



Accounting Manual

for Local Governments

in

Lagos State



Preface

This Accounting Manual was first produced by the Office of the Auditor-General for Local Governments in Lagos State in conjunction with the SLGP-DFID of UK in April 2008. It was subsequently fully revised in December, 2012.

The manual is compiled in order to ensure uniformity of accounting procedures among Local Governments in Lagos State, compliance with the Model Financial Memoranda for Local Government as well as other statutory regulations as may be revised from time to time and conformity with best accounting practices and generally accepted accounting principles (GAAP).

This Accounting Manual is designed to enhance and standardise accounting practice in Lagos State Local Governments by enhancing accounting staff competencies and fostering knowledge sharing and transfer.

This Manual has been revised and published with assistance from the Growth and Employment in States (GEMS3), financed by the British Government Department for International Development (DFID).



Foreword

Since the production of the first edition of the Accounting Manual for local governments in Lagos State in April 2008, there have been various developments both in the legal framework and financial management spheres of Accounting & Finance in the State. As a result, the first edition has fallen short of the basic tenets of a good Accounting Manual.

Against this backdrop, the office of the Auditor General for Local Governments in Lagos State found it necessary to reflect these current developments in the accounting manual in order to standardize the use of good accounting practices in a comprehensive manner by all local governments in the State.

Accordingly, the OALG with assistance from GEMS3- DFID, UK decided to review and update the accounting manual so as to address these developments with specific reference to the following;

- Local Government Administration Law No.7 of 1999
- Lagos State Public Finance Management Law No.9 of 2011;
- Model Financial Memoranda for Local Governments 1998;
- Lagos State Guidelines on Administrative Procedure for Local Governments 2011;
- Budget Manual for Local Governments in Lagos State 2010;
- Local Government Levies (Approved Collection) Law 2010;
- The LEEDS document
- Other areas of accounting & finance.

The manual is designed to improve the operational efficiency of the Finance and Treasury Staff as well as serving as a reference point on core areas of public sector accounting procedures.

The staff of the Local Governments in Lagos State especially those in Treasury Department should be proud of this review and update and should offer comments or suggestions for improving the manual by addressing them to the Auditor General for Local Governments through his e-mail address below.



The manual in its entirety, will be subject to further review from time to time to

- Keep up with the new developments in accounting profession
- Effect legislative changes as they affect the objectives of the manual and
- Keep up with the challenges of assigned functions

I wish to express my profound gratitude to the Growth and Employment in States (GEMS3), under the funding of the British Government Department for International Development (DFID) who engaged the two consultants for this assignment, the technical committee including the six selected Council Treasurers and my support staff for their roles to review and update this manual as part of their contributions to the development of public sector accounting in Lagos state.

My sincere appreciation also goes to the Lagos State Government that has provided the enabling environment for the actualization of these various noble tasks.

I express my special thanks to everyone involved in the task of reviewing the manual for the support and dedication with which the assignments were carried out. You are all implored at all times to visit our website www.lagoslocalaudit.org for up to date information about local Government audit and other professional issues that rob positively on audit in the public sector.

Thank you.

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January, 2013



How to Use this Manual

The Accounting Manual presents the basic policies and procedures; the coding system and chart of accounts; the accounting books, reports/forms and financial statements, and illustrative accounting entries to be adopted by all local governments in Lagos State. It should not be used in isolation but should be used in conjunction with the extant rules, regulations and laws guiding local government finance, accounting, auditing and financial management in Lagos State including the following:

- Lagos State Local Government Administration Law No.7 of 1999
- Lagos State Public Finance Management Law No.9 of 2011;
- Model Financial Memoranda for Local Governments;
- LASG Guidelines on Administrative Procedure for Local Governments, 2011;
- Budget Manual for Local Governments in Lagos State, 2010;
- Local Government Levies (Approved Collection) Law 2010;
- The LEEDS document;
- Guidelines issued from time to time by the State Government on local government accounting; and
- Other relevant laws, bye-laws, rules and regulations.

Updated Pages

The manual is designed and presented in loose report format for ease of updating whenever a review of the manual is considered necessary. As such, only the pages of the manual that are affected by the review exercise would be reprinted and appropriately inserted. Pages being updated should carry the date of update next to the page number at the bottom of the page in small italics numbering.



List of Abbreviations

- BPC:** Budget Preparation Committee
- BPRS:** Budget, Planning, Research and Statistics
- CM:** Council Manager
- COF:** Cash Order Form
- CT:** Council Treasurer
- DVEA:** Departmental Vote Expenditure Account
- DVRA:** Departmental Vote Revenue Account
- EFCC:** Economic and Other Financial Crimes Commission
- EXCO:** Executive Committee
- FM:** Financial Memoranda
- FMC:** Funds Management Committee
- GRB:** General Revenue Balance
- HoD:** Head of Department
- ICPC:** Independent Corrupt Practices Commission
- IGR:** Internally Generated Revenue
- IPSAS:** International Public Sector Accounting Standards
- KPIs:** Key Performance Indicators
- LASG:** Lagos State Government
- LCDA:** Local Council Development Area
- LEEDS:** Local Economic Empowerment and Development Strategy
- LG:** Local Government



LGT: Local Government Treasury

LPO: Local Purchase Order

MDGs: Millennium Development Goals

MTEF: Medium-Term Expenditure Framework

NGOs: Non-Governmental Organizations

SIV: Store Issue Voucher

SRV: Store Receipt Voucher

SUBEB: State Universal Basic Education Board

UN: United Nations

VAT: Value Added Tax



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Chapter 1

INTRODUCTION

1.1. Objectives of the Manual

The main objectives of this manual include the following:

- To document the accounting policies, processes and procedures required for processing financial and accounting transactions of local governments in Lagos State.
- To assist local government officials in understanding the nature of financial and accounting transactions in local governments, the policies and control mechanisms for each process, steps and manner in which transactions are processed and who is responsible for processing them.
- To ensure uniformity, completeness and consistency in the performance and processing of financial and accounting transactions in the local government
- To avoid discretionary and inconsistent definition and interpretation of local government accounting policies and procedures
- To serve as an accounting procedural guideline that is available and accessible to new and existing staff of the local governments.
- To keep officials informed of the most recent developments and existing policies on local government accounting and financial management (i.e. new government budgeting, accounting and procurement systems).

1.2. Policies and Principles

- A local government should document its accounting policies and procedures as well as its various levels of authority while ensuring strict adherence to and disclosure of the accounting policies and procedures.
- The manual has been designed to describe the authority and responsibilities of all employees; authorisation of transactions and the responsibility for the safe keeping of assets and records.
- The accounting policies and procedures explain the design and purpose of control-related procedures in order to increase the employees' level of understanding and support for control.
- This manual is necessary in order to ensure uniformity of accounting procedures among local governments in the State.
- The manual sets out uniform accounting procedures for accounting staff of local governments who are expected to be familiar with the contents of the manual and to apply it in a responsible and appropriate manner.



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- Any query regarding the contents of the Accounting Manual should be referred to the Council Treasurer (CT) or the Auditor General for Local Governments.

These procedures are expected to provide several benefits, including:

1. Managing the financial affairs of each local government in a cost effective manner and reducing the levels of errors, irregularities or fraud
2. Assisting in the preparation of:
 - Monthly and quarterly financial reports
 - Annual financial statements
3. Providing financial information required by the local government Exco, Chairs, Supervisors, Councillors and other stakeholders
4. Assisting in the use of the set of standard forms and reports in local governments
5. Facilitating the Auditor-General's work thus reducing audit costs and time

1.3. Responsibilities

1.3.1. Council Chair

The Council Chair is the Political Head and Chief Executive Officer of the local government, and has responsibility for:

1. The propriety and regularity of the local government finances, for which he is answerable to the Council and the State House of Assembly;
2. Delegating the day-to-day financial operations of the local government to the Council Treasurer, in consultation with the Council Manager;
3. Ensuring the keeping of proper books of accounts and setting up of a system of internal control in place.
4. Transparency, accountability and probity in the administration of the local government;
5. The avoidance of waste and extravagance;
6. The efficient and effective use of all available resources.

In addition:

1. The Chair shall comply fully with checks and balances spelt out in the Guidelines for Administrative Procedures in local government and the Financial Memoranda governing receipts and disbursements of public funds and other assets entrusted to his/her care. The Chair is liable to any breach of these rules and regulations.
2. The Chair's accountability shall not cease by virtue of his/her leaving office and he/she may be called at anytime after leaving office, to account for his/her tenure as Chair.
3. The Chair shall delegate part of his/her administrative functions and authority down the line in each local government Department and shall be responsible for overseeing and providing leadership on policy and strategic issues.



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4. All instructions from the Chair relating to expenditure of public funds shall be in writing. It is a criminal offence to issue or withdraw public funds without written documentation.

1.3.2. The Executive Committee

The Executive Committee is the highest policy making body in the local government. It consists of :

- i. Chair
- ii. Vice-Chair
- iii. All Supervisors and Special Advisers
- iv. Secretary to the Local Government (as Secretary to the committee)
- v. Council Manager
- vi. Council Treasurer
- vii. Head of Legal Unit.

1.3.3. Functions of the Executive Committee

- i. Regulation and control of the finances of the council.
- ii. Consideration and award of contracts subject to the upper limit as may be prescribed by the state government.
- iii. Implementation of the decisions of the council which no other committee is charged.
- iv. Implementation of directives from the Ministry of Local Government & Chieftaincy Affairs.
- v. Communication of the decisions of the ExCo to concerned agencies, organisations and persons, including the decisions on award of contracts.

The directives and decisions of the ExCo shall be channelled to the Heads of Departments through the Secretary to the Local Government.

1.3.4. Funds Management Committee (FMC)

The FMC shall consist of:

- i. The Chair
- ii. The Vice Chair
- iii. All Supervisors and Special Advisers
- iv. Council Manager
- v. Council Treasurer (Secretary of the Committee)

The Committee attends to local government cash flows and oversees the release of all funds to settle any expenditure incurred by the local government. No amount shall be released from the council's fund without due consideration and approval of the FMC.



1.3.5. Revenue Committee

The revenue committee which shall be autonomous of the local government Treasury has responsibility for the assessment and collection of all the LG taxes, fines, rates, charges or other revenue. The committee shall comprise the following:

- i. A person experienced in revenue matter appointed by the Chair of the LG (not being a political appointee or public officer) from within the LG as Chair.
- ii. Council Manager
- iii. Council Treasurer
- iv. Legal Officer
- v. A member of the public not being a member of the LG who is experienced in revenue matters to be nominated by the Chair.

1.3.6. Local Government Board of Survey

The composition of the Board of Survey in a Local Government shall include the following:

- i. The Vice Chair – Chairman
- ii. Council Manager – Member
- iii. Council Engineer – Member
- iv. The Internal Auditor – Member
- v. Representative of the boarding department – Member
- vi. Representative of the Ministry of LG & Chieftaincy Affairs – Member

A copy of the report of the committee shall be forwarded to the office of the Auditor-General for Local Governments for consideration and approval while such report shall be forwarded to the Ministry of LG & CA for record purpose only.

1.3.7. Prepayment Inspection Committee

This Committee shall undertake prepayment inspection of all supplies/programmes/projects and issue prepayment inspection certificate. The composition of the committee is as follows:

- i. Head, Planning, Budget and Statistics - Chair
- ii. Head, Internal Audit - Member
- iii. Head, Legal Unit - Member
- iv. A representative of the executing department - Member

The certificate which shall be signed by all members (including the co-opted member) shall form part of the documents to be audited by the internal auditor.

1.3.8. Tenders' Committee

The Tenders' committee shall consider and approve all contracts which are forwarded to it from the Executive Committee of the local government.

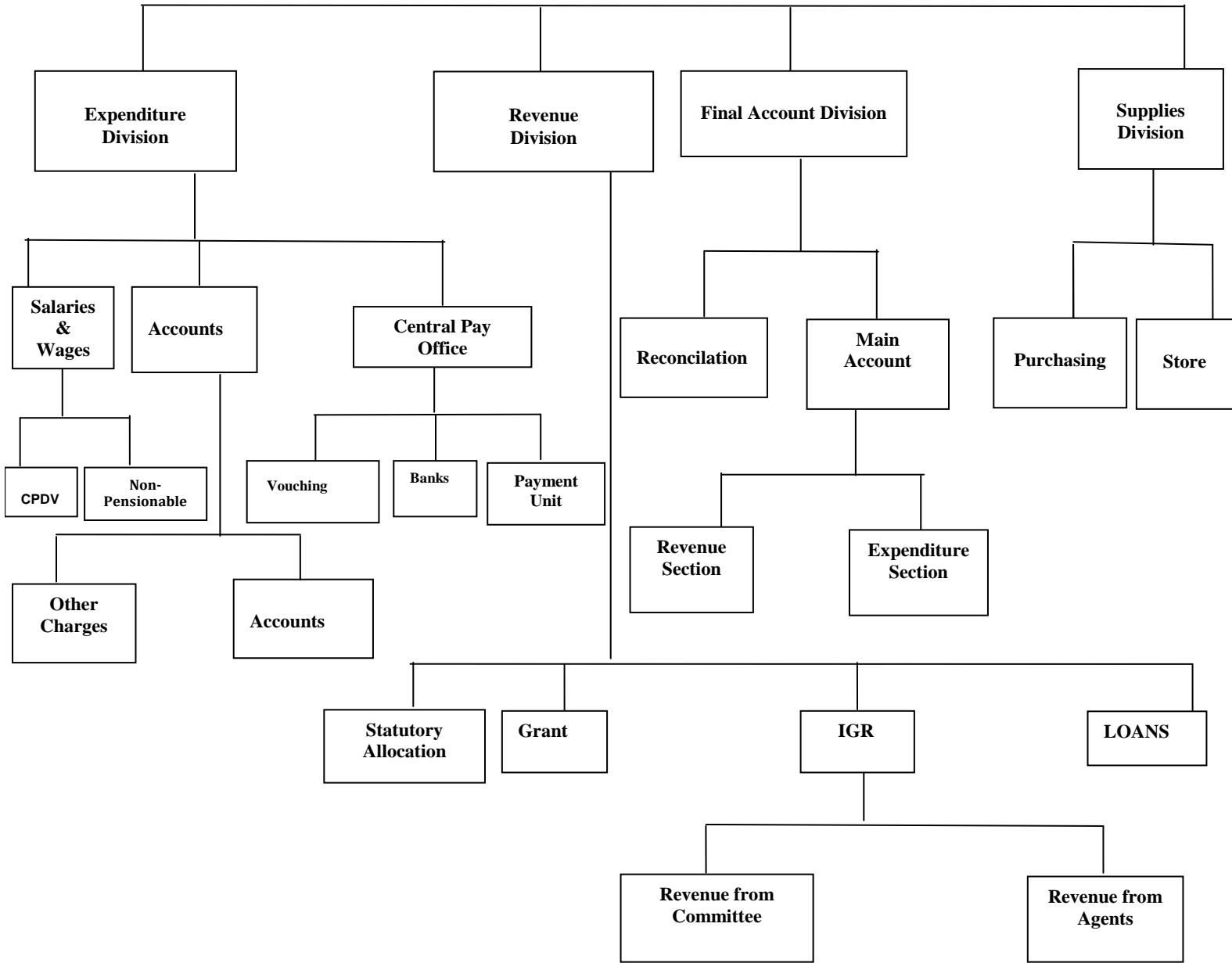


The committee shall consider and approve all contracts of capital nature above the sum of ₦500,000. It shall also serve as a clearing house for award of contracts and consideration of professional competency of the contractors. The committee consists of the following members:

- i. Vice-Chair (as the Chairman)
- ii. Supervisor for Works
- iii. Secretary to the local government
- iv. Council Manager
- v. Council Engineer
- vi. Legal Officer (as the Secretary)



Figure 1: Organogram of Finance and Supplies Department, Headed by the Council Treasurer





1.3.9. Council Treasurer

The Council Treasurer reports to the Council Chairman and Executive Committee and as the administrative head of the Finance and Supplies Department, is responsible for local government financial accounting, management accounting and operational planning functions. These include:

1. Day-to-day implementation of local government financial and budgetary control policies, in accordance with Financial Memoranda and the approved Accounting Code of the local government
2. Advise the Chair, Council Manager and departmental heads on proper financial management, and the control implication of their decisions at the planning and the operational stages
3. Policy execution as directed by the Chair and ExCo
4. Maintaining an adequate systems of books and accounts;
5. Making payments and bringing receipts to account;
6. Monitoring and investigating all losses;
7. Monitoring income and expenditure against budgets, and providing advice to avoid overspending, significant under-spending or revenue shortfall;
8. The operation of sound, well controlled, financial accounting and financial management systems;
9. Ensuring that the control environment evolves to meet new challenges and requirements.
10. Recommend the purchase of accounting equipment or machines, in connection with a variation of an existing procedure, or an installation in a new office.
11. Prepare and publish monthly, quarterly and annual financial statements of the Local Government

1.3.10. Council Manager (CM)

1. He/She coordinates the activities of all departments and is the Chief Administrative Officer of the local government.
2. He/She executes policies as directed by the Chair
3. In conjunction with the Secretary to the local government assist in the formulation, execution and review of local government Policies.
4. Coordinates the activities of all departments /units of the local government.
5. Ensures the monthly preparation of bank reconciliation statements and signing of bank confirmation with the Chair.
6. Keeping proper records of local government properties and ensuring prompt retrieval of such from members when they cease to be in office.

1.3.11. Internal Audit

The internal auditor provides continuous audit of the accounts, revenue, expenditure and assets, as well as prepayment audit of all payment vouchers). He/She is appointed by the Local Government Service Commission, and is directly responsible to the Chair for internal financial control in the local government:

- i. Ensures that all financial transactions are conducted in an entirely proper, transparent and professional manner, with full regard to the highest public sector governance standards.



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- ii. Ensure that public resources in the local government’s care are not abused, misspent, misappropriated or defrauded. Any member of staff who breaches this policy will be subject to disciplinary proceedings which may lead to suspension, dismissal and prosecution.

1.3.12. Staff of the Local Government

1. The State Government *Code of Conduct* sets out the standards and personal conduct required of staff.
2. Staff must abide by local government financial control policies and procedures, as enshrined in the Guidelines on Administrative Procedure for Local Governments and the Financial Memoranda.



Chapter 2

THE BUDGET PROCESS

2.0. INTRODUCTION

- Budget is critical to good financial management and is the most important economic policy tool of the local government.
- Preparation of the annual budget is the responsibility of the Head, Budget & Planning, Research & Statistics with inputs from the Council Treasurer and Departmental Heads, in collaboration with the Chair.
- The Head of Department Budget & Planning, Research & Statistics should provide a sound framework for monitoring and evaluation of the local government budget and should render quarterly reports on Budget Performance to the Council, the Office of the Auditor General for Local Governments and the general public.

2.1. The budget provides the following:

- A financial plan of action. The budget spells out the policy direction of the Local Government in terms of how it proposes to allocate and utilise resources.
- Authority for incurring expenditures. It is *illegal* to make expenditures that are not within the approved budget.
- A mechanism to control expenditure and revenue. When the amount spent under any sub-head is likely to exceed the approved estimate, steps must be taken to obtain supplementary authorisation or to contain expenditure within the approved estimates.
- An estimate of Internally Generated Revenue and a means of monitoring its collection.
- The budget establishes the financial position of the Local Government, since it reveals the financial position of the Local Government at the beginning, during and end of the financial year.
- Since the budget is available to the citizens, it should be an instrument of accountability.

2.2. The Budget and the LEEDS Policy Framework

- The Federal Government requires that the Local Economic Empowerment and Development Strategy (LEEDS) framework should be integrated into the local government budget preparation by being undertaken in consultation with local communities.
- The Local Economic Empowerment and Development Strategy (LEEDS) is a framework for Local Government Policy and Planning.



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- The National Planning Commission has developed a LEEDS Manual and the Lagos State LEEDS Framework Manual is available from the Ministry of Local Governments and Chieftaincy Affairs.
 - The LEEDS Framework includes:
 - Proper analysis of the local situation in collaboration with local communities
 - Development of a Local Government development strategy
 - Preparation of the Call Circular
 - Planning of initiatives and activity based costing
 - Preparation and monitoring of the budget

The Local Government should produce a Development Strategy (LEEDS document) prior to production of the budget. The LEEDS Framework requires that Local Government budget are prepared with the aim of achieving the Millennium Development Goals (MDGs). These were agreed by the United Nations in 2000 and consist of the following targets to be achieved by the year 2015:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

Local Governments should also consider environmental impacts when devising the budget.

2.3. BUDGETARY PROCEDURE

2.3.1. Annual Budget Planning

The following should be the key activities of the annual budget planning process:

- Formation of a Budget Committee

This will comprise all Heads of Departments, with the Head of Budget & Planning as the coordinator. It is the responsibility of the Committee to hold budget planning meetings and to activate the budgeting process.

- Budget Planning and Calendar

The Budget Committee should review the Local Government budget performance and the economic situation during the current financial year and draw up a detailed budget preparation calendar for preparing next financial year budget. (See Annex A to this Chapter)



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- Collection and analysis of quarterly economic and budget performance data (review of the budget implementation against the approved budget estimates) and produce a quarterly performance report
 - Preparation of Budget Policy Statement: Collection and analysis of past 3 years' data to be used for fiscal projections and resource allocation in accordance with the priorities of the local government.
 - Presentation of Budget Policy Statement to Local Government Executive Committee

This should be in line with the Local Government medium term plan for presentation to the Chair. The Local Government should also incorporate the Budget Monitor

- Executive Committee Consultation and Engagement with the Legislative Council

The draft Budget Policy Statement should be presented to the Local Government Executive Committee (EXCO) by the Chair for review, consideration, modification and the Executive Committee should in turn officially engage with the Council to explain the Budget Policy direction and thrust before its endorsement.

2.3.2. Budget Preparation Phase

The following activities should be carried out in the budget preparation phase in order to ensure appropriate and transparent allocation of public resources to the identified sectoral priorities of the Local Government:

- Issuance of Annual Budget Call Circular to be issued between 1st and 15th of July of the current fiscal year outlining the objectives of the local government (Financial Strategy) for the following year.
- Preparation of Budget Proposals by departments and other spending units

All departments and units of the local government should prepare detailed proposals, in the approved format with proper budget classification and codes, which should be submitted to the Department of Budget and Planning.

