolute control over expenditure.
2. To prevent any reckless spending or abuse of vote in a Ministry or Department.
3. To ensure that votes meant for a particular expenditure are not channelled to other expenditures which are not provided for in the approved budget.
4. To reveal balances available.
5. To show all commitments and outstanding liabilities.

8.10.2 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.
8.10.3 FORMAT OF A VOTE BOOK

Head …………………….. Authorised Amount ……………

Sub-Head ………………..

<table>
<thead>
<tr>
<th>Column</th>
<th>Subject</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Line No</td>
<td>Line must be numbered serially.</td>
</tr>
<tr>
<td>2</td>
<td>Date</td>
<td>Dates vouchers are recorded or liabilities are incurred.</td>
</tr>
<tr>
<td>3</td>
<td>Voucher No</td>
<td>The Department’s Payment Voucher Numbers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>This is obtained from the Voucher register.</td>
</tr>
<tr>
<td>4</td>
<td>Particulars</td>
<td>Payee Names</td>
</tr>
<tr>
<td>5</td>
<td>Payments</td>
<td>The Gross payment on the voucher.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Only payments made are entered in this column.</td>
</tr>
<tr>
<td>6</td>
<td>Cumulative Payment</td>
<td>Total payments as at the date the last payment was made.</td>
</tr>
<tr>
<td>7</td>
<td>Balance</td>
<td>Balance after deduction of 6 above from the Authorized amount.</td>
</tr>
<tr>
<td>8</td>
<td>Liability Reference</td>
<td>Local Purchase Order (LPO), Job Order or any Job</td>
</tr>
</tbody>
</table>
Agreement given or entered into but not yet executed or supplied.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Liability Incurred</td>
<td>After the supply of items or execution of contract, the actual amount will be recognized by entering in 5 above.</td>
</tr>
<tr>
<td>10</td>
<td>Liability Cleared</td>
<td>When 9 above has been cleared and entered in 5, it is then posted here to show that the liability is cleared.</td>
</tr>
<tr>
<td>11</td>
<td>Outstanding Liabilities</td>
<td>Gross amount of liabilities incurred to date i.e. cumulative liability.</td>
</tr>
<tr>
<td>12</td>
<td>Remarks</td>
<td>The Ministry or company's indebtedness to the contractor or supplier in 9 above.</td>
</tr>
<tr>
<td>13</td>
<td>Uncommitted Balance</td>
<td>Amount of balance that is not committed to any outstanding liability. This is after deduction of all liabilities incurred from column 7, if any.</td>
</tr>
<tr>
<td>14</td>
<td>Line No</td>
<td>Reference to numbers of the lines cleared.</td>
</tr>
<tr>
<td>15</td>
<td>Line No</td>
<td>Column 1 repeated.</td>
</tr>
</tbody>
</table>
8.10.4  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 initialed by him.

Also the entries can be verified by ensuring that:

l) Totals in columns 6 and 7 must agree with the Authorised Amount.

m) Totals in columns 11 and 13 must agree with the amount shown in column 7.

8.10.5  FUNCTIONS OF OFFICER CONTROLLING EXPENDITURE

1. To ensure that the Vote Book is properly maintained by entering all payments accurately.

2. To forward on monthly basis, returns to the Vote issuing Ministry or Department.

3. To make investigation, reports and take any other action as he deems fit where he discovers any irregularity in a payment voucher.

4. To ensure that all expenditures are justified.

5. He must ensure that votes are applied for the purpose for which they are provided.

6. To ensure that votes are always available throughout the fiscal year by spreading them evenly.

7. To demand for additional provision of votes where he feels that incurred liabilities will be more than the vote obtained.

ILLUSTRATION 8.7
The following information was submitted by the Sub-accounting officer of the Federal Ministry of Education for the month ended April 30th 20XX.

1-4-20XX  The sub-accounting officer collected the second quarter allocation of ₦3,000,000 in respect of stationeries through AGN377. Head of Expenditure is 501 while the sub-head is 007.

3-4-20XX  Paid ₦150,000 for the purchase of Higher Education and Hard Cover Notebooks on P. V. No 3001 from Abiola Bookshop.

8-4-20XX  Paid ₦175,000 to Ajayi Bookshop for the supply of stencils and typing sheets on P. V. No 3002.

16-4-20XX  Paid ₦200,000 to Ekanem Bookshop for biros, pencils, rulers, erasers and mathematical instrument sets on P. V. No 3003.

18-4-20XX  Issued an LPO No 4001 to the tune of ₦400,000 to Abiola Bookshop for the supply of carbon papers, staple pins, perforators and gums.

19-4-20XX  Issued an LPO No 4002 to Maryam Ventures for the supply of computer accessories to the tune of ₦370,000.

22-4-20XX  Abiola Books supplied the requested items worth ₦300,000 as per their invoice and P. V. No 3004 was raised for payment.

23-4-20XX  Paid the sum of ₦370,000 to Maryam Ventures for the supply of computer accessories on P. V. No 3006

24-4-20XX  Paid the sum of ₦300,000 on P. V. No 3007 to Jaiye & Sons for the supply of Flat files and Arch files.

27-4-20XX  Issued an LPO No 4003 to Jamganza Bookshop for the supply of Fine Art materials worth ₦250,000.
29-4-20XX  Paid the sum of ₦250,000 to Jamganza Bookshop for the items supplied on P. V. No 3008.

30-4-20XX  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.
**SOLUTION TO ILLUSTRATION 8.7**

Head: - Ministry of Education  
Authorized Amount: - ₦3,000,000

Sub-head: - 007  
Month: - April 20XX

Service - Stationery

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8.11 SUMMARY

The Chapter discussed the various types of books of accounts kept in the Public Sector. The format and illustration as to the preparation of monthly Transcripts was also discussed. The Chapter detailed how to prepare Departmental Vote Expenditure Allocation Book (D.V.E.A.) and discussed the types of advances in the Public Sector.

8.12 END OF CHAPTER REVIEW QUESTIONS

1. Which of the following is not likely to be found in a Cash Office?
   A. Counting Machine
   B. Mercury Light
   C. Electrically Controlled Door
   D. Fire and Burglary Alarm

2. The Treasury Cash Book is used to record
   A. receipts of fund only.
   B. payments of money only.
   C. receipts and payments above the line only.
   D. all receipts and payments irrespective of the nature.

3. The advance used purposely for writing off loss of public money is called
   A. Salary Advance.
   B. Touring Advance.
   C. Non-personal Advance
   D. Personal Advance.
4. All the listed books and documents below are used in the pay office EXCEPT

A. Voucher register
B. Cheque book
C. Voucher register
D. Crin
E. Contract register

5. The following documents must be kept permanently EXCEPT one:

A. All cash book
B. Paper money register
C. Pension register
D. Subsidiary ledger
E. Payment cards

6. The repayment period for Salary Advance is _______ months instalmentally.

7. The summary of income and expenditure of a Ministry for a month is called ________________

8. The imprest that is retired immediately the purpose for which it is set is achieved is called ________________.
9. State **TWO** ways in which a spoilt cheque is treated

10. The name of the document used by the revenue collector to record all the cash received and paid or transferred by him is called........................................

**SOLUTION**

1. E

2. D

3. C

4. E

5. B

6. Three months

7. Transcript

8. Special imprest

9. (i) Spoilt cheque must be cancelled

(ii) Spoilt cheque must be affixed to the counter foil

(iii) The designated bank is promptly informed

(iv) Corresponding cheque book cancelled in cheque delivery register

(any two)
10. Revenue collectors cashbook.
9.1 LEARNING OBJECTIVES

In this chapter, the objectives are to

define public sector financial control,

examine the kinds of legislative controls, and

examine the kinds of executive controls.

9.2 INTRODUCTION

The chapter discusses what is meant by financial control in government organisations.

It then looks at the types of financial controls that are established in the legislature to ensure the proper authorisation and control of public finances. It follows with the examination of the kinds of financial controls designed by the executive in the spending organisations to ensure proper and efficient use of the finances that are released.

9.3 THE CONCEPT OF FINANCIAL CONTROL
Public Sector Financial Control has to do with

- controlling both public revenues and expenditures over an appropriate time span,
- deciding on objectives for public expenditures and priorities to be followed,
- establishing systems for information flow and control and finally
- monitoring results.

Any government system which follows such control processes ensures proper financial accountability.

9.4 CONTROL STRUCTURES

This generally has to do with the process of ensuring that all revenues of government that are generated in any form and by any department are paid into the main account of government, the Consolidated Fund and any other account of government which may be specified.

The various revenue generating departments of government are authorised to pay all revenues they collect into specific accounts called collection bank accounts for onward transfer into the government accounts with the Central Bank.

In the case where a revenue collecting department is allowed by legislation to use some of the collected revenues, it has been noted (under revenue estimation by departments above) that the revenue department is required to follow the
necessary procedures, especially to enable it to properly report on the moneys that it has used out of the revenues collected.

Three main control structures exist in the public system to ensure that government revenues are properly used. These are Parliamentary, Treasury and Departmental Controls.

9.4.1 LEGISLATIVE CONTROL

This control concept has to do with the various measures that Parliament can use for purposes of controlling the use of public funds.

This system of control is very important since Parliament is to be independent body from the Executive where the government administration is formed by the ruling party.

Parliament is therefore known traditionally in the British system of governance as The Controller of the Purse, meaning the institution which controls the money of government and the use of the money.

The Constitution establishes the parliamentary authority over public funds and their uses.
Parliament achieves such financial control over public revenue and expenditure through the following:

(a) Public Finance Committee

This is a sub-committee of parliament and is responsible for the receipt of the Finance Bill which is the bill for the revenue sources, and the Appropriation Bill made up of the annual expenditure estimates and proposals of government for the considerations of parliament.

(b) Appropriation Committee

This committee is concerned with the passing of the Appropriation Bill into Appropriation Act in order to give authorization to the estimates after the examination by various sub-committees. The Appropriation Committee is in effect the whole House of Parliament when it sits to pass the Appropriation Act.

(c) Examination Sub-Committees

These are sub-committees of Parliament that are responsible for the examination of individual estimates of the organizations. They are also to monitor the expenditures of the relevant organizations. The proper performance of their roles is a major control mechanism.

(d) Public Accounts Committee
The committee receives the audited public accounts and audited departmental accounts and other special audit reports, examines and debates the contents and submits its report(s) in the form of its findings and recommendations to the whole House. Parliament takes action on the Public Accounts on the basis of the recommendations of the committee.

(e) The Audit Service

This institution is responsible for the examination of public accounts to attest to the use of the various public funds as were sanctioned by Parliament at the beginning of the year. It is seen to assist parliament to control public funds and their use, through its assistance to the Public Accounts Committee in the form of its examinations of all accounts of government organisations.

(f) The Concept of Appropriation

Another Legislative control has to do with the concept of Appropriation in the public sector which refers to the procedure through which National revenue is made available to the executive or government organisations annually to finance their programmes or activities.

For any particular budget year’s finances, the needed finances are prepared in the form of Estimates by spending organisations and are submitted in the form of statements referred to as the Supply Estimates to the Legislature for approval. An Appropriation Bill covers the combined Estimates of the spending organisations
and this Bill is passed into **Appropriation Act** after all the Estimates have been examined and debated upon.

According to Section 25 (2) of FAA,

The estimates of the expenditure of departments and agencies shall be classified under programmes or activities which shall be included in a Bill to be known as the Appropriation Bill and which shall be introduced into Parliament to provide for the issue from the Consolidated Fund or such other appropriate fund of the sums of money necessary to meet that expenditure and the appropriation of those sums for the purposes specified in that Bill.

The functions of an Appropriation Act are to:

- Authorise the estimates of the organisations;
- Give agreement to the Ambit of the Vote;
- Become reference point for any misunderstandings and disagreements;
- Denote by implication * ultra-vires* activities of any organisations, activities that are outside the authorised areas.

The parliamentary examination and debate of the estimates take some time before the final approval and subsequent passing of the Appropriation Act to enable such organisations to get finances for their activities for any budget year.
Therefore before the start of a particular budget year, **Provisional Appropriation Act** is passed which authorises finances for the government organisations to carry on their activities in the early part of the budget year (Normally the first three months) until the completion of the examinations and debates. Such finances are referred to as **Provisional Appropriations** or **Votes on account**, which become deductible from the amounts, which are approved finally for each organisation.

Article 180 of the 1992 Constitution of Ghana enjoins the head of the Executive, the President to call for such Provisional Appropriation.

The estimates become known as **Votes** after approval, such votes being the individual estimates for specific expenditure items or areas that together form the budget of the incumbent organisation.

A description is expected to be given for the purposes for which the estimates are going to be used and these descriptions are referred to as the **Ambit of the Vote** or the **Vote’s Ambit**.

(i) **Appropriations-in-Aid**
This refers to any income that a department receives outside the consolidated fund. This income is expected to be deducted from the total supply estimates or appropriations needed by the organisation hence this reduces the amount expected to come out of the Consolidated Fund.

9.4.2 THE EXECUTIVE CONTROL

The Executive comprises of the President and his cabinet members at the Federal level, while at the State Government level it comprise of the Governor and his cabinet members as well. At both levels, the constitution has two other arms called the Judiciary and the Legislature. Hence all policies either economic or political to be taken by the President or the Governor are subject to approval of the Legislature.

The executive control government expenditure through the following means:

- Determination of monetary fiscal policies in general
- Compilation and tentative approval of the Nation’s budget
- Appointment of the Auditor-General at all tiers of the government
- Issuance of budgetary guidelines
- Introduction of the due process.
- Introduction of e-payment, e-receipt and e-banking system.

9.4.3 DEPARTMENTAL CONTROL

These are control measures that are instituted in the spending organizations to ensure proper use of funds.
Some important control variables are:

1. Heads of departments, normally the Vote controllers are responsible for the issue of the Activity and Expenditure Initiation Form for any expenditure activity.

   Such heads of departments are to issue the departmental accounting manual, which has the codes of instructions for the departments to regulate the financial administration and accounting practices of the departments.

   The manual contains the details of accounting procedures, chart of accounts, keeping of accounts, the preparation of financial statements and the format of such financial statements.

   This manual should be approved by the Controller and Accountant General and the Auditor General.

2. Spending officers and importantly Heads of departments are primary controllers of Votes.

   They are expected by the financial regulations to

   • Keep accounts to show the funds as approved and allocated to the department;
• Show the commitments made against the approved or allocated funds;

3. For purposes of proper expenditure control, vote controllers are to ensure that:

   (a) The expenditure is a lawful charge against the public fund
   (b) There are funds to meet the expenditure
   (c) Stores/Services Received Advices (SRAs) are checked
   (d) Payment is in order in all respects, i.e. it conforms to established regulations, prices and rates charged are fair and reasonable to current local rates
   (e) Payment vouchers are duly signed with relevant supporting documents

9.4.4 THE TREASURY CONTROL

It is observed that in some instances, the Treasury delegate its functions to Ministries that are called self accounting units. These units keep all the books of account the same way they are kept by the Treasury.

The treasury therefore exercise some measure of control and supervisors over and of the accounting works of the units.

The Inspectorate officers from the treasury often visit the Ministries and Departments to insect their accounting systems in place.
The Internal Audit department of the treasury also visits the self-accounting units to appraise the accounting activities of the Ministries and make a formal report on any inadequacy discovered.

In summary, the Treasury Department controls government expenditure through the following means:

1. Maintenance of proper books of accounting records
2. Establishment of effective Internal Control System
3. Establishment of a functional Internal Audit Department
4. Appointment of Board of Survey
5. Appointment of Board of Enquiry
6. Issuance of Treasury Circulars
7. Issuance of Financial Regulation

**9.4.5 MINISTRY OF FINANCE CONTROL**

Ministries are required to present to the Minister of Finance the estimated to cover their requirements which are necessary, reasonable and economical. Apart from the annual activities, the Minister of Finance approval is required for every item of new expenditure, for any increase in expenditure beyond that originally authorised, same for any transfer of funds between one head or subhead to another.
Also, the Minister of Finance authorised the Accountant-General to issue warrant which in turn authorised accounting officer to incur expenditure.

In summary the Minister of Finance controls government expenditure through the following:

- Issuance of financial authorities
- Compilation and tentative approval of the Nation’s budget
- Issuance of budgetary guidelines
- Issuance of financial regulations
- Issuance of financial circulars

9.5 SUMMARY & CONCLUSION

Financial control in the public sector involves control of public revenues and expenditures, deciding on objectives and priorities of such revenues and expenditures, devising proper systems for flow and control of information relating to such finances and monitoring the outcomes of the usage of such finances.

There are two control structures by the legislature and the executive that are established to control the finances of government.
Legislative control operates through committees established by parliament in the form of public finance committee, various estimates examination committees, appropriation committee, public accounts committee and the independent work of the government audit department, the Audit Service which carries out audit works on government financial statements to strengthen the position of public accounts committee.

Executive/Treasury controls are in the form of departmental control measures instituted to ensure proper use of the financial resources. In addition there are the various financial authorisation measures in the form of the expenditure authorisation procedure, warrants, financial encumbrance and drawing limits that are discussed in chapter 7.

These control structures, coupled with their effective operations, ensure a well established control system in the public sector to safeguard the resources of government.

**9.6 END OF CHAPTER REVIEW QUESTIONS**

1. Issuance of financial authorities is one of the control measures adopted by:
   
   (i) The treasury
   
   (ii) The Ministry of Finance
(iii) The Extra-Ministerial department

A. (i) only

B. (ii) and (iii)

C. (iii) only

D. (i) and (ii)

E. (ii) only

2. Which of these organs approve the Nation’s Budget?

A. The National Assembly

B. The Executive

C. The Minister of Finance

D. The Accountant – General of the Federation

E. The Auditor-General for the Federation

3. The legislative body that performs a post mortem function on financial matters is the

A. Audit alarm committee

B. Treasury board

C. Public accounts committee

D. The Federal houses committee
E. The board of survey

4. Which of the following arms of government was monetary and fiscal policies as a means of control over government expenditure?

A. The industries and Extra-Ministerial departments
B. The Ministry of finance
C. The legislative
D. The Executive
E. The Treasury

5. The independent organ of the government that review all contracts awarded and are of significant values is called

A. The Procurement body
B. The Board of Enquiry
C. The Board of survey
D. The due process or due diligence
E. The Federal Executive Council

6. Issuance of budgetary guidelines is one of the ways by which the................... control expenditure

7. Mention TWO functions of the due process
8. The officer that is saddled with the responsibility of performing purely regularity and compliance audit on government accounts and reports the National assembly is called ............................................................................................................

9. The authority which confers power on government officers controlling expenditure or vote to incur expenditure is called.................................................................

10. The department that issues guidelines on the preparation of budget is the ..............

SOLUTION TO END OF CHAPTER REVIEW QUESTIONS

1. E

2. A

3. C

4. B

5. D

6. Executive arm of the Government

7. (i) To ensure that all laid down procedures as regards award of contract are followed.

    (ii) To prevent inflation of contracts
8. Auditor-General for the Federation

9. Warrant

10.1 **LEARNING OBJECTIVE:**

At the end of this chapter candidates should be able to:-

- State the procedures required in the procurement of contract from government.
- Differentiate between allocated and unallocated stores.
- Classify stores into their various types based on period of usage or consumption.
- State the procedures required in the documentation of stores and enter stores into bin cards or tally.
- Value stock using different methods of stock valuation.

10.2 **DUE PROCESS PROCEDURES**

Due process is the mechanism for ensuring strict compliance with the openness, competition and cost accuracy, rules and procedures that should guide contract awards within the three tiers of Government in Nigeria.

It is a policy formulated to ensure that all the laid down rules and regulations guiding the conduct of the award of any contract in any
government establishment are strictly adhered to without compromise, partial treatment or manipulation.

It is introduced to stem the tide of corrupt government officials in connivance with contractors in the embezzlement of public funds in the name of contract award and to arrest flagrant abuse of procedures, inflation of contract costs and lack of transparency.

It is the instrument used by the Budget Monitoring and Price Intelligent Unit (BMPIU) which is tasked with implementing Nigeria’s Public Procurement Reform Programme.

**10.2.1 BENEFITS OF DUE PROCESS**

1. To safeguard public funds and assets.
2. To improve the system of planning and diligent project analysis leading to the accuracy of costing and prioritisation of investments.
3. To improve fiscal management through more efficient and effective expenditure.
4. To improve the technical efficiency through un-impaired and enhanced information flow.
5. To enhance transparency and accountability in governance.
6. To rebuild public confidence in government financial activities.
7. To ascertain that Government receives value for money expended.
8. As it applies the principle of competition and moderate costs, it saves money for Government which can be employed in other sectors.
9. It re-instates hitherto lost confidence and trust in foreign investors, who believed that the country is corrupt and that no genuine business can be transacted in Nigeria.
10. To remove the erroneous belief that contracts are awarded on ‘whom you know’ basis and not ‘what you know’ but to the most qualified bidder irrespective of quotations, political connections and experience.

