

BENUE STATE GOVERNMENT



pdfelement

APPROVED CASH MANAGEMENT STRATEGY

2018

Glossary

Abbreviation	Full meaning
<i>PSE</i>	<i>Public Sector Entities</i>
<i>MDA</i>	<i>Ministries/Department/Agencies</i>
<i>GAAP</i>	<i>Generally Accepted Accounting Principles</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>CRF</i>	<i>Consolidated Revenue Fund</i>
<i>AIE</i>	<i>Authority to Incur Expenditure</i>
<i>CMS</i>	<i>Cash Management Strategy</i>
<i>FAAC</i>	<i>Federation Accounts Allocation Committee</i>
<i>PDAs</i>	<i>Personal Data Assistant</i>
<i>FI</i>	<i>Financial Instructions</i>
<i>NIBSS</i>	<i>Nigeria Inter-Bank Settlement System</i>
<i>TSA</i>	<i>Treasury Single Accounts</i>
<i>ICT</i>	<i>Information Communication Technology</i>
<i>UI</i>	<i>User Interface</i>
<i>GBE</i>	<i>Government Business Enterprise</i>
<i>BIRS</i>	<i>Board of Internal Revenue Services</i>
<i>DMBs</i>	<i>Deposit Money Banks</i>
<i>ZBA</i>	<i>Zero Base Accounts</i>
<i>CRA</i>	<i>Consolidate Revenue Accounts</i>
<i>ISPO</i>	<i>Irrevocable Standing Payment Order</i>
<i>PV</i>	<i>Payment Voucher</i>
<i>DVEA</i>	<i>Departmental Vote Expenditure Account</i>

1.0 Preamble

1.1 This cash management strategy is hereby approved pursuant to effective liquidity, solvency and commitment management of government funds flows. So as to provide reliable information on the availability of funds for good governance and effective public service delivery. This strategy shall ensure a periodic financial budget to balance liquidity and solvency.

2.0 Objectives

2.1 The objectives of this cash management strategy are:

2.2 To give a guide on how to spend money and facilitate financial planning

2.3 To limit all expenditure within the annual appropriation

2.4 To make Expenditure control more effective

2.5 To give a clear picture and financial awareness

2.6 To ensure/reinforce accountability and transparency as expenditure are re-approved before execution

2.7 To restrict spending to available cash so that debts are not unnecessarily incurred

- 2.8 To ensure financial discipline and realistic predictions or forecasts
- 2.9 To provide a flexible road map to keep expenditure on track.
- 2.10 To centralize financial control and management in the Treasury Unit

3.0 Legal Basis of the Cash Management Strategy (CMS)

- 3.1 In Benue State, the enabling laws relating to this cash management strategy are:
 - 3.2 Constitution of the Federal Republic of Nigeria (S) 120 establishing one consolidated revenue fund in any state of the federating units.
 - 3.3 The Executive Governor's Executive orders (approvals)
 - 3.4 Finance (Management and control) Act No 33 of 1958 as amended in 2009.
 - 3.5 The Procurement Act 2007
 - 3.6 The Pension Act
 - 3.7 National Salaries, Incomes and Wages Commission Circulars
 - 3.8 Benue State Edicts/Government Gazettes
 - 3.9 Benue State yearly Budget and Annual appropriation act

3.10 Benue State Financial Regulations 2003 or as reviewed from time to time

3.11 Government Treasury Circulars issued by the Accountant-General from time to time

4.0 Expenditure Authorisation

4.1 This shall give all PSE/MDAs appropriate authority to commence budget operations strictly on cash flow systems generated on a monthly basis by the office of the Accountant-General.

4.2 Therefore, expenditure initiation, commitment authority and transaction authority shall all reside with the Accountant-General, to make the control and supervision more effective. PSEs in this group are required to submit monthly returns to the Accountant-General for production of Annual Accounts in line with GAAP, IPSAS

4.3 Expenditure can be incurred by the chief accounting officer of a PSE/MDA only within the limits of the amount released to the MDA based on the budget execution and liquidity from the CRF.

4.4 However, the authority to incur expenditure (AIE) shall be applicable to self-accounting entities, and essential service providers' public sector entities only. This strategy enables such PSEs to avoid public service delivery disruption occasioned by red tape in the bureaucracy.

- 4.5 Expenditure can be committed or incurred by the chief accounting officer of a PSE/MDA only within the limits of the periodic subvention released to the MDA based on the budget execution, liquidity and debt management on a month to month basis from the CRF.
- 4.6 Therefore, expenditure initiation, commitment authority and transaction authority shall all reside with the PSE, to make the control and supervision more effective. PSEs in this group are required to submit an annual accounts transcript or audited accounts to the Accountant-General in line with GAAP, IPSAS

5.0 Instruments of Cash management Strategy

- 5.1 The quest to get the right money at the right time and right place in the Treasury unit may be challenging due to liquidity and solvency factors which can lead to arrears of financial obligations,
- 5.2 Therefore the accountant-General shall prepare a monthly cash survey of all cash balances in DMB indicating all inflows and outflows of CRF after every FAAC meeting for approval.
- 5.3 Where necessary The Honourable Commissioner of Finance and Accountant-General may ration cash on planned expenditure or apply for interday/month overdraft with the Government lead DMB.