- Integrating Annual Budget Capital and recurrent expenditures should be properly integrated in the budget proposal by taking into account additional recurrent costs arising from the new capital projects. A preliminary summary of the financial position of the local government should be on Form LGT 10 of the Financial Memoranda.
- Bilateral Discussions after the receipt of budget proposals from all departments and spending units, the Budget and Planning Department should carry out joint bilateral discussion/negotiation with each of the departments/units on their proposals to ensure compliance with principles and guidelines contained in the Call Circular as well as coordinate and harmonize the proposal before submission to the Executive Committee.
- Consolidation of draft Budget and Review by the Executive Committee

The Head, Budget, Planning, Research & Statistics Department should produce a master budget incorporating any necessary amendments and adjustments arising from the bilateral discussions. This should then be presented to the Executive Committee for review.



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- Presentation of Draft Budget to the Legislative Council after the conclusion of the review of the draft budget by the Executive Committee, the Chair should formally present it to the Council.
 - Review and Approval by the Legislative Council: This process may involve public hearings and discussions with the departments and units and passage of the proposed budget into law.
 - Assent by the Executive Chair after the legislative review and approval, the approved budget should be presented to the local government Chair for his/her assent.
 - Public Presentation and Analysis: Detailed analysis of the approved budget will be presented to the public. The Budget including the budget policy statement will then be published and circulated to the various stakeholders.

2.3.3. Budget Execution and Control

The following are the Key Activities required for effective budget execution and control:

- **Budget Control**

The responsibility for budget (and expenditure) control rests with the Council Treasurer and Head of Budget and Planning Department. The control of expenditure is delegated to the appropriate Head of Department (Officer Controlling a vote).

- **Request for Work-plan**

The Head, Department Budget and Planning should at the beginning of the fiscal year issue a circular to all departments and other units of the Local Government to submit capital budget work-plan for the quarterly budget execution.

- **Expenditure Projection & Revenue Projection**

The adjusted work-plans of all departments and other spending units of the local government form the basis for making capital expenditure projections on quarterly basis. The Head of Department, Budget and Planning should in collaboration with the Council Treasurer produce aggregate monthly expenditure projections while the latter should request all the revenue generating units to provide a realistic revenue forecast for 1st quarter and subsequent quarters for all sources of revenue.

- **Cash Requirement Forecasting**

The Council Treasurer ensures cash planning through the preparation of monthly cash budget and submits this together with the expenditure projection to the Funds Management Committee. The Committee should deliberate on the submission and approve monthly cash requirements for each department and unit.

- **Departmental Warrants**

The cash limits approved by the Funds Management Committee for the departments should be formally communicated by the Council Treasurer to the departmental heads to enable them to be aware of the monthly limit of their cash expenditure.

- **Project Implementation & Reporting**



The initiation of project execution should require constituting a project implementation team with a desk officer designated in the spending unit who would be responsible for liaison with all participants in the project and preparing project implementation report for each project.

- **Payment Process**

The payment & recording process at the Local Government level which is an accounting function should comply with established financial controls which are intended to enhance accountability of resources management.

- **Pre-payment Audit (Internal auditing)**

Every payment voucher and its supporting documents should undergo pre-payment exercise, carried out by Head, Internal Audit, before payment is made.

- **Expenditure and Revenue Recording (Vote Books Management)**

Each Officer Controlling a Vote should maintain a Departmental Vote Expenditure Account book and Departmental Vote Revenue Account book containing a separate account for each head or sub-head of the approved estimates for which he/she has responsibility

- **Supplementary Budgeting**

Where a local government wishes to incur expenditure not provided for in the approved estimates for the year, a supplementary budget should be prepared and submitted to the Executive Committee and the Legislative Council for approval.

2.3.4. Budget Classification

Budget classification is one of the fundamental building blocks of a sound budget management system, as it determines the manner, in which the budget is recorded, presented and reported, and as such has a direct impact on the transparency and coherence of the budget.

The structure of the budget classification system should be in line with the local government Chart of Accounts (**See Chapter 12**).

2.3.5. Supplementary Budget

There may be circumstances during the implementation of the budget where the amount earmarked for some projects or programmes is inadequate. There may also be situations when a need for new services arises during the year, which were not envisaged during the budget preparation stage.

The law allows for a supplementary budget to be developed and approved in line with the procedures adopted for the annual budget.

2.3.6. Budget implementation

- Local government officials should ensure budget compliance. The approved budget is the authority to make expenditures. Therefore, no expenditure should be incurred without being budgeted for.
- They should also ensure that all financial activities and operations are geared towards achievement of the policy aims of the Local Government.



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- Budget monitoring and evaluation entails continuous performance measurement and assessment during budget implementation.
 - The basic monitoring and evaluation tools should be employed, including; Work Plans, Progress reviews, Variance Analysis, Budget Tracking (Financial/Physical), and Benchmarking with Key Performance Indicators (KPIs).
 - The Head, Budget, Planning, Research & Statistics would generate the necessary budget performance data to allow for comparison of actual expenditure with budgeted figures (variance analysis) and produce appropriate monthly, quarterly, mid-year and annual budget performance reports to the Local Government Executive Committee.
 - The Executive Committee, under the leadership of the Chair, is responsible for providing an overall strategic vision for the Local Government. This includes analysis of the current and likely future needs in the Local Government area, as well as risk assessments for the purpose of preparing a development plan to guide the development of the locality. This informs the Local Government Development Strategy and budget plan, which is summarised in the LEEDS document.

2.4. Gender Budgeting

2.4.1. Introduction

In Nigeria, women account for 32% and 27% of workers in the private and public sectors respectively¹. Fewer girls than boys go to school, and on average women earn less than men. As of 2011 Nigerian women occupy only six percent of national elective positions.

In Lagos State, a minority of Council Treasurers are women and a majority of the Executive Chairs of local governments are men. As a result, the skills women have are under used and they are not given the appropriate rewards for their work. Local services are not necessarily designed in the interests of women and girls; Gender budgeting aims to address such issues.

Gender budgeting is government planning, programming and budgeting that ensures that the needs of every group in the society is being met and thereby contributes to the advancement of gender equality and the fulfillment of women's rights. Gender Budgets attempt to break down or disaggregate the government's mainstream budget according to its impacts on women and men. It entails identifying and reflecting needed interventions to address gender gaps in sector and local government policies, plans and budgets.

Gender Budgets can provide feedback to government on whether it is meeting the needs of different groups of women and men, girls and boys. For those outside government, Gender Budgeting initiatives can be used to encourage transparency, accountability and participation. Gender budgeting also aims to analyze the gender-differentiated impact of revenue-raising policies and the allocation of domestic resources and Official Development Assistance.

Gender budgeting is a tool which is used to analyse budgets from a gender perspective. It considers how government policies and activities impact differently on men, women, children or other groups in society. The way in which budgets are usually formulated can be described as

¹ British Council, 2012, Gender in Nigeria report



'gender blind' in that it ignores the different socially determined roles, responsibilities and capabilities of men and women. Under a 'gender blind' budgeting system, less financial resources are generally allocated to women, creating inequality and leaving them at a disadvantage in society.

Gender budget analysis provides accessible information on how budget inequalities impact negatively on both women and society as a whole. It highlights areas where governments can redress the balance. Enabling women to develop their potential should serve to promote overall economic growth. For example, research on agricultural productivity in Africa has suggested that reducing gender inequality could significantly increase agricultural yields. Researchers have estimated that if women farmers in Kenya had access to the same level of agricultural inputs (seeds, fertilizers, pesticides, etc) and education as men, they could increase their yields by more than 20 per cent.

Official language can also reinforce gender stereotypes. The Executive Chair of local governments is usually referred to as the *Chairman*. Official regulations usually refer to his/him rather than her/his and her/him.

2.4.2. Why is Gender Budgeting Important for Local Governments?

There are four main reasons why gender budgeting matters for local government:

1. **Justice** - a society in which women are not a full part of the political system is an unjust society.
2. **Democracy** – the equal representation of women and men enhances democratization.
3. **Interest** - women have a particular interest in the allocation of local resources and services, such as water, sanitation, housing, and health services.
4. **Development** - specific attention to women's has a bigger impact on the well-being of their family.

It is accepted within the international development community that fully recognizing the role of women and enabling them to realize their potential talents and abilities is crucial to successful poverty reduction. Women comprise half the world's population and a failure to give them equal access to resources and opportunities, limits the contribution they can make to society as a whole. Kofi Annan (2004), then Secretary General of the United Nations has stated that: "To educate girls is to reduce poverty. That is the lesson that unites us today. No other policy is as likely to raise economic productivity, lower infant and maternal mortality, improve nutrition and promote health."



2.4.3. Successful examples of gender budgeting in sub-Saharan Africa include:

South Africa

Women’s Budget Initiative groups, led by civil society organisations, have been set up at national, provincial and local levels. At the national level, they analyse public expenditure patterns in terms of their likely impact on the economic and social condition of women and track spending on gender-sensitive policy measures, as well as general spending patterns throughout the public sector. The groups also analyse fiscal transfers between different tiers of government to identify whether local spending reflects policy commitments to gender equity. In addition, they work with senior finance officials in provincial governments to make key indicators for planning and budgeting more gender sensitive.

The Children’s Budget Initiative is an analytical exercise which examines the impact of public spending on children. It focuses on five sectors including health and education and monitors how far the government has met commitments to protecting children’s rights.

Tanzania

The work started in 1997 by the Tanzania Gender Networking Programme (TGNP) in partnership with other NGOs, and TGNP has remained a lead actor ever since. Government work on GRB started a year or two after that of TGNP, and was done in the framework of the newly introduced MTEF. A government pilot was introduced in six ministries in 1999. For the last few years, the budget call circular that goes to all government agencies has required that they take gender into account. Especially during the pilot years, the government commissioned TGNP to provide support to the ministries in incorporating gender into their budgets. In subsequent years some ministries – Water in particular – have continued to call on TGNP for assistance.

The Tanzanian budget guidelines have made reference to gender since 1999. The guidelines as a whole contain a section that reviews the implementation in the economic clusters, which contains an analysis the key achievements and challenges in each of the sectors. Some of these, such as education and health, also contain some gender analysis. The guidelines also review progress in cross-cutting issues, such as gender. The Medium Term Objectives and Focus section outlines Government priorities for the coming budgeting period under each of the clusters. Gender is also addressed to some extent in each of the three economic clusters which outline the priority areas for resource allocation. However, the already identified key gender issues under the Clusters do not necessarily relate to the priority areas for allocations for the next period. For instance, although in Cluster 2, education, some of the issues and challenges in the sector were mentioned to be gender specific, gender is not mentioned under the priority actions for the coming period.

The budget call circular in Tanzania is longer than in some other countries. The document makes multiple references to gender. The medium term objectives and focus section also has a separate section for crosscutting issues, and outlines which priority areas the Government will



focus on. For the latest circular these include mainstreaming gender into policies, plans and strategies at all levels, conducting sensitization on gender issues, and capacity building for gender focal points and other stakeholders. However, the guidance given on how to integrate gender into budget submissions is quite general, namely: “Ensure that the allocation of resources addresses the National Strategy for Growth and Reduction of Poverty as well as cross cutting issues such as HIV and AIDS, gender and environmental conservation. Further, the forms that agencies must use when developing and costing the submissions do not provide any gender-related items.

More information on gender budgeting is available from:

www.gender-budgets.org/

2.5. Responsibilities

2.5.1. The Executive Committee

The Executive Committee, under the leadership of the Chair, is responsible for providing an overall strategic vision for the Local Government. This includes analysis of the current and likely future needs in the Local Government Area, as well as risk assessments for the purpose of preparing a development plan to guide the development of the locality. This informs the Local Government Development Strategy and budget plan, which is summarised in the LEEDS document.

2.5.2 The Chair

The Chair approves the Development Strategy and Budget Plan. S/he is personally responsible for presenting the Development Plan to Executive Committee and advocating for the appropriate resources to be available to the Local Government. The Chair is also responsible for accounting to the Executive Committee, Legislative House and State House of Assembly Public Accounts Committee for funds voted for each department, and is liable for any misappropriated funds.

2.5.3 The Council Treasurer

The Council Treasurer is responsible for:

1. Analysing and evaluating factors likely to influence Local Government resource requirements (in conjunction with the Council Manager);
2. Providing financial information relevant to the Development Strategy;
3. Preparing the long term development plan, as related to LEEDS;
4. Providing budgeting and operational planning guidance to vote controllers;
5. Providing the systems and procedures needed to facilitate operational planning;
6. Providing analysis and briefing on proposed Local Government resource allocations;
7. Monitoring the Local Government budget performance throughout the year, in terms of revenue, expenditure, proper use of resources and delivery of local services;
8. Providing monthly reports to the Executive Committee



2.5.4. Finance & Supplies Department

Under the Council Treasurer, the Finance Department is responsible for participating in the preparation, monitoring and evaluation of Local Government estimates and development plan in the prescribed manner.

2.5.5 Head, Budget, Planning, Research and Statistics (BPRS) is responsible for:

1. Monitoring the economic and planning activities of all departmental units of the Local Government
2. Being the Chief Adviser to the Local Government on matters relating to planning, budget and statistics
3. Performing planning, monitoring and control functions
4. Preparing and publishing monthly and annual reports on planning, budget and statistics of the Local Government

2.5.6. Vote Controllers

1. Vote controllers are responsible for contributing to the planning process, and once resources are allocated and targets are set, they are responsible for monitoring progress by maintaining the vote book to ensure that their departments meet their targets.
2. They are also responsible for providing information on any changes to resources required to meet agreed deliveries.

2.5.7. All staff

Should be aware of, and understand the local government budget process and recognize that they should make appropriate contribution to the budget process and control.

2.5.8. Future Development

Local governments may adopt a medium-term expenditure framework (MTEF)). This is a medium term budgeting framework that links policy, planning and budgeting over a medium term timeframe (usually 3 years). It is a strategic policy and expenditure framework within which Local Governments are provided with greater responsibility for resource allocation and utilization decisions.

Local governments should consider their financial plans over the medium term (three to five years) to ensure that the plans are sustainable and make sense over this time period.



Annex A

Budget Calendar and Timeline

S/N	Activity	Responsibility	Timeline	Notes
1	Budget Start up	Budget Preparation Committee (BPC)	June	
2	EXCO agreeing on Budget policy statements	LG EXCO	June	
3	Consultation and Constructive Political Engagement between EXCO and Legislative Council	LG EXCO	June	
4	Preparation of Sector policies and limits	BPC/Department of Budget & Planning	June	
5	Preparation and Circulation of Annual Budget Call Circular to all LG Departments and Spending Units	BPC/Department of Budget and Planning	July 1-15	The Model Financial Memoranda for LGs prescribes not later than 10 th June.
6	Preparation of annual budget proposals by Departments and Units	All Departments and Spending Units	July	
7	Submission of draft budget proposals to the Department of Budget and Planning by Departments and Units	All Departments and Spending Units	Mid-August.	The Model Financial Memoranda for LGs prescribes 10 th July.
8	Scrutiny and Analysis of Budget Proposals	Department of Budget and Planning	Mid to End-August	
9	Bilateral budget discussions (negotiation and defense of Departmental estimates)	Department of Budget and Planning	Early September to end-October	
10	Collation and Consolidation of draft budget proposals.	Department of Budget and Planning	Early October	The Model Fin. Memo for LGs prescribes not later than 31 st July.
11	Presentation of draft consolidated budget to the LG Chair/EXCO	HOD, Department of Budget and Planning	Mid-October	
12	Presentation of Draft Budget to the LG Legislative Council for Review and Approval	LG Chair	Early-November	The Model Fin. Memo for LGs prescribes 31 st August.



13	Debate and passage of the Draft Budget into law.	LG Legislative House	Late November/ Early December	The Model Fin. Memo for LGs prescribes not later than 15 th December.
14	Presentation of Approved Budget to the LG Chair	Clerk of Legislative House	Early December	
15	LG Chair Assents to Approved Budget	LG Chair	Mid-December	
16	Presentation of the Budget to Stakeholders and the general public.	LG Chair	First Week of January	
17	Publication and circulation of the budget.	Department of Budget and Planning	First Week of January	



Chapter 3

ACCOUNTING PROCESSES

3.0. Accounting Policies and Principles in Local Governments

- Each office/department should produce the source documents and other accounting forms leading to the completion of the transaction, whether it is budgetary, receipts or payments.
- The source documents and accounting forms should be the basis for the preparation of reports by the Council Treasurer.
- The Council Treasurer or any officer s/he so delegates should record the transactions in the corresponding books of original entry.
- Posting to the books of final entry and preparation of the financial reports should also be undertaken under the supervision of the Council Treasurer.

3.1.2. Legal Basis of Government Accounting

The 1999 Constitution of the Federal Republic of Nigeria

The Constitution regulates the receipt and disbursement of public funds, the process of accounting and reporting in government, the audit of public accounts, the budgeting procedures and other financial matters.

Financial Memoranda (1998)

These are predetermined standards designed for uniformity of financial procedures to ensure the achievement of the objectives of government. They specify the rules and regulations on opening of bank accounts, revenue collection and control, security of documents, payment on procedures, audit queries and sanctions etc.

Appropriation Bye-Law

The passing of the appropriation bill into law by the legislative council is called an appropriation act/bye law or approved budget. It regulates financial matters, provides financial plan of action, controls and make legal authority for incurring expenditure.

Treasury and Circular Letters

These are administrative instruments that are issued regularly to provide guidance on the day-to-day activities of government departments. They are designed for the issuance of policy statements, and to effect desirable modification to the existing financial regulations, civil service rules, etc. These may be issued by, for example, the Accountant General, Auditor General for



Local Governments, Head of Service and the Permanent Secretary, Ministry of Local Government & Chieftaincy Affairs.

The Pension Law 2007

The pension law was promulgated to regulate the administration of pensions plan in Lagos State. It stipulates, among others, the statutory retirement age, basis of computation, circumstances for pension and gratuity payment, etc.

Lagos State Public Finance Management Law No.9 of 2011

This law replaced the long standing Finance (Control and Management) Act of 1958 as amended which is still applicable in other States. The law stipulates good practices in public finance management and accountability in the State Government and Local Governments in Lagos State.

Lagos State Guidelines on Administrative Procedure for Local Governments (2011)

The Ministry of Local Government and Chieftaincy Affairs has produced these formalized rules and procedures to help local governments function efficiently, effectively and in a dependable manner. Some of the rules and procedures set out include: responsibilities of departments, political office holders and key functionaries of the local government; composition and conduct of Committees; the composition, functions and powers of the local government Legislative Arm; intergovernmental relations; personnel matters; contracts award/expenditure authorization; audit and accounting functions; communication; codification of offences and sanctions; and general matters.

3.1.3. Essential Accounting Documents

The following accounting documents, which are by no means exhaustive, are maintained by local governments:

1. **Voucher:** A voucher is a document showing evidence of receipt or payment of money. Vouchers are classified into;
 - a. Payment Voucher: this shows particulars of all payments made.
 - b. Receipt Voucher: this shows particulars of all payments received.
 - c. Stores Receipt Voucher: this is used to document all stock of items received.
 - d. Stores Issue Voucher: this is used to document all stock of items issued out.
 - e. Stores Receipt Note: this is issued to the supplier by central stores to enable the supplier make claim for payment.
 - f. Adjustment Voucher: this is used in making amendment by way of transfer of funds from one account to another without actual receipt of cash.



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2. **Main Cash Book:** Cash book records all receipts and payments of money (in cash and by cheque).
 3. **Petty Cash Book:** this record all small cash payments from a given sum of money set aside for that purpose.
 4. **Receipt Analysis Book:** this is a memorandum book used to analyze all cash receipts according to appropriate codes.
 5. **Payment Analysis Book:** this is another memorandum book used to analyze all cash payments according to appropriate codes.
 6. **Store Ledger Accounts:** this is used to record the quantity of materials received in and issued out of store.
 7. **General Ledger:** this is the main book of accounts which record the summary of all transactions contained in subsidiary books. It is used for the extraction of trial balance.
 8. **Subsidiary Ledgers:** these record detailed transactions of each account code, summary of which is posted into the general ledger periodically: Advances; Deposits; Investments; Remittances; Loans.
 9. **The vote books:** these are accounts books which are used to record and monitor revenue and expenditure in the local government. The Departmental Vote Revenue Account (DVRA) and Departmental Vote Expenditure Account (DVEA) are maintained to control revenue and expenditure respectively. Both the DVRA and DVEA should have separate pages for each head and sub-head of revenue or expenditure as appropriate.
 10. **Memorandum Books:** these books do not form part of the double entry system, they are maintained for effective internal controls. They include;
 - a. Journal Books
 - b. Local Purchase Order Register
 - c. Cheques Register
 - d. Cheques Sent for Collection Register
 - e. Fixed Asset Register
 - f. Personnel Emolument Register
 - g. Contract Register.

All books of account should be prepared as follows:

- i. Entries should be typed or written in ink (ball point pen may be used; no green ink or pencil should ever be used)
- ii. Erasure or writing over figures is strictly prohibited. Where alteration is necessary, the incorrect figure should be ruled over with a thin line and the correct words or figures entered.



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- iii. Every correction must be initialled by the person making it and by the person certifying a payment voucher, acknowledging a receipt or being a witness to the transaction.
 - iv. No alterations should be made in any book of accounts or accounting document after audit without the specific agreement of the Auditor-General for local governments.

3.2. Revenue Process

The Senior Cashier should observe the following:

- In the case of direct payment, count the cash and check that it agrees with the amount shown to be paid in accordance with the revenue collector's cash book.
- Where a bank teller is presented, check that the amount shown on it agrees with the amount paid in accordance with the revenue collector's cash book.
- Immediately issue a Treasury receipt for the amount paid in and hand the original to the Revenue collector.
- Where relevant, check the revenue classification slip.
- Detach and retain the original pages of the revenue collector's cash book.
- Where relevant, paste a copy of the revenue classification slip to his/her own copy of the receipt.
- In addition, the Senior Cashier should observe the following:
 - The original pages of the revenue collector's cash book, detached in the Treasury, should be filed for record and audit purpose; each revenue collector must have a separate file.
 - The revenue collector should paste the original copy of the Treasury receipt issued by the cashier in his/her revenue collector's cash book
 - Post receipts from the revenue classification slips and revenue files into the DVRA and individual revenue ledgers
 - Generate monthly revenue total from the ledger

3.3. Expenditure Process

- Any expenditure to be incurred by a local government must be covered by a provision in the annual or supplementary estimate (budget), failing which it becomes unlawful to incur the expenditure
- In addition, all expenditure must be approved by the appropriate authority and no payment should be effected without supporting it with a payment voucher.

