

# **PUBLIC SECTOR ACCOUNTING**

## **ACC 308**

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# Definitions

- **Government:** It refers to the collection of public institutions established and given the authority to run the affairs of a country. It is a system of governance and includes the body of individuals who are authorized to administer the laws of a Nation.
- **Public Sector:** It refers to all organizations which are not privately owned and operated, but which are established, run and financed by Government on behalf of the public.

# Definitions (Contd.)

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

# Definitions (Contd.)

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

# Process of Public Sector Accounting

- **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.

- **Analyzing**

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

- **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.

# Process of Public Sector Accounting (Contd.)

## **Summarizing**

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

## **Communicating**

- Communicating is about making available financial reports on all the government financial activities from the necessary accounting summaries to various interested parties.

## **Interpreting**

- Interpreting ends the process by giving explanations on what has been reported in the various financial statements and reports, as regards the overall operations and performance of the relevant government organization(s).

# Not-for-profit organizations

Not-for-profit organizations can be broadly classified into two:

- **Type A Not-for-profit Organizations:** Organizations whose financial resources are obtained entirely or almost entirely from the sale of goods and services. Examples include NNPC, CBN, NDIC, NSITF, CAC, NPA, FAAN, SEC, NCC, NAFDAC, FIRS, Nigerian Custom Services and Nigeria Telecommunication.
- **Type B Not-for-profit Organizations:** This is a Not-for-profit Organization that is financed from sources other than sale of goods and services. Examples include Police Force, Military and FRSC.

# Objectives of Public Sector Accounting

Include:

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



# Internal Users

- **The Labour Union**
- **Members of the Executive Arm of Government** such as the President, Ministers and Governors, Commissioners and Chairmen of Local Governments
- **Top Management members** such as Permanent Secretaries of various Ministries and Chief Executives of Parastatals

# External Users

- **Members of the Legislature** at both National, State and Local Government levels
- **The Members of the Public**
- **Researchers and Financial Journalists**
- **Financial Institutions**, such as the Commercial Banks, World Bank and International Monetary Fund (IMF)
- **Governments**, apart from the ones reporting

# Differences between private sector accounting and public sector accounting

Differences include:

- Private Sector Accounting is peculiar to commercial undertakings while public Sector Accounting focuses on the provision of adequate welfare to the people.
- Government revenue is derived from the public in the form of taxation whereas business concerns obtain their income principally from the sales of goods and services.
- In Government there is no Annual General Meeting of shareholders, unlike the situation with commercial enterprises.
- Public Sector Accounting operates predominantly fund accounting method while Private Sector Accounting uses the proprietary style.

# Research Challenges in Public Sector Accounting in Nigeria

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

- Lack of data
- Lack of fund
- Problem of methodological approach to be adopted.
- Keeping of official secrets.

# Research Opportunities in Public Sector Accounting Nigeria

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

- Nigerian government financial information is now available on the internet.
- Enactment of Fiscal Responsibility Act
- Freedom of Information Bill will guarantee unfettered access to government financial information.
- Researchers may choose any of the 3 tiers of government as their study location.

# LECTURE TWO

- **Sources of Public Sector Accounting Regulations**

# **Legal Framework of Public Sector Accounting in Nigeria**

- **1999 Constitutional Provisions of the Federal Republic of Nigeria**
- **Finance (Control and Management) Act of 1958, Cap. 144, 1990**
- **Audit Ordinance of 1956 or Act of 1956:**
- **Appropriation Act**
- **Financial Regulations (2009)**
- **Treasury or Finance Circulars And Circular Letters**
- **Fiscal Responsibility Act, 2007**

# **Legal Framework of Public Sector Accounting in Nigeria (Contd.)**

- **Economic and Financial Crimes Commission (EFCC) Act, 2002**
- **Public Procurement Act, 2007**
- **Independent Corrupt Practice and Other Related Offences Commission (ICPC) Act, 2000**
- **Code of Conduct Bureau/Code of Conduct Tribunal Act, 1991**



# Basis of Accounting in Public Sector

- Cash Basis
- Accrual Basis
- Modified Accrual Basis
- Modified Cash Basis
- Commitment Basis