10.3 **GOVERNMENT ACCOUNTING AND CONTRACT**

A contract is an agreement between two or more persons which is legally binding and for consideration. It is very important that all transactions in respect of a contract should be properly documented. This is to ensure that the terms of the contract are adhered to strictly before payment.

10.3.1 **CONTRACT PAYMENT VOUCHER**

All payment vouchers raised in respect of a contract should contain the under listed:

- The name of the contractor.
- Contract number.
- The vote of charge
- Name or Title of the project
- Certificate number being paid
- The contract amount
- Authority for payment

10.3.2 **CONTRACT REGISTER**
A contract register is the book into which all contract agreements are recorded. It is forwarded to the Accounts Section for updating whenever any contract is awarded.

**10.3.2.1 CONTENT OF A CONTRACT REGISTER**

The contract register should contain:

1. Name and address of contractor
2. Contract Number.
4. Contingencies and Variation clauses.
5. Terms of payment.
6. Period of completion of the contract.
7. File number.
8. Details of advance payment and balance.
9. Signature of the officer controlling the vote of charge concerning the contract.

**10.3.3.2 DOCUMENTS ACCOMPANYING A CONTRACT PAYMENT VOUCHER.**

1. The minutes of the meeting of the Tenders Board that awards the contract. This is to ascertain that the contract amount is within the range of the Tenders Board.
2. Certificate of completion of the contract. This is issued by a competent field engineer or surveyor.
3. Copy of the contract agreement to show that the terms are fully complied with.
4. Letter of award of the contract.
5. Delivery Note or Stores Receipt Voucher (SRV) where the contract is supply of items.
6. A waybill, and/or invoice issued by the contractor.

10.3.4 TENDERS BOARD ON CONTRACTS

A tender is defined as a proposal to carry out some services. The tender is prepared and presented for scrutiny by the contractor on request by the contractee. It is legally binding as an offer.

Tender board is the board of public officers constituted to administer or award contract in respect of all Government contract of works and services for an amount above one million naira. (#1,000,000)

10.3.4.1 TYPES OF TENDERS BOARD

1. *Departmental Tenders Board:* This is a Tenders Board that can award contract within a department. The Board has the power to award contract worth ₦250,000 but not up to ₦500,000
\textbf{Composition:-} The Departmental Tenders Board is made up 7 members namely: -

- Director other than the Department’s Director as Chairman.
- One Deputy Director
- One Assistant Director
- Chief Accountant of the Department
- 3 other members

The recommendation of this board should be passed to the Permanent Secretary of the Ministry for approval.

It is pertinent to note that The Federal Ministry of Finance Circular No 15775 of 27/6/01abrogated the DTB.

The circular states that contract of works, services and purchases of up to N1,000,000 but not exceeding the same amount can be approved by the Permanent Secretary/Chief Executive without an open tender.

2. \textit{Ministerial Tenders Board:} It is the Tenders Board vested with the power to award contract of between N$500,000 and N$5,000,000.

\textbf{Composition:} - All Directors of the Ministry with the Permanent Secretary as Chairman.
The recommendation of the board is passed to the Minister of the Contractee Ministry for approval.

3. **Council Of Ministers (Federal Executive Council):** The Board can award any contract above ₦5,000,000 without any limitation.

   **Composition:** All Ministers with the President as Chairman.

   The recommendation of the Board is passed to the President for approval

### 10.3.4.2 PROCEDURE FOR AWARD OF CONTRACT

Whenever an approval has been given in respect of a contract, the relevant Tenders Board should be informed. The secretary to the Tenders Board will then write other members of the board for a meeting where “Notification” of Invitation of the contract will be discussed

“Notification of Invitation” means tenders, bid, advertisement which will be published in newspapers, official gazette and other means of communication.

1. **Selective Tender:** Selective tender is used where the award of contract is urgent. In this case, the invitation to tender may not be offered to the
general public but to some selected contractors. However, the number of contractors will not be less than five.

2. **Deposit By Tender:** Sometimes, some deposits might need to be paid along with the tender. If this is the case the tender will not be assessed except there is evidence that the deposit has been paid. This deposit is usually being used for administrative purposes.

Once all the invitations have been received (tender bids), the secretary will open all the tenders in the presence of the Chairman and record the name of every contract and the amount quoted in respect of the contract. Then, a meeting will be called where one of the contractors will be selected.

It should be noted that selection of a contractor might not be necessarily based on lowest tender or cost but other factors like experience, professionalism, politics, past records, timeliness e.t.c. The name of the contractor selected or recommended will then be passed to the approving body along with other contractors and the reason why he is being selected will be stated.

Where none of the contractors that responded to the invitation is qualified, another notice of invitation will be released and where one is selected the contractor so selected will be informed and will be invited to complete other formalities.
10.3.5  POST AWARD ACTIVITIES

10.3.5.1  TENDERS BOARD INFORMATION ON VOUCHER

Payment vouchers in respect of any contract awarded through tender must contain the following –

1. Certified true copy of all the minutes of the meeting of the tenders board in relation to the award of the contract.
2. Certified true copy of the contract agreement.
3. Copy of the approval of the approving authority.
4. Copy of each payment voucher in respect of total amount already paid in respect of the contract.

5.3.6  OTHER CONTRACT TERMS

1. **Tender Splitting:** It is an offence punishable by imprisonment or fine or both for any officer to deliberately split contract works, purchases or procurement of services.

2. **Bid Security:** All contracts estimated to cost N10,000,000 and above should attract a Bid Security in an amount of not less than the bid price in form of Bank Guarantee issued by a reputable bank.
3. **Contingencies Clause:** - This states that if the contractor has taken reasonable care in executing the contract and we still face unexpected situation, the contractee should bail out the contractor by making more money available or review upward the contract sum. If otherwise, the contractor will bear the cost.

4. **Retention Fee Clause:** - This states that after the completion of the project, the government should withhold about 10% of the contract sum for about a year.

   The amount withheld will be paid to the contractor after one year if the project is properly executed and any structural error/defect is not detected.

5. **Variation Clause:** - states that where due to increase in the price of materials, labour and other services used in the execution of the contract, the contract sum should be reviewed upwards. This clause takes care of inflation.

6. **Mobilisation Fees Clause:** - states that immediately the contract is awarded, government should pay about 10% of the contract sum to the contractor. This is to assist the contractor in mobilizing men and
materials to site to commence the contract. The amount paid to the contractor will be deducted from subsequent payments due to him as he executes the contract.

10.4 STORES AND STORES ACCOUNTING

The Federal Government Financial Instruction 3101 defines stores as “All moveable items purchased from public fund or otherwise acquired by the Government”.

10.4.1 STORES CLASSIFICATION

Stores can be classified into two main classes – these are: -

a) Allocated Stores
b) Unallocated Stores

Allocated Stores: - These are stores which the money used for their procurement are already provided for or budgeted for in the approved estimates. The cost of allocated stores is charged to the sub-head that is responsible for the expenditure of the stores. Allocated stores may be purchased directly from outside or taken from the stock of items in unallocated stores.
**Purpose of Allocated Stores**

1. To make provision for acquisition of quality stores and make them available always when required.
2. To create the required storage space always. This is by adhering to the policy of holding the minimum stocks required.
3. To ensure that those stores which are always needed is made available always.
4. To incur minimum cost as regards acquisition of stores.

*Unallocated Stores:* These are stores that are purchased or ordered for the general stock. For unallocated stores, the vote of charge i.e., the sub-head to be chargeable cannot be determined immediately the stores are ordered. The cost of unallocated stores is chargeable to the unallocated stores sub-head in the approved estimate of expenditure.

They are charged to the relevant sub-head of expended as Allocated stores when issued.

**10.4.2 Further Classification of Stores**

Stores can further be classified into three based on their life span.

1. *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, Farm implements like Cutlasses and Shovels, Calculators e.t.c.
2. **Non-Expendable Stores:** - These are stores that can be used for a long period of time. They only need maintenance and repairs when required. They have a life span of 5 years and above e.g. Plant and Machinery, Building, Motor Vehicles, Furniture e.t.c.

3. **Consumable Stores:** - These are stores that are used in the day-to-day running of an establishment. They are used up immediately demand is made for them e.g. Stationeries e.t.c.

### 10.4.3 DOCUMENTATION OF STORES

Stores accounts are contained in the stock ledger accounts which are extracted from vouchers that are properly authorized.

In the case of unallocated stores, the quantities, values and balances will be recorded in the stock ledgers and vouchers.

It is pertinent to note that the storekeeper is not responsible for the maintenance of store ledgers. This should be apportioned to the store officer.

The stock 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.
10.4.4 **MAINTENANCE OF TALLY CARD OR BIN CARD**

This is a card that must be kept by the store keeper in order to ensure that all the items in the store at any point in time tally with the items contained in the store ledgers. The tally card must be marked with the ledger folio and must be checked and updated when the need arises.

Tally cards must be updated by entering the contents of the vouchers prepared for the receipt or issue of stores.

10.4.5 **RECEIPT OF AND PAYMENT FOR STORES**

When stores are received, the authorized officer in charge should ensure that such stores meet specification, are of required quality and quantity. All stores receipts documentation procedures should be duly observed.

The storekeeper must ensure that all received stores are entered in the stores ledger and charged to the chargeable expenditure sub-head.

The payment voucher for all items received must be supported with valid Local Purchase Order (LPO), invoices and copy of Stores Receipt Voucher (SRV). The SRV number must be clearly stated on the certificate issued by the storekeeper.
10.4.6 **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, stores may be transferred from another store to that store. The transfer is carried out by raising 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 issuing store 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.

10.4.7 **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 store is needed.

Also, Stores Issue Voucher (SIV) will be prepared to support all stores issue in the prescribed form. The SIV is to be prepared in duplicate. The storekeeper will update his records by posting the tally card or bin card, the quantity and date of issue.

10.5 **STORE PROCUREMENT PROCEDURE**

The Accounting Officer is responsible for the determination of the maximum level, minimum level and re-order level for the unallocated
stores. When the re-order level is reached, the storekeeper is expected to make purchase requisition to the Purchasing Department. The following procedure will then be followed by the Purchasing Department in the acquisition of new stores: -

1. Seek and approve authority to make purchases from the officer controlling expenditure.
2. Advertise for quotation from suppliers or request for tenders from contractors specifying the closing date for submission.
3. A Departmental Tenders Board will then be constituted to determine the lowest, most reliable and dependable bidder.
4. Recommendation of award of the contract to the successful bidder by the Departmental Tenders Board.
5. Approval by the Head of Department or Director General.
6. Issue of Local Purchase Order (LPO) specifying the quantity, rate and time of delivery of the stores to the successful bidder i.e. contractor.

10.5.1 STORES HANDOVER

This may arise where an officer is re-deployed to another department or another station entirely. It could also be due to an officer embarking on annual or casual leave. The following procedure is to be observed in handover of stores: -

1. The officer taking over the stores must ensure that items in the store tally with the record in the store ledger or bin card.
2. Where the out-going officer is not available, an appointment of a stock verifier is effected to hand-over the store to the in-coming one.
3. Where there are no differences between the physical stores and the store ledger records, the incoming and outgoing officer will sign Treasury Form 10 certificate on stores.
4. Where there are differences resulting in loss of stores, the outgoing officer will be held responsible.

10.5.2 LOSS OF STORES

Where there is establishment of loss of stores, the accounting officer may authorize the write-off of such loss. This however is determined by the factors surrounding the loss. The loss can be written off where any of the following conditions prevails:

1. The value of the items lost is not more than ₦200.
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.

10.5.2.1 PROCEDURE FOR REPORT OF LOSS OF STORES

In the event of loss of stores discovered by the store-keeper, he must make official report to the Head of Department who will in turn forward a detailed report to the Accounting Officer.
The Accounting Officer then determines the materiality of the loss and if justified to be material, he completes Part IV of the Treasury Form 146 and forwards a copy each to:

- The Accountant-General of the Federation
- The Auditor-General for the Federation; and
- Head of Accounts Section

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

1. **Store Keeper**: -
   - Where fraud or theft is established and an officer is suspected, he reports to the police.
   - Collects and completes the Treasury Form 146 and submits the completed form to the Head of Department.

2. **Head of Department**: -
   - Reports the loss in detail to the Accounting Officer.
   - Carries out thorough investigation about the loss of stores and computes Parts II and III of Treasury Form 146.
   - Makes recommendation to the Accounting Officer where it deems fit that Board of Enquiry should be constituted to investigate the loss.
3. **Accounting Officer:** -
   - Where the loss is found to be substantial, he is to carry out independent investigation and order for the constitution of Board of Enquiry.
   - Ensures that the recommendations of the Board of Enquiry are effected to the letter.

4. **Accountant-General of the Federation:**--
   - Ascertains that the composition of Board of Enquiry is not devoid of experienced, reliable and competent officers of proven integrity.
   - He is to ensure an accounting officer who is versed in public sector accounting or the internal auditor of the department is a member of the Board of Enquiry.

Generally, all the officers mentioned above have the collective responsibility of ensuring that: -

a) All the exploited internal control system weaknesses are effectively fortified.

b) The loss is recovered by surcharging the culprits.

**Illustration 10.1:** - The details below were extracted from the receipts and issues of customized Notebooks to Primary Schools in the Main Store of Adalua Local Government Area in Bagoma State in the Month of October 20XX.
<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>School/Printer</th>
<th>SRV &amp; SIV</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10-20XX</td>
<td>Balance</td>
<td>-</td>
<td>-</td>
<td>256,000</td>
</tr>
<tr>
<td>2-10-20XX</td>
<td>Issues</td>
<td>Lans Pry. Sch.</td>
<td>01005</td>
<td>73,000</td>
</tr>
<tr>
<td>4-10-20XX</td>
<td>Issues</td>
<td>Bali Pry. Sch.</td>
<td>01006</td>
<td>49,000</td>
</tr>
<tr>
<td>5-10-20XX</td>
<td>Issues</td>
<td>Agaku Pry. Sch.</td>
<td>01007</td>
<td>57,000</td>
</tr>
<tr>
<td>6-10-20XX</td>
<td>Issues</td>
<td>Kangi Pry. Sch.</td>
<td>01008</td>
<td>62,000</td>
</tr>
<tr>
<td>8-10-20XX</td>
<td>Receipts</td>
<td>Audu Printer Ltd</td>
<td>02003</td>
<td>185,000</td>
</tr>
<tr>
<td>8-10-20XX</td>
<td>Issues</td>
<td>Bukuru Pry. Sch.</td>
<td>01009</td>
<td>105,000</td>
</tr>
<tr>
<td>13-10-20XX</td>
<td>Issues</td>
<td>Tonga Pry. Sch.</td>
<td>01010</td>
<td>84,000</td>
</tr>
<tr>
<td>17-10-20XX</td>
<td>Receipts</td>
<td>Mabo Printing Press</td>
<td>02004</td>
<td>132,000</td>
</tr>
<tr>
<td>20-10-20XX</td>
<td>Issues</td>
<td>Albam Pry. Sch.</td>
<td>01011</td>
<td>95,000</td>
</tr>
<tr>
<td>22-10-20XX</td>
<td>Issues</td>
<td>Kantomi Pry. Sch.</td>
<td>01012</td>
<td>46,000</td>
</tr>
<tr>
<td>23-10-20XX</td>
<td>Receipts</td>
<td>Hafsat Press Ltd</td>
<td>02005</td>
<td>180,000</td>
</tr>
<tr>
<td>24-10-20XX</td>
<td>Issues</td>
<td>Jenbus Pry. Sch.</td>
<td>01013</td>
<td>75,000</td>
</tr>
<tr>
<td>25-10-20XX</td>
<td>Issues</td>
<td>Ajanat Pry. Sch.</td>
<td>01014</td>
<td>68,000</td>
</tr>
<tr>
<td>29-10-20XX</td>
<td>Receipts</td>
<td>Audu Printer Ltd</td>
<td>02006</td>
<td>108,000</td>
</tr>
<tr>
<td>30-10-20XX</td>
<td>Issues</td>
<td>Dende Pry. Sch.</td>
<td>01015</td>
<td>72,000</td>
</tr>
<tr>
<td>31-10-20XX</td>
<td>Issues</td>
<td>Lans Pry. Sch.</td>
<td>01016</td>
<td>68,000</td>
</tr>
</tbody>
</table>

You are required to enter the receipts and issues of the customized Notebooks on the Tally Card of the Main Store of the Local Government.
Solution to Illustration 10.1

ADALUA LOCAL GOVERNMENT MAIN STORE

TALLY CARD FOR THE MONTH OF OCTOBER 20XX

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULAR</th>
<th>RECEIPT</th>
<th>ISSUES</th>
<th>BALANCE QTY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>OTY</td>
<td>SRV NO</td>
<td>SIV NO</td>
</tr>
<tr>
<td>1-10-20XX</td>
<td>Balance b/f</td>
<td></td>
<td></td>
<td>256,000</td>
</tr>
<tr>
<td>2-10-20XX</td>
<td>Issues to Lans Primary School.</td>
<td>73,000</td>
<td>01005</td>
<td>183,000</td>
</tr>
<tr>
<td>4-10-20XX</td>
<td>Issues to Bali Primary School.</td>
<td>49,000</td>
<td>01006</td>
<td>134,000</td>
</tr>
<tr>
<td>5-10-20XX</td>
<td>Issues to Agaku Primary School.</td>
<td>57,000</td>
<td>01007</td>
<td>77,000</td>
</tr>
<tr>
<td>6-10-20XX</td>
<td>Issues to Kangi Primary School.</td>
<td>62,000</td>
<td>01008</td>
<td>15,000</td>
</tr>
<tr>
<td>8-10-20XX</td>
<td>Receipt from Audu Printer Ltd</td>
<td>185,000</td>
<td>02003</td>
<td>200,000</td>
</tr>
<tr>
<td>8-10-20XX</td>
<td>Issues to Bukuru Primary School.</td>
<td>105,000</td>
<td>01009</td>
<td>95,000</td>
</tr>
<tr>
<td>13-10-20XX</td>
<td>Issues to Tonga Primary School.</td>
<td>84,000</td>
<td>01010</td>
<td>11,000</td>
</tr>
<tr>
<td>17-10-20XX</td>
<td>Receipt from Mabo Printing Press</td>
<td>132,000</td>
<td>01011</td>
<td>48,000</td>
</tr>
<tr>
<td>Date</td>
<td>Description</td>
<td>Amount</td>
<td>Code</td>
<td>Total</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------------------</td>
<td>---------</td>
<td>-------</td>
<td>---------</td>
</tr>
<tr>
<td>22-10-20XX</td>
<td>Issues to Albam Primary School.</td>
<td></td>
<td></td>
<td>95,000</td>
</tr>
<tr>
<td>23-10-20XX</td>
<td>Issues to Kantomi Primary School.</td>
<td>180,000</td>
<td>02005</td>
<td>46,000</td>
</tr>
<tr>
<td>24-10-20XX</td>
<td>Receipt from Hafsat Press Ltd.</td>
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<td>2,000</td>
</tr>
<tr>
<td>25-10-20XX</td>
<td>Issues to Jenbus Primary School.</td>
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<td>02006</td>
<td>68,000</td>
</tr>
<tr>
<td>29-10-20XX</td>
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<td>72,000</td>
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</tr>
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<td>30-10-20XX</td>
<td>Receipt from Audu Printer Ltd.</td>
<td>75,000</td>
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<td>39,000</td>
</tr>
<tr>
<td>31-10-20XX</td>
<td>Issues to Dende Primary School.</td>
<td>108,000</td>
<td>01015</td>
<td>147,000</td>
</tr>
<tr>
<td></td>
<td>Issues to Lans Primary School.</td>
<td>68,000</td>
<td>01016</td>
<td>7,000</td>
</tr>
</tbody>
</table>
10.6  

**STOCK VALUATION METHODS**

1. *First In First Out (FIFO):* - Under this method, issues are priced at the price of the oldest batch of stock in store until all units of that batch have been issued when the price of the next oldest stock is used.

**Characteristics**

i. It is an actual cost 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 Statement of Accounting Standard No 4 and International Accounting Standard No 2.

2. *Last In First Out (LIFO):* - Under this method, issues are charged out at the price of the most recent batch received and continue to be batched until a new batch is received.

**Characteristics**

i. It is an actual cost system.

ii. Stocks are valued at the new prices.

iii. It is not accepted by Statement of Accounting Standard No 4 and International Accounting Standard No 2.