The central pay office should observe the following with regard to payment of any amount:



3.3.1. Before payment, ensure that the payment voucher is:

- Duly signed and recorded in the Departmental Vote Expenditure Account (DVEA) by the officer authorized to control the vote.
- Certified by the Head, Budget and Planning that there exists, a provision and availability of funds for the expenditure in the appropriate vote
- Appropriately checked and coded in the Accounts Section
- Certified and passed for payment by Internal Audit.

3.3.2. After payment:

- Duly endorsed by the payee, by obtaining his/her signature on the original payment voucher or on the sub-receipt
- Chronologically posted by the Accounts Section in the cash book on the credit side
- Receipted in lieu of signature where the payment is to a corporate body
- Posting entered in the appropriate ledger (expenditure abstract, Advances or deposit)
- Reconciled with the departmental vote expenditure account books and treasury record at the end of every month.

3.4. Bank Accounts

The number of bank accounts a local government uses should be restricted to four; Main allocation or Grant account, Development account for capital projects, Revenue accounts, and any accounts as may be prescribed by the Executive committee.

3.5 Accounting Books and Records

The objectives of the Local Government accounting system are:

- a. To provide management accounting service to the local government, its committees and the departments in order to facilitate the reaching of prompt policy and management decisions on the basis of accurate and comparative financial information
- b. To provide a financial accounting service by means of accurate and appropriate records of fund lawfully received by the local government and a detailed analysis of how those funds have been expended in discharging the functions of the local government



- c. To provide monthly, quarterly, half yearly and end of year financial statements for specific purposes, summarizing the financial transactions of the local government for the appropriate period and indicating the financial situation at the end of the period.
- d. To provide detailed costs of individual establishments, services and projects, to enable the costs so ascertained to be used for control purposes, with a view, among others, to eliminating excessive expenditure, losses and wastages.

The accounts of the local government are kept on the double entry principle:

1. A record of receipts and disbursement of monies must be kept to provide record of money in the hands of local government officials and its bankers
2. Records of receipts and payments must be kept in the prescribed forms and analyzed over the various heads and sub-heads contained in the annual budget to provide information on progress of collection of taxes and other revenues and expenditures.
3. Monthly summaries of the main ledger accounts must be prepared in the prescribed form, to show the financial position of the local government
4. Summary accounts should be prepared monthly, and financial statements produced quarterly and prepared at the end of each financial year.

The main books of accounts are:

- The cashbook - all receipts and payments of the local government are entered on the debit and credit sides of the cash book respectively.
- The journal - the adjustment record (correction of errors, adjustment between accounts and posting of items not involving movement of cash)
- Daily and monthly abstracts and monthly summaries of revenue and expenditure - prepared from payment receipts, payment vouchers and journal vouchers.

The main ledger includes:

1. Revenue (total) account and expenditure (total) Account:-

Contains total monthly summary of revenue and expenditure for all Heads of revenue and expenditure which should be posted to credit and debit sides respectively in the Revenue (Total) Account and Expenditure (Total) Account

2. Remittances (Total) Account (debit balance)

Where cheques are drawn to obtain cash from the bank and the cash withdrawn could not be received on the same day or cheques issued to government agencies or other local government which, should be cleared by the issuance of remittance voucher by the receiving organization, the amount involved should be debited to an individual remittance account. This account represents cash.

3. Advances (Total) Account (debit balance)

These include amount allocated and paid in respect of personal advances, imprest advances, salary and other advances to members of staff of the local government. The cumulative figures of the Individual advances accounts are debited to this account.



4. Investment (Total) Account (debit balance)

This indicates the individual investments held by the local government with respect to general investment in Nigeria, overseas investment, deposit with the state Accountant-General, renewal fund investment and local government stabilization fund.

5. Deposits (Total) Account (credit balance)

A local government may set aside fund for renewal of its wasting assets or receive money on deposits such as on-payment deductions and alimony. Such funds should be credited to the deposit account in respect of all categories of deposits.

6. Unallocated Stores (Total) Account (debit balance)

This represents an account designed to record financial transactions on an interim basis on unallocated stores, until the ultimate entries can be made in the appropriate heads and sub-heads or other account in the expenditure ledger of the local government or other funds received which is impracticable to allocate immediately to an appropriate expenditure sub-head.

7. Loans (Total) Account (credit balance)

This shows the loan obtained after appropriate authorization by the local government from an approved source to either financial capital project or meet other financial commitments and must be credited to a loan account until the loan is repaid.

8. State government central account (debit or credit balance)

This account represents the amount due to or from the State government to the local government at a particular point in time. It could either be a credit or debit balance.

9. Renewals Fund (Total) Account (credit balance)

This account is maintained so that a local government can build up adequate provision to cover the cost of necessary renewal of buildings, plant and machinery at the end of their useful lives. Cost of repairs to the assets should be debited to this account and the balance in this account forms part of the local government's fund.

10. Surplus or Deficit Account (credit balance)

The summary of revenue and expenditure of the local government is compared in this account and either result in surplus or deficit unless a break-even is achieved by the local government. A surplus of income is recorded where the total revenue is greater than the total expenditure for a particular period concerned but a deficit balance indicates excess of total expenditure over total revenue.

11. Reserve Fund Account (credit balance)

Amount transferred from the revenue account of the local government to meet specific needs is credited into this account. The posting is usually made by means of adjustment voucher.

3.6. Bank Reconciliation

Bank reconciliation is an essential element of the process of internal control. Ideally, it should be prepared by a person who has no recording responsibilities or physical control over cash receipts or cash payments and should also be reviewed by a person who is independent of



those functions. It should be completed at least once a month and checked by the Council Treasurer and the Council Manager.

The bank reconciliation compares information coming from an outside source, the bank statement, with information contained in the books of the local government, in this case the Cash in Bank Ledger.

- While a reconciliation of the cheque register can be done, it is more important to use the General Ledger account as the basis for reconciliation because the General Ledger is the source of the information contained on the financial statements.
- What the bank reports on its monthly statement is a record of the deposits that have been made, the cheques drawn on the account and other items that the bank has recorded that affect the account, and their effect on the bank account balance.
- The General Ledger account shows all cash received, and all cash paid from that particular account for the month.
- From the bank statement, identify items which appear on the cashbook (the debits and credits to Cash in Bank) that the bank has not recorded yet:

3.6.1. Deposits in transit

This occurs when there is a time lag between the time cash is received and when it is carried to the bank as a deposit. This is likely to occur when the bank's statement date does not coincide with the end of the period covered by the bank reconciliation.

3.6.2. Outstanding Cheques

These occur because there is usually a time lag between when a cheque is drawn and when it is deposited by the payee, because the payee may have delayed collection of the cheque from the Local Government or delayed lodgement with the payee's bank.

3.6.3. Bank Errors

These occur when the bank adds deposit or deducts a cheque belonging to some other account or erroneously deducts charges in violation of account agreements, or wrongly records the amounts of deposits or cheques.

On the cashbook side, there may be items in the bank statement which the Local Government had not received the information or bank advice. The cashbook balance must be adjusted for these items. Ask the question, "what does the bank show that the cash book does not show?" Unless the bank made an error, this is a book adjustment.

Examples:

Amounts collected directly by the bank for rate or tax demand.

No Sufficient Fund (NSF) cheques returned (these are customer's cheques – for example, payment of taxes - returned through the banking system because the customer accounts had



insufficient funds; they are deducted from the bank account, so must be deducted from the books – including revenue received).)

3.6.4. Appropriate bank service charges

Book errors - these involve situations where deposits or cheques were written for one amount, but some other amount was recorded as a cash receipt or cash payment.

The source of the journal entry is the adjustments made to the cashbook balance. Note: if a particular adjustment increases or decreases the cashbook balance, there should be an opposing debit or credit entry to another account for each item of adjustment. The overall change in the balance between the recorded "book" balance, and the adjusted balance offsets all other debits and credits.

3.6.5. Example of Typical Bank Reconciliation Statement:

CASHBOOK ADJUSTMENTS	Notes	N	N
Balance as per cashbook			XXXX
Add:			
Credits to bank not yet recorded in the cash book:			
Credit transfer	1	XX	
Interest Income from Bank	2	XX	
Deposit Understated, etc.	3	<u>XX</u>	<u>XXX</u>
			XXXX
Less:			
Bank charges	4	XX	
Dishonoured Cheques	5	XX	
Bank Charges - not yet recorded in the cashbook	6	XX	
Standing order – Telephone bill etc. not in cashbook	7	<u>XX</u>	<u>XXX</u>
Adjusted balance as per Cash Book			<u>XXXX</u>

BANK RECONCILIATION STATEMENT FOR THE MONTH OF

	Notes	N	N
Balance as per Bank Statement			XXXX
Add: all receipts paid to bank, but not on statement	8		<u>XX</u>
			XXXX



Deduct: Un-presented cheques	9	<u>XX</u>
Adjusted balance as per Bank Statement		<u>XXXX</u>
Adjusted balance as per Cash-Book (b/f from above)		XXXX

Prepared by:

Approved by:

(Name / title)

(Name / title)

Date:

Date:

3.7. The Cashbook

All receipts and payments must be entered individually in the cashbook as they occur and each entry must be supported by a receipt or payment voucher on the prescribed form with all the relevant information. The cashbook can be combined (receipt and payment combined) or there may be separate cashbooks for receipts and for payments and a separate revenue collector cashbook.

The procedures set out in Financial Memoranda 18.6 18.7 18.9 should apply to the cashbook in common with all other Books of Account. These include:

1. All receipts/payments must be entered individually in the Cash Book as they occur and each entry must be supported by a receipt or payment voucher.
2. All entries in respect of receipts/payments, except contra entries are to be numbered consecutively each month; receipt and payment vouchers will be given numbers corresponding to the cash book numbers.
3. A treasury receipt must be issued in respect of every payment made to the treasury or directly to the bank account of the local government.
4. All receipts of money, whether in cash or by cheque, must be entered in cash column on the receipts (debit) side of the cash book strictly in the order in which the transactions occurred.
5. All payments by the treasury are to be entered on the payment (credit) side of the Cash Book. Cash payments must be in the bank column.
6. Where deductions are made on payment vouchers, salary vouchers or wages sheets, the following procedures will be followed:
 - a. Where the payment is by cheque, the gross amount of the voucher or wages sheets must be entered as the payment on the credit side of the cash book, the net payment and the deductions being shown in the bank column and the cash columns respectively;



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- b. Where the payment is made in cash, the gross amount of the voucher or wages sheet must be entered as the payment in the cash column on the credit side of the cash book;
 - c. A treasury receipt must be made out for the deduction which is then entered as a receipt in the cash column on the debit side of the cash book

The cashbook should be kept on Form LGT 12A

The cashbook should be kept on Form LGT 12B which provides for an analysis of each amount received or paid as recorded in the cashbook, under the following control account headings as may be appropriate:

- Revenue,
- Expenditure
- Credits (Recoveries),
- Revenue Debits (Refunds),
- Advances,
- Deposits and
- Other Accounts.

Receipts - All receipt of money (cash or cheques) should be entered in the cash column of the receipt side (debit side) of the cash book, strictly in the order that the transactions occur.

Payments - All payments by the treasury should be entered on the payment side (credit side) of the cashbook. Cash payments should be entered in the cash column and cheque payments should be entered in the bank column.

3.8. Receipts

- Receipt forms should be in triplicate and pre-numbered by the printer.
- The original is given to the person making the payment.,
- One copy is for the cashier's records and one is retained in the booklet for the Council Treasurer.
- A separate receipt should be issued for all monies received, including amounts received from other tiers of government.
- In these cases the original receipt should be attached to the detailed statement accompanying the remittance and kept in the file.
- This form provides spaces for all information pertaining to the receipt of money.
- The information must be filled in at the time of the transaction and is necessary for making entries in the accounting records and for providing supporting documentation for all receipts.



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- Issuing the receipt is the first step in the recording of receipts and should be done immediately upon receiving the payment.
 - Cash received should be deposited intact with the Council Treasurer or in the bank each day.
 - If the money is deposited with the Council Treasurer, it should be accompanied by copies of the receipts, and s/he should make out the daily deposit.
 - If the money is deposited directly in the bank by the cashier, a copy of the deposit slip and the treasurer's copies of the receipts should be furnished to the Treasurer.

3.8.1. Receipts Register

- The receipts register is a chronological record of cash and cheques received. It contains an amount column for the total amount of the cash and cheques received, and fund columns for the amounts attributable to each source.
- The register provides the information needed to prepare the monthly or annual summaries of cash and cheques received by source.
- Good accounting procedures require that the clerk make entries promptly in the register and ledgers.

3.8.2 Receipts Ledger

- The receipts ledger is designed to provide a classification of revenues by source for each amount. A ledger is prepared for each major revenue source.

3.8.3 Receipt Book Register

- This register accounts for receipt book received from printers taking into cognisance date of receipt, receipt numbers, number of booklets received, date of issue and to whom (revenue collector) issued. Consideration is also given for return of receipts.
- The receipt book register is on Form LGT 24.

3.8.4. Flow of Receipt Transactions.

- Revenue receipt booklets are entered serially in the receipt book register
- Receipt booklets are issued serially to revenue collector from the receipt booklet distribution register
- Revenue collector signs and dates the appropriate columns on the distribution register.
- Particulars of revenue collectors; name, type of revenue, interval of payment etc are shown in a revenue collector's chart.



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- Demand notices are served and revenue collected before issuance of receipt to the payer.
 - Revenue collected are recorded in the revenue collector's cash book.
 - Payment is made by the revenue collector to either the designated bank supported with teller which should be presented to the Senior Cashier or cash is brought to the Treasury
 - The revenue collector's cash book, classification slip and the receipt booklet are produced for audit examination.
 - Exhausted revenue booklets are, returned to the store after authentication by the internal audit.
 - Posting of the classification slip into the Vote book, revenue register and ledger.
 - Issuance of demand notice by Finance and Supplies Department.
 - Proof of service to the rate or tax payer.
 - Payment by rate or tax payer directly to the bank.
 - Daily Collection of bank tellers from the bank by the designated officer.
 - Issuance of receipt to the rate or tax payer.
 - Posting of receipts into receipt register and Receipt ledger under appropriate head and subhead.

3.9 RESPONSIBILITIES

3.9.1. The Council Treasurer

The Council Treasurer is responsible for the day to day running of the Finance and Supplies Department and of the accounting system of the local government.

3.9.2. Staff of Accounts Department

1. All Finance & Supplies Department staff should ensure that they are familiar with all the books of accounts and forms required in the fulfilment of their duties.
2. They must familiarize themselves with all the accounting heads and sub-heads.
3. They must be familiar with all accounting procedures and processes and be able to deal with clarifications from non-accounting staff regarding authorization and approval processes.



CHAPTER 4

REVENUE

4.0. GENERAL PRINCIPLES

The main sources of revenue of local governments are as follows:

- i. Statutory allocations and Grants
- ii. Internally Generated Revenues (IGR)
 - a. Fines and fees
 - b. Rates.

4.1. Internally Generated Revenue

The Fourth Schedule 1 (b) to (k)-vi of the 1999 Constitution gives local governments the right to collect a range of taxes and other IGR. The following taxes, rates and levies are collected by local governments in Lagos State:

1. *Local Taxes*: community taxes or rates imposed by the local government (at flat rate on individuals aged 18 years and above)
2. *Land Use Charge*: this tax is being collected by the State Government and an agreed proportion of the tax is then paid to the relevant local governments.
3. *Tenement Rate*: charged on industrial, commercial and residential buildings within the local government area, levied at 10% of the rateable value. This is being replaced with the Land Use Charge.
4. *Local Licenses, Fees and Fines*: Fees chargeable by the local government on payers on vocation and for conducting certain services or trades within the local government area:
 - Rates, radio and television licences;
 - Fees and charges from cemeteries, burial grounds
 - Licensing of bicycles, trucks (not mechanically propelled trucks), canoes, wheel barrows and carts;
 - Fees and levies from slaughter houses, slaughter slabs, markets, motor parks and public conveniences;
 - Charges for use and clearance of public conveniences, sewage and refuse;
 - Fees for registration of all births, deaths and marriages;

Control, regulation of and collection of fees for:

- Out-door advertising and hoarding,



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- Movement and keeping of pets of all descriptions,
 - Shops and kiosks,
 - Restaurants, bakeries and other places for sale of food to the public,
 - Laundries, and
 - Licensing, regulation and control of the sale of liquor.
5. *Rent on Local Government Property:* Fees charged on the use of local government halls and properties as well as rent allowances deducted from staff salaries for use of local government staff quarters.
 6. *Interest Payment and Dividends:* interest and dividends on local governments fixed deposits and other investments respectively.
 7. *Grants/ Reimbursements:* revenue recoverable from either the Federal or State governments, by way of grants as well as repayment of loans and advances granted by the local government to its staff.
 8. *Miscellaneous:* sundry items of revenue, such as recovery of losses and overpayment, unclaimed deposits, payment in lieu of resignation notice, etc.
 9. *Statutory Allocations:* Allocations from the Federation Account and a certain percentage of *the Internally Generated Revenue of the State Government IGR* for distribution on a monthly basis among the local governments in the State.
 10. Other receipts of the local government comprise of sale of property, plant & equipment and donations.

4.2. Statutory Allocation:

The process for local government to collect statutory allocations from the state is as follows:

- i. A Technical Sub- Committee meeting is convened by the State Ministry of Finance to consider the monthly statutory allocation for distribution among the local governments in the State.
- ii. The Joint Accounts Allocation Committee (JAAC) meets to consider the report of the Technical Sub-Committee. The Committee adopts and approves the distribution of the Federal Statutory Allocation for each month.
- iii. The State Treasury Office issues a clearance to the State Paymaster to transfer funds based on the approved list to each local government.
- iv. The State Paymaster transfers the funds while the Payment Voucher is duly signed by Local Government paymaster authorized to be the cheque collector for the relevant local government
- v. The credit advice in respect of the remittance by the State Treasury Office to the local government is forwarded to the local government Cash Office for posting



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- vi. A Receipt Voucher is raised and a Treasury Receipt issued. These are sent to the State Treasury Office.
 - vii. The Cash Book is debited with the amount of the statutory allocation, while the revenue head 1009 A, B, or C is credited.

4.2.1. Managing Internally Generated Revenue

1. All revenues are received by the cashier in the Treasury, a revenue collector or paid directly to designated local government bank accounts.
2. Where local government revenue is outsourced, the revenue consultant should not be entitled to more than 20% commission and should be appointed through an open tender process in line with existing regulations.

In accounting for local government revenue the following matters should be considered:

1. Handling of cash revenue
2. Controlling collections
3. Revenue Collection Process
4. Reporting duties
5. Returned Cheque Policy.

These are covered in the following paragraphs.

4.2.2. Handling of cash revenue

Policies and procedures related to handling of cash must be developed. Such policies should be aimed at:

- Accelerating cash collection
- Minimising cash handling losses
- Improving reporting and accountability
- Enhancing security
- Entrenching liquidity management.

4.2.3. Controlling Collections

1. The Finance and Supplies Department must establish controls over revenue collections, to ensure that that all monies due to the local government are promptly collected and fully accounted for.
2. The Council Treasurer is expected to maintain a revenue chart listing the revenue collectors, amount due and received, dates and remarks. He should also ensure that all revenue collectors put on name tags and that they are placed on bond with at least two sureties each with a value decided by the ExCo dependent on the risk and nature.
3. The internal auditor should pay surprise checks on revenues collectors at irregular intervals to prevent and detect fraud, leakages and irregularities.



4.2.4. Revenue Collection Process

The following is a summary of the receipt and collection processes in the local government:

1. The Demand Note based on the approved tariff is raised and served on the rate payer.
2. The rate payer either pays directly to the local government designated bank and submits a copy of the teller to the local government or drops a copy of the teller in the Teller box in the Bank for the issuance of local government pre-numbered General Receipt.
3. Daily revenue returns is prepared by raising Revenue Classification Slips (Form LGT 19) by the Cash Office.
4. The Treasury Cashier issues a Treasury Receipt (Form LGT 17) for the entire amount paid into the local government by a cashier.
5. A weekly reconciliation of all daily revenue collection record with the bank statement is made by the Revenue Section.
6. The Main Accounts Division prepares a Journal Entry Voucher and records in the Departmental Vote Revenue Account, Form LGT 73A, (DVRA), Cash book of the respective bank as well as the combined cashbook.
7. The monthly summary of Revenue (Form LGT 75) is prepared showing the total revenue collected per Head.

4.2.5. Reporting Duties

Collection staff and institutions are responsible for documenting and reporting on their collections and submitting revenue and reports on a timely basis. The report and processes involved include:

1. The presentation of daily report on collections usually called the daily cash available report.
2. Updating of the permanent daily collection journal or report that should disclose all daily cash transactions during the fiscal year.
3. Preparation of deposit slips for remittance to the local government account.
4. The balancing of actual collection with receipts and with the daily report on collections
5. The transfer of collection and deposit information to the individual/office responsible for preparing the cash transfer report which is used in updating accounting records
6. The preparation of a report on monies that must be recorded in the suspense account or a clearing account for further action; Reports should be completed accurately and double checked to eliminate errors.

4.2.6. Returned Cheque Policy

Every local government should have a policy with regard to cheques that have been returned due to insufficient funds in the account of the payer, or defects in the system.

- The returned cheque should be immediately debited to an “advance” account, raised in the name of the payer - while the cash book is credited



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- The payer should then be officially informed of the dishonoured cheque, and a request made for him to raise a bank draft for that sum, in favour of the local government.
 - Failure on the part of the payer to comply within seven days of the notice should lead to a report being made to the appropriate law enforcement agency.