# Accounting manual

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

# Advantages of Accounting Manual

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

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

# LECTURE THREE

- **RESPONSIBILITIES OF GOVERNMENT FINANCIAL OFFICERS**

# Government Officials

- Government Officials are saddled with the responsibility of managing government funds and property.
- They can be grouped into two categories:
- The first category are the **career officers**
- The second categories are the **political functionaries**

# ACCOUNTING OFFICER

- The term “Accounting Officer” means the Head of a Ministry/Extra Ministerial Department or whoever is empowered to manage the affairs of a government enterprise.
- He is responsible for all receipts and payments of public money in his Department or Ministry.
- He is saddled with the responsibility of reporting on the financial activities of his Ministry or Department.

# ACCOUNTANT-GENERAL OF THE FEDERATION

- Financial Regulation No. 107 of January, 2009, defines the Accountant-General of the Federation as “The Chief Accounting Officer of the receipts and payments of the government of the Federation.
- He is saddled with the responsibility of general control, custody and supervision of all ministries and departments within the Federation.
- He is responsible for the preparation of the annual financial statements of accounts of the Nation as may be required by the Minister of Finance.”



# AUDITOR-GENERAL FOR THE FEDERATION

- In accordance with the provisions of Government Financial Regulations, this is the officer responsible under the 1999 Constitution of the Federation, for the **audit and reports on the public accounts of the Federation**, including all persons and bodies established by law
- He is given free hand to examine the accounts in such a manner as he may deem fit.

# OFFICE OF THE AUDITOR-GENERAL FOR LOCAL GOVERNMENT

- The office of the Auditor-General for Local Government was established in 1999, in line with the Civil Service Reform of 1998.
- It was excised from the State Audit Department as it was then known.
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# THE SUB-ACCOUNTING OFFICER

- This is an officer entrusted with the receipts, custody and disbursements of public funds.
- He is required to maintain a recognized cashbook together with such other books of accounts as may be required by the Accountant-General.

# THE SUB -TREASURER OF THE FEDERATION

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

# REVENUE COLLECTOR

- A Revenue Collector is an officer who is saddled with the responsibility of collecting some specified forms of revenue on behalf of the Government.
- He is issued an official Treasury Receipt Book 6A for the regular collection of particular items of revenue as specified in the estimate.

# THE FEDERAL PAY OFFICER

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

# THE DIRECTOR OF BUDGET

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

# THE MINISTER OF FINANCE

- This is an officer on political appointment who has the responsibility for the control and management of public fund of the Federation.
- The Minister of Finance under the democratic dispensation is appointed by the President after due consultations and the approval of the Senate.



# LECTURE FOUR

## **SOURCES OF GOVERNMENT REVENUE AND GOVERNMENT EXPENDITURE**

# Introduction

- Government generates revenue from various sources to run the administration of the Nation
- Such revenue is generated through efficient and effective machinery and allocated through the budgetary system
- A good system of revenue generation is paramount to ensure that government mobilizes enough finances to meet the varied needs of the people.

# Sources of Government Revenue

- Taxes
- Fees
- Fines
- Grants
- Foreign Investment
- Public Debt
- Sale of National Assets

# Revenue Collecting Agencies in Nigeria

- NNPC
- FIRS
- State Board of Internal Revenue
- Nigeria Customs Services
- Department of Petroleum Resources

# Federation Accounts Allocation Committee (FAAC)

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

# Sources of Revenue Payable to the Federation Account

- **Head 1- Direct Taxes:** These are payable by the individuals and firms such as company income tax, petroleum profit tax, capital gain tax, back duty assessment, and personal income tax of foreigners residing in Nigeria.
- **Head 2 - Indirect Taxes:** These are taxes on goods and services in the form of custom and excise duties, forfeiture penalties, VAT, etc.
- **Head 3 - Mining:** These are oil pipeline licence fees, rents of mining rights, mining fees, royalties on minerals, NNPC earnings from direct sales, penalties for gas flared, and rent of oil well.

# Value Added Tax (VAT)

- VAT is a tax imposed on value which the supplier or seller of good/services add to the goods/services before selling it.
- It was introduced in 1994 fiscal year with the promulgation of VAT Decree No. 102 of 1993 at the rate of 5% and is being administered by Federal Inland Revenue Service (FIRS).

