

# REVIEW OF DELTA STATE BC & COA

Presented by WYG Consultants

**WHY IS CHANGE NEEDED?**

# Current Limitations for Personnel Costs



- Highly restrictive and lacks disaggregation thereby undermining transparency and accountability in the allocation and utilization of resources.
- Difficult to determine how much is being spent on allowances and overtime against core salaries and wages.

# Coding for Overhead Costs



- 02 Transport & Traveling
- 03 Utility Services
- 04 Telephone Services
- 05 Stationery
- 06 Maintenance of Office Furniture and Equipment
- 07 Maintenance of Equipment and Capital Assets
- 08 Consultancy Services
- 09 Grants, Contributions and Subventions
- 10 Training and Staff Development
- 11 Entertainment and Hospitality
- 12 Miscellaneous
- 13 Contribution/Subvention to International Organizations
- 14 Motor/Vehicle/Cycle/Bicycle Advance

# Overhead Costs Limitations



- Not enough detail provided for managerial control. For example, in the “Transport & Traveling” (Code 2) category, there is no difference between local and foreign travel.
- The “Miscellaneous” (Code 12) category is used for many government expenses and does not clearly identify the use of government funds.

# Current Coding for Capital Expenditures



## **Economic**

450	Agriculture and Rural Development
451	Livestock Development
452	Forestry Development
453	Fisheries Development
454	Industry
455	Energy
456	Commerce, Finance, Coops and Supply
457	Transport (Roads)

## **Social Services**

458	Education
459	Health
460	Information & Culture
461	Social Development Youth & Sports 6

# Current Coding for Capital Expenditures (contd)



## **Environment**

- 462 Water Supply
- 463 Sewerage & Drainage
- 464 Housing Survey
- 465 Urban and Regional Planning
- 466 Community Development

## **General Administration**

- 467 Administrative Building
- 468 General Admin

# Current Limitations on Capital Costs



- No control structure identified with current programs
- Merely a listing of projects and programs in the budget document.
- Constitutes a drawback on full disclosure and reporting standards.



# **Introduction of National Chart of Accounts (NCOA)**

# Background



- The Federal Executive Council in 2010 approved that Nigeria adopt International Public Sector Accounting Standards (IPSAS)
- Federation Accounts Allocation Committee (FAAC) at its meeting of 13<sup>th</sup> June 2011 set up a Technical Sub-Committee to provide a road map for implementation of IPSAS
- The Technical Sub-Committee developed a comprehensive and standardized NCOA and harmonized format for Cash and Accrual Basis of Accounting

# Definition



- The NCOA provides platform for Budgeting, Accounting and Reporting of all Government Financial transactions
- The Chart of Accounts is a systematic list of the Accounts used by an entity to define each class for which money or equivalent is spent or received
- It is a complete list of budget and accounting items where each item is uniquely represented by a code and grouped into tables of related data for the purpose of tracking

# Purpose



- The NCOA is designed for three tiers of government in Nigeria. Objective of NCOA is to
  - ▣ Facilitate the preparation of uniform financial statements
  - ▣ Fulfil statutory requirements for presentation of the General Purpose Financial Statements (GPFS)
  - ▣ Enhance the classification of financial transactions leading to meaningful and relevant accounting report for users
  - ▣ Provide a listing of different accounts used by Government entity according to their intended purpose
  - ▣ Comply with requirement of IPSAS in ensuring full disclosure of all accounting transactions

# Key Features



- Expandable/Flexible/Adaptable
- Each item has a unique code
- Sufficient structure for fiscal management
- Used for both Budgeting and Accounting
- Facilitates Data Entry
- IPSAS Cash and Accrual Basis complaint
- Government Financial Statistics (2001) complaint
- Compliance with Classification of Functions of Government (COFOG)
- Follows REAL Model of Economic Classification (i.e. Revenue, Expenditure, Assets and Liabilities)

# Users of the NCOA



- ❑ Budget/Planning Officers
- ❑ Finance/Accounts Officers
- ❑ Management
- ❑ Analysts/Consultants/Researchers
- ❑ Academia
- ❑ Programmers/Software Developers
- ❑ Legislators and other Political Leaders
- ❑ Donors and other development Partners
- ❑ Mass Media
- ❑ The General Public

# **BENEFITS OF IMPROVED CODING STRUCTURE**

# Benefits of Improved Coding Structure

- Improves efficiency, transparency, accountability and comprehensiveness of resource allocation and management of the State Government operations.
- Can facilitate comparison across Governments, MDAs, Sectors, etc.
- Be used to assess the impact of service delivery as well as giving a clearer picture of the split between recurrent and capital expenditures and a better idea of operating cost dependency.
- Allows for better analysis and tracking of elements of the budget.
- Easier to generate financial reports.



# **NEW CODING STRUCTURE**

# Structure of the NCOA

S/N	Segment	Digits
1	Administrative	12
2	Economic	8
3	Functional	5
4	Program	14
5	Fund	5
6	Geo (Location)	8
	Total	52

# Segments of the NCOA

S/N	Segment	Digits
<b>1</b>	<b>Administrative</b>	<b>12 digits</b>
1.1	Sector	2
1.2	Organisation	2
1.3	Sub-Organisation	3
1.4	Sub-Sub Organisation	3
1.5	Sub-Sub-Sub Organisation	2
<b>2</b>	<b>Economic</b>	<b>8</b>
2.1	Account Type	1
2.2	Sub-Account Type	1
2.3	Account Class	2
2.4	Sub-Account Class	2
2.5	Line Items	2