3. *Average Price Method:* - Under this method, the issues will be priced taking into consideration the average of all the prices or charges received before the issue.
Issue Price = \frac{\text{Total of all batch prices}}{\text{No of batches}}

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

\[
\text{Issue Price} = \frac{\text{Total Value of Available Stock}}{\text{Sum of Quantities}}
\]

**Illustration 10.2:** The unallocated store of Ministry of Education showed the following information as regards the receipts and issues of Roofing Sheets for the repairs of some secondary schools in Olowo State during the month of September 20XX.

- **Balance in stock as at 1-9-20XX:** 320 sheets @ N250 per sheet
- **6-9-20XX:** Purchased 500 sheets @ N300 per sheet
- **11-9-20XX:** Purchased 400 sheets @ N280 per sheet
- **15-9-20XX:** Issued 600 sheets to Alaba Secondary School
- **20-9-20XX:** Purchased 300 sheets @ N260 per sheet
- **25-9-20XX:** Issued 500 sheets to Bog Grammar School
You are required to record the transactions in the Store Ledger of the Ministry showing the closing stock using the following methods:

a) First In First Out (FIFO)
b) Last In First Out (LIFO)
c) Average Price (AP)
d) Weighted Average Price (WAP)

**Solution to Illustration 10.2**

**MINISTRY OF EDUCATION**

**a) STORE LEDGER CARD (USING FIFO METHOD)**

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULAR</th>
<th>RECEIPTS</th>
<th>ISSUES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>QTY</td>
<td>VAL</td>
<td>PRICE</td>
</tr>
<tr>
<td>1-9-20XX</td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>300</td>
<td>150,00</td>
</tr>
<tr>
<td>11-9-20XX</td>
<td>Purchases</td>
<td>400</td>
<td>280</td>
<td>112,00</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>320</td>
<td>250</td>
<td>80,00</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>280</td>
<td>300</td>
<td>84,00</td>
</tr>
<tr>
<td>20-9-20XX</td>
<td>Purchases</td>
<td>300</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Organization</td>
<td>Quantity</td>
<td>Value 1</td>
<td>Value 2</td>
</tr>
<tr>
<td>------------</td>
<td>------------------</td>
<td>----------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td>220</td>
<td>78,000</td>
<td>280</td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td>280</td>
<td>66,000</td>
<td>0</td>
</tr>
</tbody>
</table>

**EXPLANATORY NOTES:**

i. Using the FIFO method, the first issue was 600 roofing sheets to Alaba Secondary School. These were issued as follows:

- 320 sheets @ ₦250 i.e. the balance at the beginning of the month

- 280 sheets @ ₦300 i.e. issued at the price the sheets were purchased. The 280 sheets are from the 500 sheets purchased on 6-9-20XX

ii. Closing stock value of ₦111,600 consisting of 420 sheets was arrived at as follows:

- 120 sheets remaining from the 280 earlier issued on 25-9-20XX (last issue)

- 300 sheets not yet issued out.
120 sheets @ N280 = N33,600

300 sheets @ N260 = N78,000

420 N111,600

b) **STORE LEDGER CARD (USING LIFO METHOD)**

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULAR</th>
<th>RECEIPTS</th>
<th>ISSUES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>QTY</td>
<td>VAL</td>
<td>PRICE</td>
</tr>
<tr>
<td>1-9-20XX</td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>300</td>
<td>150,00</td>
</tr>
<tr>
<td>11-9-20XX</td>
<td>Purchases</td>
<td>400</td>
<td>280</td>
<td>112,00</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>400</td>
<td>280</td>
<td>112,00</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>200</td>
<td>300</td>
<td>60,000</td>
</tr>
<tr>
<td>20-9-20XX</td>
<td>Purchases</td>
<td>300</td>
<td>260</td>
<td>60,000</td>
</tr>
<tr>
<td>Date</td>
<td>Location</td>
<td>Type</td>
<td>Amount 1</td>
<td>Amount 2</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------</td>
<td>---------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td></td>
<td>78,000</td>
<td></td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td></td>
<td></td>
<td>300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>200</td>
<td>300</td>
</tr>
</tbody>
</table>
EXPLANATORY NOTES:

i. Using the LIFO method, the first issue was 600 roofing sheets to Alaba Secondary School. These were issued as follows:

400 sheets @ N280 i.e. All the recently purchased 400 issued out.

200 sheets @ N300 i.e. 200 from the 500 purchased before the latest.

600

ii. Closing stock value of N110,000 was arrived at as follows:

100 sheets @ N300 = N30,000

320 sheets @ N250 = N80,000

420 N110,000

c) STORE LEDGER CARD (USING THE AVERAGE PRICE METHOD)

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULAR</th>
<th>RECEIPTS</th>
<th>ISSUES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>QTY</td>
<td>VAL</td>
<td>PRICE</td>
</tr>
<tr>
<td>1-9-20XX</td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>300</td>
<td>150,000</td>
</tr>
<tr>
<td>Date</td>
<td>Purchases</td>
<td>Alaba Sec. Sch</td>
<td>Purchases</td>
<td>Bog Gram. Sch</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------</td>
<td>----------------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>11-9-20XX</td>
<td>400</td>
<td>280</td>
<td>112,000</td>
<td>600</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>300</td>
<td>260</td>
<td>78,000</td>
</tr>
<tr>
<td>20-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>280</td>
<td>166,000</td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td>1220</td>
<td>140,000</td>
<td>420</td>
</tr>
</tbody>
</table>

**EXPLANATORY NOTE:** Using the average price method, the value of the first issue to Alaba Secondary School is arrived at thus:

\[
\text{Issue Price} = \frac{\text{Total of Batch Prices of Available Stock}}{\text{No of Batches}}
\]

\[
= \frac{250 + 300 + 280}{3} = \frac{830}{3} = 267.67
\]

\[
\text{2}^{\text{nd}} \text{Issue} = \frac{300 + 280 + 260}{3} = \frac{840}{3} = 280
\]

82
d) **STORE LEDGER CARD (USING THE WEIGHTED AVERAGE METHOD)**

<table>
<thead>
<tr>
<th>DATE</th>
<th>PARTICULAR</th>
<th>RECEIPTS</th>
<th>ISSUES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>QTY</td>
<td>VAL</td>
<td>PRICE</td>
</tr>
<tr>
<td>1-9-20XX</td>
<td>Balance</td>
<td>6</td>
<td>9</td>
<td>20XX</td>
</tr>
<tr>
<td>6-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>300</td>
<td>150,000</td>
</tr>
<tr>
<td>11-9-20XX</td>
<td>Purchases</td>
<td>400</td>
<td>112,000</td>
<td>0</td>
</tr>
<tr>
<td>15-9-20XX</td>
<td>Alaba Sec. Sch</td>
<td>300</td>
<td>280</td>
<td>116,198</td>
</tr>
<tr>
<td>20-9-20XX</td>
<td>Purchases</td>
<td>500</td>
<td>273,700</td>
<td>280.3</td>
</tr>
<tr>
<td>25-9-20XX</td>
<td>Bog Gram. Sch</td>
<td>600</td>
<td>136,850</td>
<td>320</td>
</tr>
</tbody>
</table>

**TUTORIAL:**

1st Issue Price = Summation of Value as at Issue Date

Summation of Quantity as at Issue Date

Issue on 15-9-20XX to Alaba Sec. Sch.
= \frac{342,000}{1220} = \₦280.33

Issue on 25-9-20XX to Alaba Sec. Sch.

= \frac{251,802}{920} = \₦273.70

10.7 SUMMARY

The Chapter centered on due process procedures involved in the award of Government Contracts including Documentation of Stores. Different methods of stock valuation according to Statement of Accounting Standard (SAS) No. 4 and International Accounting Standard (IAS) No. 2 were exhaustively discussed with comprehensive illustrations.

10.8 END OF CHAPTER REVIEW QUESTIONS
1. Which of the following will NOT be contained in the payment voucher relating to contracts?
   a. The name of the contractor
   b. The vote of charge
   c. Name of project
   d. Name of the members of the Tender Board
   e. Certificate number being paid

2. Which of the following is not a source of suppliers to government stores?
   a. Local purchase
   b. Returned stores
   c. Prisoners material
   d. Transfer from other stores
   e. Manufactured stores

3. Government makes use of the following vouchers in government store except
   a. Tally card
   b. Store issue voucher
   c. Store ledger
d. Store survey sheet

e. Store register book (for petrol and diesel)

4. Which of the following in the recommended stock valuation method by SAS No 4 and IAS No 2:

a. First in, first out

b. Simple average

c. Last in, first out

d. Weighted average

e. Simple weighted average

5. Which of the following Tender Board can approve contract whose value exceeds N50,000,000?

a. Departmental Tenders Board

b. Parastatal Tenders Board

c. Ministerial Tenders Board

d. Police Tenders Board

e. Federal Executive Character (FEC)

6. The amount of money that is set aside on contract to meet defect and repairs in the event of any structural defect on the job is called

......................
7. Where the implementation of a project is to be accelerated the Tenders Board concerned may applied .................

8. What are unallocated stores?

9. The vouchers used to support stores and materials issued with the same store for conversion or manufacture in duplicate is called .................

10. All issue of stores must be supported with issuance of .................

SOLUTION TO END OF CHAPTER REVIEW QUESTIONS

1. D

2. D

3. C

4. A

5. E

6. Retention fee

7. Selective Tender

8. Unallocated stores are stores that are purchased for general stock and for which the final vote of charge cannot be stated at the time or purchase.

9. Conversion vouchers

10. Stores issue vouchers
REFERENCES


-----------------------(2003), Financial Memorandum for Local Government.

CHAPTER ELEVEN

COMPILATION OF FINANCIAL STATEMENTS AND SCHEDULES

11.1 LEARNING OBJECTIVE:

At the end of this chapter candidates should be able to:-

- Differentiate clearly between the Federation Account, Federal Government Accounts and Development Fund.
- State the sources of revenue into the Federation Accounts, Consolidated Revenue Fund and Development Fund.
- Enumerate the various expenditures charged to the three accounts mentioned above.
- Define Public Debt and state reasons why Public Debt is inevitable to some countries.
- State the sources of Public Debt

11.2 THE FEDERATION ACCOUNT

According to Section 162(1) of the 1999 constitution, the federation account is a special account required to be maintained by the Federation of Nigeria. Into this account shall be paid all revenue collected by the government of the Federation except the proceeds from the personal income tax of the Armed Forces of the Federation, the Nigeria Police Force,
the Ministry or Department of Government charged with the responsibility of Foreign Affairs and the residents of the Federal Capital Territory, Abuja.

The Federation Account is the account from which all the accruing revenue will be shared among the three tiers of Government namely Federal, State and Local Government using the existing Revenue Allocation Formula.

11.2.1 STATUTORY ALLOCATION FORMULA

The Statutory Allocation Formula is the recognized and acceptable yardstick by which all revenue accruing to the Federation Account is to be distributed among the Federal, State and Local Government Councils and any other beneficiary as may be specified by law.

This varies from time to time based on the terms and procedures as may be prescribed by law. Presently it is distributed using the Revenue Allocation formulae shown below:
<table>
<thead>
<tr>
<th>YEAR</th>
<th>FEDERAL GOVT. %</th>
<th>STATE GOVT. %</th>
<th>LOCAL GOVT. %</th>
<th>AMELIORATION OF ECOLOGICAL DISASTERS %</th>
<th>OIL PRODUCING AREAS %</th>
<th>SPECIAL FUND %</th>
</tr>
</thead>
<tbody>
<tr>
<td>UP TO 31\textsuperscript{ST} DEC. 1989</td>
<td>55</td>
<td>32.5</td>
<td>10</td>
<td>1</td>
<td>1.5</td>
<td>-</td>
</tr>
<tr>
<td>1/1/90 – 31/12/91</td>
<td>50</td>
<td>30</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>1/1/92 – 31/5/92</td>
<td>50</td>
<td>25</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>1/6/92 – DATE</td>
<td>48.5</td>
<td>24</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>7.5</td>
</tr>
<tr>
<td>Proposed Formular, 2004</td>
<td>47.5</td>
<td>31.10</td>
<td>15.21</td>
<td>-</td>
<td>-</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Presently the special funds of 7.5% is shared as follows:

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund for Ecological Amelioration</td>
<td>2.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivation</td>
<td>1.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Mineral Extracted</td>
<td>1.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of Mineral Producing States</td>
<td>3.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>7.5%</strong></td>
</tr>
</tbody>
</table>

**The 24% States Allocation** - This is shared as follows:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equality</td>
<td>40%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Population 30%

Land Mass Terrain 10%

Internally Generated Revenue 10%

Social Development – based on Primary School Pupils environment 10%

100%

The 20% of Local Government Council is shared as follows:

Equality 40%

Population 30%

Land Mass Terrain 10%

Internally Generated Revenue 10%

Social Development based on Primary School Pupils environment 10%

100%

11.2.2 SOURCES OF REVENUE INTO THE FEDERATION ACCOUNT

1. Direct Taxes: - The sources of revenue from Direct Taxes include:-

- Personal Income Tax
- Companies Income Tax
- Capital Gains Tax
- Petroleum Profit Tax
2. **Indirect Taxes:** These include taxes derived from manufacturing or importation of goods and essential commodities. They include Customs and Excise duties e.g. Import duties, Export duties, Excise duties, Tariffs and Value Added Tax (VAT).

3. **Mining:** They include:
   - Oil pipeline license fees.
   - Royalty on extraction of oil.
   - Rent of Oil well and grounds
   - Sales of Crude oil.
   - Sales of Petroleum and Gas.
   - Penalty for Gas flaring.

Sources of Revenue into the Federation Account can also be classified into:

a. **Oil Revenue**

b. **Non-Oil Revenue**

c. **Oil Revenue:** These include:
   - Oil pipeline license fees
   - Royalty on extraction of oil
   - Rent of oil well and grounds
   - Sale of crude oil
   - Sale of Petroleum and Gas
- Penalty for Gas flaming

b. **Non – Oil Revenue:-** These include:

- Personal Income Tax
- Companies Income Tax
- Capital Gains Tax
- Withholding Tax
- All forms of Indirect Taxes

### 11.3 CONSOLIDATED REVENUE FUND OR FEDERAL GOVERNMENT ACCOUNT.

Section 80(1) of the 1999 Constitution states that “All revenues or other moneys raised or received by the Federation (not being revenues or other moneys payable under this Constitution or any Act of the National Assembly into any other Public Fund of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the Federation”. The Consolidated Revenue Fund (CRF) is also referred to as the Federal Government Account.

The CRF is a Fund established by the constitution and it is always represented by assets in cash forms.
11.3.1 SOURCES OF REVENUE INTO CRF

1. **Federation Account**: - This is the Federal Government Allocation from the Federation account which is currently 48.5%.

2. **Direct Taxes**: -

Pay As You Earn (PAYE) derived from the salaries of: -

- Armed Forces.
- Nigeria Police Force.
- Ministry of External Affairs Officers.
- Residents of Federal Capital Territory, Abuja.
- High Commissions and Embassies.

3. **License and Internal Revenue**: - This is revenue from issue of licenses. It consists of: -

- Arms Selling License fees
- Goldsmith License fees
- Gold dealers license fees
- Companies registration fees
- Radio and Television license fees
- Citizenship license fees
- Residence Permit fees
4. **Mining**

- Mining fees.
- Royalty on gold
- Royalty on tin and iron ore
- Royalty on bitumen and coal
- Royalty on limestone and other mineral resources.

5. **Fees**

- Court fees
- Probate fees
- Medical fees
- Court fines

6. **Earnings and Sales**

- Interest and dividends received on investments by government.
- Sales of government properties e.g. land, vehicle and building.
- Sales of publications and stamps.
- Commission on postal and money orders

7. **Rent of Government Property**

- Rent of government quarters and parks.
- Rent of government land and building e.g. National Stadium, Tafawa Balewa Square, Trade Fair Complex, National Theatre e.t.c.

- Rent of government assets e.g. Machinery, Trucks e.t.c.

8. **Interest and Repayments (General):** - These are incomes derived through interest and repayments of loans granted to employees in form of advances and to corporations and government owned establishments.

9. **Interest and Repayments (State Governments):** - These are incomes derived through interests and repayments on loans granted to State Governments of the Federation.

10. **Re-imbursements:** - These are refunds made to the Federal Government by States, Local governments and parastatals in respect of expenses incurred by the Federal Government on their behalf.

11. **Armed Forces:** - These are incomes derived through the sales of armed forces property. They also include the following: -

   - Rent of Armed Forces vehicles and buildings.
   - Revenue generated by Armed Forces bands.
➢ School fees paid into Armed Forces institutions e.g. Nigeria Defense Academy, Nigeria Navy Secondary Schools, Command Day Secondary Schools e.t.c.

12. **Miscellaneous**: -

➢ Return of looted funds.
➢ Recoverable from armed robbers, drug pushers, fraudsters e.t.c.
➢ Refund of overpayment.

11.3.2 **CHARGES AGAINST CONSOLIDATED REVENUE FUND**

These can be classified into three – viz: -

a. **Recurrent Expenditure**: - This consists of all the recurrent expenditures provided for and approved in the budget. They include personnel cost, all overhead costs, transfers and debt servicing.

b. **Salaries of Statutory Officers**: - These are expenditures that are chargeable directly to the CRF whether they are in the approved estimate or not. This includes salaries and allowances of:

➢ Auditor-General for the Federation
➢ Supreme Court Judges.
➢ Federal Court of Appeal Judges.
➢ Federal High Court Judges
➢ Public Service Commission Chairman
➢ Independent National Electoral Commission Chairman.

c. **Pensions and Gratuities:** These include pensions of both statutory and non-statutory officers, pensions and gratuities of military personnel e.t.c. Contribution to Development Fund

### 11.4 DEVELOPMENT FUND

Section 1 of the second Schedule of Finance, Control and Management Act of 1958 stipulates that there shall be established the Development Fund to be maintained by the Accountant-General of the Federation and which shall be used to finance all capital development projects to be executed by the government.

#### 11.4.1 SOURCES OF REVENUE INTO THE DEVELOPMENT FUND.

1. Contribution from the Consolidated Revenue Fund.
2. The product of external loans raised by the Federal Government purposely for special capital expenditure.
3. External grants in form of money or direct services e.g. IMF, World Bank, e.t.c.
4. Internal loans – This may be raised through sale of Stocks, sale of Treasury Certificate or Treasury Bills.
5. Any other source as may be prescribed by law.
11.4.2 **CHARGES AGAINST DEVELOPMENT FUND**

These are classified into four.

1. **Summary of Capital Expenditures**: e.g. Construction of federal roads, construction of bridges, provision of pipe-borne water to the populace, maintenance of the power sector e.t.c.

2. **General Administration**: Provision and maintenance of Army Barracks, Police Stations, Motor Vehicles, Federal Medical Centres, Tertiary Institutions of Learning e.t.c.

3. **External Financial Obligations**: Provision of financial assistance to neighbouring countries in dire need. This may be in form of grants, aids or loans.

4. **Loan on-lent to States**: Money lent to State Governments by the Federal Government for the execution of capital projects for development purposes.

11.5 **CONTIGENCIES FUND**

Section 83(1) of the 1999 Constitution provides that “The National Assembly may by law make provision for the establishment of a Contingencies Fund for the Federation and for authorizing the President, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the fund to meet the need”. 
Source: - Transfer from the CRF.

Charge: - To meet unforeseen or urgent expenditure.

11.5.1 OPERATION OF CONTINGENCIES FUND

1. The Minister of Finance will issue warrant from Contingencies Fund to cover expenditure which is urgent and unforeseen and not provided for in the Appropriation Act.

2. The amount shall be withdrawn from Contingencies Fund and paid into Consolidated Revenue Fund from where it will be paid into various heads and sub-heads that need them.

3. All money transferred from the Contingencies Fund shall be reported to the National Assembly and the Upper House shall make provision to transfer the same amount from the CRF to CF so as to bring the CF balance to its previous position.

4. All money transferred from the CF but not spent shall accrue to and form part of the balance of CRF. In the event that any interest is earned on the balance in CF, the interest is to be credited to CRF.

11.6 THE REVENUE MOBILISATION ALLOCATION AND FISCAL COMMISSION

S. 31 and 32 of Part 1 of the third Schedule of the 1999 constitution provides for the following: -

Composition: - Chairman and one member from each state of the Federation and the Federal Capital Territory, Abuja.
**Appointment** - All members must be appointed by the President subject to the approval of the Senate.

**Qualification** - All members must be individuals who in the opinion of the President are persons of unquestionable integrity with requisite qualifications and experience.