# Consolidated Revenue Fund (CRF)

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



# List of various sources of income payable to CRF

- Head 6-Direct allocation from the Federation Account
- Head 7-Direct Taxes
- Head 8-Licence & Internal Revenue
- Head 9-Mining
- Head 10-Fees
- Head 11-Earnings and Sales
- Head 12-Rent of Government Property
- Head 13-Interest & Repayments (General)
- Head 14-Interest & Repayments (State)
- Head 15-Armed Forces: The sales of Armed Forces' property
- Head 16-Reimbursements
- Head 17-Miscellaneous

# CHARGES TO THE CONSOLIDATED REVENUE FUND

- **All Recurrent Expenditure Heads in the approved estimates**, e.g. personnel cost, overhead cost and servicing of national debts.
- **Salaries and Consolidated Allowances of Statutory Officers:** These are expenditure chargeable directly to the Consolidated Revenue Fund, irrespective of budget approval.

# Development Fund

- Development Fund was established for the purpose of capital development projects.
- The sources of money accruing to the Development Fund could be divided into four, viz:
- **(a) Contribution from the Consolidated Revenue Fund**
- **(b) External Grants**
- **(c) External Loans**
- **(d) Internal Loans**

# Charges from the Development Fund

- Categorized into four main classes:
- (a) Summary of Capital Expenditure Payments:  
This is expenditure incurred for the provision and maintenance of infrastructural amenities.
- (b) General Administration
- (c) External Financial Obligations
- (d) Loans made to State Governments in Nigeria:

# Contingency Fund

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

# Charges on Contingency Fund

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

# LECTURE FIVE

## GOVERNMENT EXPENDITURE

# Types of Government Expenditure

- Expenditure in Government is of two types:
- Recurrent/revenue expenditure: Incurred for the day-to-day operations. Examples of this expenditure are for the payment of salaries and purchase of stationery.
- Capital or development expenditure: Made to acquire physical and permanent assets, in form of equipment, vehicles and buildings.



# Expenditure Estimate

- Before government departments spend money, requests have to be made and authorized by the Legislature, through the mechanism of estimates.
- The Financial Regulations, of 2009 of Nigeria, outlines the procedures that a Head of Department should follow when estimating expenditure for a budget year.

# Warrants

- **Warrant** is a document used by the Ministry of Finance to authorize money for spending by government departments and agencies.
- There are two broad classes of Warrants:
  - Recurrent expenditure warrant and
  - Capital expenditure warrant.

# Recurrent Expenditure Warrants

- **(a) Annual General Warrant (A.G.W.) of Recurrent Expenditure**
- **(b) Provisional General Warrant (P.G.W.)**
- **(c) Supplementary General Warrant (S.G.W.)**
- **(d) Reserve Expenditure Warrant (R.E.W.)**
- **(e) Supplementary (Contingencies) Warrant**
- **(f) Virement Warrant (V.W.)**
- **(g) Supplementary (Statutory) Expenditure Warrants**
- **(i) Imprest Warrant**

# Capital Expenditure Warrants

- **(a) Development Fund Annual General Warrant (DFAGW)**
- **(b) Provisional Development Fund General Warrant**
- **(c) Development Fund Supplementary General Warrant (DFSGW)**
- **(d) Development Fund Reserved Expenditure Warrant**
- **(e) Development Fund Supplementary Warrant**
- **(f) Development Fund Special Warrant**
- **(g) Development Fund Virement Warrant:**

# LECTURE SIX

## Government Books and Records

# VOUCHERS

- A voucher is a documentary evidence of payment or receipt of money which is available for future reference, accounting and auditing purposes.
- Types:
  - Payment Voucher
  - Receipt Voucher
  - Adjustment Voucher
  - Journal Voucher
  - Salary Voucher

# Cash Office

- **Essential Features of a Cash Office**
- i. Paying cage or cubicle.
- ii. Notice to the public showing working hours in the office.
- iii. Cash tank or Safe with dual control keys.
- iv. Notice of restriction of entry by non-staff or unauthorized persons.
- v. Security personnel.
- vi. A Close Circuit Monitor.
- vii. Security Alarm Device.
- viii. Counting Machine.
- ix. Mercury light.
- x. Computer System.
- xi. Fire Alarm.