# Segments of Proposed Coding Structure

S/N	Segment	Digits
<b>3</b>	<b>Functional</b>	<b>5</b>
3.1	Main Function (Divisions)	3
3.2	Sectors (Groups)	1
3.3	Programs (Classes)	1
<b>4</b>	<b>Program</b>	<b>14</b>
4.1	Policy	2
4.2	Programme	2
4.3	Project	6
4.4	Objective	2
4.5	Activity	2

# Segments of Proposed Coding

S/N	Segment	Digits
<b>5</b>	<b>Fund</b>	<b>5</b>
5.1	Main Fund	2
5.2	Sub-Funds	1
5.3	Fund Sources	2
<b>6</b>	<b>Location Classification</b>	<b>8</b>
6.1	Zones	1
6.2	States	2
6.3	Senatorial Zone	1
6.4	LGCs	2
6.5	Wards	2

# Coding Structure

Admin	Economic	Function	Program	Fund	Geo (Location)
XX XX XXX XXX XX	X X XX XX XX	XXX X X	XX XX XXXXXX XX XX	XX X XX	X XX X XX XX
<b>12 Digits</b>	<b>8 Digits</b>	<b>5 Digits</b>	<b>14 Digits</b>	<b>5 Digits</b>	<b>8 Digits</b>

# **FEATURES OF THE CODING STRUCTURE**

# Administrative



The administrative classification identifies the organisational unit which is responsible and accountable for the transaction. A responsibility centre is an organisational entity headed by a manager who:

- has a budget and responsibility to determine resources required;
- manages resources according to work plan;
- has responsibility to control costs in relation to results;
- receives and exercises authority to initiate expenditures and approve charges against his or her budget



# Administrative



- The administrative classification ranges from the highest managerial level, where a single official is responsible for a program, to progressively lower levels of delegated responsibility.
- That is Organisation, Sub-Organisation and Sub-sub Organisation.

***It thereby identifies who is responsible and accountable for spending funds appropriated by the House of Assembly at the responsibility centre level.***

# Administrative

S/N	Part	Digit	Description
1	Sector	2	A set of broad Government entities performance related activities
2	Organisation	2	Ministries
3	Sub-Organisation	3	Main Ministries, Parastatals, and Agencies
4	Sub-Sub-Organisation	3	Headquarters of MDA & Outstation Offices
5	Sub-Sub-Sub-Organisation	2	Departments within an Entity e.g Finance & Accounts
	Total Number of Digits	12	The entire Digits must be used for all transactions

# Administrative

S/N	Sector	Digit	Code
1	Administration	2	01
2	Economic	2	02
3	Law and Justice	2	03
4	Regional	2	04
5	Social	2	05

# Economic



- The basis for recording specific activity by the kind of transactions by which the Government performs its functions.
- This segment identifies the Type (Nature or Object) of an account for reporting of financial transaction
- The segment is subdivided into Account Type, Sub-Account Type, Account Class, Sub-Account Class and Line Items.
- The account types of the state are Revenue, Expenditure, Assets and Liabilities.

# Economic



The economic classification identifies:

- In the case of revenue, the source of the receipts;
- In the case of expenditures, the types of goods or services acquired; and
- In the case of non-budgetary transactions, the causes of increase or decrease to the financial claims and obligations.

*Transactions by account type – line items are required not only for managerial control at the operating level, but also to facilitate cost and economic analysis at the government level since they provide data on the effects of government expenditures on the national economy.*

# Economic

Account Type	Sub - Account Type	Account Class	Sub-Account Class	Line Item	Description
1	X	XX	XX	XX	Revenue
2	X	XX	XX	XX	Expenditure
3	X	XX	XX	XX	Assets
4	X	XX	XX	XX	Liabilities

# Functional

- Organises government activities according to broad objectives or purposes.
- It is independent of the government's administrative or organisational structure.
- Classification of functions of socio-economic objectives that general government unit aim to achieve through various kinds of outlay
- The functions are classified using COFOG three-level scheme of
  - ▣ Main Functions (Divisions),
  - ▣ Sectors (Groups) and
  - ▣ Programmes (Classes).

# Functional

- The breakdown of Main Functions (Divisions) in COFOG is ten namely,
  - General Public Service
  - Defence
  - Public Order and Safety
  - Economic Affairs.
  - Environment Protection
  - Housing and Community Amenities
  - Health
  - Recreation Culture and Religion
  - Education
  - Social Protection
- Nine of the ten is applicable to a State.
- The Sectors (Groups) and Programmes (Classes) **are also developed.**



# Program



- Program segment answers the ‘WHY’ question of every transaction according to the Purpose or Objective
- Does the transaction relate to a specific project and if so, what type of activity
- Each project is tagged with special codes for tracking of transactions associated with each from budget preparation to execution.
- There are five elements within this segment which include
  - Policy (2 digits),
  - Programme (2 digits)
  - Project (6 digits)
  - Objective (2 digits)
  - Activity (2 digits)

# Fund



- Fund can be defined as fiscal and accounting entity with self balancing set of accounts to record cash and other resources together with related liabilities and balances
- The Fund segment addresses the ‘Financed by’ element of a transaction
- It refers to the various pools of resources for financing government activities
- The five digits Fund code is used to identify the particular means of funding each transaction.
- The coding has three parts the Main Fund Type (2 digits), Sub-Funds (1 digit) and Fund sources (2 digits).

# Geographic (Location)



- Geographic Code segment addresses the ‘WHERE’ (location/station) element of every transaction.
- It is location or physical existence of transaction so that an analysis of government budget and expenditure along various LGCs and wards can be done
- It makes it easier for MDAs with oversight function or M&E to locate projects across the State
- This is particularly important when considering Capital Expenditure

**NEXT STEPS/PRACTICAL**  
**Session**

**THANK YOU**