### 11.6.1 FUNCTIONS OF THE COMMISSION

1. To monitor all revenues accruing to the Federation Account and ensure that all disbursements from the same account are justified.
2. To review, as and when considered necessary to do so, the Revenue Allocation Formula in order to ensure that the basis of sharing conforms with changing realities.
3. To advise all the three tiers of Government i.e. Federal, State and Local Government on how Internally Generated Revenue (IGR) can be improved upon to meet increase in recurrent expenditures.
4. To determine the appropriate salaries and allowances for political office holders, including the President, Vice President, Governors, Deputy Governors, Ministers, Commissioners, special Advisers, Chairmen, Vice Chairmen, Legislators, Councillors, and officers mentioned in Sections 84 and 124 of the Constitution.
5. To perform any other statutory functions.

### 11.7 FEDERAL GOVERNMENT FINAL ACCOUNTS
The final Accounts of the Federal Government can be obtained in four different documents. These are:

a. The Estimate

b. The Official Gazette

c. The Annual Report of the Accountant-General

d. The Annual Report of the Auditor-General

11.7.1 **THE ESTIMATE**:- This is the estimated revenue and expenditure of the Federal Government for the oncoming year. In the preparation of a realistic estimation, emphasis is placed on past information contained in last year's actual financial statements.

The problems associated with preparation of estimate include lack of adequate information and timely availability of data required.

11.7.2 **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.

11.7.3 **THE ANNUAL REPORT OF THE ACCOUNTANT GENERAL**.
This is the most detailed source as it contains a number of Financial Statements.

The report is prepared and signed by the Accountant-General and addressed to the Minister of Finance.

The report contains:-

a. The narrative reports on the Federal Government Finance


c. Data, Tables, Time Series, Extracts e.t.c.


e. The Financial Statements.

11.7.4. THE FINANCIAL STATEMENTS.

One of the primary responsibilities of the Accountant – General is to prepare information about finance of the government in form of Financial Statements.
The main components of the financial statements are as highlighted below:

<table>
<thead>
<tr>
<th>STATEMENT NO</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Statement of Public Debt</td>
</tr>
<tr>
<td>1.1</td>
<td>Statement of External Public Debt</td>
</tr>
<tr>
<td>1.11</td>
<td>Statement of Funded Loans</td>
</tr>
<tr>
<td>1.12</td>
<td>Statement of Unfunded Loans</td>
</tr>
<tr>
<td>2.</td>
<td>Statement of Assets and Liabilities</td>
</tr>
<tr>
<td>3.</td>
<td>Statement of Consolidated Revenue Fund</td>
</tr>
<tr>
<td>3.1</td>
<td>Statement of Revenue</td>
</tr>
<tr>
<td>3.2</td>
<td>Statement of Current Expenditure</td>
</tr>
<tr>
<td>4.</td>
<td>Statement of Development Fund</td>
</tr>
<tr>
<td>5.</td>
<td>Statement of Treasury Fund</td>
</tr>
<tr>
<td>6.</td>
<td>Statement of Special and Trust Fund</td>
</tr>
<tr>
<td></td>
<td>Statement of Other Loan and Investment</td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>8.</td>
<td>Statement of Loss of Government Fund</td>
</tr>
<tr>
<td>9.</td>
<td>Statement of Revenue/claims abandoned for the Year</td>
</tr>
<tr>
<td>11.</td>
<td>Statement of Arrears of Revenue</td>
</tr>
</tbody>
</table>

It is pertinent to note that some of these statements are prepared and published monthly, quarterly and annually.

- Monthly statements include statement No. 2, 3, 3.1, 3.2 and 4
- Quarterly statements include statement No. 1, 2, 3, 3.1, 3.2 and 4
- Annual statements include:- Statement No. 1 –11

**STATEMENT NO. 1:- PUBLIC DEBT:**- This is the statement containing the total amount of debt owed by the Country both external and internal debt.

**STATEMENT NO. 1.1 EXTERNAL PUBLIC DEBT:** It contains all external debts of the Country e.g. amount owed to London Club, Paris Club, International Monetary Fund e.t.c.
STATEMENT NO. 1.11 FUNDED LOANS: This is a statement supporting statement No. 1.1. They are those loans backed up by sinking funds. Sinking funds are fixed amounts set aside yearly towards the repayment of a loan.

STATEMENT NO. 1.12: UNFUNDED LOANS: These are loans that do not have any amount reserved towards their repayment.

STATEMENT NO. 2:- ASSETS AND LIABILITIES: This is a statement similar to the Balance Sheet in the Private Sector. The statement however excludes fixed assets like Bridges, Motor Vehicles, Buildings, Furniture & Fittings, Machinery e.t.c.

STATEMENT NO. 3 CONSOLIDATED REVENUE FUND: This is government fund consisting of government revenue and expenditure.

STATEMENT NO. 4: DEVELOPMENT FUND: This is the statement that consists of funds meant for capital projects.

STATEMENT NO. 5: TREASURY FUND: This contains cash advanced to State Government.
STATEMENT NO. 6: SPECIAL AND TRUST FUND: This contains the resources owned by third parties but held in trust by the Federal Government.

STATEMENT NO. 7: OTHER LOANS AND INVESTMENT: This contains loans advanced to government owned companies, parastatals and corporations.

STATEMENT NO. 8: LOSS OF GOVERNMENT FUND: This contains funds and store losses that are written off.

STATEMENT NO. 9: REVENUE/CLAIMS ABANDONED: This contains revenue or claims found to be irrecoverable and abandoned.

STATEMENT NO. 10: GUARANTEES: This contains the statement of the Guarantors to statutory corporations that obtain Loans from the Government.

STATEMENT NO. 11: ARREARS OF REVENUE: This is a statement of all outstanding revenues due to the government.

LIMITATIONS OF FINANCIAL REPORTING IN THE PUBLIC SECTOR.
1. **Diversity of Users**: As a result of wide network of users of government financial statements, it is difficult to satisfy all users as the information contained in the financial statements may not meet all the needs of certain people.

2. **Inadequate information coupled with the need to produce other documents required to explain some unanswered questions in the report.**

3. **Problems associated with delay in preparation of report thus making it useless for economic purpose or performance appraisal.**

4. **Human resources constraint may hinder the government in employing a particular basis of accounting.**

5. **The report is usually based on inaccurate data and/or information thus rendering it unreliable.**

**Illustration 11.1**: - The following information was released by the office of the Accountant General of the Federation for the year ended 31st December 200X: -

<table>
<thead>
<tr>
<th></th>
<th>Naira</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import Duties</td>
<td>300,000</td>
</tr>
<tr>
<td>Export Duties</td>
<td>550,000</td>
</tr>
<tr>
<td>Excise Duties</td>
<td>710,000</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Petroleum Profit Tax</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Capital Gains Tax</td>
<td>40,000</td>
</tr>
<tr>
<td>Companies Income Tax</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Sale of Crude Oil</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Royalty on Oil</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Royalty on Coal</td>
<td>80,000</td>
</tr>
<tr>
<td>Royalty on Limestone</td>
<td>50,000</td>
</tr>
<tr>
<td>Mining Licenses</td>
<td>4,000</td>
</tr>
<tr>
<td>Court Fees</td>
<td>3,000</td>
</tr>
<tr>
<td>Court Fines</td>
<td>4,000</td>
</tr>
<tr>
<td>Medical Fees</td>
<td>4,500</td>
</tr>
<tr>
<td>Visa Fees</td>
<td>1,500</td>
</tr>
<tr>
<td>VAT – Abuja Sales</td>
<td>4,000</td>
</tr>
<tr>
<td>PAYE – Armed Forces Personnel</td>
<td>600</td>
</tr>
<tr>
<td>PAYE – Ministry of External Affairs Personnel</td>
<td>200</td>
</tr>
<tr>
<td>Repayment of Loan – State Government</td>
<td>12,000</td>
</tr>
<tr>
<td>Rent of Government Property</td>
<td>3,000</td>
</tr>
<tr>
<td>Interest on Investments</td>
<td>1,000</td>
</tr>
</tbody>
</table>
The following expenditures were incurred during the year: -

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Amount (₦'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personnel Cost</td>
<td>900,000</td>
</tr>
<tr>
<td>2. Overheads</td>
<td>4,000,000</td>
</tr>
<tr>
<td>3. Transfer to Development Fund</td>
<td>3,000,000</td>
</tr>
<tr>
<td>4. Transfer from Contingencies Fund</td>
<td>2,000,000</td>
</tr>
<tr>
<td>5. Transfer to Contingencies Fund</td>
<td>1,000,000</td>
</tr>
<tr>
<td>6. Remuneration of Supreme Court Judges</td>
<td>1,500,000</td>
</tr>
<tr>
<td>7. Remuneration of High Court Judges</td>
<td>600,000</td>
</tr>
<tr>
<td>8. Pensions &amp; Gratuities of Armed Forces</td>
<td></td>
</tr>
<tr>
<td>Personnel, Police e.t.c.</td>
<td>450,00</td>
</tr>
</tbody>
</table>

You are required to prepare for the year ended 31st December 200X:-

i. Federation Account Statement

ii. Consolidation Revenue Fund Account

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%
EXPLANATORY NOTES: - In an attempt to solve this question, efforts should be made to identify and distinguish between the sources of revenue that are accruable to Federation Account and Federal Government Account otherwise known as Consolidated Revenue Fund.

Solution to Illustration 11.1

i. FEDERATION ACCOUNT STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 200X

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import Duties</td>
<td>300,000</td>
</tr>
<tr>
<td>Export Duties</td>
<td>550,000</td>
</tr>
<tr>
<td>Excise Duties</td>
<td>710,000</td>
</tr>
<tr>
<td>Petroleum Profit Tax</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Capital Gains Tax</td>
<td>40,000</td>
</tr>
<tr>
<td>Companies Income Tax</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Sale of Crude Oil</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Royalties on Oil</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

 20,800,000
**STATUTORY APPROPRIATION**

Federal Government 48.5% of 20,800,000 (10,088,000)

State Government 24.0% of 20,800,000 (4,992,000)

Local Government 20.0% of 20,800,000 (4,160,000)

Special Fund 7.5% of 20,800,000 (1,560,000)

NIL

---

**ii. CONSOLIDATED REVENUE FUND AS AT 31ST DECEMBER 200X**

<table>
<thead>
<tr>
<th></th>
<th>₦’000</th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation from Federation Account</td>
<td>10,088,000</td>
<td></td>
</tr>
<tr>
<td>Royalty on Coal</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>Royalty on Limestone</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Mining Licenses</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Court Fees</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Court Fines</td>
<td>4,000</td>
<td></td>
</tr>
</tbody>
</table>
Medical Fees 4,500

Visa Fees 1,500

VAT – Abuja Sales 4,000

PAYE – from Armed Forces Personnel 600

PAYE – from Ministry of External Affairs Personnel 200

Repayment of Loan – State Government 12,000

Rent on Government Property 3,000

Interest on Investments 1,000

Re-imbursement 11,000

\[10,266,800\]

Transfer from Contingencies Fund 2,000,000

Transfer to Contingencies Fund (1,000,000)

\[1,000,000\]

Expenditure

Personnel Cost 900,000

Overheads 4,000,000

Transfer to Development Fund 3,000,000

\[11,266,800\]
Remuneration of Supreme Court Judges 1,500,000

Remuneration of High Court Judges 600,000

Pensions & Gratuities of Armed Forces and Police Personnel 450,000 (10,450,000)

Balance as at 31st December 200X 816,800

**Illustration 11.2** - From the following information which was extracted from the office of the Accountant-General, prepare a statement of CRF for the year ended 31st December 20XX:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/f</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Treasury Bills issued during the year</td>
<td>18,000,000</td>
</tr>
<tr>
<td>Treasury Bills paid</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Transfer from Contingencies Fund</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Transfer to Contingencies Fund</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Revenue received for the year</td>
<td>180,000,000</td>
</tr>
<tr>
<td>Transfer to Development Fund</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Expenditure for the Year</td>
<td>140,000,000</td>
</tr>
</tbody>
</table>
Solution to Illustration 11.2

FEDERAL REPUBLIC OF NIGERIA

CONSOLIDATED REVENUE FUND FOR THE YEAR ENDED 31ST DECEMBER 20XX

<table>
<thead>
<tr>
<th></th>
<th>₦’000</th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1st January 20XX</td>
<td>15,000,000</td>
<td></td>
</tr>
<tr>
<td>Transfer from Contingencies Fund</td>
<td>15,000,000</td>
<td></td>
</tr>
<tr>
<td>Transfer to Contingencies Fund</td>
<td>(8,000,000)</td>
<td></td>
</tr>
<tr>
<td>Treasury Bills Issues (1st Jan. – 31st Dec.)</td>
<td>18,000,000</td>
<td></td>
</tr>
<tr>
<td>Treasury Bills Paid (1st Jan. – 31st Dec.)</td>
<td>(10,000,000)</td>
<td></td>
</tr>
<tr>
<td>Appropriation: -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for the year</td>
<td>180,000,000</td>
<td></td>
</tr>
</tbody>
</table>
Expenditure for the year   (140,000,000)

Less  Transfer to Development Fund  (30,000,000)  10,000,000

Balance as at 31st December 20XX  40,000,000

Illustration 11.3  The following was extracted from the office of the Accountant-
General of the Federation for the month ended 31st March 20XX

₦'000

Capital Gains Tax  450,000

Companies Income Tax  300,000

Petroleum Profit Tax  2,105,000

Excise Duties  102,000

Import Duties  210,000

Export Duties  115,000

PAYE Deductions from: -

– Armed Forces  12,000

- Nigeria Police Force  7,000
  – Staff of Ministry of External Affairs  6,000

- Residents of Federal Capital Territory  4,000
Rent of Government Property 3,000
Interest on Investments 1,000
Re-imbursement 11,000

The following expenditures and appropriations were effected during the year:

- Transfer to Contingencies fund 25,000
- Transfer from Contingencies fund 18,000
- Transfer to Development fund 42,000
- Recurrent Expenditure 830,000

Salaries and allowances of

a) Supreme Court Judges 22,000
b) Auditor-General for the Federation 4,000
c) Federal Court of Appeal Judges 18,000
d) Accountant-General of the Federation 5,000

The Revenue Allocation Formula should be taken as follows: -
Federal Government 50%

State Government 30%

Local Government 20%

You are required to prepare:

i. The Federation Account.

ii. The Consolidated Revenue Fund Account

for the month of March 20XX.

**SOLUTION TO ILLUSTRATION 11.3**

**THE FEDERATION ACCOUNT FOR THE MONTH OF MARCH 20XX**

<table>
<thead>
<tr>
<th>Description</th>
<th>Naira '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Gains Tax</td>
<td>450,000</td>
</tr>
<tr>
<td>Companies Income Tax</td>
<td>300,000</td>
</tr>
<tr>
<td>Petroleum Profit Tax</td>
<td>2,105,000</td>
</tr>
<tr>
<td>Excise Duties</td>
<td>102,000</td>
</tr>
<tr>
<td>Export Duties</td>
<td>115,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Naira '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,072,000</td>
</tr>
</tbody>
</table>
**Less**

**STATUTORY ALLOCATION**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government 50%</td>
<td>1,536,000</td>
</tr>
<tr>
<td>State Government 30%</td>
<td>921,600</td>
</tr>
<tr>
<td>Local Government 20%</td>
<td>614,400</td>
</tr>
<tr>
<td></td>
<td><strong>(3,072,000)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>NIL</strong></td>
</tr>
</tbody>
</table>
b. **CONSOLIDATED REVENUE FUND FOR THE MONTH OF MARCH 20XX**

<table>
<thead>
<tr>
<th>Description</th>
<th><code>₦'000</code></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federation Account Allocation</td>
<td>1,536,000</td>
</tr>
<tr>
<td>Payee Deductions (W1)</td>
<td>29,000</td>
</tr>
<tr>
<td>Rent of Government Properly</td>
<td>3,000</td>
</tr>
<tr>
<td>Interest on Investments</td>
<td>1,000</td>
</tr>
<tr>
<td>Re-imbursement</td>
<td>11,000</td>
</tr>
<tr>
<td><strong>(1,580,000)</strong></td>
<td></td>
</tr>
<tr>
<td>Transfer from Contingencies Funds</td>
<td>18,000</td>
</tr>
<tr>
<td>Transfer to Contingencies Fund</td>
<td><strong>(25,000)</strong></td>
</tr>
<tr>
<td><strong>(7,000)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>1,573,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**APPROPRIATION/CHARGES/EXPENDITURE**

<table>
<thead>
<tr>
<th>Description</th>
<th><code>₦'000</code></th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement Expenditure</td>
<td>830,000</td>
</tr>
<tr>
<td>Salaries and Allowances of Statutory Personal (w2)</td>
<td>49,000</td>
</tr>
<tr>
<td>Transfer to Development Fund</td>
<td>42,000</td>
</tr>
<tr>
<td><strong>(921,000)</strong></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31\textsuperscript{st} March 20xx</td>
<td>652,000</td>
</tr>
</tbody>
</table>
**Illustration 11.4:** The following information was extracted from the books of Chelsea, State of Nigeria as at 31st December 20XX.

<table>
<thead>
<tr>
<th>Description</th>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Account</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Cash Account</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Consolidated Revenue Fund b/fwd</td>
<td></td>
<td>17,000</td>
</tr>
<tr>
<td>Allocation from Federation A/c</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>Licenses and Fines</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Loans from Federal Government</td>
<td>11,000</td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td>4,500</td>
</tr>
<tr>
<td>Earnings and Sales</td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td>Loans to Local Government</td>
<td></td>
<td>7,000</td>
</tr>
<tr>
<td>Re-imbursement</td>
<td></td>
<td>11,000</td>
</tr>
</tbody>
</table>
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 Incomes  
3,000

Recurrent Expenditure  
22,500

Special Fund  
23,000

175,500  
175,500

The following information are relevant:

i. The sum of ₦25,500,000 should be transferred to Development Fund.

ii. Expenditure amounting to ₦2,000,000 had been omitted from the books.
iii. A total grant of ₦7,500,000 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 ₦400,000

You are required to prepare for the year ended 31st December 20XX

a) Consolidated Revenue Fund Account.
b) Development Fund Account.
c) Statement of Assets and Liabilities

**Solution to Illustration 11.4**

**Workings**

<table>
<thead>
<tr>
<th>Bank A/c</th>
<th>₦</th>
<th>₦</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/d</td>
<td>15,000</td>
<td>Expenditure 2,000</td>
</tr>
<tr>
<td>Federal Govt. Grant</td>
<td>7,500</td>
<td>Unrealized Interest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>on repayment 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bal c/d 20,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22,500 22,500</td>
</tr>
<tr>
<td>Bal b/d</td>
<td>20,400</td>
<td></td>
</tr>
</tbody>
</table>

124
(a) CHELSENAL STATE

CONSOLIDATED REVENUE FUND FOR THE YEAR ENDED 31ST DECEMBER 20XX
<table>
<thead>
<tr>
<th>Description</th>
<th>N’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/d</td>
<td>17,000</td>
</tr>
<tr>
<td>Federal Allocation</td>
<td>30,000</td>
</tr>
<tr>
<td>Licenses and Fines</td>
<td>3,000</td>
</tr>
<tr>
<td>Fees</td>
<td>4,500</td>
</tr>
<tr>
<td>Earnings and Sales</td>
<td>2,500</td>
</tr>
<tr>
<td>Re-imbursement</td>
<td>11,000</td>
</tr>
<tr>
<td>Interest on Repayment</td>
<td>400</td>
</tr>
<tr>
<td>Other Incomes</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71,400</strong></td>
</tr>
</tbody>
</table>

**Less:-**

<table>
<thead>
<tr>
<th>Description</th>
<th>N’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent Expenditure</td>
<td>22,500</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>2,000</td>
</tr>
<tr>
<td>Transfer to Development Fund</td>
<td>25,500</td>
</tr>
<tr>
<td><em>(50,000)</em></td>
<td></td>
</tr>
<tr>
<td>BalC/fwd</td>
<td>21,400</td>
</tr>
</tbody>
</table>
### DEVELOPMENT FUND ACCOUNT AS AT 31ST DECEMBER 20XX

<table>
<thead>
<tr>
<th>Description</th>
<th>₹'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal b/d</td>
<td>(35,000)</td>
</tr>
<tr>
<td>Federal Govt. Grant</td>
<td>7,500</td>
</tr>
<tr>
<td>Capital Vote</td>
<td>15,000</td>
</tr>
<tr>
<td>Internal Loans</td>
<td>20,000</td>
</tr>
<tr>
<td>External Loans</td>
<td>35,000</td>
</tr>
<tr>
<td>Transfer from CRF</td>
<td></td>
</tr>
<tr>
<td>25,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>68,000</td>
</tr>
</tbody>
</table>

**Less**

<table>
<thead>
<tr>
<th>Description</th>
<th>₹'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>(42,000)</td>
</tr>
<tr>
<td>Bal c/fwd</td>
<td>26,000</td>
</tr>
</tbody>
</table>
b) **STATEMENT OF ASSETS & LIABILITIES AS AT 31ST DECEMBER 20XX**

NGN '000

**ASSETS:**

- Investment – NASCOM Plc 16,000
- Fixed Deposit (GTB) 22,000
- Advances 13,500
- Loans to Local Govt. 7,000
- Bank Account 20,400
- Cash Account 2,500

81,400

**REPRESENTED BY:**

- Consolidated Revenue Fund (CRF) 21,400
- Development Fund 26,000
- Special Fund 23,000
- Loans from Federal Govt. 11,000

81,400
11.8 **CASH FLOW STATEMENTS**

The cash flow statement is the statement that shows the various sources of income and expenditure in analytical form comprising inflows and outflows from Operating Activities, Investing Activities and Financing Activities.

a. **Operating Activities**: These comprise the principal revenue generation and disbursement activities through the business of an organization.