# Functions of Cash Office

- a. Receipts and payments of liquid cash.
- b. Safe custody of cash.
- c. Maintenance of a conventional cash book to record all cash transactions.
- d. Operation of the Ministry's current account on which cheques are drawn.
- e. Balancing of cash book transactions on daily basis.
- f. Reconciliation of bank statement balances with cash book balances monthly or as at when required.
- g. Submission of original cash book and all copies of vouchers to the accounts department.



# Cash Book

- There are three types of cash book kept in a Ministry. They are:
  - i. The Treasury Cash Book
  - ii. The Imprest Cash Book
  - iii. Revenue Collector's Cash Book

# Treasury Cash Book

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

# Impress Cash Book

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

# Types of Imprest

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

# Revenue Collector's cash book

- ***The Debit Side:*** - This is made up of the **date** on which the collection is made, **Revenue Receipt Number** (This is the number of the receipt issued to the payer), **Classification (head/subhead of the ministry or department)**, the description or particulars of the payment, usually the name of the payer (**From Whom**) and the **amount**.
- ***The Credit Side:*** - This is used to record the remittance of total revenue collected to the Sub-Accounting Officer by the revenue collector. The remittance could be daily, weekly or monthly or anytime (**Date**) the Sub-Accounting Officer directs.

# Transcript

- A transcript is a document by which self-accounting units transmit information on their financial transactions to the office of the Accountant-General to prepare the required financial statement. Transcripts replicate trial balances which are prepared in the private sector.

# Types of Transcript

- i. ***Cash Transcript***: - This is the transcript used by self accounting and sub accounting units. It is also called Main Transcript.
- ii. ***Supplementary Transcript***: - This is used for summarizing and transmitting inter-ministerial or inter-governmental transactions.
- iii. ***Control Book or Control Sheets***: - This is the transcript used by Federal Pay Offices of the Federation.

# Documents to Accompany Transcripts

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



# Bank Reconciliation Statement

- This is required in order to ensure that the bank balance as contained in the bank statement agree with the cash book balance. Differences may arise as a result of any or a combination of the following:
  - a) Unpresented cheques
  - b) Uncredited cheques
  - c) Direct Credits
  - d) Standing Order
  - 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 bank reconciliation statement

- i. Cheque summary register
- ii. The cash book
- iii. Cheque stubs
- iv. Bank statements.
- v. Previous month's bank reconciliation statement

# Advances

- Advances can be defined as cash credits granted to an employee in a firm, establishment or institution where he is employed.
- **1. Non Personal Advances:** - They are authorized by the Minister of Finance through the Auditor-General for the Federation.
- They are advances used to write off loss of public funds through theft, overpayment, misappropriation, fraud or abandonment of revenue receivable and Personal Advances.
- **2. Personal Advances:** - These are advances of cash to individual officers in the public sector.

# DVEA Book

- DVEA book is simply referred to as the Vote Book.
- Its Purpose Include:
- To have absolute control over expenditure.
- ii. To prevent any reckless spending or abuse of vote in a Ministry or Department.
- iii. To ensure that votes meant for a particular expenditure are not channelled to other expenditures which are not provided for in the approved budget.
- iv. To reveal balances available.
- v. To show all commitments and outstanding liabilities.
- vi. To review uncommitted balance at a glance.

# LECTURE SEVEN

- **GOVERNMENT FINANCIAL REPORTING AND ITS REFORMS IN NIGERIA**

# Final Accounts of Federal Government

- Information for preparation of final accounts of federal government can be obtained from:
- (a) Transcripts from the Ministries and Extra-Ministerial Departments.
- (b) Accounts from the Federal Pay Offices, States and Local Government Councils.
- (c) Accounts from the Nigeria High Commissions Overseas.

