

# BOF Workshop on IGR of MDAs



## Challenges with Designing, Operating & Monitoring Financial Systems to Collect & Remit IGR in the Federal Public Service

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- IGR –facts of the case
- Components of a financial management system
- Challenges with designing, operating and monitoring the system
- Addressing the challenges
- Building the blocks for a new system
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## The burning platform

- There are high expectations from Nigerians for improved conditions of living, and governments are constantly under pressure to deliver increased as well as improved services
- Against the back drop of the global economic down turn, and declining oil revenues, governments of the federation have been exploring ways of improving the management of public resources
- One objective is to optimize income generated from Internally Generated Revenue (IGR) of Ministries, Departments and Agencies in order to sustain and deepen our development process
- Under the Fiscal Responsibility Act 2007 (FRA), over 30 FGN agencies are required to submit Schedule estimates of revenue and expenditure for the next 3 financial years

## Understanding IGR in the Federal Public Service

IGR (also referred to as Independent Revenue) is any revenue generated by MDAs in the course of carrying out their statutory functions including operating surplus. The following are the main sources of IGR in MDAs :

- registration of contractors fees
- Investment income including interests on bank deposits
- rent on government properties
- use of government vehicles
- repayment of motor vehicle, motor cycle and bicycle advance
- sales of unserviceable items
- use of government halls
- sale of goods and services

**It is the responsibility of the MDAs to remit such into the Consolidated Revenue Fund (CRF)**

## Key Agencies responsible for IGR in the Federal Public Service

- Office of the Accountant General of the Federation (Revenue and Investment Department)
- Budget Office of the Federation (Revenue Department)
- Central Bank of Nigeria

# Roles of the Key Agencies

### Office of the Accountant General of the Federation

- Receipt and compilation of Independent Revenue Returns from MDAs
- Revenue Monitoring visits to all MDAs, Government Companies and Parastatals
- Receipts, reconciliation and attending to all enquiries in respect of Operating Surplus and Dividend of Government Companies and Parastatals.
- Hosting, chairing and manning the secretariat of Federation Revenue Reconciliation Committee consisting of all revenue collecting agencies of Government on monthly basis

### Budget Office of the Federation

- Sets revenue targets on amount expected to be remitted by each MDA.
- Review of the management of revenue collection.
- Periodic review of revenue performance.
- Preparation of Annual Reports on Revenue performance
- Maintenance of data bank on all revenue matters.
- Hosts the Presidential Revenue Monitoring and Reconciliation Committee (PRM&RC)