Examples of Operating Activities

- Cash from sales of goods and provision of services.
- Cash from other sources of revenue.
- Cash payment to supplier of goods and provider of services.
- Cash payment to staff.

b. **Investing Activities**: These consist of acquisition and disposal of fixed assets, investments and intangible assets like Trade Mark, Goodwill, Patent e.t.c.
Examples of Investing Activities

- Cash payment for acquisition of long term assets.
- Cash received from disposal of long term assets.
- Cash payment to acquire investment.
- Cash received from disposal of investments.
- Cash payment in form of long term loans granted to other parties other than a financing institution.
- Cash receipt in form of long term loans obtained from other parties other than a financing institution.
- Cash received for dividends or interest on investments.

c. **Financing Activities**: These are activities that bring out structural changes in the composition of equity capital of an enterprise.

Examples of Financing Activities.

- Cash received from issue of shares and debentures.
- Cash payment for redemption of shares and debentures.
- Cash payment as dividends and interest.

11.8.1 **PREPARATION OF CASHFLOW STATEMENT.**

There are two methods of preparing cashflow statement:
1. **Direct Method**: This is a method whereby the proceeds from operating activities in form of sales and payments to suppliers of goods and provider of services will be shown including all other expenses paid.

2. **Indirect Method**: Here the operating profit/loss from the operating activities only is highlighted.
FORMAT OF CASHFLOW STATEMENT

a) DIRECT METHOD.

ALASCO BULK PURCHASING BOARD, OGUDU STATE.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 20XX

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>₦</th>
<th>₦</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from customers</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Expenses paid</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Other operating income received</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Tax paid</td>
<td>(xx)</td>
<td>_______</td>
</tr>
<tr>
<td>Net cash inflow/outflow from operating activities</td>
<td>xx</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed Assets</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Disposal of Fixed Assets</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Purchase of Investments</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Sales proceed from investments</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Interest/Dividend received</td>
<td>xx</td>
<td></td>
</tr>
</tbody>
</table>
Net cash inflow/outflow from investing activities xx

**Financing Activities**

Issue proceeds of Shares/Debentures xx

Redemption of Shares/Debentures (xx)

Dividend/Interest paid (xx)

Net cash inflow/outflow from financing activities xx

Increase in cash and cash equivalent during the year xx

Cash and cash equivalent at beginning xx

Cash and cash equivalent at end xx

Cash and cash equivalent at the end comprise:

Cash at Bank xx

Cash in Hand xx
b) **INDIRECT METHOD.**

**ALASCO BULK PURCHASING BOARD, OGUDU STATE.**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 20XX**

<table>
<thead>
<tr>
<th><strong>Operating Activities</strong></th>
<th>₦</th>
<th>₦</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Adjustment for items not involving movement of cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Profit on Disposal of Fixed Assets or investment</td>
<td>(x)</td>
<td></td>
</tr>
<tr>
<td>Loss on Sale of Fixed Assets or investment</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Cashflow from Operating Activities before changes in working capital</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

**Working Capital Changes**

<table>
<thead>
<tr>
<th></th>
<th>₦</th>
<th>₦</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Current Assets</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Increase in Current Liabilities</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Decrease in Current Assets</td>
<td>xx</td>
<td></td>
</tr>
<tr>
<td>Decrease in Current Liabilities</td>
<td>(xx)</td>
<td>xx</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(xx)</td>
<td></td>
</tr>
<tr>
<td>Net cash inflow/outflow from Operating Activities</td>
<td>xx</td>
<td></td>
</tr>
</tbody>
</table>
**Investing Activities**

- Purchase of Fixed Assets (xx)
- Disposal of Fixed Assets xx
- Purchase of Investments (xx)
- Sales proceed from investments xx
- Interest/Dividend received xx

Net cash inflow/outflow from investing activities xx

**Financing Activities**

- Issue proceeds of Shares/Debentures xx
- Redemption of Shares/Debentures (xx)
- Dividend/Interest paid (xx)

Net cash inflow/outflow from financing activities xx

Increase in cash and cash equivalent during the year xx

Cash and cash equivalent at beginning xx

Cash and cash equivalent at end xx

Cash and cash equivalent at the end comprise: -

Cash at Bank xx
Cash in Hand

xx

xx
**Illustration 11.5:** - The following Income and Expenditure Account, Balance Sheet and Cash Account of Moboluwatado Water Corporation of Kainga State of Nigeria are made available for the year ended 31st December 20XX.

**INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 20XX**

<table>
<thead>
<tr>
<th></th>
<th>₦’000</th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income from Activities</td>
<td>4,415</td>
<td></td>
</tr>
<tr>
<td>Cost of activities</td>
<td>(2,300)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,115</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>1,100</td>
</tr>
<tr>
<td>Other costs</td>
<td>420</td>
</tr>
<tr>
<td>Depreciation of Fixed Assets</td>
<td>260</td>
</tr>
<tr>
<td>Interest on borrowed fund</td>
<td>40</td>
</tr>
</tbody>
</table>

**Excess of Income over Expenditure**

<table>
<thead>
<tr>
<th></th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>295</td>
</tr>
</tbody>
</table>

**BALANCE SHEET AS AT 31ST DECEMBER 20XX**

<table>
<thead>
<tr>
<th></th>
<th>31-12-X6</th>
<th>31-12-X5</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-12-X6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-12-X5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N'000</td>
<td>N'000</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Fixed Assets at Cost</td>
<td>3,200</td>
<td></td>
</tr>
<tr>
<td>Acc. Depreciation</td>
<td>1,450</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,750</td>
<td></td>
</tr>
</tbody>
</table>

**Current Assets**

<table>
<thead>
<tr>
<th></th>
<th>N'000</th>
<th>N'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry Debtors</td>
<td>220</td>
<td>300</td>
</tr>
<tr>
<td>Stock</td>
<td>175</td>
<td>210</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>180</td>
<td>80</td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>580</td>
<td>595</td>
</tr>
</tbody>
</table>

**Less**

**Current Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>N'000</th>
<th>N'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry Creditors</td>
<td>210</td>
<td>250</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>240</td>
<td>265</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>N'000</th>
<th>N'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>340</td>
<td>330</td>
</tr>
</tbody>
</table>

| Net Current Assets     | 2,090 | 1,640 |
You are required to prepare a cashflow statement of the corporation for the year ended 31st December 20XX using the Direct Method.
**Solution to Illustration 11.5**

**MOBOLUWADURO WATER CORPORATION.**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 20XX**

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>₦’000</th>
<th>₦’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>4,495</td>
<td></td>
</tr>
<tr>
<td>Operating expenses paid</td>
<td>(405)</td>
<td></td>
</tr>
</tbody>
</table>
Salaries & Wages paid  (1,100)

Cash paid to Suppliers  (1,850)

Net cash inflow from Operating Activities  ______ 1,140

**Investing Activities**

Purchase of Fixed Assets  (700)

Net cash outflow from Investing Activities  (700)

**Financing Activities**

Repayment of Loan  (300)

Interest paid  (40)

Net cash outflow from Financing Activities  ______  (340)

Increase in cash and cash equivalent during the year  100

Cash and cash equivalent at beginning of the year  ______  85

Cash and cash equivalent at end  185

Cash and cash equivalent at the end comprises: -

Cash at Bank  180

Cash in Hand  5

185
11.9 SUMMARY

The Chapter discussed the compilation of financial statements and schedules. The sources of revenue into Federation Account, Consolidated Revenue Fund and Development Fund together with the various expenditure charged to the Accounts were also discussed. Public Debt was also discussed in details.

11.10 END OF CHAPTER REVIEW QUESTION

1. A true description of a transcript is a monthly

   a. Summary of receipt and payment transactions of a self accounting department or unit

   b. Summary of total receipts and payments of a self accounting department or unit, analysed according to sub-heads and below-the-line accounts.

   c. Total analysis of receipt and payment transactions of a self-accounting department or unit

   d. Summary of analysis of receipt and payment transactions of a self accounting department or unit

   e. Summary of bank transactions of a self accounting department or unit

2. Source of revenue payment to the federations account do not include:
a. Rent on government properties  
b. Petroleum profit tax  
c. Company Income Tax  
d. Royalty on oil  
e. Excise duties  

3. Indirect taxes do not include  
   a. Expenditure tax  
   b. Licence fees  
   c. Export duty  
   d. Excise duty  
   e. Licence fee  

4. Which of the following is not a charge against Consolidated Revenue Fund?  
   a. Personnel cost  
   b. Salaries of Supreme Court Judges  
   c. Construction of Federal roads  
   d. Pensions and gratuities of statutory and non statutory officer  
   e. Debt servicing
5. The current Revenue Allocation formular allocates which of the following percentage to the Federal, State and Local government respectively

a. 20%, 48.5% and 20%

b. 48.5% 20% and 24%

c. 20% 24% and 48.5%

d. 48% 24% and 20%

e. 24% 20% and 48.5%

6. The fund from which expenditure for which no other provision exists to make advances from in the event of an urgent and unforeseen need and established by the National Assembly is called ..............

7. State the composition of the Revenue Mobilisation Allocation and Fiscal Commission.

8. Two statutory officers whose remunerations are paid directly from the Consolidated Revenue Fund are ............ and ............... 

9. The sharing of revenue amongst the state in the federal is called ............... 

10. The organ of the government that is responsible for the collection of Value Added Tax is .............

SOLUTION

1. B
2. A

3. E

4. C

5. D

6. Contingency fund

7. Chairman and one member from each state of the federation and Federal Capital Territory, Abuja.

8. i. Auditor-General for the Federation

   ii. Supreme Court Judges

   iii. Court of Appeal Judges

   iv. INEC Chairman (Any two)

9. Horizontal Allocation

10. Federal Inland Revenue Service
CHAPTER TWELVE

LOCAL GOVERNMENT

12.1 LEARNING OBJECTIVES:

At the end of this chapter candidates should be able to:-

- List the functions of the Local Governments
- Enumerate the various Local Government Officers and their respective functions.
- Present in analytical form how the Local Governments keep their accounts.
- State and explain the financial controls available in Local Government Account.

12.2 DEFINITION

Local Government is the government that relates directly with the people in the society 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 have control over them, the State Government too have considerable influence over them.

12.3 FUNCTIONS OF LOCAL GOVERNMENT

The functions of the Local Government are contained in the Fourth Schedule of the 1999 Constitution. These functions include:-
1. Formulation of economic policies which will bring about rapid development in local government areas and making necessary recommendations to State Commission.
2. Establishment and maintenance of cemeteries, destitute homes and provision of basic needs to the aged who are infirmed.
3. Issuance of licenses in respect of motor cycles, cars, bicycles and keeping of pets.
4. Registration of all births, marriages and deaths.
5. Naming of streets, roads and crescents and numbering of houses.
6. Construction, maintenance and running of markets, motor parks, machine parks and public conveniences.
7. Provision and maintenance of basic facilities for refuse disposal and public conveniences.
8. Construction and maintenance of roads and street drainage systems.
10. Provision and maintenance of primary health care services to the community.
11. Establishment and maintenance of rural water supply system e.g. sinking of boreholes.
12. Control and regulation of lock up shops, restaurants and kiosks.
13. Licensing, regulation and control of the sale of liquor.
14. Participating in the provision and maintenance of primary education.
15. Control of regulation of out-door advertisement.

**12.4 FUNCTIONS OF LOCAL GOVERNMENT OFFICERS**
The key officers in Local Government are:

a) Chairman.
b) Vice-Chairman.
c) Secretary.
d) Treasurer.
e) Head of Personnel Management.
f) Legislature.

12.4.1 **FUNCTIONS OF THE CHAIRMAN**

1. He is responsible for decision making as regards finance and accounting in the local government hence he is the Chief Executive and Accounting Officer.
2. He is to preside over all council meetings and to cast vote when the situation demands.
3. He is responsible for all funds and properties entrusted in his care.
4. He is to prepare the Local Government’s annual estimates and budgets and submit to the Legislature for approval.
5. He is to prepare monthly statements of accounts to the Legislative House for examiNation and comment.
6. He is required to have documentary evidence of all receipts and disbursement of public funds.
7. The chairman is to prepare and present annual reports of his Local Government to show that he is accountable to the funds and properties entrusted in his care. The account is to be presented to the Public Accounts Committee.
8. He is to ensure that all the rules and regulations guiding the receipts and disbursement of government funds and property are strictly adhered to.

9. He is to ensure there is palpable peace and harmony between the neighbouring communities in his Local Government.

10. He is to make positive, effective and commendable impacts on the populace in his community.

11. He shall abide by any other rules, regulations and guidelines governing the functions of an executive local government chairman.

12.4.2 FUNCTIONS OF THE VICE-CHAIRMAN

1. He is to preside over council meetings in the absence of the Chairman.

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

3. He is to attend to matters of utmost urgency where the Chairman is available but engaged and relate same to the Chairman for decision making.

4. He is to perform any other function as may be directed by the Chairman.

12.4.3 FUNCTIONS OF THE SECRETARY

The Secretary to the Local Government is:

1. To intimate the Chairman, Vice-Chairman and the council with the notice of meetings when the situation demands.

2. To record the minutes of the Council meetings
3. To settle amicably any differences between officers in the Local Government and the councilors.

4. To deliberate on financial, social and political issues with “The Council” i.e. the legislature as they affect the Local Government.

5. To receive and dispatch all correspondence between the Local Government and the public or State Government.

6. To perform any other function as may be prescribed by law or assigned to him by the Council.
12.4.4 **FUNCTIONS OF THE TREASURER**

1. He is responsible for all the receipts and disbursement of funds.
2. He is responsible for keeping accurate and timely accounting records of funds received or disbursed.
3. He must ensure that all records kept by his subordinate officers are checked routinely for accuracy.
4. He is to intimate the Local Government of any economic policy that will increase the Internally Generated Revenue (IGR) of the council.
5. He must ensure that all revenue collectors exploit the opportunities available for collection of all forms of revenue as specified in the budget estimate.
6. He is to see that all the laid out procedures as regards disbursement of funds are followed.
7. He should assist in the preparation of annual and supplementary budgets.
8. He is to be actively involved in the appraisal of all capital projects before they are executed.
9. He is to make recommendations to the council in his capacity as financial adviser.
10. He is responsible for ensuring that the liquidity position of the council is favourable at all times.
11. He should ensure that payment vouchers are validly prepared and presented for payment.
12. He should maintain all records of account in a form suitable for decision making by the council.

12.4.5 **FUNCTIONS OF THE HEAD OF PERSONNEL MANAGEMENT**
1. He is to serve as a signatory, on behalf of the council, on all vouchers and cheques.
2. He is to approve by signing all contractual agreements and Local Purchase Order relating to contracts and supplies respectively on behalf of the Council subject to prior approval by the Chairman.
3. He is responsible for the control and supervision of the civil servants in the Local Government.
4. He is to assist the Audit Alarm Committee in performing its functions whenever it is constituted.
5. He is to act as the Clerk of the Legislature the Council in their deliberation.

12.4.6 FUNCTIONS OF THE COUNCIL LEGISLATURE

1. To promulgate laws guiding the administration of the Local Government as may be allowed by the constitution.
2. To analyse, debate, approve and amend the Local Government annual estimates and budgets.
3. To critically examine, consider, approve and monitor the execution of all capital projects and programmes in the annual estimate.
4. To examine and make comments on the monthly financial statement of the council as presented by the Chairman.
5. To consult, intimate and advise the Chairman on matters affecting the development of the council.
6. To serve the chairman notice of impeachment and thereafter proceed on the procedures for impeachment where he is found to have committed an impeachable offence.
7. To receive, debate on and examine the annual audited report of the council submitted by external auditors.
8. To perform any other function as may be directed by the State House of Assembly.

12.5 **FINANCIAL CONTROL IN LOCAL GOVERNMENT**

Financial control in Local Government can be classified into two. These are:

1. Internal Control.
2. External Control.

12.5.1 **INTERNAL CONTROL**

This involves all the internal control procedures that are set up to ensure that receipts and disbursement of public funds and property are justly, validly and essentially carried out. They include:

i. Warrants: - Issuance of warrants before disbursement 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 preparation of payment vouchers following the laid down rules and regulations guiding its preparation.

v. Constitution of Budget Implementation Committee for the preparation of annual estimate of revenue and expenditure.

vi. Checks and balances by the Internal Auditor who must approve all forms of payment and has the power to report any unauthorized or
inappropriate payment to the Audit Alarm Committee or Auditor General for Local Government.

12.5.2 **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 Government. In short they are Statutory Controls. They include:

i. Legislative Control.

ii. State Government Control.

iii. External Auditors Control.

iv. Auditor General for Local Governments Control.

v. Audit Alarm Committee.

vi. Petitioning by the members of the community in which the Local Government is situated.

i. **Legislative Control**: The legislature (otherwise known as the Council) has the right to remove from the budget and estimate proposal any item of expenditure that they feel is a waste of government resources. They also have the power to reduce an amount proposed by the Chairman for any project. The legislatures also have the power to impeach the chairman where any case of embezzlement or misappropriation of government fund is established against him.

ii. **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 for interrogation.

iii. **External Auditors 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 Government and are required to express their opinion through a report submitted to the Auditor General for Local Government.

iv. **Auditor General for Local Government**: - The office of the Auditor General for Local Government embarks on quarterly routine audit of the Local Government and they are empowered to report any anomaly detected in the running of the Local Government (especially as it concerns disbursement of funds) to the Public Accounts Committee of the State House of Assembly.

v. **Audit Alarm Committee**: - There shall be an established Local Government Audit Alarm Committee comprising:

> - The Auditor General for Local Government.
> - A representative from the Governor’s office.
> - A representative from the State Accountant-General’s office.

Their main functions are:

a) To deliberate on any audit alarm raised and reported to them.

b) To prevent any inappropriate disbursement of public funds.
c) To make a report to the Public Accounts Committee on any audit alarm raised considered very important.

d) To interrogate any officer found to have been involved in misappropriation of funds and make recommendations as to which discipline to be meted out to him.

vi. **Petitions:** The members of the public in the Local Government have the right to express their dissatisfaction with the conduct of the executive arm of the Local Government by sending a report in form of petition to the State House of Assembly.

### 12.6 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 i.e. the Chairman to the officer at the lowest cadre.

### 12.6.1. OBJECTIVES OF THE FINANCIAL MEMORANDA

5. To serve as administrative guidelines which facilitate day-to-day running of Local Government.

6. To expressly highlight the implications of disbursing government fund and property without proper authority, approval and unjustly.

7. To facilitate recording of Local Government financial transactions in the appropriate accounting method.
8. To serve as a learning tool for officers on first appointment or on transfer to a new section.

12.6.2. **CONTENT OF LOCAL GOVERNMENT FINANCIAL MEMORANDA**

1. The format of budget and budgetary control.
2. The financial responsibilities of the Chairman and other accounting officers of the Local Government.
3. The responsibilities of the Local Government Secretary, Treasurer and Heads of Department.
4. The responsibilities of the Internal Auditor as they relate to Audit Alarm.
5. The powers and functions of the Auditor-General for Local Government.
6. The functions and operations of the Audit Alarm Committee.
7. The various financial offences and their respective sanctions.
8. The means of Revenue Collection and Control.
9. Main books of accounts kept in the Local Government.
10. The custody, accounting and control of stores.

12.7 **DOCUMENTATION OF REVENUE AND EXPENDITURE**

All Local Governments must prepare and submit to the office of the Auditor-General for Local Government annual financial statements. The financial statements must be submitted within three months of the following year.