5.4 However, aggregate spendable bank balances must be viewed on NIBSS platform and mirrored on authorised PDAs on 24/7 basis.

6.0 Payment processes in the Treasury.

6.1 The use of cash method of doing Government business transactions shall be restricted to the provisions of FI

6.2 Chequeing method system over the years has generated a supposedly huge cash handling/processing charges.

6.3 Hence the introduction of electronic payment systems in Benue State vide CBN circular No BOD/DIR/CIR/GEN/01/106 of December 11, 2009 which is hereby fully adopted

6.4 The Accountant-General shall have the mandate to employ a robust end to end bankers pay platform alongside the use of bank mandate or instructions for remittance of fund to PSEs/MDAs, salary and pension earners on the Benue State Payroll systems

7.0 Features of Benue State Treasury mandate.

7.1 The coat of Arm

7.2 The Addressor

7.3 The addressee

7.4 Date of authorization

7.5 Mandate serial number

7.6 Title of Treasury bank Account

- 7.7 The Treasury Account Number
- 7.8 An instruction to pay
- 7.9 Serial number of payees
- 7.10 The name of Payee (Beneficiary)
- 7.11 The bank account number of payee
- 7.12 The name of payee's bank
- 7.13 The sort code of the payee's bank
- 7.14 The amount payable to the payee
- 7.15 The total number of items on the mandate
- 7.16 The total amount payable on the mandate in figures
- 7.17 The total amount payable on the mandate in words
- 7.18 The name of the schedule officer who prepared the mandate
- 7.19 A minimum of two authorized signatures

8.0 Approved electronic payment instruments.

- 8.1 **Credit or debit cards,**
- 8.2 **Cheques, certified bank drafts**
- 8.3 **Electronic fund transfers** shall be heavily relied on for treasury operations anchored on Nigeria Inter-Bank Settlement System Plc (NIBSS)

9.0 Terms of payment processes

- 9.1 The approved terms of payments are prepaid, pay now, postpaid.
- 9.2 Prepay, i.e Fund shall be released before the service is provided. e.g payment of contract mobilization fees, prepaid voucher or scratch cards.
- 9.3 pay now i.e Fund shall be released immediately using any instrument simultaneously with the service being enjoyed. E.g payment of staff salaries and certification of valuation on contract.
- 9.4 Postpay i.e. Fund shall be released after the services has been enjoyed. e.g. payment of retention fees or out of pocket expenses.

10.0 Treasury Single Account

- 10.1 There shall be a Treasury Single Account (TSA) maintained at the CRF by the office of the Accountant – General that must allow for a central view of budgeted and non-budgeted cash balances in all Deposit Money Bank accounts maintained at CRF in a single electronic dashboard preferably powered by NIBSS Plc.
- 10.2 The Benue State treasury single Account shall be ICT, IPSAS accrual based UI designed.
- 10.3 Changes shall be made to the accounting systems and processes, in line with IPSAS and GAAP

- 10.4 These shall include the redistribution of accounting roles and responsibilities between the central treasury unit, Public sector Entities/Government Business Enterprises, etc.
- 10.5 Therefore treasury headquarter or PSE/GBE or both, shall maintain the initial accounting records (books of original entries) such as cash books, vote books and have bank reconciliation responsibilities, to track and control annual appropriations and monthly/quarterly allocations to PSE/GBE.
- 10.6 The coding structure used in the chart of accounts must be IPSAS compliant
- 10.7 All Internally generated revenue collected by MDAs/PSEs must be brought in the Consolidated Revenue Account (CRA) with BIRS by an automatic sweep out arrangement to the Consolidated Revenue Fund (CRF) before the 10th of the following month, after reconciliation by the Benue State Revenue Reconciliation Committee.

11.0 TSA STRUCTURE

- 11.1 The Benue State TSA Model is a modified centralised model. It is a centralised cash control by the treasury unit, with a decentralised responsibility for commitment, payments and accounting, internal control and management by PSE/GBE. The book-keeping and accounting reporting fundamentals shall remain unchanged.

11.2 Under this model, requests for payments are prepared by PSE/GBE and sent to the treasury unit for control and execution. Although in this model the payment and accounting functions are centralized, individual spending agencies are treated as distinct accounting entities through a treasury ledger system. Therefore, information on the individual ledger accounts of the spending agencies (including information on their respective transactions) is maintained and controlled internally by the treasury and thus not visible to the banking system. Under this model, only the treasury central unit deals with the TSA banks, making payments from the TSA and receiving collected revenues into the TSA

11.3 Benue TSA may have several linked bank accounts outside TSA main account with their balances automatically swept off at the end of a stipulated time by the e-payment/collection platform of the TSA Bank. Individual PSE/GBE are allowed to have a separate Zero based accounts to operate.