4.3. Responsibilities

4.3.1. Executive Committee is responsible for:

Examining proposals and submitting recommendations on:

- The amendment of revenue bye-laws or rules or enactment of new bye-law or rules providing for raising of revenue by the local government.
- The level of local rates and taxes to be levied.
- The Executive Committee meets each month to consider the following statements presented to it:
 - The Revenue Collectors Chart;
 - Report checking the accounts of Revenue Collectors and any irregularities in regard thereto;
 - Report on the checking of revenue-earning books;
 - Report on the cash-flow situation, showing probable receipts and estimated payments for each month of the following three months;
 - A statement showing progress in the collection of revenues under various main heads, as compared with estimated amount in the budget and the variances arising therefrom.

4.3.2. Finance & Supplies Department is responsible for:

Ensuring that revenue due to the local government is collected promptly and efficiently, and paid completely into the local government bank accounts.

4.3.3. The Council Manager

Ensures that all policy formulation by the local government is directed towards revenue collection, enhancement and effective utilization.

4.3.4. Council Treasurer

- Ensures that adequate procedures are put in place and strictly followed on collection of revenues
- In consultation with other local government officials, sets up all systems required for the collection, remittance and safe keeping of local government revenue. The Council Treasurer ensures that processes for the performance of these functions are working and easy to implement.



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- The Council Treasurer should ensure that at all revenue collection points adequate security arrangements are put in place for the protection of cash while ensuring that procedures on handling of cash are being followed.

4.3.5. Internal Auditor

The internal audit unit should ensure that all internal checks and internal control mechanisms are fully instituted to safeguard the revenue collected, prevent revenue leakages, ensure segregation of duties, regular management reviews and reconciliations.

4.3.6. Revenue Officers

- Ensure the collection of revenue
- Account for revenue collected, and render returns to the Council Treasurer (in accordance with the provisions of the Financial Memoranda and other existing regulations).

Note: A revenue Officer is involved in administering, supervising or performing work related to collating revenue returns. A revenue collector is responsible for the actual collection and reporting of revenue.

4.3.7. Revenue Collectors have a duty to:

- Keep books of accounts and other records (prescribed by the Financial Memoranda and the Council Treasurer), to ensure that all revenue due to the local government is collected in full;
- Promptly collect all revenue due to the local government;
- Report to his/her immediate superior any instances of default in payment of monies due to the local government;
- Issue receipts or licences immediately upon payment, in the prescribed form;
- Record in the Revenue Collector's cashbook, details of all receipts of revenue and depositing of revenues to the Treasury or designated bank;
- Safeguard all revenue in his/her possession, pending payment to the Treasury designated or bank - by placing such cash in a safe provided by the local government;
- Keeping all revenue-earning books under lock and key when not in direct use;
- Presenting his/her records for checking, when required to do so;
- Return all exhausted revenue-earning books to the official from whom they were received.



Chapter 5

PAYMENTS

5.0. Introduction

There must be proper financial authority and control for all local government expenditure. Payments are made either by the Finance & Supplies Department or from an approved imprest account. Payments should not be made unless authorized funds are available. Every payment must be supported by properly authorised payment voucher, prepared on one of these forms:

<u>Form No.</u>	<u>Purpose</u>
LGT 45	General Payments
LGT 46	Salaries
LGT 48	Pensions
LGT 49	Travelling Allowances

5.1. Preparation of Payment Vouchers

Payment vouchers are prepared as follows:

- Payment vouchers must be made out in favour of a person to whom money is actually due.
- Payment vouchers must be clearly worded with full particulars of the payment.
- Payment vouchers must be sequentially numbered, corresponding with the cashbook entry, and filed in numerical order.
- Payment vouchers must be typed or hand written in approved ball point pen.
- Only the original of the voucher should be signed in full. Signature stamps are not acceptable.
- Copies of the voucher must not be signed in full but simply initialled or stamped.
- All documents referred to on a voucher should be attached, unless such a document was attached to a previous voucher. In that case, the number of the previous voucher must be quoted.
- Where goods supplied have been taken into store, the store's ledger reference must be quoted.
- Each voucher must indicate the head or sub-head of expenditure to be charged.
- Composite vouchers (debiting more than one head or sub-head) should be avoided.
- Alterations to payment vouchers must be signed in full by official authorizing payment. A voucher with extensive alterations may be rejected at the discretion of the Council Treasurer.

5.2. Safeguards on copy of vouchers

Observe the following safeguards where copies of vouchers other than originals are used:



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- Special voucher forms must be used overprinted with “Not Valid for Payment”.
 - Payment must be made only on presentation of the original payment voucher, which should be retained in the Finance & Supplies Department in support of the cashbook entry.
 - Duplicate vouchers may not be used in place of a cash order form.

5.3. Authorisation

1. Payment voucher must be authorised by the officer controlling a vote (the person to whom the *Authority to Incur Expenditure* was issued).
2. The signature of the person authorizing payment should certify the correctness of all the details on the voucher. He is thus held responsible for payment in excess of approved votes.
3. The authorising official must ensure that:
 - He has authority to sign for the vote or account, and the amount is correctly charged to that vote or account.
 - The service specified has been performed or the relevant goods have been received.
 - The amount charged is according to contract or approved scales or fair and reasonable according to current local rates.
 - There is sufficient money available in the vote to meet the expenditure.
 - The voucher has been properly entered in the Departmental Vote Expenditure Account Book (LGT 42).
 - The payee named on the voucher is the person entitled to the payment due.
 - Payment to any local government official is made in accordance with staff regulations.
 - All calculations on the voucher are correct.
 - The total on the voucher is entered in both figures and words, and the two figures must agree.
 - The approval of the appropriate authority has been obtained.

5.4. Prepayment Audit

1. All payment vouchers should be submitted to internal audit for pre-payment audit.
2. Payment should not be made until the internal auditor has audited the payment voucher.
3. A register of all bills received by the local government (form LGT 43) should be kept by the Finance and Supplies Department. Details of all bills and invoices must be entered according to when they are received, the date they are passed for payment and the number of the relevant payment voucher.
4. The Council Treasurer should review the register on a weekly basis, to ensure there is no accumulation of unpaid bills.

5.5. Payment Method

1. Payment should be made by cheque.
2. The local government should draw up rules for what may be payable in cash.
3. Payment should be made to the person to whom it is due. Payment to third party should only be made on production of written authority from the person to whom payment is due, such authority being attached to the payment voucher after payment.
4. Where cheques are not handed to the payee or his/her authorised representative, they must be sent to the payee by registered mail.



5. Where payments are made by cheque, such cheques should be crossed unless there is a good reason not to do so. Original payment vouchers should not be forwarded to the payee but retained in the Finance & Supplies Department. Remittance advice slip LGT 50 must be sent with every remittance dispatched to a commercial firm.

5.6. Acknowledgement by endorsement of payment voucher and accounting records

1. Payment vouchers must be receipted by the payee or his/her authorised agent. The receipt must state clearly in words and figures the actual amount received.
2. Where the payee is not literate, his/her finger print should be obtained and a responsible official, other than the paying officer, should certify that the amount shown on the voucher was paid to the proper payee.
3. An official printed receipt must be obtained and attached to the payment voucher, in respect of payment to the Federal or State Government, another local government or a commercial firm.
4. The cash book should be initialled by the cashier in the appropriate column, when a payment voucher is receipted.
5. Where a cash order form (COF) has been used, the payment voucher receipt column in the cashbook should be marked COF. This entry should be ruled through when the receipted form is returned to Finance & Supplies Department, with all actions properly completed and all necessary receipts attached.
6. A register of an un-receipted voucher LGT 52 (a voucher without a signature or rubber stamp and receipt of corporate body) should be kept in the Finance & Supplies Department. All un-receipted vouchers should be entered into the register at the time of payment. When a receipt is subsequently obtained, details of the receipt should be entered into the register. The Un-receipted Vouchers Register should be checked once a week by the paymaster and action taken to obtain the required receipts.

5.7. Example of payment process

Authorization:

1. Ensure that the contract has been awarded by the appropriate spending authority.
2. Authorization must be communicated to the Council Manager, Officer Controlling a Vote, and Council Treasurer in writing.
3. Contract agreement must be signed and sealed by the Legal Officer, Council Manager and Contractor.
4. Copies of the agreement must be sent to Officer Controlling the Vote, Council Treasurer, Auditor- General for local governments, while the contractor retains the original and other copies are filed by the Legal Officer and Council Manager.

Payment process:

1. The supervising officer should sign a certificate to certify that the value of work done is not less than the amount being claimed.
2. A payment voucher is raised by the Officer Controlling the Vote and entered into his/her Departmental Vote Expenditure Account.



3. The payment voucher is sent to:
 - Head of Department Budget, to ensure that there are sufficient funds in the relevant budget or the vote of charge is funded.
 - Internal Auditor for prepayment audit.
 - Expenditure Section of the Finance Department, who must check for necessary documentation (Ref No., computations, and coding on the Payment Voucher).
4. The payment is scheduled for consideration at the Fund Management Committee meeting for payment authorization.
5. The cheque is raised, and signed by the Council Treasurer and the second signatory.
6. The Payment Voucher is entered in the Cash Book.
7. The payee (contractor) signs the Payment Voucher and cheque register, and collects the cheque.
8. The Payment Voucher is batched and securely kept for examination by the Auditor General for Local Governments.

5.8. Essential features of a valid voucher

The following should be correct and accurate:

- Date of the transaction.
- Particulars of the transaction.
- Departmental No.
- Classification Head/sub-head.
- Name and address of payee.
- Amount in words and figures must agree.
- Supporting documents.
- Voucher certificate – issued by the Prepayment Inspection Committee indicating satisfactory completion of a project, supply or service.
- Financial authority – the *Authority to Incur Expenditure* which approves the procurement.
- Signature of Officer Controlling the Vote – approval of the payment.
- Payment control No./Cheque No.



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- Signature (certification) of Payment Voucher Clerk, Head Budget and Planning Department and Internal Auditor.

5.9. Imprest Account

5.9.1. Rules

- Imprest advances may be granted by officers controlling the vote, or a person with authority to incur expenditure
- No imprest advance should be approved unless all previous imprest issued for same purposes have been retired.
- Imprest payments must be charged to an advance account, in the name of official concerned.
- No further entries should be made in the advance account until it is retired.
- All outstanding imprest advance accounts must be retired at the end of the financial year.
- Each imprest holder should keep an imprest cashbook:
 1. Initial advances being entered as receipts
 2. All payments from the imprest account must be supported by payment vouchers, properly completed and authorised.
- No expenditure should be made from an imprest account except for those purposes for which the imprest was authorised.
- When replenishing the imprest funds, the imprest holder must submit his/her imprest cashbook and payment vouchers (with receipts attached) to the Finance & Supplies Department

5.9.2. Checks and Reimbursement

- The cashbook and vouchers are checked by the Finance & Supplies Department. The total of accepted vouchers (without receipts attached) must be reimbursed to the imprest holder.
- The imprest holder enters the reimbursed payment as a receipt in his/her cash book, to bring cash-in-hand to the level of the original imprest advance.
- The Finance & Supplies Department charge the value of payment vouchers which have been reimbursed directly to the relevant expenditure heads and sub heads.



5.9.3. Retirement of Imprest

1. The imprest should be retired when the purpose for which it was granted is completed. All imprest funds should be automatically retired at the end of each financial year.
2. The procedure for retiring an imprest and closing the imprest advance account is as follows:
 - The imprest holder must take his/her cashbook to the Finance & Supplies Department, along with all vouchers to support payments he has made and the cash balance in hand. The total value of vouchers plus cash in hand must total the advance made to him/her.
 - Payment vouchers handed over by the imprest holder must be entered into the Treasury cash book on the credit (payment) side; and debited to the appropriate expenditure sub-head.
 - A receipt voucher should then be prepared for the total authorised amount of the imprest (i.e. the total of the payment vouchers and the cash balance).
 - This receipt is entered on the debit (receipts) side of the treasury cash book, to record total repayment of the advance.
 - The credit entry corresponding to the imprest advance account is then closed.
 - The difference between the debit entry in the treasury cashbook, the total amount of imprest and the credit entry (the total amount spent as per the payment vouchers) represents the cash balance, which should be handed over to the Finance & Supplies Department.

5.9.4. Checks on Payment Vouchers

The Council Treasurer or a senior officer from the Final Accounts Division of the Finance & Supplies Department should carry out the following checks on payment vouchers:

1. Once each month, check the postings of all payment vouchers in the Treasury cashbook. S/he must sign his/her initials against the last entry checked.
2. Each week, check the register of outstanding vouchers and the register of un-receipted vouchers for outstanding items. Ensure prompt action is taken to obtain all outstanding receipts.
3. Each month, check at least 20% of the payment vouchers and ensure:
 - The correctness of all details, authorities, alterations, rates, calculations, casts and receipts



- That official receipts have been obtained where these are normally issued (e.g. by government, other local governments and commercial firms).
 - That expenditure appears reasonable and for purposes which are proper charges on the funds of the local government
4. The Executive Committee may direct, without prejudice to the overall responsibility of the Treasurer, that any of the foregoing checks should be carried out by the internal auditor.

5.10. Cash Flow Management

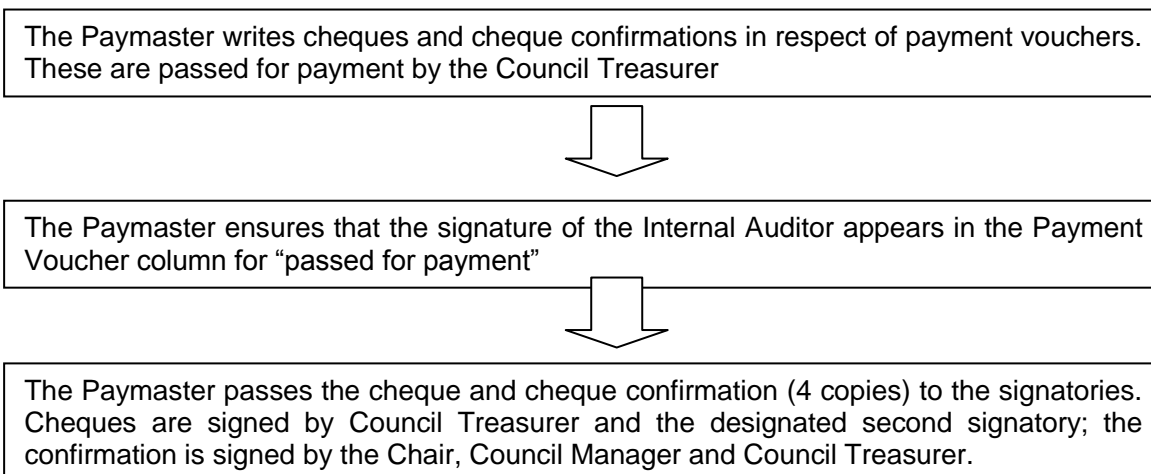
Cash-flow management is the strategy and processes of handling the local government short-term cash flows and cash balances. The purpose of cash flow management is to indicate the cash flow situation of the local government, and to forecast cash inflows and outflows for the next three months. The Cash Flow record (LGT 117) is prepared every three months by the Council Treasurer, and submitted to the Funds Management Committee. The Cash Flow record certifies the following:

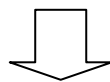
1. The estimated flow of money from taxes, rates, statutory allocations and grants and all other local government revenue into the local government bank account, over the next 3 months.
2. Estimated payments to be made by the local government during the next 3 months
3. Estimated availability of funds for short or medium term investment, after taking account of inflows and outflows above.
4. The cash flow record should be prepared on form LGT 117

5.11. Payment Process (Paymaster)

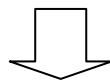
The Lagos State Oracle system manages payment of salaries, allowances and leave bonuses of State and local government employees. Salaries are paid directly into the accounts of employees. As a result, local government paymasters no longer pay pensionable staff salaries and allowances. However, all other payments remain payable by the paymasters.

The payment process by the paymaster is as follows:

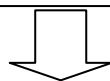




The Paymaster dispatches confirmation to the bank. Copies of confirmation are retained by Council Manager, Council Treasurer and the Paymaster



The Paymaster collects cash from the bank for disbursement to the respective beneficiaries (if payment is by cash, such as *non-pensionable staff*, payment to committee members etc)



For payments by cheque, cheques are released to beneficiaries or their representatives (appointed in writing). The beneficiaries or their representatives must sign the payment vouchers and cheque register as evidence of collection

5.11.1. Accounting entries for Expenditure

To satisfy the double entry principle, the accounting entries for expenditure are wide ranging, but ultimately the expenditure item in the ledger is debited while the cash book is credited. The payment of a legal fee by the local government to a legal consultant, for example, requires that the payment voucher should be posted to Head 2002, Sub-Head 08;

Debit – Legal Consultancy Services

Credit - Cash Book

However, the following accounting entries would be made in respect of the payment of motor vehicle advance to a local government staff:

On approval raise a payment voucher; make payment

Debit – Motor Vehicle Advance (Total) account

Credit – Cash book

Where more than 1 officer is involved, raise an adjustment (Journal Voucher)

Debit - Individual (Personal) Advance Account

Credit – Suspense Account

Where there is an administrative charge on the motor vehicle advance, raise a Journal Voucher

Debit- Individual (Personal) Advance Account

Credit – Suspense Account

When a repayment is made by the officer – raise a Receipt Voucher

Debit – Cash book

Credit - Individual (Personal) Advance Account



If the advance proved irrecoverable and approval is granted for its write-off

Debit – Loss of fund account

Credit - Individual (Personal) Advance Account

At the end of the period raise a Journal Voucher for the required adjustment

Debit – Suspense account

Credit - Individual (Personal) Advance Account

Salary payment must be accounted for with the following accounting entries:-

Raise salary voucher;

Debit – Personnel Cost- the gross amount

Credit- Cash Book - the gross amount

If payroll deductions are paid along with the salary make a contra entry;

Debit – cash book (cash column)

Credit – cash book (cash column)

If payroll deductions are paid at a later date;

Alternative 1

On payment of net salary amount

Debit – Personnel Cost- the gross amount

Credit – Cash Book- (bank column) –the net amount

Credit- Deposit account - the payroll deductions

On payment of deductions

Debit – deposit (deductions) account

Credit – cash book

Alternative 2

On payment of net salary amount

Debit – Personnel Cost- the gross amount

Credit – Cash Book- (bank column) –the gross amount

Raise a Receipt Voucher to recognise the deduction liability

Debit – cash book – pay roll deduction amount

Credit – deposit (deductions) account – deduction amount

On payment of deductions

Debit – deposit (deductions) account

Credit – cash book.



5.12. Responsibilities

5.12.1. Funds Management Committee (FMC)

No amount shall be released from local government funds without the due consideration and approval of the Funds Management Committee. The composition of FMC is:

- | | |
|----------------------|--------------------|
| i. LG Chair | - Chair |
| ii. Vice Chair | - Vice chair |
| iii. All Supervisors | - Members |
| iv. Council Manager | - Member |
| v. Council Treasurer | - Member/Secretary |

5.12.2. Council Treasurer

The Council Treasurer is responsible for:

1. Ensuring that appropriate procedures and controls for payments are followed.
2. Maintaining appropriate and robust systems for making payments.
3. Providing cash flow information, as recorded on Cash Flow Record. The Council Treasurer should also submit the financial status of the Local Government to the FMC at the end of the month before payment of outstanding debts is made.
4. Ensuring that all payments are properly authorized and relate to duties entrusted to the local government.

5.12.3. The Paymaster

The paymaster is answerable to the Council Treasurer and responsible for custody of all local government cheques. The paymaster's responsibilities include:

1. Writing and issuing cheques to payees or their representatives.
2. Paying out cash to non-pensionable staff of the local government.
3. Maintaining the expenditure side of the combined cash book
4. Cash cheques written in his/her name on behalf of the local government, for the purpose of meeting payments approved on payment vouchers
5. Safely keeping cash awaiting payment
6. Recording into the Ledger all vouchers due for payment
7. Taking custody of copies of cheque confirmations.

5.12.4. Staff involved in the payment process

Staff involved in payment processes are responsible for:

1. Being aware of the procedures to be followed;
2. Acting in accordance with laid down delegation and authorization.



Chapter 6

PROCUREMENT OF GOODS & SERVICES

6.0. Introduction

- Goods and Services refer to all items, supplies, materials (equipment, furniture, stationery, materials for construction) and general support services (repair and maintenance of equipment and furniture) and infrastructure projects, which may be needed by a local government.
- Local Government procures a wide range of goods and services and should ensure that the procurement process is efficient, transparent and competitive in order to attain best value for its expenditure and inspire public confidence.
- Procurement includes a significant risk of fraud and corruption and so needs careful control.
- All procurements should be made in line with the requirements of the Lagos State Public Procurement Law 2012.

6.2. Expenditure Authorization Limits and Documentation

1. Contracts on capital projects or services up to ₦35 million should be considered and approved by the local government Executive Committee, provided that provisions are contained in the approved budget or approved supplementary estimates.
2. Contracts on capital projects or services that exceed ₦35 million should be referred to the State Executive Governor for approval, through the Ministry of Local Government & Chieftaincy Affairs.

- The approval limits for procurement are as follows:
 - The local government Chair can approve expenditure up to ₦500,000 at a time, subject to a maximum of ₦2.5 million per month
 - The Executive Committee should approve all expenditure between ₦500, 000 and ₦35,000, 000 and ratify all expenditure approved by the chair.
 - A Tenders Committee should approve all contracts of capital expenditure between ₦500,000 and ₦35 million forwarded to it by Executive committee
 - the State Executive Governor should approve all expenditure above ₦35 million

- All approval for expenditure should be in writing – this is the formal *Authority to Incur Expenditure*
- All expenditures approved by the Chair should be reported within a week to the Executive Committee.



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- All contracts and expenditures should be in the approved budget and subject to availability of funds.
 - Total monthly expenditure authorised by Chair should be reported in the monthly statement of expenditure, as submitted to the legislative council.
 - All contractual agreements and Local Purchase Orders (LPO) should be countersigned by the Council Manager, only after the Chair or the Executive Committee has given its approval.
 - If the Council Manager observes any irregularity, s/he should call the attention of the Chair or Executive Committee to it.

6.3. Local Purchase Order (LPO)

An LPO is meant for supplies, such as direct purchase or over-the-counter items. Expenditures of ₦500, 000 or above should go for tender through the Tenders Committee.