The financial statements consist of the following:

1. Statement of Assets and Liabilities
2. Statement of Revenue and Expenditure

3. Statement of Actual Revenue

4. Statement of Actual Expenditure

5. Statement of Advance Account Balances

6. Statement of Deposit Account Balances

7. Statement of Suspense Account Balances

8. Statement of Reserve Fund Account Balances


The purpose of the documentations are:

1. It is a means of accounting for public money

2. It is a means of showing the financial position of government funds at that level

3. It is a basis of assessing the performance of the government

4. It is a means through which the legislature can exercise its power over public account.

The books of accounts kept by the accounting and sub-accounting officer in the Local Government are:

1. The Cash Book

2. The Adjustment Record
3. The main Ledger for the following accounts:-

   a. General Revenue Balance Account
   b. Advance Account
   c. Deposit Account
   d. Suspense Account
   e. Investment Account
   f. Fixed Deposit Account
   g. Renewal fund Deposit Account
   h. Reserve Fund Investment Account
   i. Renewals Fund Investment Account.

4. Subsidiary Accounts. These include:

   a. Departmental Vote Revenue Allocation Book
   b. Departmental Vote Expenditure Allocation Book
   c. Individual Advances Account
   d. Individual Deposit Account
   e. Investment Register.

12.7.1 SOURCES OF LOCAL GOVERNMENT REVENUE
These can be classified into 3 groups:

1. **Statutory Sources of Revenue**
   - Statutory Allocation
   - 10% of State owned derived income

2. **Permissive Sources of Revenue**
   - Radio & T.V. license fees.
   - Special rates, fees and fines.
   - Registration & License fees
   - Tenement rates/property tax.

3. **Incidental Sources of Revenue**
   - Proceeds from economic projects
   - Grants from Federal & State Governments
   - Loans granted by State Government
   - Borrowing from other sources
   - Investment income
   - Income generated from maintenance of market stalls, car parks e.t.c.
   - Income from maintenance of cemeteries.
   - Income from registration of births, deaths and marriages.
   - Outdoor advertising.
   - Income from restaurant, kiosks and shops.
   - Income from naming of streets, roads, avenue, close and crescents.
   - Earnings from commercial undertakings.

OR
a. Statutory Allocations

b. Grant

c. Internally Generated Revenue.

### 12.7.2 LOCAL GOVERNMENT REVENUE & EXPENDITURE SUB-HEAD

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Sub-head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>1001</td>
</tr>
<tr>
<td>Rates</td>
<td>1002</td>
</tr>
<tr>
<td>Local Licenses, fees and fines</td>
<td>1003</td>
</tr>
<tr>
<td>Commercial undertaking</td>
<td>1004</td>
</tr>
<tr>
<td>Rent on Local Government property</td>
<td>1005</td>
</tr>
<tr>
<td>Interest and Dividend received</td>
<td>1006</td>
</tr>
<tr>
<td>Other Grants</td>
<td>1007</td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>1008</td>
</tr>
<tr>
<td>Federal Statutory Allocation including VAT</td>
<td>1009/1</td>
</tr>
<tr>
<td>State Government Allocation</td>
<td>1009/2</td>
</tr>
</tbody>
</table>

**Expenditure**

Office of the Chairman 2001
12.7.3 FORMAT OF STATEMENT OF REVENUE AND EXPENDITURE

AGODO LOCAL GOVERNMENT
### Statement of Revenue and Expenditure for the Year Ended 31st December 20XX

<table>
<thead>
<tr>
<th>Head</th>
<th>Description</th>
<th>₹</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001</td>
<td>Taxes</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1002</td>
<td>Rates</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1003</td>
<td>Local Licenses, fees &amp; fines</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1004</td>
<td>Commercial undertakings</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1005</td>
<td>Rent on LG property</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1006</td>
<td>Interest and Dividend earned</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1007</td>
<td>Other Grants</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1008</td>
<td>Miscellaneous receipts</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>1009</td>
<td>Statutory Allocation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Federal</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td></td>
<td>- State</td>
<td>xx</td>
<td>xx</td>
</tr>
</tbody>
</table>
## Total Revenue for the year

Total Revenue Available

## Expenditure

<table>
<thead>
<tr>
<th>Head</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>Office of the Chairman</td>
</tr>
<tr>
<td>2002</td>
<td>Office of the Secretary</td>
</tr>
<tr>
<td>2003</td>
<td>The council</td>
</tr>
<tr>
<td>2004</td>
<td>Personnel Department</td>
</tr>
<tr>
<td>2005</td>
<td>Finance Department</td>
</tr>
<tr>
<td>2006</td>
<td>Education Department</td>
</tr>
<tr>
<td>2007</td>
<td>Primary Health Care</td>
</tr>
<tr>
<td>2008</td>
<td>Agriculture &amp; Natural Resource</td>
</tr>
<tr>
<td>2009</td>
<td>Works &amp; Housing</td>
</tr>
<tr>
<td>2010</td>
<td>Commerce &amp; Industry</td>
</tr>
<tr>
<td>2011</td>
<td>Traditional Office</td>
</tr>
<tr>
<td>2012</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>2013</td>
<td>Other Charges</td>
</tr>
<tr>
<td>2014</td>
<td>Internal Debt Servicing</td>
</tr>
</tbody>
</table>
400X  Capital Expenditure  xx  (xxx)

(Deficit)/ Revenue carried forward  (xxx)/xxx

**NOTE:** - Where any sub-head is neither provided nor requested for in a question, it should be ignored.

**12.7.4 FORMAT OF STATEMENT OF ASSETS AND LIABILITIES**

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit</td>
<td>xx</td>
</tr>
<tr>
<td>Investment</td>
<td>xx</td>
</tr>
<tr>
<td>Loans and Advances</td>
<td>xx</td>
</tr>
<tr>
<td>Deposits for Assets</td>
<td>xx</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>xx</td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>xx</td>
</tr>
<tr>
<td>Others</td>
<td>xx</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LIABILITIES**
Deposit Liabilities e.g. P.A.Y.E, N.U.L.G.E e.t.c.     xx

Loans                                           xx

General Revenue Balance                        xx

Others                                          xx

Illustration 11.1: - The following information relates to Kangen Local Government for the year ended 31st December 20XX.

a) Assets and Liabilities as at 31st December 20XX are :-

   Fixed Deposit               ₦16,000,000

   Investments                 ₦6,000,000

   Advances                    ₦3,900,000

   Cash at Bank                ₦1,432,400

   Cash in Hand                ₦185,960

   Deposit Liabilities         ₦3,608,000

   Deposit for Land            ₦4,000,000

   Deposit for Motor Vehicle   ₦11,000,000

b) Stated below are the revenue and expenditure for the year: -
<table>
<thead>
<tr>
<th>Head</th>
<th>Description</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Personnel Department</td>
<td>28,410,200</td>
</tr>
<tr>
<td>2005</td>
<td>Finance Department</td>
<td>43,100,200</td>
</tr>
<tr>
<td>1003</td>
<td>Local Licenses, fees &amp; fines</td>
<td>13,256,310</td>
</tr>
<tr>
<td>1005</td>
<td>Rent on Local Govt Property</td>
<td>13,100,600</td>
</tr>
<tr>
<td>1001</td>
<td>Taxes</td>
<td>38,141,100</td>
</tr>
<tr>
<td>1006</td>
<td>Interest and Dividends</td>
<td>1,300,000</td>
</tr>
<tr>
<td>2001</td>
<td>Office of the Chairman</td>
<td>66,964,700</td>
</tr>
<tr>
<td>2006</td>
<td>Education Department</td>
<td>44,345,900</td>
</tr>
<tr>
<td>2003</td>
<td>The council</td>
<td>39,180,800</td>
</tr>
<tr>
<td>1009</td>
<td>Statutory Allocation</td>
<td>495,011,830</td>
</tr>
<tr>
<td>1002</td>
<td>Rates</td>
<td>23,848,300</td>
</tr>
<tr>
<td>1007</td>
<td>Other Grants</td>
<td>136,181,230</td>
</tr>
<tr>
<td>2008</td>
<td>Agriculture &amp; Water Resources</td>
<td>42,344,200</td>
</tr>
<tr>
<td>1004</td>
<td>Commercial Undertakings</td>
<td>24,613,620</td>
</tr>
<tr>
<td>2002</td>
<td>Office of the Secretary</td>
<td>33,624,180</td>
</tr>
<tr>
<td>2007</td>
<td>Primary Health Care Department</td>
<td>37,618,790</td>
</tr>
<tr>
<td>1008</td>
<td>Miscellaneous Receipts</td>
<td>6,125,380</td>
</tr>
</tbody>
</table>
c) General Revenue Balance brought forward an 1st January 20XX was ₦3,420,700
d) The code in use is 1 as prefix for Revenue and 2 as prefix for Expenditure.

You are required to prepare:

a) Statement of Revenue and Expenditure for the year ended 31st December 20XX.
b) Statement of Assets and Liabilities as at that date.
**Solution to Illustration 12.1**

**KANGEN LOCAL GOVERNMENT**

**a) STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31\textsuperscript{ST} DECEMBER 20XX**

![Currency symbol]

**Revenue for the year**

<table>
<thead>
<tr>
<th>Head</th>
<th>Description</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001</td>
<td>Taxes</td>
<td>38,141,100</td>
</tr>
<tr>
<td>1002</td>
<td>Rates</td>
<td>23,848,300</td>
</tr>
<tr>
<td>1003</td>
<td>Local Licenses, fees &amp; fine</td>
<td>13,256,310</td>
</tr>
<tr>
<td>1004</td>
<td>Commercial undertakings</td>
<td>24,613,620</td>
</tr>
</tbody>
</table>
### Expenditure

<table>
<thead>
<tr>
<th>Head</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001</td>
<td>Office of the Chairman</td>
<td>66,964,700</td>
</tr>
<tr>
<td>1002</td>
<td>Office of the Secretary</td>
<td>33,624,180</td>
</tr>
<tr>
<td>1003</td>
<td>The council</td>
<td>39,180,800</td>
</tr>
<tr>
<td>1004</td>
<td>Personnel Department</td>
<td>28,410,200</td>
</tr>
<tr>
<td>1005</td>
<td>Finance Department</td>
<td>43,100,200</td>
</tr>
<tr>
<td>1006</td>
<td>Education Department</td>
<td>44,345,900</td>
</tr>
<tr>
<td>1007</td>
<td>Primary Health Care Dept</td>
<td>37,618,790</td>
</tr>
<tr>
<td>1008</td>
<td>Agriculture &amp; Water Resource</td>
<td>42,344,200</td>
</tr>
<tr>
<td>1009</td>
<td>Works &amp; Housing</td>
<td>46,125,380</td>
</tr>
<tr>
<td>1010</td>
<td>Commerce &amp; Industry</td>
<td>38,648,740</td>
</tr>
</tbody>
</table>
2011  Traditional Office  21,867,080

2013  Other Charges  11,400,380

4000  Capital Expenditure  262,600.000  (731,088,710)

Excess of Income Over Expenditure for the year.
20,489,660

General Revenue Balance b/forward  3,420,700

General Revenue Balance c/forward  23,910,360

b) STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST DECEMBER 20XX

ASSETS  N

Fixed Deposit  16,000,000

Investment  6,000,000

Advances  3,900,000

Deposit for Land  3,000,000
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit for Motor vehicle</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>1,432,400</td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>185,960</td>
</tr>
<tr>
<td></td>
<td><strong>37,518,360</strong></td>
</tr>
</tbody>
</table>

**Represented By**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit Liabilities</td>
<td>13,608,000</td>
</tr>
<tr>
<td>General Revenue Balance</td>
<td>23,910,360</td>
</tr>
<tr>
<td></td>
<td><strong>37,518,360</strong></td>
</tr>
</tbody>
</table>

**Illustration 12.2**

The “Accountant 3” of Ibussa Local Government submitted the following as the transactions for the year ended 31st December 20XX.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local licenses, fees &amp; rates</td>
<td>45,398</td>
</tr>
<tr>
<td>Local rates and taxes</td>
<td>36,492</td>
</tr>
<tr>
<td>Statutory allocation</td>
<td>306,108</td>
</tr>
<tr>
<td>Grants from State Government</td>
<td>69,115</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Grants from Federal Government</td>
<td>126,707</td>
</tr>
<tr>
<td>Office of the Chairman</td>
<td>69,645</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td>76,895</td>
</tr>
<tr>
<td>Traditional Office Expenses</td>
<td>12,490</td>
</tr>
<tr>
<td>Primary Health Care</td>
<td>43,510</td>
</tr>
<tr>
<td>Rural Electrification Expenses</td>
<td>9,440</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>359,060</td>
</tr>
<tr>
<td>District Area Office Administration</td>
<td>116,525</td>
</tr>
<tr>
<td>Rent on Local Government Property</td>
<td>118,260</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>330</td>
</tr>
<tr>
<td>Planning and Budgeting Expenditure</td>
<td>5,301</td>
</tr>
<tr>
<td>Interest payments and dividends received</td>
<td>6,350</td>
</tr>
<tr>
<td>Earning from commercial undertakings</td>
<td>129,642</td>
</tr>
<tr>
<td>Legislative Deposits</td>
<td>36,308</td>
</tr>
<tr>
<td>Payee and union due balance</td>
<td>375</td>
</tr>
<tr>
<td>Advance Salaries to staff</td>
<td>963</td>
</tr>
<tr>
<td>Deposit for purchase of computer systems</td>
<td>24,130</td>
</tr>
<tr>
<td>Pension Balance</td>
<td>649</td>
</tr>
</tbody>
</table>
Revenue brought forward 5,306

Bank Balance 120,773

Cash in Hand 2,108

Withholding Tax 13,660

Finance & Supply 53,200

You are required to prepare:-

a) Trial Balance for the Local Government Council for the year ended 31\textsuperscript{st} December 20XX.

b) Statement of Income and Expenditure as at that date.

c) Statement of Assets and Liabilities as at that date.

\textbf{SOLUTION ; IBUSSA LOCAL GOVERNMENT}

\textbf{TRIAL BALANCE AS AT 31\textsuperscript{ST} DECEMBER 20XX}

<table>
<thead>
<tr>
<th></th>
<th>₦'000</th>
<th>₦'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td></td>
<td>359,060</td>
</tr>
<tr>
<td>District Area office Admin.</td>
<td></td>
<td>116,525</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td></td>
<td>330</td>
</tr>
<tr>
<td>Planning and Budgeting Expenditure</td>
<td></td>
<td>5,301</td>
</tr>
</tbody>
</table>
Interest payments and dividends received
6,350

Rent on Local Govt. property
118,260

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
24,130

Pension Balance
649

Withholding Tax
13,660

Finance & Supply Department
53,200

Local Licenses, Fees and Rates
45,398

Local Rates & Taxes
36,492

Grants from State Government
69,115

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 cave 43,510

Rural electrification expenses 9,440

Bank Balance 120,773

Cash in Hand 2,108

Revenue brought forward 5,306

894,370 894,370

b. **IBBUSSA LOCAL GOVERNMENT STATEMENT OF INCOME & EXPENDITURE**
   **FOR THE YEAR ENDED 31ST DECEMBER, 20XX**

**INCOME**

Statutory Allocation 306,108

Grants from Federal Govt. 126,707

Grants from State Govt. 69,115

Local Licenses, fees & rates 45,398

Local rate and taxes 36,492

178
Interest payments & dividends received  
6,350

Earnings from Commercial & undertakings  
129,642

Less: Expenditure

Office of the Chairman  
69,645

Office of the Secretary  
76,895

Traditional office expenses  
12,490

Primary Health Care  
43,510

Rural electrification  
9,440

District Area office. Admin  
116,525

Miscellaneous expenses  
330

Planning & Budgeting Expenditure  
5,301

Finance & Supply Department  
53,200

Capital Expenditure  
369,060  (746,396)

Excess of Income over Expenditure for the year  
91,676

Revenue brought forward  
5,306

Revenue carried forward  
96,982
c. **STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST DECEMBER**

**20XX**

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit for purchase of computer</td>
<td>24,130</td>
</tr>
<tr>
<td>Advance salaries to staff</td>
<td>963</td>
</tr>
<tr>
<td>Bank balance</td>
<td>120,773</td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>2,108</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Deposit</td>
<td>36,308</td>
</tr>
<tr>
<td>P.A.Y.E &amp; Union due balance</td>
<td>375</td>
</tr>
<tr>
<td>Pension Balance</td>
<td>649</td>
</tr>
<tr>
<td>Withholding Tax</td>
<td>13,660</td>
</tr>
<tr>
<td>Revenue balance</td>
<td>96,982</td>
</tr>
</tbody>
</table>

Illustration 12.3
The following information was extracted from the Gandoya State Treasury Department’s Trial Balance:

<table>
<thead>
<tr>
<th>Account</th>
<th>31-12-2011</th>
<th>31-12-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Cash</td>
<td>37,229</td>
<td></td>
</tr>
<tr>
<td>Cash in Transit</td>
<td>9,316</td>
<td>8,214</td>
</tr>
<tr>
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<td>Deposits</td>
<td>14,846</td>
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You are required to prepare a Comparative Statement of Balance Sheet as at 31st December 2011.

SOLUTION TO ILLUSTRATION 12.3

GANDOYA STATE

COMPARATIVE STATEMENT OF BALANCE SHEET

AS AT 31ST DECEMBER 2011

ASSETS

\[\begin{array}{ccc}
\text{N’000} & \text{N’000} & \text{N’000} \\
\hline
\text{Fixed Assets} & 49,975 & 43,327 \\
\text{Depreciation} & (5,108) & 44,867 & (4,171) & 39,156 \\
\text{Investment} & 15,000 & 15,000 \\
\text{Advances} & 6,407 & 3,336 \\
\text{Treasury Cash} & 37,229 \\
\text{35,336} & \\
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**LIABILITIES**

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**12.8  AUDIT OF LOCAL GOVERNMENT ACCOUNTS**

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

a) Internal Auditing

b) External Auditing
12.8.1 **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 and within the ambit of the rules and regulations governing the running of Local Government.

12.8.1.1 **OBJECTIVES OF INTERNAL AUDITING OF LOCAL GOVERNMENT**

1. To evaluate the effectiveness of the internal control procedure.
2. To ensure that the financial memoranda is strictly complied with as regards receipts and disbursement of funds.
3. To ascertain, verify and confirm the existence of fixed assets.
4. To embark on special investigations where fraud is established.
5. To check the validity, reliability and timeliness of accounting information submitted as report.

12.8.2 **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 report will be submitted to him for perusal and he in turn will submit the report to the State House of Assembly through the Public Accounts Committee.

12.8.2.1 **OBJECTIVES OF EXTERNAL AUDITING OF LOCAL GOVERNMENT**
1. To ascertain whether all the activities of the Local Government are in conformity with due process.
2. To ascertain whether the activities are conducted in an effective way in compliance with relevant laws guiding their operation.
3. To ascertain whether the funds and property entrusted in the care of the executive are effectively utilized.
4. To ascertain whether all payments made are justified and properly authorized.

12.9 SUMMARY

The chapter contained the review of the functions expected of the Local Government including the responsibilities expected of its key officers. The various forms of accounts being kept and maintained by the Local Government are also discussed along with appropriate illustrations.

12.10 END OF CHAPTER REVIEW QUESTIONS

1. Which of the following officers serves the purpose of liaising with the Chairman and the House of Legislature during meeting
a. The Secretary
b. The Chairman
c. The Council Manager
d. The Treasurer
e. The Cashier

2. Which schedule of the 1999 Constitution gave clearly categorise the functions of local governments into two i.e. Mandatory functions and Concurrent functions

a. 1
b. 2
c. 3
d. 4
e. 5

3. Which of the following officers serve as Secretary to the Funds Management Committee of the Local Government?

a. The Chairman
b. Secretary to the Local Government
c. Head of Personnel Management
d. The Council Treasurer
e. The Vice Chairman

4. The body of the local government that has the responsibility to debate, approve and amend budget of the local government

a. The Local Government Revenue Committee

b. The Auditor-General for local government

c. The Chairman

d. The Secretary to the local government

e. The local government council

5. The Chairman of the Audit Alarm Committee at the local government council level is

a. The Head of Personnel Management

b. The Local Government Council

c. The Audit-General for local government

d. The Secretary to the local government

e. The Chairman

6. The Internal Audit of a Local Government Council reports directly to the ............

7. The Ministerial phase is the stage at which Local Government Council estimates are screened by the ..............
8. The Vice Chairman which comprises internal audit, internal checks, procedures and rules designed to safeguard the assets of a Local Government Council is called ........

9. The 10% of the Internally Generated Revenue by the State Government is payable to the Local Governments of the State through ............

10. The sources of revenue into the Local Government can be classified into three as follows .............., ........................................ and ...................

