

Bank reconciliation in Jigawa

Improving the management of public finances is a major cornerstone of improving delivery of services to citizens by state government. The UK Department for International Development (DFID) has been supporting reforms in public financial management through its governance programmes in several Nigerian states. In partnership with state governments, reforms are being implemented and concrete results are now beginning to emerge. In Jigawa State, as part of a package of reform measures, strides are being made in the accuracy and timeliness of managing public funds. A package of measures (known as the 'bank reconciliation package') is now being implemented. Why this new package is important is outlined below, and the reasons for progress so far are reflected on.



Final Accounts staff and other participants during the bank reconciliation training

Why is bank reconciliation important?

Bank reconciliation is a fundamental process of financial management. In all Nigerian states, resources are allocated and transferred by the Federal Allocation Accounts Committee to state treasury departments. These resources, together with any additional sources (such as tax), are then released on a monthly basis to all government ministries, departments and agencies¹, as well as directly to government contractors.

Accounting for all these resources is required on a monthly basis. These monthly returns are compared against bank statements, errors corrected and information entered onto financial management systems. This is the single most important

'instrument' in financial accountability and provides the information for annual final accounts to be prepared and published by state governments.

What is new about the 'package'?

In Jigawa, monthly returns from over 120 MDAs are sent in to the Ministry of Finance Final Accounts Department as hardcopy files. These are all checked and entered by hand into the state's financial management information system. Each entry requires a number of pieces of information – including project codes, economic codes, contractors' codes, as well as dates and amounts – and must be supported by vouchers/documents. This process takes about three days for each MDA and the potential for human error in the inputting process is significant.

¹ Referred to hereafter as MDAs

Since 2009, Jigawa State Government has been involved in the introduction of a bank reconciliation 'package'. It is an Excel-based system which has been refined over many iterations during the last two years. The spreadsheet is a complete package of information for each MDA, which is preloaded with all the required coding. Because all codes are provided in the package, the elimination of human error is significantly improved. It is difficult to quantify this, but those involved estimate that easily over 90% of errors are removed.

Furthermore, the process, because it is highly automated, takes on average about an hour for each MDA – a huge saving of time.

What are the benefits?

The immediate benefits, as seen above, include the time-saving, and a significant reduction of errors. So, the data that is prepared will be more accurate, and made available much more quickly. But what government officials and technical consultants see as the big leap forward here, is not the spreadsheet itself, but the fact that it is linked to the current financial management system²

"On average the process currently takes three days for each MDA, with the package it will take one hour"

The package has been tested and is in the final steps of completion. This critical step will allow monthly accounts to be prepared before the end of the following month. Senior officials are now in a much better position to track expenditure on a month-by-month basis, a big step forward since 2009. This is particularly important for the big, critical sectors such as education and health.

And the production of annual accounts will improve because of the new package. The financial year runs from January to December each year, in line with the calendar year. A good indicator of improved efficiency is the time taken to produce annual final accounts, following each December. In some states, this can take two years or more. In Jigawa, the 2010 final accounts were produced in June 2011 directly from the IFMIS, and plans are to produce the 2011 final accounts by March 2012 using the new package.

Whilst final changes are being completed to the spreadsheet template, a detailed 'procedures manual' is also being finalised for use by Final Accounts and MDAs. A final training session for the Department of Final Accounts is being designed as a 'training of trainers' event, in order that knowledge can be handed down. The plan is to complete commissioning and be fully operational before the end of 2011.

Why has it worked in Jigawa?

Innovation is about people adapting, and adopting existing or new ideas and practices. The bank reconciliation package is an innovation in Jigawa. Successful uptake, however, does not happen spontaneously.

First and foremost, there was a desire for change at a senior level in state government. When SPARC arrived to provide technical assistance to Jigawa State Government, it received tremendous support. This high-level commitment filtered down to the relevant MDA in government, the Department of Final Accounts in the Ministry of Finance, and proved to be a big motivational factor.

Secondly, the quality of professional support the programme was able to provide was exceptionally high. This was recognised by state partners and an excellent working relationship was forged.

Thirdly, the incentives for change were progressively becoming clearer. The bank reconciliation package produced much better information and made the work much easier at the same time. There was a real thirst for information, a willingness to learn new processes by state government officials who wanted to be able to use the spreadsheet themselves.

And, finally, the physical presence and continued interaction, between staff of SPARC and government officials, has provided an ongoing dialogue which has been critical in the design and delivery of the package – critical in the sense that regular contact allowed for iteration to happen and sophistication of the system to occur.

The working relationship has been so positive that the technical professionals describe their state partners as the 'best final accounts team in Nigeria'.

It is hoped that the package will be used across Jigawa's MDAs from early 2012. The central finance MDAs will then be in a much better position to monitor improvements, particularly for the key sectors such as education and health.

For more information

Email: info@sparc-nigeria.com

Telephone: +234 (0) 7029 682832

Visit our website: www.sparc-nigeria.com

The SPARC logo consists of the word "sparc" in a lowercase, sans-serif font. A stylized, curved line arches over the letters "a" and "r", resembling a wave or a bridge.

The UKaid logo features the Royal Coat of Arms of the United Kingdom on the left, followed by the word "UKaid" in a bold, sans-serif font. Below "UKaid" is the text "from the Department for International Development" in a smaller font.

² The integrated financial management information system (or IFMIS)