

# **Public Financial Management Act, 2016 (Act 921)**

By

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# Sections & Clauses Covered in this Presentation

Contingency Funds:  
Clause 36

Sinking Fund & Debt  
Servicing:  
Clauses 37-44

Cash & Assets  
Management:  
Clauses 45-53

Accounting & Audit:  
Clauses 79-88

Oversight of Local  
Government Authorities,  
Public Corporations &  
State-Owned  
Enterprises: Clauses 89-  
95

Schedule:  
Provisions on the  
Accounts to be  
Submitted

# Clauses 36: Contingency Fund Payments & Advances

Payment  
“into” and  
“Out”

- The role of Parliament in authorizing payment “into” and “out” of the Contingency Fund [PFM Act s36(1)].

Purpose

- Urgent or unforeseen need of expenditure for which no provision exists to meet the need [PFM Act s36(1)].

# Clauses 37-44: Sinking Fund & Debt Servicing:

## Creation of Sinking Fund

- The Minister may create the Sinking Fund [PFM Act s37(1)]
- For the purposes of redeeming specified debt obligations of Government [PFM Act 37(2)].

## Sources of Money for the Sinking Fund

- (1) Periodic Budget Contribution; (2) Repayment inflows of On-lent Monies; (3) Investment Income on the Fund; (4) Debt Redemption Borrowings; and (5) Petroleum Revenues [PFM Act s38].

## Administration of Sinking Fund

- The Controller & Accountant-General shall administer the Sinking Fund [PFM Act s39(1-3)].