11.4 Zero based Bank Accounts for all PSE/GBE are opened with the bank that warehouses the TSA/CRF.

11.5 The accounts are zero balance accounts, therefore money will be transferred to the account as specific approved payments are made.

- 11.6 The account balances are automatically swept at an agreed time (weekly or monthly) to the TSA main account.
- 11.7 The TSA bank consolidates the balances in all the government accounts at the end of each day.
- 11.8 A comprehensive treasury ledger system shall be put in place to track, account for, and report on specific fund flows through the bank accounts.

12.0 TSA Authorised Deposit Money Bank Accounts

- 12.1 **TSA main account:** The treasury's bank account with the TSA bank which consolidates the government's cash position shall be maintained by UBA Plc.
- 12.2 **TSA subsidiary accounts or sub-accounts:** Extra Budgetary Funds and non-government funds/committed funds shall be maintained at other DMBs
- 12.3 **Zero-balance accounts (ZBAs):** For PSE/GBE expenditure only shall also be maintained at other DMB
- 12.4 **Transit accounts:** For Internally Generated Revenue collections only and controlled by BIRS only to be swept to CRA on daily basis and thereafter CRF - TSA on monthly basis
- 12.5 **Correspondent accounts:** For foreign currency transactions may be maintained if necessary

13.0TSA Revenue Collection procedure

13.1 The revenue payer makes the payment to a (BIRS) transit account in a commercial bank.

13.2 The funds are automatically swept into the CRA bank at regular intervals (for instance, at the end of the business day. Each day the bank submits an account statement (ideally in electronic format to facilitate reconciliation) to the BIRS and to the treasury, which is used for reconciliations against revenue payer records (BIRS - CRA) and the TSA (treasury - CRF).

14.0TSA Debt Management/Servicing

14.1 Loans may be negotiated with other willing non - TSA commercial banks, however the proceeds must be pooled to the TSA Bank and amortized via an ISPO from the TSA bank to the creditor commercial bank

15.0Fund Disbursement procedure

15.1 Approval of requests for money by a needy beneficiary,

15.2 Appropriate conveyance of the approved request to Ministry of Finance by an authorised officer of Government House notably the Permanent Secretary,

15.3 Validation of such approval with existing financial and budgetary Controls by Honourable Commissioner of Finance and Permanent Secretary Ministry of Finance,

- 15.4 Authorization of release of fund based on liquidity position of the State by Accountant General,
- 15.5 Preparation of notification/allocation to the PSE/GBE
- 15.6 Preparation of remittance/PV by beneficiary PSE/GBE
- 15.7 Forwarding of PV to the Treasury headquarters
- 15.8 Preparation and dispatch of mandate to the TSA Bank, to enable the TSA bank credit the PSE/GBE TSA Zero based accounts
- 15.9 The authorized officer of the MDA, will in turn acknowledge the mandate/PV with an IPSAS compliant BNT6 receipt. The mandate is thereafter lodged in the MDA bank to enable the instruction on it to be carried out.

16.0 Transaction processing under TSA in Benue State

- 16.1 The transaction processing shall be decentralized.
- 16.2 In this case, the treasury headquarters shall issue allocation papers to PSE/GBE, which is processed into their DVEA (vote book),
- 16.3 An IPSAS compliant PV is raised and forwarded to treasury for payment from TSA account to PSE/GBE zero based account.
- 16.4 The treasury provides payment services for spending PSE/GBE and shall have the exclusive authority to operate the TSA.

16.5 The PSE/GBE shall submit their pre analyzed payment requests in line with IPSAS accrual to the centralized authority/treasury before making payments.

17.0 Expenditure Control guide.

17.1 Limit on amount of expenditure: Government expenditure must be within the current year's budgetary provision.

17.2 Limit on time horizon of expenditure: Government Expenditure must occur within the time limits applicable within the budget year except for contracts and other validated arrears taken on charge as shorter/long term liabilities.

17.3 Hence there shall be Commitment and liabilities Register maintained and updated on a monthly basis by the Debt management Department.

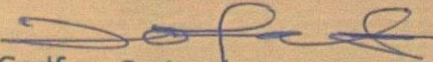
17.4 The following categories of expenditure shall not exceed twelve calendar months from the date of authorization and approval, if not captured in the Commitment and liabilities Register.

17.4.1 Salary Arrears and other Personal emoluments

17.4.2 Pension Arrears and other social benefits

17.5 The content of an annual budget or an executive order which gives a specific predetermination shall be sole purpose for all government expenditure.


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AUTHORISATION AND APPROVAL

 1/10/2018

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**HIS EXCELLENCY,
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Dated this 1st day of October, 2018