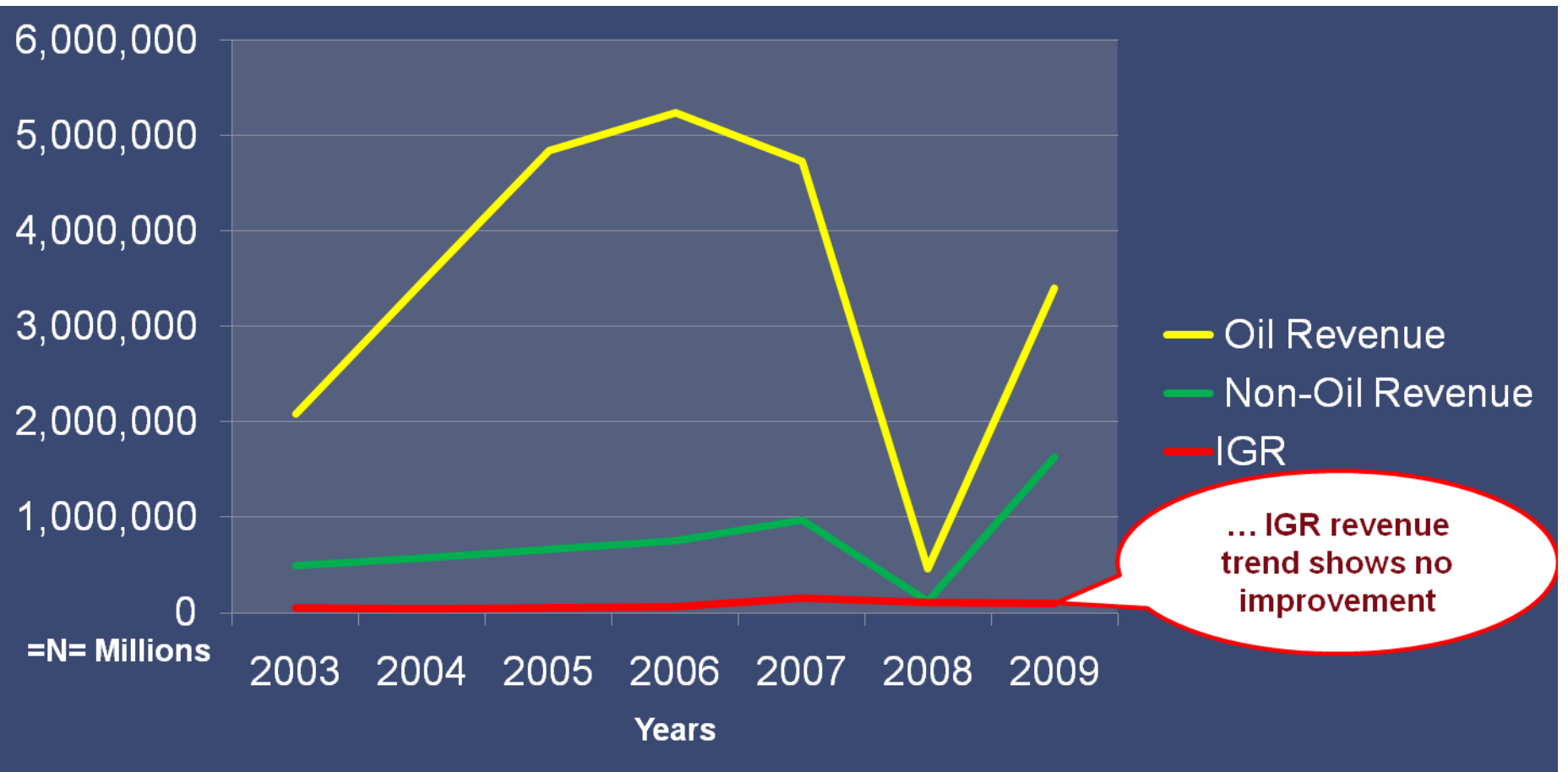
### Central Bank of Nigeria

- Hosts the Consolidated Revenue Fund (CRF) into which IGR is remitted. The CRF is maintained by the Sub-Treasury .
- Hosts the Technical Sub – Committee of the Presidential Revenue Monitoring and Reconciliation Committee (PRM&RC)

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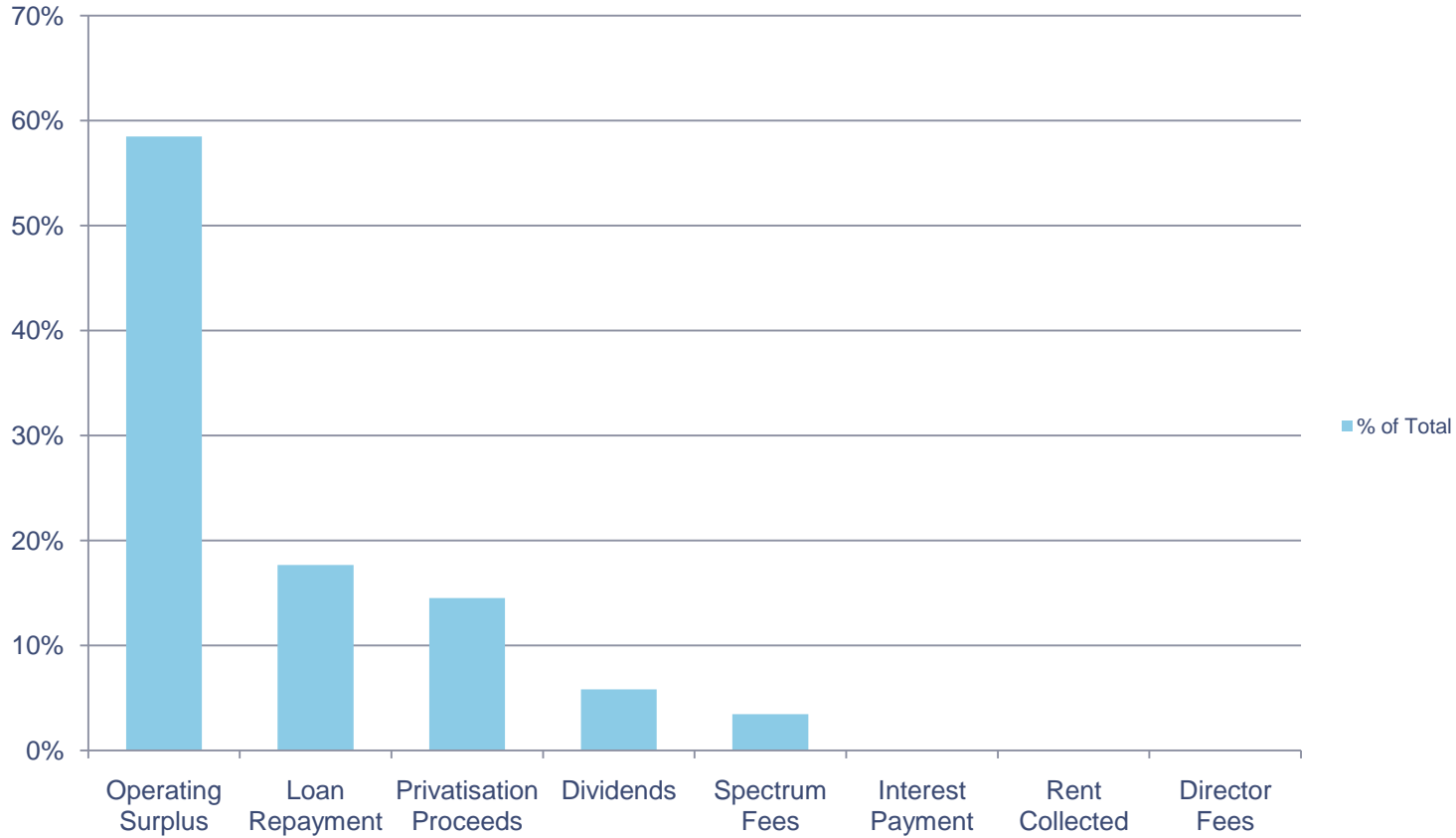
# IGR collection has not improved since 2003