# Clauses 37-44: Sinking Fund & Debt Servicing:

## Sinking Fund & Debt Servicing

37. Creation of Sinking Fund

38. Sources of Money for the Sinking Fund

39. Administration of the Sinking Fund

40. Bank Account of Sinking Fund

## Sinking Fund & Debt Servicing

41. Payment from the Sinking Fund .

42. Accounts & Audit

43. Annual Report & Other Reports

44. Transfer of money

# Clauses 45-53: Cash and Asset Management

**Treasury Single Account**

- 46. There is established by this Act, a Treasury Single

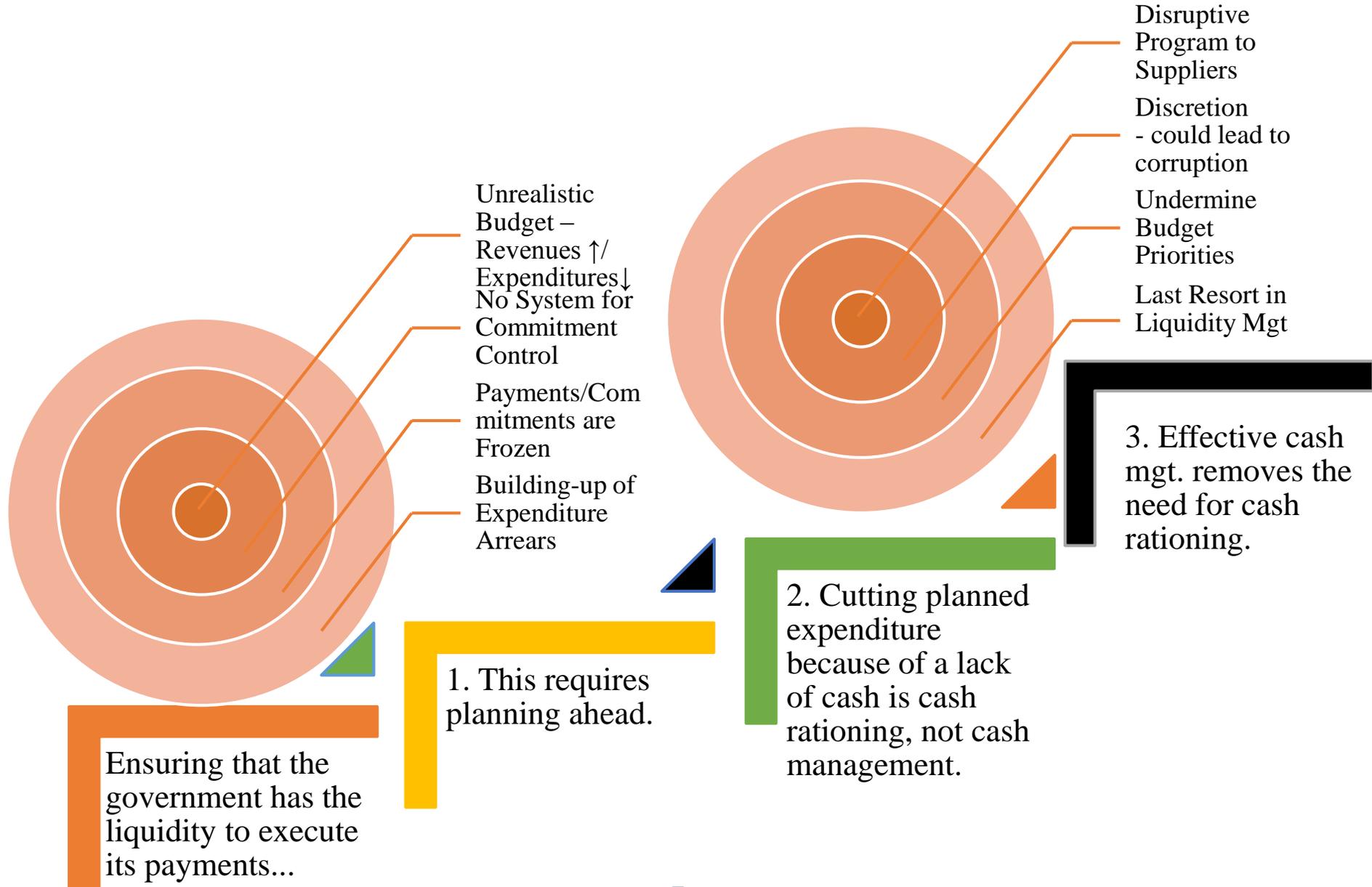
**Treasury Single Account**

- 46. (a) to serve as a unified structure of Government accounts to give a consolidated view of Government cash resources; and

**Treasury Single Account**

- 46. (b) into which all moneys received by covered entities shall be deposited and from which all expenditures of Government and covered entities shall be made.

# Why TSA? - Cash Mgt vs. Cash Rationing



# Clauses 45-53: Cash and Asset Management

## **Bank Account Mgt - Opening**

- 51(1) A bank account shall not be opened for any covered entity without the written approval of the Controller & Accountant General.