1. It is forbidden to split LPOs (ie. to artificially keep the value under the tender limits by issuing more than one LPO for what is a single order)
2. LPOs should be pre-printed with consecutive numbering. Each issue of an LPO should be recorded in a separate section of the receipt book register and receipt book distribution register.
3. Local Purchase Order forms should be kept locked in a cupboard when not in use, and their use strictly controlled.

6.3.1. Preparing a Local Purchase Order

1. Each Local Purchase Order (LPO) should be prepared in quadruplicate. The four copies should be distributed as follows:
 - Original and duplicate to the supplier,
 - Triplicate copy to the Treasury
 - Quadruplicate copy retained in the files of the issuing department.
2. Full details of the items required to be documented in the appropriate columns and each item numbered separately. The order form should be ruled off immediately after the last entry, to prevent unauthorised additions.
3. Details of the head and sub-head of the expenditure vote to be debited and the Department/ Section to incur expenditure should be entered at the top of the order form.
4. Separate LPOs should be issued for articles/items to be debited to different expenditure vote heads
5. The LPO should be signed by the appropriate head of department who has authority to control the expenditure vote and countersigned by the Council Manager, before the expenditure is made or the LPO is issued.
6. The LPO should bear official stamp of the local government.



6.3.2. Entering commitments into the books

1. Accounts staff in the relevant department should ensure that each order is entered into the Departmental Vote Expenditure Account (DVEA), as a “commitment”, as soon as an order is authorised.
2. Accounts staff should also ensure that the quantity of purchases is limited to what is consumable within the financial year. Bulk purchase of items for use over more than one financial year is not permitted.

6.3.3. Payment procedures for a Local Purchase Order

Payment for a LPO is due *only* after due completion of the job or the receipt of the goods. On completion of the order, the payment procedure is as follows:

1. The Head of Department should certify both the local government and supplier’s copies of the LPO, clearly indicating the amount due.
2. The Council Engineer or the store officer should certify that the delivery is complete and/or that quality of works is of the required standard and so satisfactory.
3. After the order and its quality are certified, the internal auditor and the head of department must authorise the preparation of the Payment Voucher.
4. The supplier’s invoice and original of the LPO (returned by the supplier) should be attached to the payment voucher.

6.4. Tenders and Contracts

A “Tender” is a competitive procurement process. Friends, family and favored contractors often do not offer the best value or quality. Tendering for supplies, services and works therefore helps to ensure the best use of public funds.

- All transactions for works, services and materials costing N500,000 and above should be considered and approved by the Tenders Committee.
- For each proposed tender, the Head of Planning, Budget and Statistics should confirm that funds are available for the expenditure within the approved budget. The Council Treasurer should affirm fund availability to the Executive Committee.
- The local government should accept the lowest tender submitted.
- Tenders may be accepted in part or whole. A “part tender” may be accepted if one component of the tender is cheaper than other component, but the rest of the tender is more costly.
- If all tenders are rejected, a new tender process should be undertaken.



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- The Secretary to the local government should document reasons for accepting or rejecting a tender.
 - All documentation relating to a tender should be duly filed by the Secretary to the local government and kept in safe custody.

6.4.1 Preparing a Tender Notice

- The Secretary to the local government should call for tenders. The tender notice is usually drafted by the Council Manager in collaboration with the Secretary to the local government
- Each Tender notice should include the following:
 - Request for submission of a Certificate of Incorporation, and details of successful completion of other similar contracts (including samples if relevant)
 - A detailed explanation of the required service or works, including the required date of delivery or works completion
 - Clear explanation of the tender process, including how to collect tender forms, and explanation that all tenders should be delivered in *sealed envelopes*
 - The last date for submission of the tender, and name and address for submission.
 - The process that will be used to evaluate the tenders.

6.4.2. Publicizing the Tender

- “Open competitive”: publicly advertising the contract, asking companies to tender. The tender notice should be publicized in local print media and also publicly displayed at the local government Secretariat and other relevant government offices.
- In exceptional cases, where it is necessary to accelerate project or service implementation the local government may use “selective tendering”. “Selective tender” requires five qualified companies to submit quotations for the goods or services.

6.4.3. Submission of tenders

- Tenders should be submitted on the appropriate form and addressed to the Secretary to the local government.
- All tenders should be submitted in a sealed envelope
- Tenders should be sent through the post or deposited in a locked box in the local government secretariat (the Tender Box).
- No tender submission should be opened before the final submission date.



6.4.4. Opening and evaluating tender submissions

- For each tender evaluation, a *Tender Committee* is formed. This includes: the Executive Committee, Head of the relevant Department, and 2 other Officers of the local government.
- After the close of tender (the date stated on the tender notice), the *Tender Committee* should open the tender submissions, under the supervision of the Chairman.
- A list of received tenders should be prepared, detailing the company and quoted cost. This list should be duly signed by each member of the *Tender Committee*, and dated. This list should be filed by the Secretary to the local government
- The Tenders Committee should evaluate the tenders, using the following criteria:
 - All the tendering companies should be suitably qualified and should have submitted a Certificate of Incorporation. Unqualified companies should be removed from the tender evaluation.
 - All tendering companies should quote for the required quantity and quality of services or works. Companies that have quoted for a lower quality and quantity of service or works should be removed from the tender evaluation.
 - Identify the company with the least quotation price but with the best value for money.
 - The evaluation should be documented, with reasons for rejecting or accepting each tender.
 - The winning and losing companies should be notified in writing.

6.4.5. Preparing Contracts

- All contract agreements should be duly signed by the Legal Officer, Council Manager and the contractor.
- Contract agreements should be drawn in quadruplicates (four copies). They should be prepared with the assistance of the local government legal officer, with oversight from the Council Manager.
- Copies of contract agreements should be distributed as follows:
 - Original should be kept and filed by the Council Treasurer, who should number them serially
 - Duplicate copy should be given to the Contractor
 - Triplicate copy should be given to the officer controlling the vote – the head of department or Council Engineer
 - Quadruplicate should be given to the Auditor-General for Local Governments.
 - All tender contracts should include a clause on right of access to project sites authorizing the Auditor-General for Local Governments to examine, inspect or assess the contract at any time deemed necessary.



6.4.6. Payment to Contractors

Where a progress payment is required and authorized, the procedures should be:

Details of the amount to be paid should be recorded on the reverse side of the copy of the contract that was retained by the Head of Department.

- The officer controlling the vote should sign the payment voucher
- The contractor should present his/her copy of the contract agreement to the Council Treasurer for verification

The Council Treasurer should:

- Compare contractor's copy of the contract with his own copy;
- Examine the payment voucher, checking that it is accurate in all respects;
- Certify that the payment is charged against the proper vote;
- Certify that any previous payments have been deducted from gross amount payable;
- Endorse the payment on the reverse of both his/her and the contractor's copies of the contract, including noting the payment voucher number;
- Enter the details of the payment into the record of contracts LPO;
- When work has been completed:
 - The payment voucher should be prepared for the amount due to the contractor under the contract. The amount due is calculated by deducting from the contract value:-
Any progress payments made;
Any retention money, in accordance with the contract.
 - The Council Treasurer should endorse across his copy and that of the contractor "FINAL PAYMENT MADE LESS RETENTION MONEY OF ₦***"
 - A journal voucher should be raised by the Finance Department for retention amount
Dr. Vote and sub-head
Cr. Deposit account (in the name of contractor).
 - **Sub-standard works:** If there is any defect in the works, the cost of work to rectify the problem is debited to contractor's deposit account. This reduces the final payment of amount due (retention fee).
 - At end of the retention period, if there is no outstanding query, the retention money is paid to contractor. The payment must be debited to the deposit account which was raised in contractor's name, while the bank column in the cashbook is credited.
 - On completion of the contract (after the six months retention period), the payment voucher should be certified by the vote controller and the Council Engineer.

6.4.7. Contract Register

Custodian of the Contract Register: The Finance and Supplies Department should keep a permanent record of capital expenditure on physical assets.



Format of the contract register;

The register should show the following in respect of individual contracts on separate pages:

- Description of the project and its location
- Estimated cost of project
- Vote of charge
- Date that the project commenced
- Estimated date of completion
- Name and address of contractor
- Expenditure incurred; progress certificate, amount, and cumulative total expenditure.
- Date when project was completed or taken over
- Retention money due
- Release of retention money; certificate NO., date and amount
- Date on which asset is disposed/ ceased to exist and the reason for disposal/ destruction.

6.5. Responsibilities

6.5.1. Council Engineer

The Council Engineer is responsible for:

- Setting clear standards for local government procurement practices.
- Oversight of procurement activities, to ensure good practice is followed and if necessary invoking disciplinary procedures where rules are breached or guidelines are flouted.
- Providing advice to staff on procurement and contract matters.
- Obtaining advice on contract matters, where appropriate.
- Reporting on the project inspection, monitoring and certification.

6.5.2. Council Treasurer

The Council Treasurer is responsible for:

- Compliance with the procurement law and relevant regulations.
- Setting up and maintaining appropriate and robust systems within which commitments, expenditure and liabilities are promptly recognised and recorded.
- Monitoring and enforcing the segregation of duties in procurement processes.
- Monitoring local government procurement activities.
- Monitoring the accuracy of recorded commitments, liabilities and expenditure information, in co-operation with the Head of department

6.5.3. Pre-payment Inspection Committee

The local government is expected to have a Pre-payment Inspection Committee in place, comprising:

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|--|----------|
| ➤ Head of Planning, Budget and Statistics | -Chair |
| ➤ Head of Internal Audit | -Member |
| ➤ Head of Legal Unit | - Member |
| ➤ Representative of the executing department | - Member |



The Committee should undertake prepayment inspection of all supplies, programmes and projects which are subject to tender. It should issue prepayment inspection certificates, which all members should sign.

6.5.4. Internal Auditor

The Internal Auditor is responsible for:

- Ensuring that pre-payment inspection certificates are issued prior to release of funds, and certify the physical existence of the goods, service or works.
- Ensuring that all procurements and payment authorisation limits are fully complied with.
- Ensuring that the Executive Governor's approval is requested and received on all contracts over ₦35, 000,000.

6.5.5. All Staff

Council staff involved in procuring goods and services in whatever capacity are responsible for following procurement procedures laid down in the Lagos State Public Procurement Law 2012.



Chapter 7

BANKING AND INVESTMENTS

7.0. Introduction - Policies and Principles

The following measures should be taken in respect of LG banking transactions:

- a. The local government may open bank accounts for the following purposes
 - i. Main allocation or grant account;
 - ii. Development account for capital projects;
 - iii. Revenue account and;
 - iv. Any account as may be prescribed by the Executive Committee.
- b. The Chair should ensure that not more than four bank accounts are maintained in the name of the local government in reputable banks, which should be located nearest to the local government Secretariat.
- c. The amount of cash held at any location should be limited, with cash and cheque receipts promptly banked.
- d. The Council Treasurer should monitor all activities on local government bank accounts through Account Alerts, and be notified by e-mail or cell phone SMS as and when transactions are executed.
- e. No speculative activity should be undertaken when transferring monies between accounts in other currencies and Naira accounts.

7.1. Account Opening Policy and Procedures

- A proposal to open a new bank account can be introduced either by the Chair, the Council Manager or the Council Treasurer at the Executive Committee Meeting.
- The proposal should be discussed in details at the next Executive Committee meeting.
- If the Executive Committee approves the opening of the account, the account opening form should be completed by the signatories, which include:
 - The Chair (confirmation only),
 - Council Manager (confirmation only),
 - Council Treasurer (cheques and confirmation)
 - The second signatory (cheques only) appointed by the Local Government Service Commission from among the staff of the Finance & Supplies Department
- Before any of the Local government's cheques are honoured by the bank, a letter of confirmation must have been received by the bank. The confirmation letter should specify the name of the payee, the cheque number, the amount, the bank account number and the date.
- The local government resolution authorising the opening of the account, and other associated documentation should be sent with a letter to the Ministry of local government and Chieftaincy Affairs. The Ministry should forward the file to the State Accountant General for identification of the signatories and authorisation or otherwise of the opening of the bank account.



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- If satisfied, the Accountant General forwards the account opening documents to the proposed bank and informs the local government accordingly.

7.2. Investments

- As custodian of local government funds, the Council Treasurer has an obligation to ensure that cash resources are managed as effectively as possible. Local governments have a responsibility to invest their funds with great care and are liable to the community in that regard.
- The investment policy should be aimed at gaining the highest possible returns without undue risk during those periods when funds are not needed.
- To bring this about, it is essential to have an effective cash flow management programme.
- The local government may invest any portion of its monies in Stocks, Government Bond as may be authorised by the Executive Committee, subject to approval by the Legislative Council.
- The local government should invest any money in a current bank account for which there is no immediate requirement for its use.
- The local government may invest all balances held in a renewal fund deposit account.
- Money should be invested with more than one banking institution in order to spread the risk exposure of the local government if the local government is investing at least several millions of Naira.
- A local government should not borrow any money for investment in stocks and government bonds etc as this is considered as speculation with public funds.
- Investments should not be made by any local government that has an overdraft.
- The State Accountant –General in an advisory capacity may from time to time issue guidelines on investment options for local governments.
- Apart from Government Bonds, the local government should only invest in the following:
 - Fixed deposits with a bank approved by the State Government
 - Savings account with bank or post office
 - Funds on deposit with State Accountant General.

7.3. Fixed Deposits

- The local government should maintain an investment ledger, in which records of investments including fixed deposits are recorded and maintained.
- The number of each fixed deposit receipt should be recorded in the fixed deposit account in the investment ledger
- The fixed deposit receipt/certificate should be kept in the Treasurer's safe
- When a fixed deposit is to be renewed, the receipt should be sent to the bank. The bank should then credit all interests due to the current account of the local government.



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- When the statement containing the interest credit is received, the amount of interest should be receipted and debited in the cash book; and credited to revenue head 1006 and subhead 4 (interest on investments) in the DVRA.

7.4. Savings Bank Account

When an amount is to be invested in a savings account (with the local government bankers), a letter should be written to the bank. The letter should request a transfer of the required amount from the current account to the savings account.

When the debit advice is received from the bank, a payment voucher should be prepared in accordance with the provision of Financial Memoranda 27.7(1). The savings account is then debited; while the corresponding credit entry is entered into the individual bank cash book.

Interest on savings account is usually added to the principal. Therefore, when such interest is credited, a journal voucher should be prepared:

- Debiting “investment” in the abstract or Investment (Total) Account in the main ledger and crediting revenue head 1006 subhead 4 (interest on investment); or
- Debiting the individual account in the investment ledger and crediting revenue head 1006 subhead 4 (interest on investment)

The savings account passbook should be forwarded to the bank each year for the interests earned to be recorded therein.

7.5. Control over Investments

Proper records (Investment Register) should be kept by the Council Treasurer in respect of all investments made indicating the following:

- Institution
- Principal investment
- Interest rate
- Maturity date
- Details of any growth in investment through additions or capital appreciation.

7.6. Reporting Requirements

- The Council Treasurer should within 10 days of the end of each quarter submit to the Executive Chair a report describing the investment portfolio of the local government as at the end of each quarter.
- The report should set out at least:-
 - The market value of each investment as at the beginning of the reporting period;
 - Additions and changes to the investment portfolio during the reporting period;
 - The market value of each investment as at the end of the reporting period; and



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- Interest received and accrued interest or yield on each investment for the reporting period.

7.7. Power to Borrow Money

The Chair of a local government may from time to time with the approval of both the Executive Committee and Legislative Arm of the Local Government obtain loan from:

- Banks within Nigeria; or
- Other financial institutions approved by the State Governor.

Loans can be secured upon the local government's properties and revenues.

Loans should only be raised by a Local government to defray capital development expenditure or specific projects and should not be used for any other purpose other than that for which they were specifically raised.

7.8. Direct/Electronic Banking

- Electronic banking uses ICT to streamline the processing and recording of receipts and disbursements, while reducing the cost of processing these transactions.
- Online banking (or Internet banking or E-banking) allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution.
- To access online banking, the customer would go to the financial institution's website, and enter the online banking facility using the customer number and password.
- Online fraud (virus attacks, hacking, unauthorized access or fraudulent transaction) is a risk and local governments need to be aware of its existence and the risks.
- Traditional internal controls, such as written policies and procedures, authorizations, segregation of duties and monitoring, are still important with the use of e-banking.

7.8.1. Policy and Procedures

Before the Treasury adopts e-transaction, there should be a detailed policy and procedures in place that specify online banking activities and electronic funds transactions in which the LG is authorized to engage. The policy should include the following:

- The online banking activities that should be used;
- The Officer authorized to initiate electronic transactions;
- The officer who should approve electronic transactions;
- The Officer who should transmit electronic transactions;
- The Officer required to record electronic transactions;
- The Officer who should review and reconcile electronic transactions and the interval of such review and reconciliation.



7.9. Responsibilities

7.9.1 Executive Committee is responsible for:

- Examining proposals and submitting recommendations on the manner in which investments should be made.
- Exercising general supervision over the collection of revenue.
- Ensuring that all revenues are promptly collected and brought to account.
- Reviewing proposals on upward or downward review of local government rates and levies .
- Reviewing and approving recommendations on outsourcing of local government revenue.

7.9.2. The Chair is responsible for:

- Requesting periodic report on the banking transactions of the local government.
- Being accountable for all financial and non-financial transactions of the local government.
- Ensuring that all banking transactions of the local government are in compliance with the standard and accepted rules and regulations.

7.9.3. Council Treasurer is responsible for:

- Ensuring that public funds are safeguarded and that financial systems and procedures promote efficient and economical conduct of the local government business.
- Treasury management, including making payments and collecting revenue.
- Ensuring that banking arrangements are secure and reviewed regularly, including the provision of proper procedures and adequate controls to safeguard local government bank accounts.
- Advising the Executive Committee on the operation of bank accounts and petty cash facilities.
- Periodically reviewing the operation of all bank accounts to ensure that all local government bank accounts are reconciled with appropriate records on a timely basis, and at least monthly.
- Opening new bank accounts, and instructing the closure of a bank account or petty cash facility, with the approval of the Executive Committee.
- Authorising the opening of petty cash holdings to individuals.
- Be a signatory to all the local government bank accounts.
- Safeguarding all local government cheques from unauthorised access and issuance
- Safe custody of:
 - Certificates for Government Bonds (if any);
 - Any other investment certificates;
 - Title documents to local government properties.
- Allocating responsibility to individuals for efficient operation of bank accounts.
- Dealing with operational issues, such as funding bank accounts
- Ensuring bank reconciliations are carried out on a regular basis (at least monthly) and that any revealed discrepancies are followed up.
- Reviewing all bank reconciliations, signing and dating each reconciliation.



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- Reviewing the posting of bank transactions on a monthly basis.
 - Preparing monthly summaries (on LGT 80) of the balances of bank accounts in the investment ledger.
 - Ensuring that the total summary agrees with the balance of *Investment (Total) Account* in the main ledger.

7.9.4. Finance & Supplies Department

The Head, Expenditure Division should:

- Take care and ensure custody of local government funds both cash in hand and at bank
- Monitor the use of commercial bank accounts and petty cash holdings
- Confirm processing and review of the posting of Journal, Cash books, Departmental Vote books, General Ledger/ Subsidiary ledgers and Registers on a monthly basis.

7.9.5. Council Manager is responsible for:

- Ensuring the execution of policy on banking operations, and that they are in compliance with approved guidelines, standards and laws.

7.9.6. Paymaster is responsible for:

- Ensuring that local government bank transactions are in accordance with guidelines
- Ensuring compliance with appropriate procedures in the handling of local government bank account documents and maintain appropriate checks and controls that should prevent and detect misuse, fraud or error.
- Ensuring that bank statements and cash balances are reconciled with accounting records (reporting, investigating and taking corrective measures on any discrepancy)
- Providing the required returns to Final Accounts Division, for prompt and accurate maintenance of the local government accounting records.
- Immediately informing the Council Treasurer of any observed irregular or fraudulent activity or losses;
- Facilitating necessary checks by the Council Treasurer, Internal Auditor or Auditor-General for local governments.



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- Providing the Council Treasurer with advice when the local government is considering opening a new bank accounts or the closure of existing accounts.

7.9.7. Other Staff

Staff who are not formally responsible for, but involved in the use of commercial bank or petty cash facilities, should comply with the general policies and principles set out in this chapter. They should also comply with any other financial instructions.

7.10. General Safeguard on Cheques

- i. If a cheque is presented for payment after six months from the date of the cheque it is called a stale cheque and will not be honoured by the bank.
- ii. A file should be kept in Finance & Supplies Department containing authorised signatories to the local government bank accounts, together with their mandates.
- iii. Bank cheques should not be signed until all the details on them have been completed, and they are about to be collected or transmitted to the payee.
- iv. Cheques should be entered in the cashbook immediately they are signed by all the signatories.
- v. The signing of blank cheques is strictly forbidden and is subject to disciplinary action (losses arising there-from should be charged to the officer responsible).
- vi. A spoilt or cancelled bank cheque should be attached to the counterfoil and the bank informed promptly.
- vii. Cheque registers should be maintained for new and exhausted cheque books.
- viii. For new cheques, the date and cheque numbers should be entered in the New Cheque Book Register. Another register should be maintained for cheques currently in use, to take care of all cheques issued for payments.
- ix. Cheques should always be kept in strong room or safe, when not being used, under the control of the Council Treasurer
- x. Loss of any unused cheques should be reported to the bank immediately with full details of the cheques. In addition, reports should be made to Police and the Executive committee in writing.
- xi. Cheques issued by the local government should only be cashed at bank, and *not* at the cash office. Except for cheques which are used to draw cash, all cheques should be crossed so they have to be paid into a bank account.



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- xii. Cheque counterfoils, and cheques returned unpaid by the bank, should be kept in numerical order in a secured place.



CHAPTER 8

ASSETS & STORES ACCOUNTING

8.0. Introduction

A local government should maintain an Assets Register showing all its physical assets. Such assets should include motor vehicles, office furniture and equipment, specialized plant and equipment and any physical assets which have a life span of more than one year.

In addition, inventory cards are maintained in each room of the local government offices detailing all the items kept in the room and stores records are maintained if the local government holds significant stock. These documents should be updated from time-to-time.