Source: OAGF,BOF

# Operating surplus is the biggest component of IGR (MOFI Revenue)

Components of MOFI Revenue in percentages from 2003 - 2009



Source: OAGF,BOF

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# Financial management system that would enhance transparency and accountability

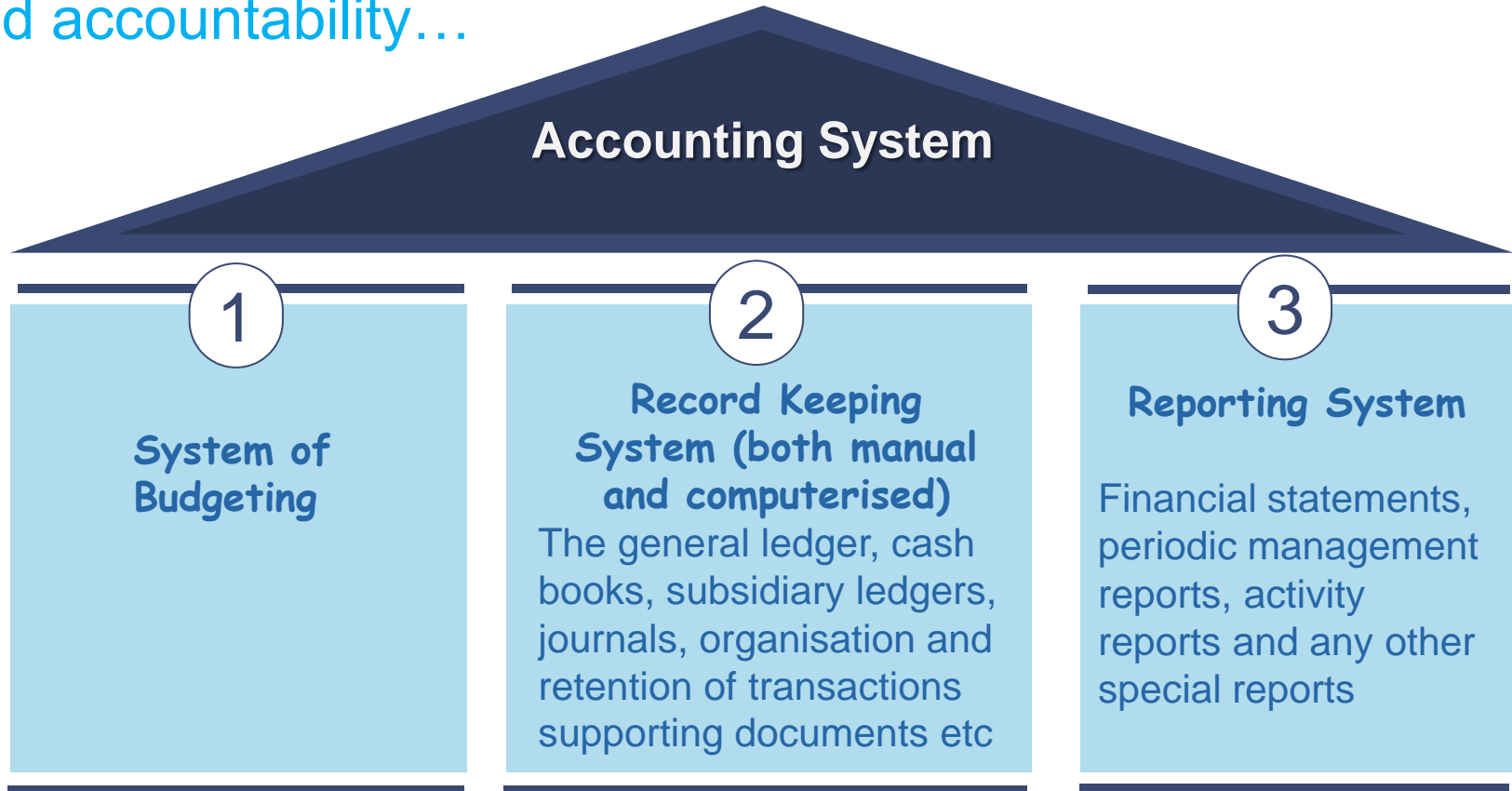
The system comprises:

- an accounting system (computerised and/or manual)
- control procedures.

The **accounting system** refers to the collection of procedures, activities and outputs designed to collect, record, and report all financial transactions in an orderly manner. Key components of the accounting system include but are not limited to:

- System of budgeting
- Record keeping system
- Reporting system

# Financial management system that would enhance transparency and accountability...



Management derive their assurance in respect of reliability of financial information and compliance with applicable covenants, laws and regulations from operation of **control procedures**.

# Financial management system that would enhance transparency and accountability...



## Control Procedures

Put in place procedures for authorisation, review, exception reporting and follow-up of transactions and activities including segregation of incompatible duties so that an adequate level of internal check is maintained

Document the control procedures, ensuring they are understood by all concerned and adjusting the procedures to changes in the environment

Clearly assign responsibility for enforcing specific control procedures to individuals and holding them accountable for exceptions, omissions, errors or irregularities

A financial management system that provides a fully integrated financial management platform for data entry, information processing and output of user-specific reports that will be required to facilitate monitoring of all financial transactions related to the IGR?

- One network on fibre link
- Central database system
- Web based application which must have a server and client operating system. Server hosted in a central location in Abuja with the client deployed to user systems

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## Key challenges with designing the system:

- Cost of system
- Proper adaptation of software to suit requirements definition
- Procurement of qualified professionals for system design



### Key challenges with operating the system:

- Having the right staff numbers, mix and quality
- Ensuring “O” network downtime
- Power supply
- Security concerns (human, network, physical assets)
- Maintenance cost
- System maintenance (local support)
- Absence of sanctions for utilisation of IGR without appropriation by the National Assembly and in some cases non remittance of IGR
- Collusion of Accountants with MDAs staff to draw up incorrect accounts for revenues

### Key challenges with monitoring the system:

- Detailed IGR targets are not set for MDAs revenue line items. E.g. Ministries do not have revenue target set for revenue line items like 'Registration of Contractors Fees' or 'Use of Government Halls'. An MDA is assessed to pay a lump sum. This makes it near impossible to compare the details of the budget against the collected revenue or to explain the variance.
- IGR collection by each MDA is on a routine basis as part of the accounting process of each MDA. No template is issued out for the collection and reporting of IGR.
- Non availability of the required technical manpower to carry out monitoring and evaluation of IGR collection and remittance

### Key challenges with monitoring the system:...

- Inadequate funds to support quarterly inspections and monitoring visits resulting in narrow annual coverage of MDAs
- Tight deadline for completing nationwide inspections

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### Strategies include:

- Existence of personnel in the appropriate locations in the right number, mix and quality
- Train and retrain staff
- Backup service provider
- Backup power
- Disaster recovery system
- Dedicated bandwidth
- Additional hardware that will make the network more secured
- Daily reconciliation and monthly bank reconciliation

### Strategies include:

- Reporting relationship - Internal auditor must report to head of organisation
- Control procedures must be operating effectively
- Reorientation of staff
- Apply sanctions to MDAs who fail to remit or remit incorrect IGR
- IGR targets should be properly determined and communicated
- Proper monitoring and evaluation framework should be put in place and funded appropriately

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## Change – the building blocks

### A Robust Financial Management System for the Collection and Remittance of IGR in the Federal Public Service

#### We need to know:

- what we have actually generated as internal revenue over a time frame. A financial review or audit?
- if there are gaps in what is collected and what is remitted. A financial review or audit?
- if there are short comings in the IGR processes and design means of addressing them. A process review/redesign?
- the best financial management system to deploy. Process review/redesign, IT strategy and implementation (package selection)?
- if we have the right staff in the process area and that the reporting relationships are appropriate (personnel audit and organisation structure review)?
- The best monitoring and evaluation system to deploy. Design M&E system?

We will then implement recommendations on what we now know

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Now is the time to know what we need to know  
and make amends, where necessary

Thank you very much