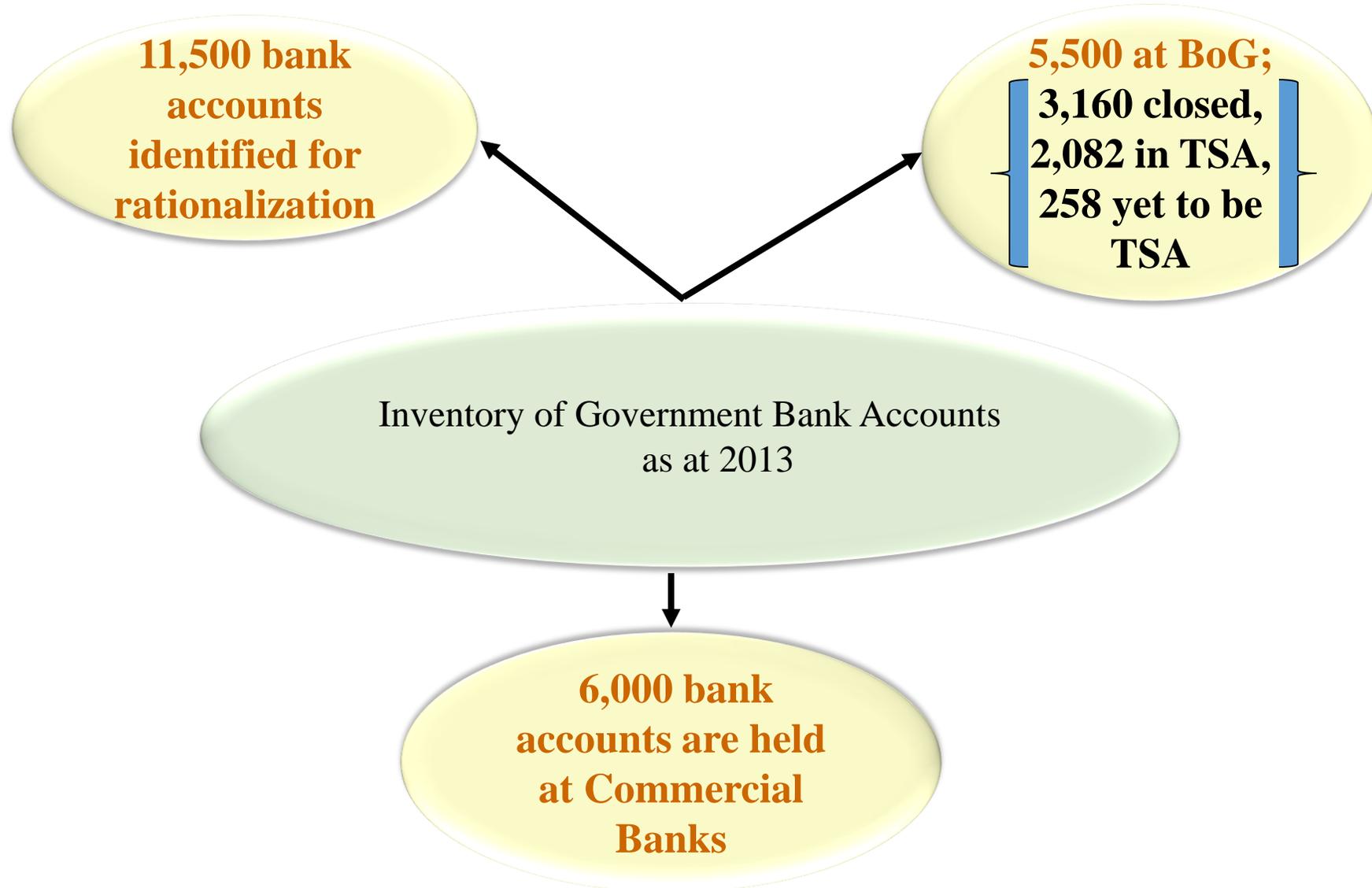
## **Bank Account Mgt - Regulation**

- 51(7) (a) The Controller & Accountant-General shall regulate the operations of a bank account of a covered entity; and (b) may, with the prior written approval of the Minister, suspend or close a bank account if the C & A-G considers it necessary in the public interest.

## **Bank Account Mgt – Disclosure of Information**

- 51 (9) The BoG or where applicable, a financial institution ... shall, on the request of the C & A-G or the Auditor-General, in writing disclose any financial information regarding the account, within 14 days after the receipt of the request.

# Why Bank Account Management?



# Clauses 45-53: Cash and Asset Management

## **Investment of Balances on the Consolidate Fund**

- 49(1) The Minister may (a) authorize the C & A-G to invest any sum standing to the credit of the Consolidated Fund with (i) the BoG, or (ii) approved financial institution

## **Investment of Balances on the Consolidate Fund**

- 49(1) The Minister may (b) invest any sum standing to the credit of the Consolidated Fund, in an instrument other than government instrument that the Minister considers appropriate.

## **Investment of Balances on the Consolidate Fund**

- 49(2) The instrument referred to in subsection (1) shall mature within the fiscal year.

# Why Cash and Asset Management?

## **Reduction in Overdraft Cost**

A reduction in overdraft costs borne by the government due to insufficient funds in a single bank account.

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## **Reduction in Interest Cost**

A reduction in the interest costs borne by the government due to short-term borrowing to cover cash shortfalls in a single bank account.

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## **Increase in Interest Income**

An increase in interest income derived from the short-term investment of idle cash.

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## Clauses 45-53: Cash and Asset Management

# Custody & Management of Assets

52(1)A Principal Spending Officer (PSO) of a covered entity, SOE, PC shall be responsible for the assets of the institution under the care of the PSO and shall ensure that proper control systems exist for the custody and management of assets.