8.1. Policies and procedures

1. Inventories cards should be maintained for each store item or group of items. Inventory cards should contain a detailed description of the item, quantities and a record of where it is located and who is responsible for the item.
2. The inventory cards should also include serial numbers and maintenance records, as appropriate.
3. The existence, location, replenishment and continued use of local government stocks should be verified regularly, by the internal auditor and the Auditor-General for Local Governments.

8.2. Responsibilities

8.2.1 The Chair is responsible for:

Ensuring that the assets of the local government (for which s/he is responsible) are safeguarded and that their usage is controlled.

8.2.2 Executive Committee is responsible for:

Ensuring that appropriate policies and procedures exist for safeguarding local government assets.

Under these arrangements:

- The Board of Survey should inspect and ensure asset maintenance and recommend annually to the Executive Committee Assets that are unserviceable.
- The Executive Committee should consider recommendations of the Board of Survey, and make disposal decisions on unserviceable assets.
- Assets which have been declared “beyond economic repair” should be reported to the Auditor-General for Local Governments.



8.2.3. Council Manager is responsible for:

- Implementing the decisions of the Executive Committee of the local government on asset management, allocation, control and disposal.
- Keeping proper record of all local government properties allocated to political office holders and retrieving these properties from them at the expiration of their tenure of office.
- Liaising with the appointed auctioneer on disposal of assets certified as unserviceable by the Auditor-General.
- Authorization prior to the write off or disposal of assets and determining the method of sale.
- Appointing the Transport Manager on local government pooled vehicles.

8.2.4. Council Engineer is responsible for:

- Inspection of all assets on acquisition, checking for quality, quantity, and general condition to meet with required specifications.
- Issuing assets to locations or users.
- Inspecting and regular maintenance of assets, declaring assets unserviceable.
- Issuing guidance on asset usage.
- Advising the Council Treasurer of suitable estimates of useful economic life of assets.
- Informing the Council Manager where assets become impaired through obsolescence or damage such that the assets should be disposed of.
- The Council Engineer is responsible for the process of disposal of those items which are classified as unserviceable.
- Keeping proper records of all local government properties in possession of political office holders and retrieving these assets from them at the expiration of their tenure of office.
- In consultation with Council Treasurer, determining the value of impaired, damaged or obsolete assets.
- Supervision of the Transport Manager, as related to vehicles allocation and maintenance.
- Maintaining good quality records of the local government fixed assets (Assets Register).
- Ensuring that all assets are tagged with asset identification references, and that the references are entered against each item in the fixed asset register.
- Ensuring that the Internal Auditor is informed of all asset identification numbers as they are generated.



8.2.5. The Council Treasurer is responsible for:

- With guidance from the Council Engineer, determining the economic life of assets and the use of fixed assets.
- In consultation with Council Engineer, determining the value of impaired, damaged or obsolete assets
- Ensuring a 6-monthly reconciliation of entries in the Assets Register (control inventory register) with those on the individual inventory cards, and comparison with the actual physical assets.
- Ensuring that, where the entries in the two records agree, the Officer inserts his initials and the date under the heading FINANCE APPROPRIATION, on the appropriate page in the asset register and the inventory card.
- Where there is disagreement between the two records, the officer should record this fact under REMARKS on the Inventory Card.
- On concluding the task, the officer should submit a report to the Council Treasurer indicating:
 - The differences, if any, that s/he has found between the entries in the asset register and on the corresponding inventory cards, or between these records and the actual physical assets.
 - The reason(s) for such differences and her/his suggested recommendation in bringing the two records into agreement with each other; or to reconcile the records with the physical assets concerned.
- On the receipt of the report from the stock verification, the Council Treasurer should:
 - Where the difference has arisen because of a recording error in either asset register or the inventory card, arrange for the appropriate adjustments to be made to the record concerned, by raising a journal voucher
 - Where the difference has arisen because a physical asset cannot be traced, immediately, report the matter to the Executive Committee for the next line of action.

8.2.6. Internal Auditor is responsible for:

- Ensuring the proper keeping of records of all local government properties, and retrieving local government properties from political office holders at the end of their tenure of office.
- Ensuring the accuracy of the Fixed Asset Register maintained by the Council Engineer.
- Ensuring that all fixed asset identification numbers generated by the Council Engineer are entered in the fixed Assets Register against each appropriate item.
- Conducting a quarterly physical verification of assets.



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- During periodical physical verification of fixed assets, the auditor should ensure that:
 - The asset is in existence;
 - The asset is in the custody of the appropriate official;
 - The asset is in the right location;
 - The asset is being adequately maintained;
 - The asset is in good serviceable condition.
 - The internal audit unit should provide in its audit programmes for the quarterly verification of physical assets against appropriate entries in the asset ledger and inventory cards and for the reconciliation of these two records.
 - The audit official concerned should enter the date of such checks and his initials under the heading AUDIT CHECK in the Asset Register and on the Inventory Card.

8.2.7. Heads of Department are responsible for:

Ensuring that inventory cards on Form LGT 119 are kept at the normal locations of all physical assets under the control of his/her department, he/she should also ensure that all entries on the inventory cards are promptly and accurately made.

8.2.8. Other Local Government staffs are responsible for:

1. Using local government assets with due care.
2. Ensuring that assets are used in accordance with guidance given.
3. Not using assets if they have no authority and competence to do so.
4. Responsible use and return of assets (such as portable computers) issued to individuals. In particular, Local Government Staff are responsible for:
 - Safeguarding the assets from theft, loss and damage.
 - Ensuring that assets are recorded and used in accordance with guidance and instructions.
 - Reporting any theft or loss immediately to the appropriate authority.
 - Reporting any damage or faults.
 - Returning the assets when required and co-operating with any authorised inspection.
 - Only transferring the assets to others after following proper procedures.
5. Where assets are placed in a location rather than issued to a person, staff are responsible for:
 - Safeguarding assets from theft, loss and damage.



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- Ensuring that assets are recorded and used in accordance with guidance and instructions.
 - Reporting any loss or theft immediately.
 - Reporting any damage or faults.
 - Not moving assets without proper authority.

The Auditor-General for Local Governments and Internal Auditor may require the assistance of staff to verify the existence and ownership of fixed assets. Every staff is therefore responsible for co-operating with Auditor General's requests.

8.2.9. Fixed Asset Policy

The local government has a number of fixed assets that are recorded on its Assets Register. This is a memorandum account, and physical fixed assets are not included on the Balance Sheet of the local government's financial statements under the cash basis of accounting. Fixed assets include:

1. Land and buildings, including plants ;
2. Lifts and equipment;
3. Motor Vehicles ;
4. Computers and other office equipments;
5. Furniture, fixtures and fittings.

8.2.10. Asset Acquisition

1. On acquisition, the date, amount, type of the asset and the requisitioning department should be entered in the asset register for audit trail purpose. Other information to be included in the asset register include.
 - A description of the item including manufacturer/supplier, make and models;
 - A serial number or identification mark;
 - The order number (i.e LPO number).
2. An asset register should be kept in the Finance & Supplies department. It should be maintained for all physical assets of the local government. Each physical asset should be on separate record on Form LGT 118.
3. A separate inventory card on Form LGT 119 should be kept at the normal location for item(s) of furniture and equipment etc.
4. All physical assets of the local government should be adequately insured with reputable insurance company against all forms of perils, until the assets are disposed of.
5. No physical assets belonging to the local government may be removed from the local government premises, without official approval.
6. All items of physical assets should be visibly marked, to deter theft and to aid recovery. Assets included in asset register should be marked with an identification/ security code.



8.3. Disposal

1. Assets can only be disposed after necessary approval is obtained from the *Executive Committee*
2. Each item disposed of should be recorded on the “Disposal of Asset” section of the asset register, after authorization by the Executive Committee. The section should describe the items disposed of, and the serial number, date of acquisition and any proceeds gained/amount spent on disposal.
3. Proceeds on sale of physical assets should be recorded in two parts:
 - The income being the total sales value of the asset, with proper accounting for any VAT element
 - The expenditure being the cost of disposal, and total commission payment to the service provider or auctioneer (with proper accounting for any VAT element).
4. The proceeds accounted for as Miscellaneous Revenue; debiting cash book and crediting revenue head 1008 sub-head 04.
5. The insurance premium should be stopped on disposal of assets.

8.4. Assets Register

The Assets Register should be maintained by the Council Engineer as they have good knowledge of capital projects etc. Copies of the Assets Register should be passed, on a quarterly basis, to the Council Manager and to the Council Treasurer for their information. The Register should also be updated by the Council Engineer and checked for accuracy at least once a year by the Auditor General for Local Governments.

Typical information that should be contained in an Assets Register are listed below:

- Unique asset number (identification number),
- Description of the asset,
- Registration or engine number (if applicable),
- Serial number of asset,
- Location,
- Purchase price,
- cost of additions,
- Date of purchase
- Date of disposal (if applicable),
- Responsible officer,
- Asset type classification
- Remark (as to state of asset).

8.4.2. Marking of Assets

On receipt, an asset should be given a unique identification mark with indelible ink/paint. The marking should be alpha-numeric to show the following initials of the Programme:

- Unit/Section
- Asset Class
- Location and
- Serial Number.



8.4.3. Log books

Log books are books used to record details of all trips undertaken by a vehicle including the driver's name, journey date, starting and ending odometer readings, purpose of the journey and authorisation for the trip(s).

8.5. Inventory of Consumables

1. Consumable assets include stationery items, fuel reserves and other stores materials that have limited serviceable life such as tools like shovels, brooms, buckets etc.
2. Wherever possible, stores items purchased by local government should be charged directly to the user department - against the appropriate votes head and subhead.
3. All stores items (departmental or central), should be kept in adequate and properly constructed buildings, which should be maintained in good order.
4. The stores building should be designed so that stock of items can be kept securely under lock and key and access to the stores is barred from unauthorized persons. 'Attractive' stores items (such as drugs) should be specially safeguarded in a separate part of the store.
5. Store rooms should have provision for racks for stacking and bin cards for all items in the store.
6. Several control levels (like re-order level, maximum and minimum stock levels and re-order quantities) should be set for all consumable items, in order to maximize utilization of resources.
7. Stock should always be maintained at minimum levels consistent with operational requirements. It should be remembered that stores are the equivalent of cash, and are often open to loss or misuse unless they are subject to adequate controls.
8. Stock control sheets should be completed every month, with an explanation for any differences found, as well as annual stock taking at the end of the fiscal year.
9. The local government should insure the stock items against fire, pilferage and other perils with consideration for the minimum stock level.

8.5.1. Stores Ledgers

Receipts and issues of stores should be recorded in the stores ledger. The following instructions for keeping stores ledgers should be observed:

- (a) The headings or descriptions of articles should be arranged alphabetically or numerically as appropriate.
- (b) At the top of each column of the ledger, or folio there should be a separate one for each article, the unit of quantity should be shown as well as the maximum and minimum permissible stock levels, and the stores should be taken on charge and issued in that unit, or recognizable fractions of that unit.
- (c) Receipts and issues should be recorded in the store ledger on the day of their receipt or issue.



-
- (d) Used articles returned to stores for reissue should be recorded in a separate ledger.
 - (e) When not in use the ledgers should be kept under lock and key in a safe place.
 - (f) The Stores Ledgers should be closed and balanced on 31st December in each year and whenever a survey or handing over takes place, the Treasurer and Internal Auditor should ensure stock taking.

8.5.2. Receipt of stores

All stores should be examined immediately they are received by the storekeeper; the stores should be checked for quantities, weights, etc against the Local Purchase Order or invoice. If the stores delivered are found to be correct and in good condition they should be certified and recorded in the stores ledger and entered as a receipt, as appropriate in:

- Consumable Stores Ledger Form LGT 101 unless they are delivered direct to site e.g. laterite/bitumen for road work.
- Expendable Stores Ledger Form LGT 101.
- Non-expendable Stores Ledger Form LGT 101.

Once stores have been recorded in the appropriate stores ledger, a **Stores Receipt Voucher** should be prepared in triplicate by the storekeeper; original to the officer who authorized the purchase together with the original LPO; duplicate to the stores accountant for posting of details into the stores ledger; the triplicate to be retained in the book for use by the storekeeper.

The stores receipts vouchers (numbered consecutively) should give full details of the stores received and should be signed by the storekeeper quoting the stores ledger reference.

Stores received should be accounted for in minimum units of issue.

8.5.3. Requisition and Issue for Stores

Stores should be issued from stores against a duly authorized **Stores Requisition and Issued Voucher** on Form LGT 103.

The following should be observed:

- Stores requisition should be examined and signed by the person authorized to sign the requisition without which the storekeeper must not issue the stores
- Stores requisition should be prepared in quadruplicate
- Each requisition voucher must be numbered consecutively
- The requisition voucher should contain a description of the stores and the quantity required both in words and figures; and
- The requisition voucher should be ruled off below the last item to prevent unauthorized additions.

The requisitioning officer should take stores requisition and issue voucher in triplicate to the storekeeper who should enter on it the quantity of each item requisitioned which he has been able to supply.



On issue of stores the person receiving them should acknowledge their receipt on the original, duplicate and triplicate of the stores requisition and issue voucher. The stores requisition and issued vouchers would be distributed as follows:

- original to the stores accountant;
- duplicate to the requisitioning department
- triplicate to be retained by the Storekeeper; and
- quadruplicate left in the book.

The stores accountant should enter the details of each stores issue as recorded on the stores requisition and issued voucher in the appropriate page of the stores ledger and also enter the stores ledger page and stock balance on his/her copy of the stores requisition and issued voucher.

The storekeeper should record details of the issues made as shown in by the triplicate copy of the stores requisition and issue voucher on the tally board.

A cancelled stores requisition and issue voucher should be marked “Cancelled” in red ink and all four copies filed in the stores requisition and issues voucher book.

8.5.4. Stock Bin Card

The purpose of maintaining a Stock Bin Card on the shelf/rack is to show at a glance the quantity available. Bin cards are maintained by the storekeepers with the physical stock itself by attaching bin cards using a separate card for each item of stock.

Comparison between the physical stock quantities with the stock records and bin card should be done in order to establish whether or not there are discrepancies.



Chapter 9

LOCAL GOVERNMENT FINANCIAL STATEMENTS

9.0 INTRODUCTION

The Lagos State Public Finance Management Law No.7 of 2011 requires every local government to keep proper books of accounts and records and prepare, within the first quarter of the following year, a statement of its final accounts in conformity with the existing regulations.

- The annual accounts of a local Government should record all transactions which take place during a financial year running from 1st January to 31st December. Adjustments may be made after the close of the year for the rectification of posting errors and misclassifications that are noticed after the year end; however, a transaction taking place after 31st December should not be treated as pertaining to the previous financial year.
- The Council Treasurer is required to prepare the annual financial statements within the stipulated period and present them to the Executive Committee.
- If for any reason the deadline for the preparation of the annual financial statements cannot be met, the Treasurer should send a notice to the Executive Committee explaining the reasons for the delay and should send a copy of such notice to the Auditor-General for local governments.
- The statement of accounts and statement of assets and liabilities should be submitted to the next Executive Committee meeting.
- The financial statements and the report of the Executive Committee thereon, should be forwarded to the Council for scrutiny and formal adoption. Copies of the financial statements should then be forwarded to the Auditor-General for local governments not later than 90 days after the end of the financial year.

The Council Treasurer should produce comprehensive and detailed financial statements in line with the Federation Account Allocation Committee Guidance (2005). The financial statements should reflect the full and complete financial transactions of the local government for the reporting period. All receipts and payments by the local government should be reported gross. Deductions from local government allocations in respect of teachers' salaries, local government pensionable staff salaries and others should be accounted for in the local government Accounts or the gross Statutory Allocations received by the local government from the Federation Account and details of all deductions therefrom should be shown by way of notes to the financial statements and reconciled with the net figures reflected in the accounts (see the end of Chapter annexure VII).

Interim financial reports should be prepared each quarter for the Legislators to allow them to review the financial status of the local government on a current and regular basis. In addition, a financial summary is required to be produced each month.



9.1 THE PURPOSES OF FINANCIAL STATEMENTS

The objectives of local government financial reporting is to provide useful information for decision-making, and to demonstrate the accountability of the local government for the resources entrusted to it by:

- a) Providing information about the sources, allocation and uses of financial resources;
- b) providing information about how the local government financed its activities and met its cash requirements;
- c) providing information that is useful in evaluating the local government's ability to finance its activities and to meet its liabilities and commitments;
- d) providing information about the financial condition of the local government and changes in it; and
- e) providing aggregate information useful in evaluating the local government performance in terms of service costs, efficiency and accomplishments.

9.2 POLICIES AND PRINCIPLES

The Chair as the political Head should personally sign the local government financial statements.

The Annual financial statements are the reports on the financial activities of the local government for the year they relate to and should comprise the final accounts and the supporting schedules.

The local government accounting year runs from 1 January to 31 December.

The local government financial statements should be audited, within six (6) months from the end of each financial year, by the Auditor-General for local governments.

The local government chairman should lay the annual accounts together with the auditor-general's report before the Legislative Council within thirty (30) days of receipt of the report.

A copy of the audited financial statements of a local government should be published at the offices of the local government and made available to the public on payment of nominal fees.

9.2.1. Cut-off Date for Local Government Transactions

Expenditure

An expenditure should be processed as a local government current year transaction if all of the followings have been completed:

- It is authorized and properly completed on or before 31st December;
- The goods and services are received or expenses incurred on or before 31st December
- The payment voucher has been duly processed and passed for payment by the Internal Audit on or before 31st December
- A cheque is drawn in respect of the expenditure and issued to the payee on or before 31st December.

Where taxes collected by a local government on behalf of the Federal Government (VAT, Withholding Tax, PAYE etc.) remain unpaid as at 31st December (end of financial year), such



amounts together with any outstanding balance from previous years should be reflected as part of the local government's liabilities (labeled Deposits) in the Statement of Assets and Liabilities. This is in line with Financial Memoranda 24 which stipulates that the deposit ledger should be summarized on Form LGT 85.

Revenue

Revenue should be processed as a local government current year transaction if all of the followings have been completed:

- It is paid to the local government revenue collector or the local government Revenue Agent/Consultant on or before 31st December.
- Received by the local government on or before 31st December.
- Written up in the Cash Book and Revenue Ledger on or before 31st December.
- Deposited in the local government designated bank account on or before 31st December.

Adjustments may be made after the close of the year for the rectification of posting errors and misclassifications that are noticed after the year end.

9.3 SUBMISSION OF ACCOUNTS TO STATE HOUSE OF ASSEMBLY

The Auditor-General for Local Governments should review the local government accounts and s/he should submit her/his reports on the accounts to the State House of Assembly through the Public Accounts Committee (Local) within six months of the year end.

9.4 COMPONENTS OF FINANCIAL STATEMENTS

The Report on Standardization of Federal, States and local government Accounts in Nigeria (Federation Account Allocation Committee 2005) has resulted in a significant improvement in the quality and consistency of the financial statements of the state and local governments.

A significant amount of the funds allocated to local governments are spent by the state government on behalf of the councils (for example, the salaries of pensionable staff). The financial statements of local governments should account for the money that has actually passed through their bank accounts. However, a reconciliation statement should be provided to reconcile the total funds allocated to the local government during the financial year and the revenue reported in the Revenue and Expenditure Statement (see Annexure VII to this chapter).

A complete set of financial statements include the following components:

- Statement No.1: Statement of Financial Responsibility
- Statement No.2: Statement of Opinion from Auditor-General for Local Governments
- Statement No.3: Cash Flow Statement
- Statement No.4: Statement of Assets and Liabilities
- Statement No.5: Statement of Revenue & Expenditure
- Statement No. 6: Notes to the financial statements.

9.4.1 Statement No.1: Statement of Financial Responsibility (Annexure I)

A statement by the Council Treasurer, affirming that:



-
- a. The Financial Statements have been prepared in accordance with the provisions of the law and that the statements comply with the Federation Account Allocation Committee guidance (2005).
 - b. The Treasurer should attest to the fact that he has responsibility for establishing and maintaining a system of internal controls, and that the system has operated adequately throughout the reporting period.
 - c. Both the Chair and the Council Treasurer should sign the financial Statements.

9.4.2 Statement No.2: Statement of Opinion from Auditor-General for Local Governments (Annexure II)

- The report of the Auditor-General explains that he has responsibility for, and has examined the Financial Statements. His report also covers:
- A statement that the Council Treasurer has responsibility for the compilation and supervision of the accounts of the local government
- The scope of the audit and his opinion whether or not the financial statements present a true and fair view of the financial position of the local government for the period.

9.4.3 Statement No.3: Cash Flow Statement (Annexure III)

Cash flow information is useful in providing users of financial statements with a basis to assess the ability of the local government to generate cash and cash equivalents and the needs of the local government to utilize those cash flows.

This statement shows the various sources of funds and the utilisation of those funds by the local government during the reporting period and the preceding period:

- a. Cash flows from operating activities; the total receipts from IGR, Grants, VAT, Statutory allocations are summed up while all payments (personnel and overhead costs) except capital expenditure and loan repayment are excluded there-from to arrive at the net cash from operating activities
- b. Cash flow from investing activities: costs of purchase of fixed assets/financial instruments and capital expenditure are deducted from proceeds from sales of fixed assets and investments. The difference is known as net cash flow from investing activities.
- c. Cash flow from financing activities; this requires the aggregate of proceeds from capital source such as loans, bonds capital grants and dividends received from long term investments. Repayments of loans and bonds are deducted from this figure to arrive at the net cash flow from financing activities.
- d. Net increase / decrease in cash & its equivalent: the opening cash & its equivalent is deducted from the closing cash & its equivalent.



The net cash flows from sub -sections (A) to (C) above should now be added up and compared with the figure from sub-section (D) net movement in net liquid fund.

9.4.4 Statement No.4: Statement of Assets and Liabilities (Annexure IV)

Local governments should disclose its assets and liabilities as at the end of the financial year. These will include the following assets:

- Cash and bank balances – the total of all cash held by the local government and the total of all its bank balances (adjusted cash book figure)
- Investments – the value of all the local government’s investments
- Advances – the total value of all unretired advances (petty cash etc).

The liabilities will include:

- Deposits – retentions on capital schemes and sums owed to the Federal Government (see note below).
- Loans – the total value of all loans owed by the local government.
- General Revenue Balance – if this figure is negative then it should still be reported in liabilities.