SOLUTION

1. A

2. D

3. C

4. E

5. C

6. Accounting officer or Chairman

7. Ministry of Local Government

8. Internal Control

9. Joint Local Government Council Account

10. Statutory, permissive and incidental sources
13.1 LEARNING OBJECTIVES

In this chapter, the objectives are to

Define the concept of budget,

Explain the objectives of budgeting

Discuss budgetary control and good budgetary control system,

Discuss elements of organisational and National budgetary control areas,

Discuss the types of budget systems, and

to discuss the budget cycle

13.2 INTRODUCTION

The budgeting concept is seen to be the central point of government financial administration; government accounting is driven by the budgeting system of government.
This chapter gives a detailed study of the budgeting concept, the budgetary control system, types of budgeting systems and discusses the budget cycle, giving a detailed insight into the annual budgeting process of government.

The annual budgeting process that has been outlined in this chapter is a typical general process that can be used. Out of this process, any government can develop its own process, depending on the system of government and the stage of development or sophistication of the government.

13.3 DEFINITION OF BUDGET

A budget is an authorised financial plan of the anticipated revenues and expenditures of the government. Before the document is approved and hence authorised for implementation, it is referred to as estimates. It is a document that is developed for the financial operations of the Nation.

Budgeting is the process of putting together the financial information that will enable an organisation or the Nation to be planned and run to grow and develop the organisation or Nation. It is the process of putting together the financial demands of government institutions to be met through various financial sources.

13.4 OBJECTIVES OF BUDGETING

Budgeting has the following objectives:
1. It is to assist policy makers of a Nation to develop policies that will lead the Nation to achieve its main objectives.

2. The process is aimed at estimating the total income of the government to support its expenditure plans and developments.

3. It is to give authority to future spending; it is an expenditure authorisation means.

4. It is to provide a mechanism to control the Nation’s revenue and expenditure.

5. It aims at setting standards to enable performance to be monitored and evaluated.

6. It serves as motivating device for both government employees and the departmental managers.

7. It serves to bring together the separate subsystems of the Nation to enable them work together towards the achievement of the objectives of the Nation.

13.5 THE BUDGETARY/GOVERNMENT ACCOUNTING CONCEPT

Governmental accounting has been known as well as budgetary accounting in the sense that the budgeting concept is the main financing concept that drives the accounting process in government organisations.

The budgetary accounting concept is the process through which government organisations account for the receipt of budgetary resources from the central government and how these resources were used.
Similarly it is the accounting procedure that is concerned with the recording of authorised or approved revenue to be mobilised, the approval of estimates or appropriations and the subsequent spending of such appropriations.

The basic principles of bookkeeping and accounting in the public sector can be started through the process of budgetary accounting to show how budgetary estimates, their approval, allocation and their use are accounted for through the bookkeeping process.

13.6 BUDGETARY CONTROL

This is the establishment of a budgeting system to formulate financial action plans for the operations of an organisation and the system to direct such finances to achieve the desired actions in the budget.

Budgets are prepared for departments and units under the control of responsible officials or managers and these budgets are compared periodically to any achievements in the form of the actual expenditures of the unit or department.

Any deviations or variances that may be either positive or negative are determined and the necessary actions are taken to correct any negative variances.

Budgetary control is a process which is undertaken throughout the budget period, where budgets and their targets are continuously examined for review or
adjustment, depending on performance so far and is used as a means of making managers and heads of departments accountable for their outfits and actions.

13.6.1 IMPLEMENTING A GOOD BUDGETARY CONTROL SYSTEM

The following are some of the features that are very necessary in a good budgetary control system:

- There is the need for an agreement generally in the organisation to implement such a budgetary control measure.
- The objectives, outputs and targets for the organisation are agreed and used as the bases for measuring achievements.
- The organisation is broken down into responsibility centres where each centre is to execute identified activities.
- A detailed plan is formulated into a comprehensive budget.
- A monitoring and evaluation device is adopted to judge the performance and progress of every unit or department within the total system.
- A Continuous process is adopted of comparing achievements or outputs with the budgets.

13.6.2 BUDGETARY CONTROL RESPONSIBILITY

13.7 NATIONAL BUDGETARY CONTROL
The responsibility of National budgetary control lies with the Ministry of Finance, which is to ensure that the expenditures of the Nation as a whole are always within the available revenue resources of the Nation.

13.7.1 NATIONAL BUDGETARY CONTROL AREAS

Budgetary control in government can cover the following areas:

(a) Revenue Control
(b) Fund Control
(c) Expenditure Control
(d) Cost control
(e) Cash Control
(f) Payment/Disbursement Control
(g) Salary/Payroll Control

(a) Revenue Control

This concerns the procedures set up to ensure the collection of revenues of governments through properly identified sources, the proper monitoring of such collections and ensuring that collected revenues are accounted for properly to the right place.

The process is initiated through the Finance Bill which is the request to parliament by the executive to seek authorisation for the collection of annual revenues from identified sources.
(b) Fund Control

This is the procedure to ensure that the National fund is properly kept and used in the right way.

Fund control of a government starts from the legislature and in the British system, this role of the Legislature earned it the name “Controller of the Purse”.

Parliament has to authorise the use of moneys from the Fund by examining and approving the Appropriation Bill into Appropriation Act.

Parliament has to ensure that the National fund is safeguarded and used properly.

There is the other aspect which has to do with the control within the Executive whereby the organisations put in measures to control funds voted for the organisation to be used within the approved authority by the Legislature.

(c) Expenditure Control

This is the control system within the spending institutions which ensures that all the spending done within the organisations are done exactly for the purposes that were agreed. This is also known as Vote Control and is exercised by the accountant of the organisation.
(d) Cost Control

This is the control measure to ensure that the total cost of any activity to an organisation is within the right valuation.

The control measure involves

an awareness by every organisation 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 has to do with the availability of cash resources for any item that the organisation wishes to undertake. 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 would lead to deficit.
(f) Payment/Disbursement Control

This relates often to pre-spending checks to ensure that moneys to be spent have been approved on properly authorised activities.

This often has to do with 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

The quantity of items has been well identified and agreed on,

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.

(g) Salary/Payroll Control

This has to do with the control of the systems of rewarding in the organisation to ensure that right amounts are paid to the right people at the right time to avoid fraud and payment to non-existing workers.

13.8 ELEMENTS OF ORGANISATIONAL BUDGETARY CONTROL
13.8.1 RESPONSIBILITIES

Regulations 168 of the FAA states that the responsibility of the budgetary control of organisations in the form of ministries, departments, agencies, sections, units, lies with the respective heads of such institutions.

Such heads are expected to ensure that the expenditures of their respective divisions are within the planned budgets of the divisions.

13.8.2 ORGANISATIONAL BUDGETARY VARIATION

The heads of departments are required by regulation 169 of the FAA to report to the appropriate authority of any situations that might cause a change in the expected outcomes of the budget by affecting either the revenue budget or expenditure budget.

13.8.3 ORGANISATIONAL BUDGETARY PROGRESS

The heads are required by Regulation 180 of the FAA to prepare and send quarterly budgetary control report, prepared in months, to the Finance Minister within fifteen working after the end of the relevant quarter.
13.9 TYPES OF BUDGET SYSTEMS

Public sector budgeting has been reformed over many years during the development times of Nations. This has led to the following types of systems of budgeting:

13.9.1 THE TRADITIONAL BUDGET

This is the initial system of budgeting that was developed and the main objective was to plan how to utilise the financial resources of the Nation, to control these resource and also to ensure accountability from the stewards, who are the officials who lead in the use of these resources.

Two main features of this type of budget are:

(a) Line Item feature

This system develops the revenue and expenditure by the nature or type of income and expenditure. The normal types of income are tax, loans, grants; the budget is prepared estimating the revenue to be generated through these types. The normal expenditure items are by materials, travels and transport, salaries, equipment, repairs and maintenance

Incremental
(b) Incrementalism Feature

With the incrementalism feature, 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. The advantage is seen in the way budget authorities are made to make annual reviews of activities and policies.

The traditional budget is also known by these two features, i.e. either as the line item budget or the incremental budget.

Advantages

Some of the advantages of the traditional budgeting system are as follows:

- This budget system is simple to prepare
- It is a means of expenditure control
- It ensures that moneys are used for exactly for their assigned uses, and
- It ensures the protection of the finances of the organisation.
- Changes can be made in the line items easily.
- It also easy to make detailed comparisons between budgeted and actual revenues and expenditures.

Disadvantages

Some of the disadvantages of the traditional budgeting system are as follows:
- The budget is concerned more with conforming to legal requirements rather than looking at proper planning and development.
- It stresses on the importance to spend exactly the amount budgeted for a type of expenditure, without being concerned about the achievement.
- It encourages inefficient spending habits by public officers.
- Expenditure items are not scrutinised very much because of the incrementalism.
- Again, items of expenditure are often not easily taken out of the budget so inefficient items at times are still spent on.

13.9.2 PERFORMANCE BUDGETING

The Government of the United States led in the budgetary reforms when the traditional budget was not seen to be satisfactory.

The Hoover Commission recommended this 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 budget stresses on the functions, and projects which are undertaken in the budget as against the traditional budget which stresses on inputs, or expenditure items like materials, wages and stationery.
The functions and projects refer to the output of the expenditure hence the budget was known as Output budget.

For this system of budgeting, the 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 organisation, their costs, the activities to be undertaken during the next year, results expected and the pattern of responsibilities assignment.

**Advantages**

- This budgeting system gives sufficient information since it includes a narrative description of each project, and the services provided by, the organisation.
- Inputs and outputs are both shown and measured,
- This is a monitoring device since the results of each activity is noted and measured.
- Emphasis is on the activities of the organisation, as well as on controlling costs.

**Weaknesses**

The technique was used with little success even in the United States itself where it originated. It is said that
• There is difficulty regarding the classification of programmes and the provision of cost data in respect of many activities.
• The process of allocation of cost estimates over the activity or programme elements is difficult.
• Personnel for project costing and analysis is not easy in the public sector.
• Most public sector activities are not easily measurable in output terms.
• The technique still fails to stress on long-run objectives of government, just as the traditional budget.

13.9.3 THE ZERO-BASE BUDGETING (ZBB)

The budgeting technique stresses that every item of expenditure to be budgeted for should be scrutinised and justified why such item should be funded in the budget.

The technique expects that organisations should even 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 undertaking in the government budget.

Organisations and personnel are encouraged to do better analysis of their activities of the past and to ensure that only relevant ones are to be budgeted for.

This type of budgeting follows three main procedures:
• First, various decision units are identified, which involve clearly defined and measurable objectives of the organisation or units of the organisation, identified managers or leaders responsible for such objectives and the effects or impacts of the objectives are also clearly noted.

• Second, decision packages are developed or determined, which refers to the means of achieving the decision units above, in the form of the services to be performed to achieve the decision units, and the relevant costs or the finance for such services.

• 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**

• Items of expenditures are reviewed and justified before they are accepted.
• It is a mark of financial discipline which is imposed on the organisation.
• The process involves all the personnel in the units, departments or organisation which is commendable since it enables every person to feel as part of decision making.

**Disadvantages**

However this system also has problems, that

1. the technique requires a lot of time and resources to identify
2. the decision units cannot be developed easily because objectives and outputs of public organisations are not easy to identify and measure clearly.
3. the decision packages or programmes cannot be arranged easily in order of priority; such actions are very subjective, politicians can decide to carry out certain activities though the activities can be very costly and uneconomical.

13.9.4 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 prioritised 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 costing of the programmes and the relevant benefits that would be derived from the programme.
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**

1. It stresses more on the future, since planning involves looking into the future.
2. It enables budget authorities to evaluate programmes to determine their efficiency and effectiveness.
3. It encourages constant review of programmes.
4. The whole system development prevents programmes that often overlap through departments; similar programmes in different organisations are well coordinated.

**Disadvantages**

1. The long range planning process is often difficult since going deep into the future is very subjective.
2. Planning cannot be done well since most of the goals or objectives in the public sector system cannot be physically identified and measured easily.
3. The process requires a lot of time, money and personnel who can do good analyses financially and technically.
4. There is also the problem that most public sector outputs cannot be quantified and measured, hence performance cannot be measured easily through such budgeting system.
13.10 THE MODERN EXPENDITURE BUDGETING SYSTEM - THE MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

The Medium Term Expenditure Framework (MTEF) concept is the new expenditure budgeting system in public sector finance and accounting.

Dong Yeon Kim mentions that the MTEF is a “practical tool/decision-making mechanism to integrate policy priorities into annual budget, in a multi-year perspective (3-5 years), for fiscal soundness and effective resource allocation and for operational effectiveness and performance management”

In September, 1997, The MTEF concept was begun in Ghana on a pilot basis in 3 MDAs which were Ministries of Education, Health, and Road and Transport.

The introduction of the project was supported by the Department for International Development (DFID) of the British Government who financially supported consultants to develop the MTEF concept. MTEF was finally introduced into the 1999 year budget.

It has four line-items as follows:

- Line-Item 1 – Personal Emolument
- Line-Item 2 – Administrative Expense or Activity, i.e. various overheads like rent, printing and stationery, maintenance of buildings, vehicles and Equipments.

- Item-Item 3 – Service, the various variable expenses that vary from organisation to Organisation.
- Line-Item4– Capital Expenditure like acquisition and other fixed assets, construction and rehabilitation.

The MTEF budget preparation involves the same process as the traditional budget in terms of effort and time, however ceilings are given for 3 years and the budget documentation only provides details for the year that the budget is being presented.

**Benefits of the MTEF Concept**

The following are some of the benefits of MTFEF.

- It is a system which has helped to solve the problem between what can be afforded by the government, which is given from the top (top down approach) and the needs of the organisation which are presented from the bottom (bottom up approach).
- It gives more and better information, which enhances transparency and accountability;
• It is a decision-making framework for the consideration of different organisational (ministerial and departmental) policies and their agreements among them.
• It enables authorities to predict with some certainty possible funding support from International organisations.

13.11 THE BUDGET CYCLE

The budget cycle is the period which begins with the initiation of the preparation of the central government budget for any new financial year. The cycle starts with the budgetary estimates preparation stage, through the authorisation of estimates into budgets for spending, the processes of spending such amounts authorised, and the final accountability of such spending to parliament as confirmed by the audit of the financial reports revealing the spending.

For an efficient budget cycle and budget preparation, there is the concept of Public Expenditure Survey (PES) that adds more value to the annual budgeting process.

PES in government financial administration is a process that involves the examination of spending activities of public sector organisations and how such expenditures have been felt through projects and developments in the economy.

PES was developed in the central government in the United Kingdom.

A government committee on public spending, the Plowden Committee made a recommendation for the PES.
The Committee stressed that “regular surveys should be made of public expenditure as a whole, over a period of years ahead, and in relation to prospective resources; decisions involving substantial future expenditure should be taken in the light of these surveys”.

A good system of PES enables central governments to note their progress and to take decisions on annual public finances, and new public expenditure plans for new year(s).

PES has positive effect on the budget preparation of the spending organisations and the ultimate government budget.

**The following is a general budget cycle which governments can adapt for their various systems:**

1. A policy paper is often developed by the Central Budget Agency which is normally prepared after considering the general economic environment and normally with input from a good system of PES to note the general impact of past and on-going expenditure plans of the government. The paper shows revenue and expenditure projections and outlines at times major alternative proposals for change during the coming year based on the expenditure survey. The central government as represented by Cabinet discusses this policy paper.

2. The Cabinet takes provisional decisions on the total amount of expenditures, on major new spending projects or other cut backs and on
major tax changes as well as new tax policies. Cabinet decisions are then communicated back to the Budget Agency.

3. The Budget Agency then issues guidelines for the spending MDAs to follow in making their spending plans or requests. These instructions are often called the Budget Circular or the Call for Estimates.

4. Spending MDAs prepare and present their estimates to the budget agency. Where a spending organisation has other departments or agencies under it, the parent organisation meets representatives of the sub-organisations to discuss their various estimates to ensure that their estimates are within agreed levels. Such discussions are referred to as Internal Hearing.

5. Budget examiners at the Central Budget Agency examine the estimates from spending organisations for agreement or queries. Their examination is to ensure that estimates presented by spending organisations are within authorised levels.

6. Budgetary hearings, known as external hearings, are organised between the spending departments and the budgetary agency to discuss and agree on the departmental estimates.
7. Agreed departmental estimates are submitted by the budget office to the Minister of Finance for final agreement and submission to the Cabinet. Dissatisfied spending organisations whose requests are not satisfied can appeal to the Cabinet for consideration.

8. Cabinet considers and agrees on final expenditure levels and if possible any needed tax changes.

9. Estimates agreed finally by Cabinet are presented by the Executive, either by the President or the Prime Minister to Parliament. In normal cases, it is the Minister of Finance who presents the estimates to Parliament in the form of Finance Bills for tax and revenues and Appropriation Bills for expenditures.

10. Under Certificate of Urgency, the Finance Bills are passed by the Legislature into Finance Acts to enable the revenue organisations to have the authority to collect tax and other revenues.

11. The Legislature then examines the estimates through appropriate estimates/expenditures sub-committees.
12. The Legislature subsequently sits as a House known as Appropriation Committee to pass the Appropriation Act that gives approval for the estimates for the various organisations.

13. Ministry of finance gives directives to the government accounting agency to release finances to spending organisations for their approved spending.

14. Moneys are released by government accounting agency, which is responsible to distribute government finances to spending organisations.

15. Government departments subsequently prepare financial statements for their operations and the Government Accountant, the Controller and Accountant General prepares the National consolidated accounts.

16. Government financial statements are submitted to Parliament and received by the Public Accounts Committee and these statements are audited by the Auditor-General to determine the extent of compliance by such spending organisations to legislative directives.

13.12 THE PRINCIPLE OF ANNUALITY

This is another important principle in government budgeting and accounting which moves with the budgetary system of accounting in the public sector.
The principle states that when approval is given by the Legislature for departmental estimates to be appropriated for spending, such approval is normally for one year, and that at the end of the year, any approved money for organisations that is not used or spent lapses and goes back into the consolidated fund.

This is seen to be a principle which very often encourages spending officers of government organisations to make rash spending so as to make use of any unspent balance at the end of the budget year for fear of not getting such money the following year and which can again affect negatively any estimate to be presented for approval in the coming budget year.

**Country Specific Budgetary Process – The Adopted MTEF**

As mentioned earlier on (see 12.10), Ghana government has been using the MTEF procedure for its annual budgeting purposes since September 1997.

The following is the general procedure for the authorization of moneys to be spent by any institution of government in Ghana:

Budget preparation process begins in the first half of each year. Ministry of Finance and Economic Planning prepares the schedule of activities for the budget cycle starting with a National Policy Workshops for all MDAs. Policy Review workshops are held for all MDAs after which MDAs prepare their Policy Review Reports in line with National policies. This is followed by Intra-Sectoral Meetings within each MTEF Sector for MDAs to resolve duplications of Outputs and Activities and enforce collaboration, where necessary.
The Policy Review Reports are used:

- To conduct Policy Hearings for the MDAs.
- By MOFEP to determine the MDA ceilings after the estimation of the Resource Envelope (Government of Ghana & Donor).
- The ceilings are conveyed to the MDAs in the Budget Guidelines.
- The MDAs then use their Policy Review Reports and the ceiling to review their Strategic Plans to bring them in line with government policies and priorities.

The review covers Objectives, Outputs and Activities in the Strategy Plans, which are prioritised at MDA level. These are followed by Costing Workshops for the MDAs during which MDAs identify the inputs required to carry out their activities. It is the total cost of these inputs for all the Activities that make up the MDA Draft Estimates, which are submitted to MoFEP. The MoFEP arranges budget hearing for all MDAs to defend their estimates after which the MoFEP compiles, print and submits to Cabinet the draft estimates and the Appropriation Bill. After Cabinet’s approval, the budget or estimate and the Appropriation Bill are presented to the Parliament for debate and approval. On approval, the Appropriation Bill becomes the Appropriation Act.
## Overview of the Expenditure Management Cycle

The following is a presentation of the annual expenditure management cycle of the government.

<table>
<thead>
<tr>
<th>1. POLICY ANALYSIS AND REVIEW</th>
<th>2. RESOURCE PROJECTIONS AND ALLOCATION</th>
<th>3. STRATEGIC PLAN AND BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Review macroeconomic and sectoral policies</td>
<td>- Total resources are projected</td>
<td>- Strategic plans are reviewed through stakeholder and SWOT analysis.</td>
</tr>
<tr>
<td>- Identify and estimate the expenditure implications of agreed policies</td>
<td>- three year ceilings (a broad based and integrated) are updated</td>
<td>- MDA budgets are prepared based on the strategic plans. Budget is approved</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. BUDGET IMPLEMENTATION AND CONTROL</th>
<th>5. MONITORING AND ACCOUNTING</th>
<th>6. EVALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Work plans and cash flow forecasts (resource requirements schedule) are prepared</td>
<td>- Ensure funds are spent and output produced within plans and budget</td>
<td>- Perform variance analysis between planned and actual revenues and expenditures (activities, outputs and objectives) to evaluate budget</td>
</tr>
<tr>
<td>- MDAs begin spending</td>
<td>- Ensure revenues are collected as planned</td>
<td></td>
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</tbody>
</table>
develop and implement solutions to address subsequent problems

13.13 SUMMARY & CONCLUSION

Government budgeting is seen as the centre of government financial administration, all government financial matters being done through the authority of the budget.

