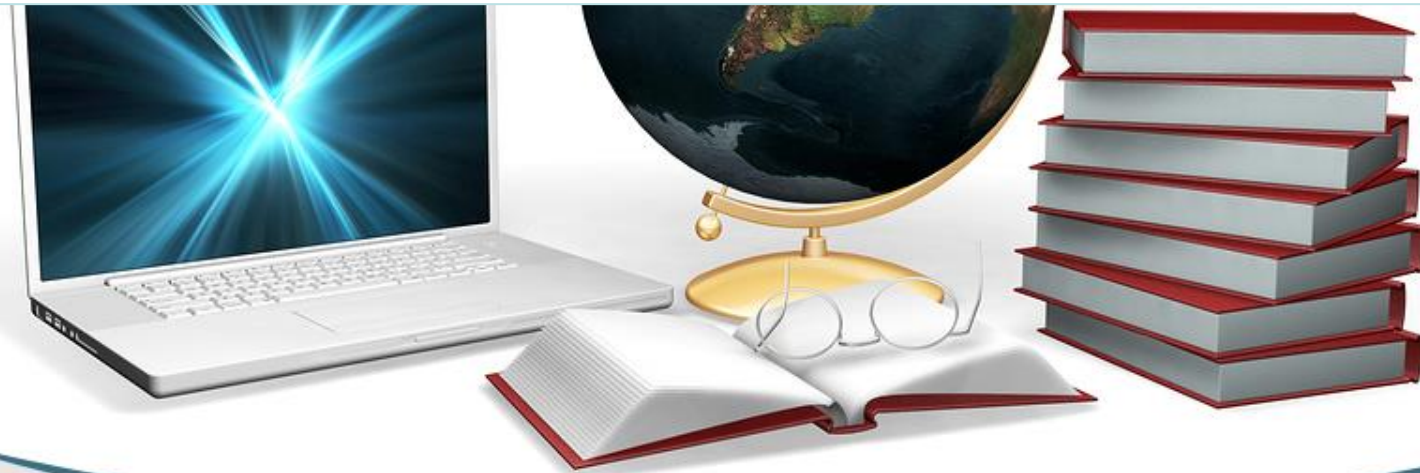


Effects of Abuse & Non-Compliance with Financial Regulations on Public Service



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OUTLINE



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OBJECTIVES



At the end of this presentation, participants would be able to:

- Understand Basic Financial Regulations and Internal Controls established to guide Government Institutions and Persons in Public Service
- Understand the implications for non-compliance with Financial Regulations, Issued Federal Treasury Circulars / Other Finance Related Circulars.
- Appreciate the benefits of applying financial regulations, observing internal controls and complying with extant rules.
- Appreciate the effects of non-compliance with financial regulations on public service

INTRODUCTION



- There is concern that the economic hardship ravaging the country today might be directly or indirectly attributable to misapplication of priority in government expenditures.
- Expenditures in government have become increasingly expensive, this state of affairs raises the question as to the extent to which public servants apply ***extant financial rules and regulations*** in the management of government resources.

Non-compliance can be defined as any act of omission or commission by an officer/MDA, either intentional or unintentional, which are contrary to the prevailing laws or regulations.

INTRODUCTION - 2



- Financial Regulations (FR) are a set of financial rules or instructions put together to direct or guide public officers and Institutions on their responsibilities, powers and financial authorities in dealing with issues of Public Financial Management.
- Financial regulations are not only expected to help protect national resources, but also promote accountability and transparency in the use of public funds, and to ensure efficient delivery of social services. The FR contains general and specific provisions which content have influenced every financial structure of government and the entire public sector.

INTRODUCTION - 3



- Successive governments in Nigeria have introduced various financial regulations to promote efficient and effective management of available financial resources. Such policies and regulations are embodied in the revised financial regulations (2009), fiscal responsibility act (2007), and the public procurement act (2007), among others.
- Moreover, these rules and regulations are revised or updated on regular bases to accommodate current developments and exigencies which were not ab initio envisaged. The essence is to ensure that government business is carried out in a manner that is consistent with the expectations of the citizens, and to gain confidence of the people in the fiscal governance.