Where taxes collected by a local government on behalf of the Federal and State Governments (VAT, Withholding Tax, PAYE etc.) remain unpaid as at 31st December (end of financial year), such amounts together with any outstanding balance from previous years should be reflected as part of the local government’s liabilities (labeled Deposits) in the Statement of Assets and Liabilities. This is in line with Financial Memoranda 24 which stipulates that the deposit ledger should be summarized on Form LGT 85.

9.4.5 Statement No.5: Statement of Revenue & Expenditure (Annexure V)

The statement of revenue & expenditure should include line items which represent the following amounts:

- a) Internally Generated Revenue per Head
- b) Statutory Allocation
- c) Miscellaneous Revenue
- d) Personnel Costs
- e) Overhead Costs
- f) Capital Projects
- g) Miscellaneous Expenses
- h) Operating Balance (net Surplus or Deficit).



9.4.6 Statement No. 6: Notes to the financial statements (Annexure VI)

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by a local government in preparing and presenting financial statements.

Notes to the financial statements include narrative descriptions or more detailed schedules or analyses of amounts shown on the face of the Statement of Assets and Liabilities, Statement of Revenue and Expenditure, and Cash Flow Statement as well as additional information such as contingent liabilities and commitments.

9.5. RESPONSIBILITIES

9.5.1 The Chair

The Chair, as an elected Officer, is responsible for formally signing the local government's financial statements.

He/she signs the Financial Statements after the Council Treasurer has signed them and the Audit Committee has reviewed them.

The Chair may be required to give evidence on the financial statements to the Public Accounts Committee (Local) of the State House of Assembly.

9.5.2. The Council Treasurer

The Council Treasurer and his/her staff have day to day responsibility for:

1. Maintaining the local government financial books and records;
2. Maintaining the local government accounting records;
3. Preparing financial statements from the local government accounting records and other sources;
4. Assisting the Auditor General's staff throughout their audit of the financial statements;
5. Preparing responses to audit issues raised by the Auditor General on the accounts of the local government;
6. Arranging for publication of the financial statements.

9.5.3. Local Government Staff

In order to assist the Council Treasurer and his staff in preparing local government financial statements, local government employees are responsible for:

1. Following proper financial procedures;



2. providing information as required;
3. Inputting timely and accurate information into the local government financial accounting recording system. Staff should ensure that all commitments, goods and services received and invoices received are recorded or reported to the Council Treasurer.



Annexure I

Statement No. 1

Responsibility for financial statements

These financial statements have been prepared by the Council Treasurer of Local government in accordance with the provisions of the Lagos State Public Finance Management Law, No. 9 of 2011 and Lagos State Local Government Administration Law No. 7 of 1999.

The financial statements comply with generally accepted accounting practice. The Council Treasurer is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the local government to the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.

Sign.....

Date.....

Treasurer

We accept responsibility for the integrity of these financial statements, the information they contain and their compliance with above mentioned laws. In our opinion, these financial statements fairly reflect the financial position of Local government as at 31st December, 20XX and its operations for the year ended on that date.

.....

Chair

Date.....

.....

Treasurer

Date.....



Annexure II

Statement No.2

Statement of Opinion of Auditor-General

In compliance with the provisions of Lagos State Public Finance Managementt Law No. 9 of 2011 and the Lagos State Local Government Administration Law No.7 of 1999. I have examined the accounts and the financial statements of..... local government for the year ended 31st December, 20XX. Proper returns were (not) rendered by the accounting officer in conformity with the Laws. I have (not) obtained information and explanations necessary in the discharge of my responsibility. The audit was conducted in accordance with the audit requirement and the national auditing standard for public sector in Nigeria. In addition, projects and programmes were verified in line with the concept of performance audit.

In the discharge of my responsibility as required by the laws, the financial statements have (not) been certified subject (due) to comments contained in this report.

In my opinion, programmes undertaken by Local government during the year were (not) reasonably executed.

Furthermore, the financial statements and related schedules give a true and fair view of the state of affairs oflocal government as at 31st December, 20XX.

.....

Auditor-General for Local Governments

Date.....

**Annexure III****Statement No.3**..... **Local Government****Cash flow Statement for the year ended 31st December, 20XX**

	Notes	Current year (N/m)		Previous year (N/m)
Cash Flows from Operating Activities				
Receipts				
o Internally Generated Revenue	3	X		X
o Grants/Subventions	4	X		X
o VAT	5	X		X
o Statutory Allocations	6	X		X
o Miscellaneous	7	X		X
Total Receipts		X		X
Payments				
o Personnel Emoluments	8	(X)		(X)
o Education Services		(X)		(X)
o Transport Services		(X)		(X)
o Health Services		(X)		(X)
o Mining & Petrol-Chemical Services		(X)		(X)
o Agricultural Services		(X)		(X)
o Others of General Nature	9	(X)		(X)



Total Payments		(X)		(X)
Net Cash Flow from Operating Activities (a)		X		X
Cash Flows from Investing Activities				
○ Purchase/Construction of Assets	10	(X)		(X)
○ Purchase of Financial Market Instruments		(X)		(X)
○ Proceeds from Sale of Assets		X		X
Net Cash Flow from Investing Activities (b)		X		X
Cash Flows from Financing Activities				
○ Proceeds from Loan and Other Borrowings	11	X		X
○ Dividends Received	12	X		X
○ Repayments of Loans	13	(X)		(X)
Net Cash Flow from Financing Activities (c)		X		X
Net Increase/Decrease in Cash & Its Equivalents (a+b+c)		X		X
Cash & Its Equivalents at 1/1/20XX		X		X
Cash & Its Equivalents at 31/12/20XX		X		X

The accompanying notes are an integral part of these statements

**Annexure IV****Statement No.4**..... **Local Government****Statement of Assets & Liabilities as at year ended 31st December,
20XX**

	Notes	Current year (₦m)		Previous year (₦m)
ASSETS				
Cash & Bank Balances	14	X		X
Investments	15	X		X
Advances	16	X		X
Others	17	X		X
TOTAL ASSETS		X		X
LIABILITIES				
Deposits	18	X		X
Loans	19	X		X
General Revenue Balance	20	X		X
TOTAL LIABILITIES		X		X

The accompanying notes are an integral part of these statements

**Annexure V****Statement No.5****Statement of Revenue and Expenditure for the year ended 31st
December, 20XX**

Actual Previous year (N/m)		Notes	Budget Current year (N/m)	Actual Current year (N/m)	Variance %
XX	Opening Balance (General Revenue Balance B/F from previous year)			XX	
	REVENUE				
X	○ Rates	21	X	X	X
X	○ Fines, Fees & Licenses	22	X	X	X
X	○ Earnings & Sales	23	X	X	X
X	○ Rent on Government Property		X	X	X
X	○ Interest & Dividend	24	X	X	X
X	○ Taxes (Direct & Indirect)	25	X	X	X
X	○ Statutory Allocation	26	X	X	X
	○ Miscellaneous Revenue	27	X	X	X
X	TOTAL REVENUE (A)		X	X	X
	EXPENDITURE				
X	○ Personnel Cost	28	X	X	X
X	○ Pension & Gratuities	29	X	X	X



X	○ General Administration	30	X	X	X
X	○ Health & Environment	31	X	X	X
X	○ Works and Housing	32	X	X	X
X	○ Education	33	X	X	X
X	○ Agriculture and Social Development	34	X	X	X
X	○ Grants & Subsidies	35	X	X	X
X	○ Capital Projects	36	X	X	X
X	○ Miscellaneous Expenses	37	X	X	X
X	TOTAL EXPENDITURE (B)		X	X	X
X	OPERATING BALANCE (Annual Surplus/Deficit) (A-B)		X	X	X
X	Closing Balance (GRB C/F) (Opening Balance + Operating Balance)		X	X	X

The accompanying notes are an integral part of these statements



Annexure VI**Statement No.6****Notes to the Financial Statements**

The notes should include a section stating clearly the accounting policies adopted in the preparation of the financial statements. These should be arranged as follows:

Statement of compliance with any known standards ;

Statement of accounting policies applied

- Basis of Accounting

The accounts are prepared under the historical cost and cash basis of accounting. There are no adjustments made to reflect the impact of specific price changes or changes in the general level of prices on the financial statements. Conventionally under the cash basis of accounting, fixed assets are not capitalized but are written off fully in the year of acquisition.

- Presentation of the financial statements

Details of General Revenue Balance are disclosed by way of notes in the financial statements of the local government.

- Investments

Investments that are not written off in the year of acquisition are stated at the cost ruling at the statement of affairs date. Gain or loss arising on transactions whether realized or investment income from securities is credited when received.

- Stocks

Stocks have not been valued, as they are expensed in the year of purchase under the cash basis of accounting.

- Cash and Cash Equivalents

This is an expanded definition of cash to include some investments where the date of maturity is three months or less from the date of acquisition.

- Prior Period Adjustments

Correction of fundamental and material errors is treated as a prior period adjustment.

Disclosure of the effect of new standards not yet adopted is also required.



Supporting information for items presented on the face of the financial statements in the order in which each line is presented and other disclosures or relevant supporting statement which may include:

- Statement of revenue analysis by Head
- Statement of expenditure analysis by Head
- Statement of project payments –summary
- Statement of grants and subsidies
- A year-end manpower statement.



Annex VII

NOTE: 3 ANNUAL STATUTORY ALLOCATION

	#	0	ii
STATUTORY ALLOCATION			1,109,154,368.02
1009 STATUTORY ALLOCATION			1,473,265,257.82
VALUE ADDED TAX			139,316,790.24
BUDGET DIFFERENTIAL			37,058,138.44
REFUND FROM PARIS CLUB LOAN			12,810,847.96
REFUND FROM NNPC 1ST & 2ND			
TOTAL			<u>2,771,605,602.48</u>
General Accepted Deduction			
TEACHERS SALARY		(877,209,494.66)	
TEACHERS PENSION		(822,662,569.33)	
LG STAFF PENSION FUND		(50,827,876.99)	
TRAINING FUND		(11,115,177.00)	
7% EMPLOYERS CONTRIBUTION		(45,657,904.43)	
5% PENSION SINKING FUND		(34,796,386.53)	
L.G.E.A. RUNNING COST		(8,820,107.00)	
UNDER DEDUCTION		<u>779,148.31</u>	<u>(1,107,360,375.43)</u>
			1,664,245,227.05
OTHER DEDUCTIONS-II			
Lagos Water Corporation		(12,892,300.00)	
Bank Charges		(33,831,707.49)	
LG STAFF SALARY			
Ikeja Local Government Staff Salary	-274,341,376.97		
Onigbongbo & Ojodu L.C.D.A. Staff Salary	-361,620,585.92	688,961,362.89	
5% PENSION SINKING FUND		(29,143,948.72)	
7.5% EMPLOYERS CONTRIBUTION		(27,646,969.58)	
L.G. Housing Board		(3,000,000.00)	
UNDER DEDUCTION IN SALARY		(12,837,593.90)	
Refuse & Utility		(52,064,483.20)	<u>(786,578,777.78)</u>
			(877,648,349.27)
DOCUMENTARY ON ACHIEVEMENT		(7,500,000.00)	
CRYSTAL FOUND NIG LTD.		(6,750,000.00)	
THE NATION		(1,500,000.00)	
ORAL HR & PAYWILL		(12,046,288.00)	
DEFASH MAG ON YOUTH DEV.		(50,000.00)	
FAT FASH ASS. CONSULT		(660,000.00)	
OUTSTANDING SALARY FOR POH		(4,650,000.00)	
LOCAL GOVT. DAY		(50,000.00)	
PROJECT A/C		(28,330,432.15)	
LOCAL GOVT. SERVICE COMM.		(900,000.00)	
SUBVENTION/AUDIT FEES FOR A/G		(3,005,263.14)	
SAGE LTD.		(1,470,000.00)	
NIGERITE NIG LTD.		(1,260,000.00)	
SAGESTE STANDARD CO.		14,500,000.00	
LTV PROGRAMME		(157,894.74)	
MESSRS CROWN CREST		(200,000.00)	
SEVERANCE ALLOWANCE		(37,000,000.00)	
RUNNING OF JAAC		(7,200,526.56)	
DEBORDING PROJECT		(22,500,000.00)	
P. A. SYSTEMS		(6,000,000.00)	
DESILTING & DREDGING		(24,000,000.00)	
LASACO ASSURANCE		(18,449,341.11)	
H. A. FOOTBALL COMPETITION		(900,000.00)	
DOUBLE AARD TENNIS COMPLETION		(300,000.00)	
ISTOPRIZ LTD.		(11,427,732.22)	
ALGON		(750,000.00)	
DOCUMENTARY ON ALHAJA MOGAJI		(600,000.00)	
MARKETING BOARD		(150,000.00)	
MESSRS INDIGO MULTIMEDIA		(750,000.00)	
SPAROWISE NIG LTD.		(10,019,407.51)	
SANITATION		(9,000,000.00)	
BRIEFING & DOCUMENTARY		(600,000.00)	
XTIAN PILGRIMAGE		(958,850.00)	
DOCUMENTARY ON ALHAJI HAMZAT		(450,000.00)	<u>(218,485,736.33)</u>
			659,180,512.94
ALLOCATION DUE TO OJODU L.C.D.A.			(220,026,321.89)
ALLOCATION DUE TO ONIGBONGBO L.C.D.A.			(218,537,184.50)
ALLOCATION TO IKEJA LOCAL GOVT.			<u>220,617,006.55</u>



CHAPTER 10

AUDIT

10.0. Introduction

This chapter describes the role, scope and practice of internal and external audits in Local Governments.

- The Local Government internal auditor is an employee of the Local Government appointed by the Local Government Service Commission and is directly responsible to the Local Government Chair.
- The Auditor General for Local Governments is the external auditor for Local Governments. S/he is appointed by the State Governor and confirmed by the State House of Assembly.
- The Auditor General provides a list of qualified persons or Firms to conduct the external audit of education authorities and allied agencies. S/he also provides a guide on the level of fees to be paid to these external auditors.
- The Auditor General for Local Governments publishes an annual statutory audit report on each of the 57 local governments by the 30th June of each year.

10.1. Internal Audit

The Internal Audit Department, headed by the Head of Internal Audit, provides an objective assessment of whether the local government systems and controls are working properly.

Internal audit also provides a complete and continuous audit of the transactions of a local government.

The objectives of internal audit include, to:

- protect the assets and interests of the Local Government, by carrying out a continuous examination of activities in order to prevent and detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and maladministration.
- ensure maintenance of a sound system of financial control within each area of departmental responsibility.
- review systems controls and procedures to ensure that they are efficient, effective and remain adequate in the light of changing circumstances.
- make recommendations for the improvement of financial control and its adherence in practice.

Local Government officials should respond positively to internal audit findings and implement agreed recommendations promptly.

Queries raised by the Internal Auditor, like those of the Auditor-General for Local Governments, should be recorded in a register of audit correspondence (LGT 83).



10.1.1 Audit Planning

The Internal Audit Department should prepare an annual Audit Plan, to guide those undertaking internal audit duties. The internal auditor should submit to the Chair and the Auditor-General for Local Governments a detailed audit programme and monthly reports on the progress of the audit.

10.1.2 Internal Audit Reports

The Internal Audit Department should provide a report to the Chair and the Auditor-General for Local Governments at least once in a month. The report should cover the following:

- Collection of revenue;
- Recurrent and capital expenditure;
- Protection of physical and other assets of the Local Government;
- The reliability of financial and other management information;
- The adequacy/appropriateness of the local government accounting system and procedures;
- Any instances of:
 1. Fraud or misappropriation.
 2. Irregular expenditure.
 3. Waste or extravagance.
 4. Maladministration.
 5. Apparent departure from earlier audit report/recommendations.

The Executive Committee should consider the report of the Internal Auditor.

10.3. Responsibilities

10.3.1 Internal Auditor

The Internal Auditor should:

1. Be directly responsible to the Local Government Chair.
2. Have direct access to the Chair and have reasonable right of access to all staff and records.
3. Undertake the audits agreed within the work programme.
4. Respond to management replies to internal audit recommendations
5. Provide a monthly report on his/her work to the Chair and the Auditor General for Local Governments.
6. Issue a special audit report, where in her/his opinion the attention of the Auditor-General should be drawn to any irregularity or suspicion of fraudulent or corrupt activity



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7. The Internal Auditor should assume the control of stock verification where a system of stores verification does not exist
 8. Before payments are made, undertake a prepayment audit of vouchers and supporting documents, to verify that:
 - The provisions of the Financial Memoranda have been followed,
 - The payment is properly authorized and there is sufficient uncommitted funds in the relevant budget
 - That sufficient funds are available to meet payment.

10.3.2. The Chair is responsible for:

1. Reviewing and agreeing the internal audit programme
2. Reviewing the reports of the Internal Auditor.
3. Ensuring that all agreed recommendations are implemented and that all matters raised in the reports are properly dealt with.
4. Commissioning ad-hoc internal and external audit enquiries and investigations.

10.3.3 Council Treasurer is responsible for:

1. Ensuring strict adherence to all control procedures to safeguard the assets and records of the local government.
2. Liaising with and assisting internal audit;
3. Providing general guidance and advice regarding internal audit.

10.3.4. Finance & Supplies Department is responsible for:

1. Providing the internal audit staff free access to all books of records, information, explanations, store, cash and confirmation from third parties required to perform their duties.
2. Dealing promptly with queries arising from audits.
3. Keeping records of such queries and showing how they were cleared.

10.3.5. Other Local Government Officials are responsible for:

1. Co-operating fully with the Internal Audit Department, providing them with all records and explanations required; and not misleading or withholding information;
2. Reviewing and responding to internal audit reports, as they relate to their responsibilities
3. Implementing agreed internal audit recommendations.

10.3.6. Audit Committee

Guidance and good practice suggests an audit committee should be established and should be responsible for:



1. Reviewing and approving internal audit work plan and the Department's resource needs. Providing guidance on prioritizing tasks and the use of internal audit resources
2. evaluating the results of Internal Audit and the Auditor General for Local Governments' reviews and the adequacy of management responses
3. Providing a forum for discussion to identify key areas for internal audit investigation
4. Reviewing the effectiveness of internal audit (annually, at a minimum).

10.4. External Audit

10.4.1. Auditor General for Local Governments

The Office of the Auditor General for Local Governments performs the annual statutory audit of the Local Government accounts and financial statements within six (6) months after the close of the financial year.

- The Auditor-General should be free from significant conflicts of interest.
- For the purpose of carrying out her/his duties, the Auditor-General or any person authorised by her/him, should have access to all books, records, returns and other documents.
- In exercise of her/his functions, the Auditor-General should not be subject to the direction or control of any other authority or person.
- The Auditor General submits the external audit reports to the State House of Assembly and to the Executive Committee of the Local Government.
- The Auditor-General may disallow any item of expenditure which is contrary to law or surcharge any person in respect of any irregular expenditure, revenue unaccounted for or loss or deficiency.

The Auditor General has the following powers:

- To undertake an audit of the finances of Local Governments
- To sanction and surcharge any officer who may appeal to the Public Accounts Committee
- To have access to State Executive Governor, through the Governor's representative on the Audit Alarm Committee
- To notify the State House of Assembly and Local Government of Audit Alarm Committee's findings of significant importance; and serious prepayment audit queries for which the Accounting Officer of the Local Government is liable
- To inform the Public Accounts Committee (Local), the Local Government and the Executive Governor in writing where a Local Government Accounting Officer does not respond to a query that affects his office within the stipulated time.
- Where an officer other than the Chair of the Local Government fails to respond to an audit query, the Auditor-General should impose (through the Local Government Service Commission), the necessary sanctions on the erring officer. This Officer has the right of appeal to the Public Accounts Committee (Local).



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- To have access to project sites for the purpose of auditing or monitoring contract performance.
 - To carry out audits of the pensions and gratuities of the entire Local Government system. This includes the State Universal Basic Education Board (SUBEB), as related to primary schools' teachers' salaries.
 - To stop the salaries of any local government staff which are not considered to be regular or proper (with an appeal by the official to the Public Accounts Committee (Local)).
 - To block the bank accounts where the salaries are paid to any person in receipt of salaries that are irregular or improper.

Other work by the Office of the Auditor General for Local Governments

As well as quarterly inspection visits to each local government, the Office of the Auditor General for Local Governments organizes annual physical audits of all local government staff, retired staff and inspections of capital projects. In addition, variation control work is undertaken to identify irregular salary and pension payments and reviewing the reports of the external audit of education authorities and allied agencies and undertaking their compliance audit work.

10.4.2. The Chair is responsible for:

- Signing the Local Government accounts prior to their endorsement by the Auditor-General for Local Governments;
- Providing appropriate assurances and representations to Auditor General regarding the Local Government accounts and its internal control system.
- Submitting an annual report on Local Government finances, policies, programs and achievements. This report which should be submitted to the Office of the Executive Governor, through the Ministry of Local Government and Chieftaincy Affairs must be accompanied by annual financial statements and the report of the Auditor-General.
- Personally answering audit queries that affect her/him, within the stipulated time.

10.4.3. The Public Accounts Committee (Local) is responsible for:

- Receiving the Local Government accounts as examined, certified and reported on by the Auditor General for Local Governments
- Receiving and examining other reports prepared by the Auditor-General for Local Governments.
- The Committee may question relevant Council Managers, Council Treasurers or Chairs on any issues arising from the Auditor General's report.

10.4.4. The Council Treasurer and his/her staff are responsible for:

- Agreeing to audit timetables from the Auditor General for Local Governments and attending to the practical administrative aspects of Auditor General's audit visits
- Producing auditable accounts to the audit timetable
- Providing all information and documentation required by the external auditors, and ensuring that staff are available for interview



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- Considering the findings and recommendations of Auditor General for Local Governments' report for implementation and compliance.
 - Advising the Chair on audit findings, and making proposals on responses to the management letter from the Auditor-General for Local Governments audit observations.
 - Coordinating Local Government Action Plans to implement accepted recommendations from the Auditor-General.

10.4.5. Local Government Staff are responsible for:

- Co-operating fully with the Auditor-General, including providing all required records and explanations. The Auditor-General should not be misled or have information withheld from him.
- Implementing the Auditor-General's recommendations.

10.4.6. Audit Alarm Committee

The *Guidelines on Administrative Procedure for Local Governments 2011* recommend that an Audit Alarm Committee should be established by each local government to examine all cases of alarm brought to its attention. This could include irregularities, poor internal control and conflicts with the Office of the Auditor General for Local Governments or the internal auditor.