# Contents of annual financial statements:

- (a) Cash flow Statement - Statement No 1.0
- (b) Statement of Assets and Liabilities - Statement No 2.0
- (c) Statement of Consolidated Revenue Fund; No 3.0
- (d) Statement of Capital Development Fund; No 4.0
- (e) Notes to the Account;
- (f) Performance Reports;
- (g) Statistical Reports;
- (h) Accounting Policies.
- (i) Note on public debt

# Limitations of financial reporting in the public sector

- Diversity of users
- Inadequate information
- Delay in preparation of reports
- Human resource constraints
- Inaccurate data



# Treasury Single Account (TSA)

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

# Objectives of TSA

- a) Ensuring that sufficient cash is available as and when needed to meet payment commitments;
- b) Controlling the aggregate of cash flows within fiscal, monetary and legal limits;
- c) Improving the management of Government's domestic borrowing programmes;
- d) Enhancing operating efficiency through the provision of high quality services at minimal costs;
- e) Investing of excess or idle cash;
- f) Ensuring greater accountability in public expenditure.

# **Automated accounting transaction recording and reporting system (ATRRS)**

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

# **Integrated personnel & payroll information system (IPPIS)**

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

# Government integrated financial management information system (GIFMIS)

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

# LECTURE EIGHT

## LOCAL GOVERNMENT ACCOUNTING

# Local Government

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

# Functions of Local Government

- (a) Registration of all births, deaths and marriages
- (b) Collection of rates, radio and television licences;
- (c) Establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirmed/invalids;
- (d) Licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel barrows and carts;
- (e) Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences;
- (f) Construction and maintenance of roads, streets, street lightings, drains and other public highways, parks, gardens, open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of a State;
- (g) Naming of roads and streets and numbering of houses;
- (h) Provision and maintenance of public conveniences, sewage and refuse disposal



# The organs or key officers in a Local Government

- (a) Chairman.
- (b) Vice-Chairman.
- (c) Secretary.
- (d) Treasurer.
- (e) Head of Personnel Management.
- (f) Legislature.

# Financial control in Local Governments

- Financial control in Local Governments can be classified into two. These are: -
- (a) Internal Control and
- (b) External Control.

# The Financial Memoranda for Local Government

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

# Auditing of Local Government accounts

- Auditing of Local Government accounts can be classified into two parts. These are:
- a) Internal Auditing
- b) External Auditing

# Problems facing Local Governments in Nigeria

- (a) Local Government Councils are not allowed to raise tax or introduce a new form of tax without express permission from the State Government.
- (b) They have limited revenue sources.
- (c) They cannot raise loans or maintain loan funds without permission.
- (d) Because they cannot raise loans, Councils find it difficult to execute essential capital development projects.
- (e) Poor revenue collections may cause delay in the payment of staff salaries and difficulty in executing essential capital development projects.

# LECTURE NINE

## STORES AND STORES ACCOUNTING

# Stores

- “Stores include all moveable property purchased with public funds or otherwise acquired by Government.”
- Stores in Public Sector Accounting simply refer to stock of materials purchased with Government money for official use.

# Classification of stores

- Based on urgency of needs: Allocated or Unallocated stores
- Based on life span: Expendable, Non-expendable and Consumables



# Store Accounting

- Store keepers keeps bin card, tally card to record movement of stores
- Store accountant or store officer keeps store ledgers

# Store Documentation

- Maintenance of tally cards or bin cards
- Receipt of stores
- Payment for stores
- Transfer of stores
- Issues of stores
- Condemned stores

# Loss of stores

- The following officers have roles to play in the event of loss of stores:
- Store keeper
- Head of department
- Accounting officer
- Accountant-General

# Stock valuation methods

- FIFO
- LIFO
- Average Price Method
- Weighted Average Price Method

# Boards of Survey

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

# Board of enquiry

- Board of enquiry can be described as a situation in which one or more persons are constituted into a Board to conduct an investigation.
- A Board of Enquiry may not be necessary in the following circumstances:
  - (i) If the loss involves small amount of money.
  - (ii) If it is peculiar and `one-of' item.
  - (iii) If the officer responsible can be located and identified.

# Use of shortfalls and excesses account or price adjustment account

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

# LECTURE TEN

## **BUDGETING IN THE PUBLIC SECTOR**



# Definitions

- **Budget** is an authorized financial plan of the anticipated revenue and expenditure of a Government. Before the document is approved and hence authorized for implementation, it is referred to as estimates. It is a document that is developed for the financial operations of a Nation.
- **Budgeting** is the process of putting together the financial information that will enable an organization or a Nation to plan and execute its set goals and objectives. It is the process of putting together the financial demands of Government Institutions.