# Clauses 37-44: Sinking Fund & Debt Servicing:

## Cash & Asset Management

45. Management and use of Government cash

46. Treasury Single Account

47. Collection, deposit and retention of revenue

48. Consolidated Fund

49. Investment of balances on the consolidated funds

## Cash and Asset Management

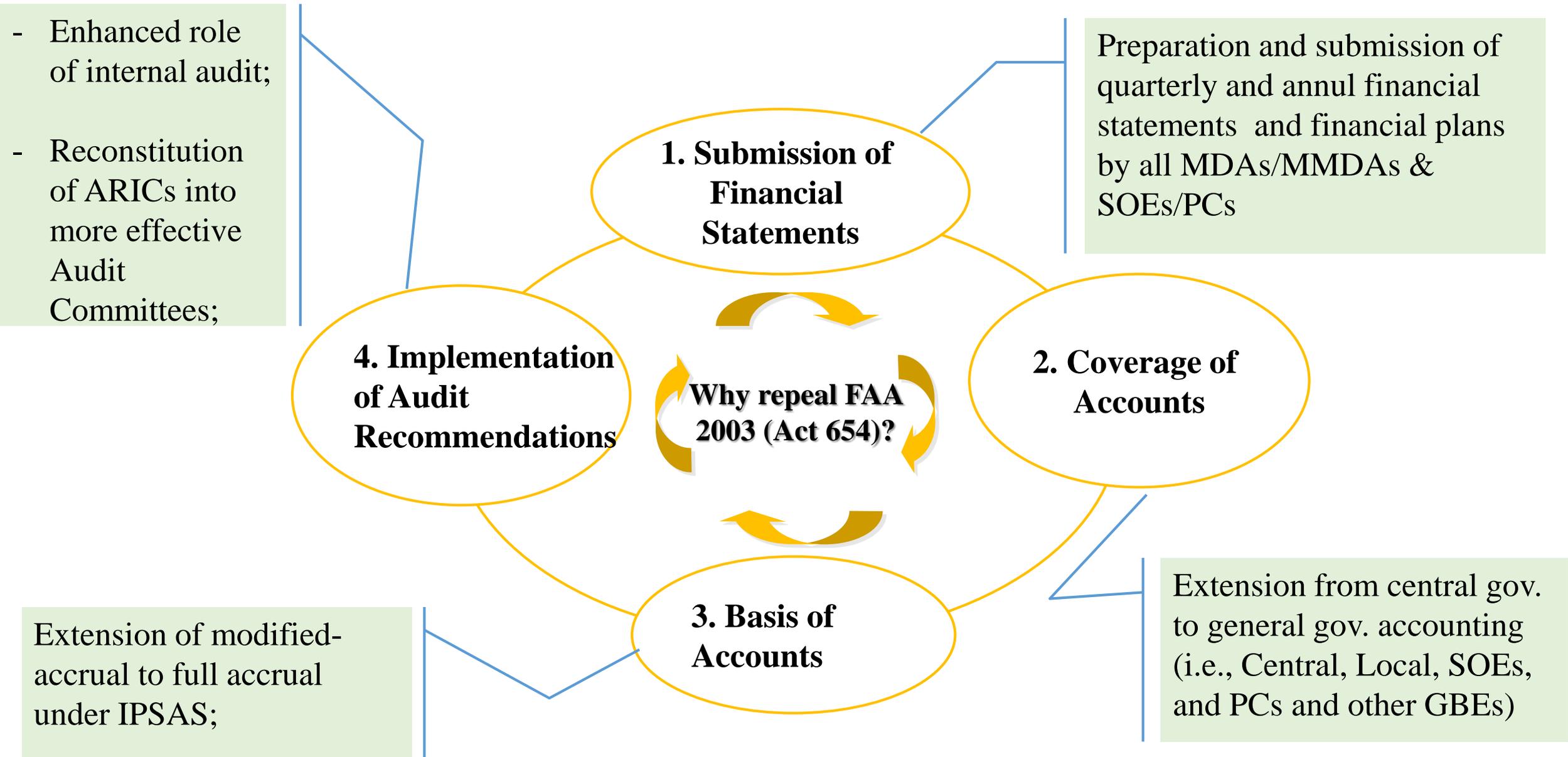
50. Spending from the Consolidated Funds

51. Bank Account Management

52. Custody and Management of Assets

53. Abandonment of claims and write off of public funds

# Clauses 79-95: Accounting and Audit



# Submission of Financial Statements

Covered Entities/ Provisions	Principal Spending Officers	Minister Responsible for LGAs	SOEs & Public Corporations	Controller & Accountant-General
Financial Statements Required	Quarterly financial statements	Consolidated Audited Accounts of each local government authority	Summary statement of financial performance	Quarterly financial statements
Date of Submission	15th day of the month following each quarter	Nine (9) months after the end of each financial year	Two (2) months after the end of the financial year	By the end of the month following the end of each quarter
Report Recipients	Controller & Accountant-General	Minister of Finance	Controller & Accountant-General and the Auditor-General	Minister of Finance
Clauses	79(1)(a)	89	80(2)	79(2)