The Audit Alarm Committee is made up of:

- Auditor-General for Local Government, (chairman)
- Director of Local Government Monitoring
- Representative of the State Accountant-General.

Facilitators to the committee's assignment are:

- Council Manager
- Council Treasurer
- Head of Internal Audit
- Head of Planning Budget and Statistics



Chapter 11

ANTI-FRAUD & WHISTLE BLOWING POLICIES

11.0 Introduction

The term fraud is used to describe acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud may fall into four main categories:

- Theft, the misappropriation or misuse of assets for personal benefits;
- Bribery and corruption;
- False accounting and/or making fraudulent statements with a view to personal gain or gain for another: e.g. falsely claiming overtime, travel and subsistence, sick leave or special leave (with or without pay);
- Externally perpetrated fraud against the local government.

11.1. Policies and Principles

In line with the State Government's stance against corruption, the local governments are committed to preventing fraud and corruption and should be keen on developing an anti-fraud culture. To achieve this, local governments should comply with the requirements to:

- Develop and maintain effective controls to prevent fraud;
- Ensure that if fraud occurs a vigorous and prompt investigation takes place;
- Take appropriate disciplinary and legal action in all cases, where justified;
- Review systems and procedures to prevent similar frauds;
- Investigate whether there has been a failure in supervision and take appropriate disciplinary actions where supervisory failures occurred; and
- Record and report all discovered cases of fraud.

The following policies and principles apply in the local government:

- Local government staff should have the high standards of honesty, propriety and integrity in the exercise of their duties. Local government employees should not defraud the local government, its staff or contractors, in any way.
- The local government forbids fraud, impropriety or dishonesty and should investigate all suspected cases by local government staff or contractors or clients. ,
- The local government should take action including dismissal and/or criminal prosecution of any member of staff defrauding (or attempting to defraud) the local government, members of staff, local government clients or contractors.
- The local government should co-operate fully with external investigating bodies such as the Auditor-General for local governments, ***Economic and Financial Crimes Commission***



(EFCC), *Independent Corrupt Practices Commission (ICPC)*, Commissions of Enquiry, Code of Conduct Bureau and any other body legally constituted for that purpose.

- The local government should always seek to recover funds lost through fraud.
- All cases of suspected fraud should be reported to Internal Audit and the Auditor General for Local Governments.

11.2. Action to be taken in the event of discovery or suspicion of fraud

Where the local government has no arrangements for staff to report concerns without fear of prejudice or harassment, such reports may be directed to the Auditor General for local governments under this "Whistle Blowing Policy". This applies to concerns relating to fraud and to any other concerns within the context of public interest.

Concerns which should be reported include staff committing or attempting to commit:

- Any dishonest or fraudulent act;
- Forgery or alteration of documents or accounts;
- Misappropriation of funds, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiting from an official position;
- Disclosure of official activities or information for advantage;
- Accepting or seeking value from third parties by virtue of official position or duties; and
- Theft or misuse of property, facilities or services.

11.3. External organizations' actions which should be reported include:

- Being offered a bribe or inducement by a supplier;
- Receiving fraudulent (rather than erroneous) invoices from a supplier;
- Reported allegations of corruption or deception by a supplier.

11.4. Responsibilities

All local government staff should understand the risk of fraud faced by the local government, that fraud is serious and that it diverts resources away from services the local government provides in the community to individuals.

11.4.1. The Chair is responsible for:

- Establishing the internal control system designed to counter the risks of fraud faced by the local government. They are accountable for the adequacy and effectiveness of these arrangements.
- Making arrangements for investigating allegations of fraud, including appointment of a suitably qualified senior member of staff to lead the investigation.
- Receiving the report of the investigating officer and considering appropriate responses.

11.4.2. The Council Treasurer is responsible for:



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- Assisting the Chair to develop and maintain effective controls against fraud.

11.4.3. Council Manager is responsible for:

- Enforcing local government anti-fraud policies, including;
- Instituting disciplinary and legal actions (both civil and criminal) against the perpetrators of fraud;
- Taking disciplinary actions against supervisors where supervisory failures have contributed to the commission of fraud;
- Providing confidential advice to staff who suspects a member of staff of fraud.

11.4.4. Appointed Investigator

An appointed senior member of staff is responsible for investigating allegations of fraud including:

- carrying out a thorough investigation if fraud is suspected, with the support of Internal Audit, where necessary;
- gathering evidence, taking statements and writing reports on suspected frauds;
- liaising with the Council Treasurer where investigations conclude that a fraud has taken place;
- identifying any weaknesses which contributed to the fraud; and
- if necessary, making recommendations for remedial action.

To carry out these duties, the appointed member of staff should have unrestricted access to the Chair, the Council Manager, the Council Treasurer, the Audit Committee, the Internal and External Auditors, and the local government legal advisors.

The preliminary report by the appointed investigator should be forwarded to the Council Chair and Auditor-General for local governments for further necessary action.

11.4.5. Chair and Departmental Heads

The Departmental Heads should be on the alert that the occurrence of unusual events may be the symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks or be brought to their attention by a third party. They are responsible for:

- Being aware of the potential for fraud.
- Ensuring that an adequate system of internal control exists within their area of responsibility, appropriate to the risk involved and those controls are properly operated and complied with.
- Reviewing and testing control systems to satisfy themselves the systems continue to operate effectively.
 - They should inform the appropriate committee of the local government if there are indications that an external organization (such as a contractor or client) may likely defraud (or has defrauded) the local government.
 - They should also inform the appropriate committee if they suspect that any staff may be involved in fraudulent activity, impropriety or dishonest conduct.



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- Departmental Heads should contact the appropriate committee immediately on being alerted of such suspicions.
 - Time is of essence in reporting suspicions. Departmental Heads should therefore inform the committee immediately. In the absence of the committee, the Council Treasurer should be informed. In turn, they should ensure that the Chair is kept informed of developments.

11.4.6. Local Government Staff

Local Government staff should have and be seen to have high standards of honesty, propriety and integrity in the exercise of their duties. They are responsible for:

- Acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers;
- Reporting details of any suspected fraud, impropriety or other dishonest activity immediately to their head of department or the responsible manager.
- Assisting in the investigation of any suspected fraud.
- Staff reporting or investigating suspected fraud should take care to avoid doing anything which might prejudice the case against the suspected fraudster.

11.5. Whistle Blowing

In view of the policy of the State Government on the fight against corruption and corrupt practices, the local government should seriously consider the formulation of a whistle blowing policy. This should encourage and help employees who have major concerns over any wrong-doings within the local government, relating to unlawful conduct and financial malpractices.

Specific examples of when Whistle Blowing could be appropriate include:

- A criminal offence (e.g. fraud, corruption or theft) has been/is likely to be committed.
- A miscarriage of justice has been/is likely to occur.
- Public funds are being used in an unauthorized manner.
- The local government guidelines (including Standing Orders, Financial Memoranda, Code of Conduct, etc) have or are not being observed or are being breached by member and/or officers.
- Any other form of improper action or conduct is taking place.
- Information relating to any of the above is being deliberately concealed or attempts are being made to conceal same.



11.6. Aims of the Whistle-blowing Policy

- Encourage employees to feel confident in raising serious concerns and to question and act upon their concerns.
- Provide ways for employees to raise those concerns and get feedback on any action taken as a result.
- Ensure that employees get responses to their concerns and that they are aware of how to pursue them if they know what to do if they are not satisfied with any actions.
- Reassure employees that if they raise any concerns in good faith and reasonably believe them to be true, they should be protected from possible reprisals or victimization.



Chapter 12

CHARTS OF ACCOUNTS

12.0 Introduction

A well-designed chart of accounts is the backbone of any accounting system. In addition to organizing accounting activities, it also offers a consistent classification structure for budgeting and financial reporting.

The chart of accounts should be viewed as part of a complete financial information system that links the operations of various local government departments, units and offices: it is a list of all accounts codes designed to capture all financial information of the Local government on the basis of which policy and informed decisions can be made by management.

Each account is represented by a unique account number. The accounts are divided into heads and subheads, with the grouping of items of similar nature by source or type. This is in order to ensure uniformity in the reporting format amongst local governments. While local government accounting records must reflect these account classifications, more detailed sub-accounts can be used as long as they can be easily summarised in the accounts specified in this chart of accounts.

12.1. Accounts Classifications

The accounts of the local government are generally grouped as follows:

Details	Heads
Revenue (IGR)	1001 to 1008
Revenue (Federal and State Allocations)	1009 (1-4)
Recurrent Expenditure (Overhead and Personnel Costs)	2001 to 2015
Capital Expenditure (Agric. Rural and Social Development)	4001
Capital Expenditure (Works, Housing and Infrastructure)	4002
Capital Expenditure (Finance, Supply and Cooperative)	4003
Capital Expenditure (Education)	4004
Capital Expenditure (Health)	4005
Capital Expenditure (Planning and Budget)	4006



The following tables show how accounting entries are treated in different situations, and the effect of the entries on the respective account balances:

Account Heads	Account title	Account balance	Description/Explanation of Account entries
	Cash	Debit	Debit account balance brought forward from previous period, except overdraft (as shown in local government records). Debit cash and cheques received from customers. Credit cash and cheque payments in the Cash book for payments made.
	Supplies	Debit	Debit cost of store supplies and credit stores issued (costs allocated to specific cost head of section) or written off.
	Loan creditors	Credit	Credit new loans obtained from banks or other sources. Debit loan repayment/redemption plus outstanding amount of principal on loans.
REVENUE			
1001	Taxes	Credit	Credit this account with the amount collected in respect of taxes: development tax, community tax, other services tax on electricity, water and security. Debit the cash book.
1002	Rates	Credit	Credit this account with the amounts received on tenement rate/Land Use charge including grants from state and federal government in lieu of tenement rate. Debit the cash book.
1003	Local Licenses, fines and Fees	Credit	Debit the cash book and Credit this account with the amount received from towing of vehicles, motor vehicle licenses, hackney permit, liquor license, toll gate, slaughter fees, eating house license, cold room licenses, marriage registration, entertainment, birth and death registration, radio/TV licenses, tenders fees, trade licenses, sawmill licenses, etc
1004	Earnings from Commercial Undertaking	Credit	Debit the cash book and Credit this account with the amount received from markets, motor parks, abattoir, transport service earnings, shops and shopping centres etc
1005	Rent on local government Properties	Credit	Debit the cash book and Credit this account with the amount received from rents on local government quarters, facilities and other local government commercial and landed properties
1006	Interest Payment on Dividend, Loans, etc	Credit	Debit the cash book and Credit this account with the amount received from interest on loans to other local governments, interest on staff housing, interests or dividends received from investment in shares acquisitions



			plus fixed deposits and savings account
1007	Reimbursement/ Grants	Credit	Debit the cash book and Credit this account with the amount received as grants from federal, state and other local and international donor agencies.
1008	Miscellaneous	Credit	Debit the cash book and Credit this account with the amount received from mortuary and cemetery services, recovery of losses and overpayments, payment in lieu of resignation notices, unclaimed deposits
1009	Statutory Allocation	Credit	Debit the cash book and Credit this account with the amount received from Federation Account
1009	State Allocation	Credit	Debit the cash book and Credit this account amounts received from allocations from state government
1009	Value Added Tax (VAT)	Credit	Debit the cash book and Credit this account with the amount received from the state's share of VAT
1009	Arrear from Federal & VAT Allocation	Credit	Debit the cash book and Credit this account with the amount received from allocations from federal and state government in arrears and amount of state's share of VAT received in arrears
1009	Stabilization (Special)	Credit	Debit the cash book and Credit this account with the amount received from federal government for special purposes to achieve specified economic objectives.

RECURRENT EXPENDITURE			
2001A	Office of the Chair	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of the Chairman and credit the cash book
2001B	Office of the Vice Chair	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of the Vice-Chairman and credit the cash book
2001C	Audit Department	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Audit Unit and credit the cash book
2001D	Information Unit	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Information Unit and credit the cash book
2001E	Environmental Unit	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Environmental Sanitation Unit and credit the cash book
2002	Secretary to the local government	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of Secretary to the local government and credit the cash book
2003	The Council (Legislative)	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the legislative arm and credit the cash



	Arm)		book
2003A	Clerk of the House	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of Clerk of the House and credit the cash book
2004	Council Manager	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of council Manager and credit the cash book
2004A	Legal Unit	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of legal Unit and credit the cash book
2005	Human Resource	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of Human Resource and credit the cash book
2006	Finance and Supplies	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Finance and Supplies dept. and credit the cash book
2007	Planning and Budget	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of Budget & Planning dept. and credit the cash book
2008	Education	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Education Department and credit the cash book
2009	Health Services	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Health Services Department and credit the cash book
2010	Agric, Rural & Social Development	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Agriculture, Rural & Social Development Department and credit the cash book
2011	Works & Housing	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the Works & Housing Department and credit the cash book
2012	Traditional Rulers	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of the office of Traditional Rulers and credit the cash book
2013	Contingencies	Debit	Debit the relevant expenditure sub-heads regarding overhead cost of Contingencies and credit the cash book
2014	Transfer to Reserve Fund	Debit	Debit the Income Statement and credit the reserve fund account with the amount transferred
CAPITAL RECEIPTS			
3001	Internal Resources	Credit	Debit the Income Statement and credit the capital receipts account with the amount transferred
3002	External Loans	Credit	Debit the Cash book and credit the External loans account with the Loans from Local Government Loans Funds, Local Government Pension Fund, commercial banks, government agencies and other sources
3003	Grants	Credit	Debit the cash book and credit the capital Grant account with Grants from Federal, State Governments and other sources
3004	Miscellaneous	Credit	Debit the cash book and credit the capital Grant account with all other sources capital receipts



CAPITAL EXPENDITURE			
4001	Agriculture, Rural & Social Development	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector
4002	Works, Housing and Infrastructure	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector
4003	Finance Cooperative & Supply	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector
4004	Education	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector
4005	Health	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector
4006	Planning and Budget	Debit	Debit the relevant capital expenditure sub-head and credit the cash book with the Costs of capital projects in this sector

12.2. Responsibilities

12.2.1. Responsibilities of Auditor-General for Local Governments

Disclosure in the audit report of the failure by a local government to implement, apply and follow the standard chart of accounts.

12.2.2. Finance & Supplies Department

This department is responsible for the familiarization of other staff with the chart of accounts and the correct treatment of entries that go into the accounting records of the local government.

12.2.3. Budget, Planning and Statistics Department

The department has responsibility for observing uniform procedures with regards to annual budget formulation, adoption, and monitoring.

12.2.4. Internal audit

The internal audit should be responsible for performing internal control reviews to ensure compliance with the chart of accounts.

**Annexure A****Chart of Accounts for Local Government****REVENUE**

HEAD	SUB-HEAD	DETAILS OF REVENUE
1001	01	TAXES
1002		RATES
	01	Tenement Rate
	02	Land Use Charge
1003		Local Licenses, fines& Fees
	01	Parking Permit
	02	Liquor License Fees
	03	Eating/Bake Housing License Fees
	04	Marriage Registration Fees
	05	Naming of streets
	06	Radio/Television License Fees
	07	Reg./Charges on Public Toilet
	08	Pest Control & Disinfectant
	09	Burial/Vault Fees
	10	Laboratory Test Fees
	11	Earning from Environmental Sanitation Services
	12	Vaccine/Yellow Card/Health Use
	13	General Contractor
	14	Shop Permit License Fees
	16A	Advertisement



	16B	LASAA
	17	Plantation Nursing and Gardening
1004		EARNING FROM COMMERCIAL UNDERTAKING
	1	Okada Tolls
	2	Market
	3	Motor Parks/Tolls
1005		INCOME FROM LG. PROPERTIES
	1	Rent on LG. Properties
	2	Others
1006		INTEREST RECEIVED AND DIVIDEND
	1	Interest on Accounts
	2	Dividend from Investments
1007		GRANTS
	01	Grant from Federal Govt.
	02	Grant from State Govt.
	03	Others Grants
1008		MISCELLANEOUS
	01	Identification Letters
	02	Recovery of Losses or over payments
	03	Entertainment & Merriments
	04	Reg. of Association
	05	Other Charges
	06	Wharf landing
1009		STATUTORY ALLOCATIONS
	01	Federal Allocation



	02	State Allocation
	03	VAT Allocation/Loan
	04	Special Allocation/Loan
	05	Excess Crude Oil

OVERHEAD COSTS

HEAD	SUB-HEAD	DETAILS OF EXPENDITURE
2001		OFFICE OF THE CHAIRMAN
	02	General Services
	03	Provision for security
	04	Consultancy/Committee
	05	Conference/Seminars
	06	Furniture/Allowance
	07	Special Duties
2001A		OFFICE OF THE VICE CHAIRMAN
	02	General Services
	03	Ad-hoc Committee
2001B		INTERNAL AUDIT
	02	General Services

2001C		INFORMATION UNIT
	02	General Services
	03	Publicity
	04	Purchase of Newspaper
2001D		ENVIROMENTAL



	02	General Services
	03	Environmental Services
	04	Refuse Disposal
	05	Clearing of Drains/Waste
	06	Contribution to LAWMA
	07	Maintenance of Public Toilet
2002		OFFICE OF THE SECRETARY TO THE LG
	02	General Services
	03	Consultancy/Committee
	04	Conference/Seminar
2003		<u>THE COUNCIL (Legislative Arm)</u>
	02	General Services
	03	Stationery & Printing
	04	Maintenance Furniture's Equipment
	05	Fuelling/ Maintenance of Vehicle
	06	Conference/ Seminar
	07	Legislative Statutory Allowance
2003A		CLERK OF THE HOUSE
	02	General Services
2004		COUNCIL MANAGER
	02	General Services
	03	Consultancy Services/Committee
	04	Contribution to the local government Service Commission
	05	Service Materials
2004A		LEGAL UNIT



	02	General Services
	03	Consultancy
	04	Court Cases
2005		HUMAN RESOURCES OFFICE
	02	General Services
	03	Training, Staff Dev & Welfare
	04	Provision for Labour Relation
	05	Conference and Seminars
	06	Contribution to Housing Loan
	07	1% Training Fund
2006		FINANCE AND SUPPLIES
	02	General Services
	03	Stationary and Printing
	04	Insurance
	05	Bank charges, COT/Commission on Revenue Generation
	06	Grant to Pension Board
	07	Grant to Office of the Auditor General
	08	Provision for Cash Centres
2007		PLANNING, BUDGET & STATISTICS
	02	General Services
	03	LEEDS Document
	04	Budget Matters and Presentation
	05	Statistical Data/Research
	06	Monitoring Team
2008		EDUCATION
	02	General Services



	03	Mass Literacy Programme
	04	Children Development/ Celebration
	05	Assistance to Educational Institution
	06	Provision for Vocational Centre
	07	Bursary Award
	08	Youth and Sport
	09	Library Services
2009		PRIMARY HEALTH CARE
	02	General Services
	03	Provision of Service Materials
	04	Health Programmes
	05	Health and Medical Insurance
2010		AGRIC, RURAL & SOCIAL DEVELOPMENT
	02	General Services
	03	Grants Contribution & Subvention to CDA's
	04	Paramilitary Services
	05	Women Development and Poverty Alleviation
	06	Contribution to FADAMA
	07	Agric Shows and Fairs
2011		WORKS, HOUSING & INFRASTRUCTURE
	02	General Services
	03	Utility Services
	04	Up-keep of Council Properties
	05	Maintenance of Infrastructure
	06	Maintenance of Furniture & Equipment



	07	Contribution to Lagos State Water Corp.
	08	Maintenance of Vehicles & Plants
2012		TRADITIONAL RULER
	02	General Services
	03	Grant, Contribution & Subvention
	04	Maintenance of Palace
2013		MISCELLANEOUS
	02	Contingencies
	03	Federal & State Government Agencies
2014		TRANSFER TO RESERVED FUND
	01	Transfer to Stabilization Fund

3001	01	Internal Resources
3002	01	External Loans
3003	01	Grants
3004	01	Miscellaneous

CAPITAL EXPENDITURE

4001		AGRIC, RURAL & SOCIAL DEVELOPMENT
	01	Agric Project
	02	Poverty Alleviation
4002		WORKS, HOUSING & INFRASTRUCTURE
	01	Provision of street Lights
	02	Construction New Roads
	03	Rehabilitation/Surfacing of Roads
	04	Provision of Water
	05	Construction of Drains



	06	Construction of Culverts
	07	Upgrading of Palace
	08	Construction of Public Toilets
	09	Regeneration of Parks/Roundabout
	10	General Administration
	11	Provision for other Expenses
4003 C		COMMERCE, FINANCE, SUPPLY & CO-OPERATIVE
	01	Rehabilitation of Markets/Motor Park
4004		EDUCATION
	01	Provision of Reading Room
	02	Computer Equipment for schools
	03	Provision of Library Equipment
	04	Rehabilitation of Vocational Centre
	05	Rehabilitation of Pry. Schools
	06	Provision of Schools/ Teachers Furniture
4005		HEALTH
	01	Rehabilitation of Health Clinic
	02	Provision of Health Equipment
	03	Provision of Health Clinics
4006		PLANNING & BUDGET
	01	Computerization



Subjective Codes

The following subjective codes may also be used to indicate different types of expenditure.

1	SALARIES		
2	GENERAL SERVICE	<ol style="list-style-type: none"> 1. Travel and Transport 2. Entertainment and Hospitality 3. Miscellaneous 4. Grant Contribution and Subventions 5. Computer Accessories 6. Special Committee 7. Fueling and Office Maintenance 8. Office Stationery 9. Celebration and Ceremony 	
3	UTILITY SERVICES		Centralized to Works/Housing
4	TELEPHONE AND POSTAGE		Centralized to Works/Housing
5	MAINTENANCE OF OFFICE VEHICLE		Centralized to Works/Housing
6	MAINTENANCE OF OFFICE FURNITURE AND EQUIPMENTS		Centralized to Works/Housing
7	STAFF TRAINING WORKSHOP, SEMINARS AND CONFERENCES		Centralized to Personnel Department
8	STATIONERY AND PRINTING		Centralized to Finance
9	CONSULTANCY SERVICE AND COMMITTEE		<i>Centralized to Personnel Department</i>