# Uses of Budgeting

- Planning
- Communication
- Motivation
- Performance measurement
- Evaluation of policies
- Cost reduction techniques

# Factors affecting Budgeting System in the Public Sector

- Human elements
- Uncertainties in data input
- Fiscal indiscipline
- Change in government policies
- Social, political and cultural problems
- Debt management problem
- External factors

# Budget Cycle

- Formulation stage
- Approval stage
- Implementation stage
- Monitoring and evaluation stage

# Budgetary Control

- Revenue control
- Fund control
- Expenditure control
- Cash control
- Payment control
- Payroll control

# Types of Budget System

- Traditional budgeting
- Performance Budgeting
- ZBB
- PPBS

# Medium Term Expenditure Framework (MTEF)

- MTEF is a high level strategic plan of the government, spanning three years in Nigeria and which forms the basis of annual budgeting.
- It takes into consideration the law requirement that spending should not exceed revenue by more than 3% of GDP. It shifts the psychology of budgeting from “needs” to an “availability of resources”.

# LECTURE ELEVEN

## PENSION AND GRATUITY



# Definitions

- (a) **Pension:** It is a monthly payment made to a retired officer who has served for a statutory period. Pension is payable for a minimum period of five years or till death.
- (b) **Gratuity:** It is a lump sum of money paid once to a retired officer who has served for a minimum of 5 years in service.
- (c) **Pensionable Emoluments:** It is the gross salary (basic salary and allowances) attached to a retiring officer's substantive rank as at the time of his retirement.
- (d) **Withdrawal of service:** This is the cessation of service after an officer has served for a minimum of 5 years, but below 10 years. This condition qualifies him for gratuity only.

# Definitions (Contd.)

- (e) **Retirement:** It is the cessation of service after an officer has served for a minimum of 10 years, qualifying the person for gratuity and pension.
- (f) **Qualifying Service:** Means service after an officer has served for a period of not less than the minimum qualifying years, which is 5 years for gratuity and 10 years for gratuity and pension. Qualifying service determines the qualification or otherwise of the person for pension and gratuity.
- (g) **Next of Kin:** Means those persons whose names were furnished by the deceased officer on his record of service kept in the Records Office of the Establishment or furnished by him to the Ministry, in writing, at any time before his death.
- (h) **Public Service:** Means any service or employment under the Government of the Federation in a civil position, recognized as such by the Establishment. It shall include employment declared as Approved Service, by the Pension Act (as amended).

# Conditions for granting retirement benefits

- (a) On voluntary retirement, after a qualifying service of 10 years.
- (b) On compulsory retirement for the purpose of facilitating improvement in the Department or Ministry.
- (c) On compulsory retirement upon attaining the retiring age of 60 years or 35 years in service, whichever comes earlier.
- (d) On total or permanent disablement while in service.
- (e) In Public Interest.
- (f) On Abolition of office, e.g. for the reasons of re-organization and redundancy.

# Statutory age of retirement

- All officers shall retire on reaching the age of 60 years or having served for 35 years in service, whichever comes earlier.
- But an officer may be retired at anytime on reaching the minimum age of 50 years, subject to 3 months' notice in writing or 3 months' salary in lieu of notice being paid.

# Notice of withdrawal or retirement

- Officers who have served for less than ten (10) years give one month's notice or pay a month's salary in lieu of notice.
- Those who have put in ten (10) or more years service give three months' notice or pay three (3) months' salaries in lieu of notice.

# Qualifying service for pension and gratuity

- (a) For gratuity, the officer must serve for minimum of five (5) years but not up to ten (10) years.
- (b) For gratuity and pension, the officer must serve for at least ten (10) years.
- Pension is payable when the retiring officer reaches the age of 50 years, with the exception of ill-health or compulsory retirement of officer in the public interest, when pension becomes payable immediately without the officer reaching the age of 50 years.
- (c) 'War Services'

# Death gratuity

- Death gratuity based on the following rates will be paid to his legal representative or survivor:
- 5 years: 100% final pay.
- 6 years: 108% of final pay.
- 7 years: 116% of final pay.
- 8 years: 124% of final pay.
- 9 years: 132% of final pay.
- 10 years and above: Death gratuity is based on the rates as per the Pension and Gratuity Table.