The government budget sets out the revenue and spending plans of government through the various government organisations, prioritise the expenditure patterns of government and through a well defined budgetary control policy, sets out the control measures and monitoring systems for the finances and their use.

Various budgeting systems have been developed over many years to take care of any limitation or deficiencies that were observed in the preceding system. This began with the traditional line item system and reformed into other types, namely the performance budget system, the zero base budget system, the planning programming budgeting system (PPBS), and the latest expenditure budget known as the medium term expenditure framework (MTEF).

Such systems have been used or adopted in various comprehensive budgeting frameworks, which involves processes and procedures for the formulation of the
National budget and the subsequent spending processes, monitoring and accountability. This has been the normal annual budget cycle of government.

The budgeting concept in government therefore is an important administrative tool which ensures the general direction and planning of the Nation. The proper development and institution of such concept is seen to be very necessary for every Nation.

END OF CHAPTER REVIEW QUESTIONS

1. Which of the following is not required as a need for budgeting?
   
   a. Planning
   b. Auditing
   c. Motivation
   d. Communication
   e. Standard for Measure of performance

2. Which of the following is an advantage of a surplus budget?
   
   a. It is a device to solve unemployment problem
   b. It can be used to stimulate economic growth
   c. It can be used to solve the problem of inflation
d. It enables government to fully utilise its resources

e. It promotes infrastructual development

3. Which of the following budgeting methods do extra-Ministerial department adopt?

a. Zone base budgeting system

b. Programme performance budgeting system

c. Cash basis budgeting system

d. Incremental budgeting system

e. Rolling plan budgeting system

4. A method available to the government to control aggregate demand and reduce inflationary pressure is

a. Budget surplus

b. Balanced budget

c. Expenditure budget

d. Budget deficit

e. Overhead budget

5. Which of the following is FALSE concerning the basis distinction between budget and development plan?

a. A budget is short term plan while a development plan is longer
b. A budget is concerned with current problems while a development plan addresses fundamental economic

c. A budget relies heavily on internal and indirect taxes while a development plan depends heavily on foreign exchange earnings and heavy capital inflows from abroad.

d. A budget is flexible while a development plan is fixed in terms of ends and means specification.

e. A budget may not cover the whole system of the economy while a development plan covers the entire structure of the economy.

6. The officer who controls a budget head delegated to him by an Accounting Officer is called .......... 

7. A type of budget in which proposed government revenue for a new fiscal year is a .............

8. What budget technique accommodates changing levels of production and facilitates the generation of control reports?

9. A medium-term plan in which new plans are made and acted upon yearly in keeping with the requirement of the economy is called.........................

10. A budgeting technique that considers the past budget and adds some percentages is called .........................

Solution
1. B
2. C
3. D
4. A
5. D
6. The vote controller or Officer Controlling Expenditure
7. Surplus Budget
8. Flexible Budgeting
9. Rolling plan
10. Incremental or traditional budgeting system
CHAPTER FOURTEEN

PENSION AND GRATUITY ACCOUNTING

14.1 LEARNING OBJECTIVES

At the end of this chapter, candidates should be able to;

. Differentiate between pension and gratuity.

. Enumerate the conditions under which an officer may leave the service and be pensionable.

. Enumerate the objectives of the Pension Reform Act 2004

. Highlight the composition and functions of the Pension Fund Administrator and Pension Fund Custodian

Pension and Gratuity Accounting can be critically examined in two broad perspectives.

A. Non contributory pension scheme

B. Contributory pension scheme

The former is basically applicable to the period prior to the enactment of pension reform act 2004 while the latter lay emphasis on the Act.
14.2 DEFINITION OF TERMS

1. **PENSION**: This is a monthly salary paid to a retired officer who have served for a minimum period of 10 years and it is payable for life or for a period of 5 years in case of an officer within five years.

2. **GRATUITY**: is a lump sum of money paid to a retired officer who has served a minimum of 5 years and it is paid once.

3. **RETIREMENT**: is the term used for an officer leaving service having served for a minimum period of 10 years

**Conditions For Granting Retirement Benefits**

1. On retirement (voluntary) after qualifying years of service.
2. On compulsory retirement.
3. On health grounds
4. On total or permanent disability.
5. Public interest.
4. **Withdrawal**: is the term used for an officer leaving service having served for a period of 5 to 9 years.

5. **Resignation**: is the term used for an officer leaving service having served below 5 years.

6. **Pensionable Emolument**: is the salary being earned by a retired officer as at the date of retirement.

7. **Next-of-Kin**: is the name being submitted by an officer to the personnel officer of the Ministry as being those entitled to his benefit in case of death.

8. **Public Service**: is any service recognised by the Ministry of Establishment as public service.

9. **Voluntary Retirement**

An officer can retire voluntarily having clocked 45 years of age. However, if an officer retires before the age of 45 years and has worked for more than 10 years,
though he is entitled to pension, it will not be paid to him until he clocks 45 years of age.

10. **COMPULSORY RETIREMENT**

Where an officer is compulsorily retired and he is entitled to pension, the pension will be paid immediately irrespective of his age.

14.3 **TRANSFER / MERGER OF SERVICE:**

Where an officer moves from one government sector to the other, such officer may transfer the years of he has served from the old to the new employer with compliance to the following:

i. The transfer must be effected within 2 years

ii. The normal procedure for such appointment must be followed e.g. advertisement, interview etc.

Merger of service is applicable to all ministries and parastatals and the condition are the same with transfer of service.

14.4 **STATUTORY AGE OF RETIREMENT**

The statutory age of retirement for public officer is 60 years.
The pension’s right of judges decree 5 of 1985 puts the retirement age of judges at 65 years. The retirement age of judges of Appeal Court and Supreme Court is 70 years.

In the case of academic staff of Universities, 65 years is the retirement age. Any public officer who has attained 60 years of age or 35 years of service should be compulsorily retired from the service. Any service rendered after the attainment of the statutory limits is null and void and not pensionable.
CHAPTER FIFTEEN

ETHICAL CONSIDERATIONS IN GOVERNMENT ACCOUNTING

15.1 LEARNING OBJECTIVES
At the end of this chapter, candidates should be able to;

- State the respective Acts that established the various ethical bodies in Government Accounting.
- State the Composition of the bodies
- Enumerate the powers and functions of the bodies.
- State the application of e-payment, e-receipt and e-tickets.

15.2 FISCAL RESPONSIBILITY ACT 2007

The Act was enacted on the 30th of July 2007 by the National Assembly of the Federal Republic of Nigeria.

15.2.1 ESTABLISHMENT OF THE FISCAL RESPONSIBILITY COMMISSION BY THE ACT

There shall be established a body to be known as the fiscal Responsibility Commission by the Act.

The Commission shall be a body corporate with perpetual succession and a common seal and may sue and be sued in the corporate name.

15.2.2 FUNCTIONS OF FISCAL RESPONSIBILITY COMMISSION

1. To compel any person or government institution to disclose information relating to public revenues and expenditure.
2. To cause an investigation into whether any person has violated any provisions of the Acts.

3. To forward a report of any investigation against any person to the Attorney-General of the Federation for possible prosecution.

4. To monitor and enforce the provisions of this Act.

5. To undertake fiscal and financial studies, analysis and disseminate the result to the general public.

6. To disseminate standard practices that will result in the Effective allocation and management of public expenditure, revenue allocation and transparency as they affect fiscal matters.

15.2.3 FUNDING OF THE COMMISSION

- The commission shall establish and maintain a fund from which shall be discharged all expenditure incurred by the commission.
- There shall be credited to the fund the budgetary allocation from the Federal Government and grants from any other source.

15.2.4 COMPOSITION OF THE COMMISSION

a) A Chairman, who shall be the Chief Executive and Accounting Officer of the Commission.

b) One member from and representing

i) The organised private sector
ii) Civil society – engaged in cases relating to probity, transparency and good governance.

iii) The organised labour.

iv) Federal Ministry of Finance – of a level not below the rank of a Director.

v) Each geo-political zones of the country namely:- North Central, North East, North West, South East, South South and South West.

15.2.5 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.

15.2.6 TENURE OF THE MEMBERS OF THE COMMISSION
The Chairman and members of the commission shall hold office for a single term of six years.

15.2.7 POWERS OF THE COMMISSION

1. Power to provide general policy guidelines for the implementation of the functions of the commission

2. Power to supervise the implementation of the policies of the commission

3. Power to appoint employee required for the commission.

4. Power to determine and approve the terms and conditions of service including the disciplinary measures for the employees of the commission.

5. Power to fix the remuneration, allowances and benefits of the employees of the commission.

6. Power to regulate its proceedings in respect if meetings, notices and keeping of minutes as may be determined by the commission.

7. Power to perform any other functions as may be deemed to ensure efficient performance of the commission.
15.2.8 CEASATION TO HOLD OFFICE BY MEMBERS OF THE COMMISSION

Irrespective of the provisions of section 5 (2) of the act, a member of the Commission shall cease to hold office if:

a) he comes bankrupt
b) He reaches an official compromise with his creditors
c) He in convicted of a felony or any offence involving dishonesty, corruption or fraud
d) He is incapable of carrying out the functions of the commission either by reason of ill health, insanity or physical impairment
e) He is found guilty of serious misconduct in his line of duties
f) He resigns his appointment by a notice written by him

15.3 PUBLIC PROCUREMENT ACT 2007

The Act is established by the Enactment of the National Assembly of the Republic of Nigeria.

15.3.1 ESTABLISHMENT OF NATIONAL COUNCIL ON PUBLIC PROCUREMENT

There is established the National Council on Public Procurement – referred to in the Act as “the Council”.

15.3.2 COMPOSITION OF THE COUNCIL

The Council shall consist of:
1. The Minister of Finance as Chairman
2. The Attorney-General and Minister of Justice of the Federation
3. The Secretary to the Government of the Federation
4. The Head of Service of the Federation
5. The Economic Adviser to the President
6. Six-Part-Time members to represent:
   a) Nigeria Institute of Purchase and Supply Management
   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

7. The Director-General of the Bureau who shall be the Secretary of the Council.

**15.3.3 FUNCTIONS OF THE COUNCIL**

1. To consider, approve and amend the monetary issues relating to the Act.

2. To consider and approve policies on public procurement

3. To approve the appointment of the Director of the Bureau

4. To receive, review, consider and approve the audited accounts of the Bureau of Public Procurement
5. To approve changes in the procurement process to adapt to improvements in modern technology

6. To perform such other functions as may be deemed necessary to achieve the objectives of the Act.

15.4 BUREAU OF PUBLIC PROCUREMENT

This is established by the Public Procurement Act 2007

15.4.1 OBJECTIVES OF THE BUREAU

1. The harmonisation of existing government policies and practices on public procurement

2. The establishment of pricing standards and benchmarks

3. Ensuring the application of fair, competitive, transparent and standard practices for the procurement and disposal of public assets and services

4. The attainment of transparency, competitiveness and professionalism in the public section procurement system

15.4.2 FUNCTIONS OF THE BUREAU OF PUBLIC PROCUREMENT

1. To formulate the general policies and guidelines relating to public sector procurement.
2. To supervise the implementation of established procurement policies.

3. To monitor the prices of tendered items and keep a National database of standard process.

4. To publish the details of major contracts in the procurement journal.

5. To publish papers and electronic editions of the procurement journal.

6. To maintain a National database of the particulars and classification and categorisation of federal contractors and service providers.

7. To collate and maintain in a database for all federal procurement plans and information.

8. To undertake procurement research and survey.

9. To organise training and development programmes for procurement professionals.

10. To prepare and update standard biding and contract document.

11. To prevent fraudulent and unfair procurement and where necessary apply administrative sanctions.

12. To review the procurement and award of contract procedures of every entity to which the Act applies.

15.4.3 POWERS OF THE BUREAU
The bureau shall have the power to:

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 provision 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 in 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.
15.5 CODE OF CONDUCT BUREAU

Part I of the Third Schedule of the 1999 Constitution established the Code of Conduct Bureau.

15.5.1 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.

15.5.2 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 complaints 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.

15.5.3 PUNISHMENT BY THE CODE OF CONDUCT TRIBUNAL ON ANY PUBLIC OFFICER GUILTY OF ANY OF THE PROVISIONS OF THE CODE OF CONDUCT BUREAU

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.
15.5.4  GENERAL

1. Any appeal by an officer found guilty of contravention of the provisions of the code of conduct on shall be directed to the court of appeal.

2. Prerogative of mercy shall not apply to any punishment imposed by the tribunal

15.6  ECONOMIC AND FINANCIAL CRIMES COMMISSION (EFCC)

The EFCC is the body that is established with the responsibility of investigating and the enforcement of all laws against economic and financial crimes in all its ramifications.

15.6.1  COMPOSITION OF EFCC

According to the Act of parliament No. 5 of December 2002, 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.

15.6.2 FUNCTIONS OF EFFCC

1. Enforcement and due administration of the provisions of the Act.

2. 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.

3. Adoption of measures to identify, trace, freeze confiscate or seize proceeds derived from terrorist activities.

4. Adoption of measures to identify, trace, freeze and seize proceeds derived from financial crime related offences.
5. 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.

6. Determination of the extent of financial loss and such other losses by government, private individuals’ and organisations.

7. Collaboration with government bodies within and outside Nigeria in carrying out the functions of the Act.

8. Dealing with matters connected with extradition, deportation and mutual, legal or other assistance between Nigeria and any other country involving economic and financial crimes.

9. The collection, analysis and dissemination of all reports relating to suspicious financial transactions to all relevant government bodies.

10. Carrying out and sustaining public enlightenment campaign against economic and financial crimes within and outside Nigeria.

15.6.3 POWERS OF THE COMMISSION

Under paragraph 6 of the Act, the Commission has power to:-

1. Conduct investigation or cause investigation to be conducted as to whether any person has committed an offence under the Act.

2. Cause investigation to be conducted into the properties of any person if it appears to the Commission that the person lifestyle and exter of his properties are not justified by his source of income.

3. Power to enforce the provisions of
   - The Bank and Other Financial Institution Act 1991 (as amended)
   - The Failed banks (Recovery of Debts) Finance Malpractices in Banks Act 1994 (as amended)
The advance fee fraud and other related offence Act 1994
The money laundry ACT 1995
The Miscellaneous offence Act

15.7 INDEPENDENT CORRUPT PRACTICES AND OTHER RELATED OFFENCES COMMISSION {ICPC}

The ICPC was established by the Corrupt Practices and Other Related Offences Act, 2000.

This Commission is a body corporate endowed with perpetual succession. It has a common seal and is juristic i.e. may sue and be sued in its corporate name.

15.7.1 COMPOSITION OF THE COMMISSION

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 21 or 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.

15.7.2 APPOINTMENT OF MEMBERS

The Chairman and members of the commission must be persons of unquestionable integrity shall be appointed by the president and confirmed by the Senate.

They are however not to commence the discharge of their duties until they have declared their assets and liabilities as prescribed in the Constitution of the Federal Republic of Nigeria.

15.7.3 TENURE

The Chairman is to hold office for 5 years and be reappointed for another term of 5 years, while other members shall hold office for 4 years and can be reappointed for another 4 years.

15.7.4 DUTIES / FUNCTIONS OF ICPC

1. 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.
2. To prosecute those who are found to have committed any offence under the Act after the investigation.

3. To examine the systems, practice and procedures of public bodies such as Ministries, state, local government or any parastatals.

4. To give supervisory advice to public bodies whose practice systems and procedures are likely to be susceptible to fraud or corruption

5. 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.

6. 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.

7. 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.

8. To educate the public against offences likely bribery, corruption, forgery, impersonation, advance fee fraud and other related offences.

9. To instruct the executives on how to detect, prevent and reduce to acceptable, level, incidence of corruption and related offences.

10. To involve the general public in waging war against corruption.

### 15.8 Differences Between EFCC and ICPC

1. The EFCC is primarily charged with the responsibility of enforcing laws relating to banking, money laundering, Advance Fee Fraud/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.
2. 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.

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

15.9 E-PAYMENT, E-RECEIPT AND E-TICKETING

E-payment is a subset of e-governance which is the application of electronic means in the interaction between Government and Citizens and Government and Businesses.

It is a form of direct payments and banking without physical appearance at the MDAs or Bank through the means of electronic, interactive communication channels and other

Technological infrastructures.
*E*-payment can be described as the method of effecting payments from one end to another end through the medium of the computer without manual intervention beyond inputting the payment data.

Two options are identified:

- **End-to-End Processing:**

  Here, all the processes from approvals to the receipt of value by the beneficiary are done electronically.

- **Manual e-payment or use of Mandate:**

  It is the mixture of manual and electronic process where the available infrastructures cannot support the end-to-end processing.

### 15.9.1 BENEFITS OF E-PAYMENT

1. It is the beginning of a cashless society

2. It increases efficiency in banking operations.

3. It reduces transaction costs.

4. It enables transactions of very low value.

5. It increases convenience of payments.

6. Payments can be made swiftly and remotely using various devices.
7. Accountants will appreciate IT more and this will improve the quality of financial reports generated by MDAs.

8. Effective use of Information Technology i.e. the use of Computer and Computer Software applications.

9. Easy Tracking of payments to Beneficiaries’ Accounts hence it will assist Audit Trail.

10. It reduces cases of corruption.

11. It will assist Corruption fighting Agencies like the EFCC and ICPC in cause of investigation.

12. The risk associated with cheques been stolen, forging of signature and disparity between amount in words and figures is totally eliminated.

15.9.2 ECONOMIC IMPLICATIONS OF E-PAYMENT

The implications of this are :-

- There is a new payment regime
- The use of cheques or cash payments to beneficiaries has been discontinued.
- No physical contact between accounts officials and beneficiaries in the MDAs.
However, normal book-keeping will continue to be effected in all MDAs.

15.9.3 TRANSACTIONS COVERED BY E-PAYMENT

1. All payments to Contractors and to Service Providers.
2. Payments to staff, PHCN, FIRS and other Government Agencies.

15.9.4 FORMAT OF INSTRUCTIONS TO THE CBN AND COMMERCIAL BANKS:

In the absence of infrastructures in the MDAs to support end-to-end processing, the temporary use of mandate to effect payments is suggested.

The mandate must have a Unique Reference Number which is generated by a combination of the abbreviation of the MDA’s name, Type of Fund, the Year etc.

15.9.5 CONTENT OF E-PAYMENT TELLER

- Account Name of the beneficiary
- Account Number of the beneficiary
- Bank and Branch of the beneficiary
15.10 END OF CHAPTER REVIEW QUESTIONS

1. The Commission responsible for compelling any person or government institution to disclose information relating to public revenue and expenditure
   a. Economic and Financial Crimes Commission
   b. Fiscal Responsibility Commission
   c. Audit Committee Commission
   d. Public Complaints Commission
   e. Security Service Commission

2. Which of the following tiers of government funds the Fiscal Responsibility Commission?
   a. The Local Government
   b. The State Government
c. The Federal Government

d. The National Assembly

e. The Local Council Legislations

3. Which of the following will serve as the Chairman of the National Council on Public Procurement?

a. The Auditor-General for Federation

b. The Accountant-General of the Federation

c. The revenue collector

d. The Minister of Finance

e. The Budget officer

4. Which of the following Ministries would have a representative in the Board of the EFCC?

a. Ministry of Education

b. Ministry of Power and Steel

c. Ministry of Works

d. Ministry of Agriculture

e. Ministry of Justice
5. The body established by the Act of Parliament No 5 of December 2002 that has the power to enforce the provision of the Bank and other Financial Institution Act is called.................

6. The ICPC composition is a Chairman and twelve other members, two of whom shall come each from .................

7. The Chairman of the ICPC is required according to the Corrupt Practices and other Related Offences Act 2000 to hold office for a maximum of ................. years aggregate on re-election.

8. The body that has the power to prosecute directly without recourse to the Attorney General’s office is .....................

9. The Securities and Exchange Commission was established by............. after the repeal of Investment and Securities Act 1999.

10. The means of effecting payment for and receipts of government business transactions through online transfer is called .............

SOLUTION TO END OF CHAPTER REVIEW QUESTIONS

1. B

2. C

3. D

4. E

5. EFCC
6. Six-geo-political zones of the Nation

7. 10 years

8. EFCC


10. E-payment

REFERENCES


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