# Submission of Financial Statements

Covered Entities/ Provisions	Principal Spending Officers - MDA	Minister Responsible for LGAs	Principal Spending Officers - SOEs & PCs	Controller & Accountant-General
Financial Statements Required	Accounts and information set out in the Schedule on	Consolidated Audited Accounts of each local government authority	Audited Financial Statements	Consolidated Accounts including - Accounts on Contingency & Petroleum Funds
Date of Submission	Two (2) months after the end of the each financial year	Nine (9) months after the end of each financial year	Four (4) months after the end of each financial year	Three (3) month after the end of each financial year
Recipients of the Submission	Auditor-General and Controller & Accountant-General	Minister of Finance	Minister of Finance	Minister of Finance & Auditor-General
Clauses	80(1)	89	93(1)	81(1)

# Provisions Relating to Internal & External Audit

## Internal Audit

- 83(1) A covered entity shall have an Internal Audit Unit.
- 83(2) The head of the Internal Audit Unit shall report administratively to the Principal Spending Officer and functionally to the Audit Committee of that covered entity.
- 83(11) This section shall be read and construed as one with the Internal Audit Agency Act, 2003 (Act 658).

## External Audit

- 84The Auditor-General shall, within six months after the end of each financial year, examine and audit the public accounts submitted under this Act in accordance with article 187 of the Constitution and the Audit Service Act, 2000 (Act 584).

# Provisions Relating to Internal & External Audit

## **Reports on Findings & Recommendations**

85(1) A Principal Spending Officer shall, on an annual basis, submit the following to the Minister and Auditor-General : (a) a report on the status of implementation of any recommendations made by the Auditor-General; and (b) a report on the status of implementation of recommendation made by the Parliament in respect of that covered entity.

## **Reports on Findings & Recommendations**

85(2) The Attorney-General shall, on an annual basis, submit a report on the status of any action commenced on behalf of the Government to the Minister, Auditor-General and Parliament following findings of the Auditor-General and recommendations of the Public Accounts Committee of Parliament.

# Clauses 79-81: Audit Committees

## Establishment

- 86(1) There is established by this Act, Audit Committees that shall serve one particular covered entity and any other covered entities in a sector.
- 86(2) For the purposes of subsection (1), the Minister shall, by Regulations, specify (a) the number of Audit Committees to be established in each sector; and (b) the qualification for appointment to an Audit Committee.

## Composition

- 87(1) An Audit Committee consists of five members. 87(2) The majority of which shall be independent members 87(3) the Internal Audit Agency and the Institute of Chartered Accountants shall nominate the majority of members from among persons who do not work in the covered entity to which the Audit committee relate and two other members shall be nominated by the Principal Account Holder 87(4) The chairperson of an Audit Committee shall be elected from among the members of the Committee.

## Functions

- 88(1) An Audit Committee shall ensure that the head of a covered entity, to which the Audit Committee relates, (a) pursues the implementation of any recommendation contained in (i) an internal audit report; (ii) the Auditor-General's report endorsed by Parliament; (iii) the Auditor-General's Management Letter; (iv) report of an internal monitoring unit of the covered entity concerned, particularly in relation to financial matters.

# Clauses 79-95: Accounting, Audit, & LGA, PC, & SOEs

## Accounting & Audit

79. Submission of financial statements

80. Annual accounts

81. Consolidated annual accounts

82. Changes to accounting or classification systems

83. Internal audit

84. External audit

85. Report on findings and recommendations

## Audit Committees

86. Establishment of audit committee

87. Composition of audit committee

88. Functions of audit committee

## Local Government Authorities, Public Corporations & SOEs

89. Submission of audited accounts of LGAs.

90. Duty of governing body of PCs & SOEs

91. Collection and receipt of monies due to PCs

92. Removal of directors of PCs

93. Annual financial plans of PCs and SOEs

94. Financial directives to PCs and SOEs

95. Accounts and audits of PCs & SOEs

**Thank You**