# Minimum and Maximum pension

- The minimum pension payable is 8,000.00 per annum,
- while the maximum is 80% of final pay.



# Conditions for transfer of service

- (a) The transfer must be effected within two (2) years.
- (b) The normal procedure for recruitment to such appointment has to be followed, e.g by advertisement and interview.

# Minimum years for collection of pension

- All officers who qualify for pension will enjoy it for a minimum period of five (5) years.
- That is, where an officer dies within five (5) years after retirement, his next of kin will be entitled to the same pension till the end of five (5) years, from the date of his retirement.

# Non-pensionable Service

- (a) Where an officer joins service before the age of 15 years, all the years he served before reaching 15 years of age shall not be recognized for computation of his pension or gratuity.
- (b) Where an Officer was absent from duty, or was on leave without pay, except prior permission has been received from the Minister, such period will be regarded as non-pensionable.

# Pension Reform Act 2014

- By virtue of the Act both the Public and Private Sectors Pension Schemes are now contributory.
- The employers and employees are expected to contribute a minimum of 18% in aggregate towards the retirement of the employee.
- The rate is subject to review as may be agreed between the employer and employee.

# Objectives of Pension Reform Act 2014

- Include:
- (a) To provide a sustainable and well managed pension to employees both in the public & private sectors.
- (b) To ensure that all and sundry in the working class save in order to make provision for life after retirement.
- (c) To ensure that all and sundry is entitled to and receive terminal benefits as and when due.
- (d) To ensure that all regulations and guidelines available for administration and payment of retirement benefits are applicable to both public and private sector officers.
- (e) To sustain a worthwhile standard of living of all employees after retirement.

# National Pension Commission

- The objectives of establishing the National Pension Commission are:
- (a) To ensure that every person who works in the public service of the Federation, FCT and private sector receives his retirement benefits as and when due.
- (b) To assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age.
- (b) To establish a uniform set of rules, regulations and standards for the administration and payments of retirement benefits for the public service of the Federation, Federal Capital Territory and the private sector.

# LECTURE TWELVE

## PUBLIC SECTOR AUDIT AND ETHICS

# Public Sector Audit

- Auditor – General for the Federation of Nigeria who, under section 85 of the 1999 Constitution is to ensure that the Executive arm of Federal Government is carrying out its avowed duties with probity, efficiency, effectiveness and accountability.
- At the State Level, section 125 of the Constitution caters for the appointment of Auditors – General who replicate the symbol and the role of their Federal counterpart.
- However, at the local government level, Auditor – General for Local Government appointed by the state governor handles the external audit function at that level.



# **Audit of the accounts of corporations, boards and government companies**

- The organizations, under their enabling laws, have the right to appoint statutory (external) auditors under the guidance of the State or Federal Auditor-General.
- The latter also influences the scale of fees payable to the external auditors and has the right to appraise the audited accounts and comment on them.
- The role of the internal auditor is that of a watchdog of the agency's resources

# Types of Audits in the Public Sector

- Financial Audit
- Regulatory Audit
- Value for Money Audit

# Elements of Auditor's Report

- a) Title;
- b) Addressee;
- c) *Opening or introductory paragraph*
- d) *Scope paragraph (describing the nature of an audit)*
- e) *Opinion paragraph*
- f) Date of the report;
- g) Auditor's address; and
- h) Auditor's signature.

# Ethics in Public Sector

- Ethics is a branch of Philosophy that deals with the concepts of what is right and what is wrong.
- It focuses on the concept of morality.
- A public sector accountant is expected to comply with code of ethics of his professional body.
- ICAN has code of conduct that sets minimum behavior expected of its members. It includes integrity, objectivity, independence, competence and professional behavior.

# Professional Codes of Conducts

- It includes:
- Integrity
- Objectivity
- Independence
- Competence
- Professional behavior.

# Ethical bodies for Public Sector Accounting in Nigeria

- Such bodies include:
- EFCC
- ICPC
- Fiscal Responsibility Commission
- Bureau of public procurement
- Code of conduct bureau
- Financial reporting council
- SEC
- Security exchange and investment tribunal
- Public complaint commission

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