OBJECTIVES OF FINANCIAL REGULATIONS



- ❖ to guide public officers / MDAs on processes and procedures in dealing with accounting for government financial transactions.
- ❖ to serve as uniform standard for the administration and management of public funds / resources.
- ❖ It serves as instrument of laws and authorities – providing checks, financial control and sanctions against abuses.

SOURCES OF GOVERNMENT FINANCIAL RULES



The Financial Regulations(FR) are derived from the following principal laws,:

- The Constitution of Federal Republic of Nigeria, 1999
- Finance (Control and Management) Act, 1958 (*amended 1990*)
- The Audit Act, 1956
- The Annual Appropriation Act
- Treasury and Finance Circulars
- Fiscal Responsibility Act, 2007
- The Public Service Rule
- Public Procurement Act, 2007
- Pension Reform Act, 2004 (***as amended, 2014***)
- Other Principal Legislations & Extant Rules*

FISCAL MANAGEMENT AND FINANCIAL REGULATIONS



- Fiscal management is the planning and controlling of government financial resources. It relates to all the activities involved in the planning, utilizing, recording and performing procedures relating to finance and other resources of government to achieve efficient and effective delivery of public goods and services.
- It is concerned with activities which the government carries out for the purpose of protecting, developing and using public resources to improve social and economic well-being of the citizens. These activities, include budgeting, financial controls, accounting, financial reporting, internal and external auditing and actions taken on audited accounts.

FISCAL MANAGEMENT AND FINANCIAL REGULATIONS - 2



- *A good fiscal management system, therefore, is predicated upon extant financial regulations;* and it functions strictly within the framework of rules and procedures prescribed by the regulations. Such a system promotes fiscal discipline, optimal allocation of resources, and judicious use of scarce resources in a manner that is consistent with the strategic priorities of government.

FISCAL MANAGEMENT AND FINANCIAL REGULATIONS - 2



It promotes accountability and transparency in the use of public funds, and ensures efficient delivery of social services, thereby creating mutual trust between government and the citizens. Financial regulations are meant to serve as guides to the conduct of government business, providing a common standard on which the acquisition, utilization and accounting for public funds are made possible to achieve stated objectives.

PUBLIC EXPENDITURE AND FINANCIAL REGULATIONS



Financial regulations are particularly necessary for probity and transparency in the control and management of public expenditure. Public expenditures are spending made by public authorities (Federal, State or Local Government) of a country on the collective needs and welfare of the citizens. It is the cost incurred by the government to maintain itself, as well as the entire economy. The expenditures include salaries and wages paid to civil and public servants, cost of maintaining law and order, road construction, defense, provision of public utilities and social services.

FINANCIAL AUTHORITIES & RESPONSIBILITIES OF PUBLIC OFFICERS



- In line with **FR.101**, **Financial authorities** are the legal instruments that empower and guide all public officers in carrying out government financial transactions. This include, but not limited to:
 - i. The Constitution of Federal Republic of Nigeria
 - ii. Warrants issued by the Minister
 - iii. Finance (Control and Management) Act,
 - iv. Annual Appropriation Act and the Supplementary Appropriation Act
 - v. Revenue Mobilisation and Fiscal Allocation Commission Act
 - vi. Financial Regulations

The above directs on issues and management of the Consolidated Revenue Fund (CRF), Development Fund and the Contingencies Fund.

RESPONSIBILITIES OF PUBLIC OFFICERS



1. **The Accountant-General of the Federation** - Is the Head of the Federal Government Accounting Services and the Treasury.
 - (a) In line with **FR.106**, He has the responsibility for providing adequate accounting systems and controls in the ministries, extra-ministerial offices and other arms of Government.
 - (b) Pursuant to FR 106 above, he shall:
 - (i) serve as the Chief Accounting Officer for the receipts and payments of the government of the federation;
 - (ii) supervise the accounts of federal ministries, extra-ministerial offices and other arms of government;
 - (iii) collate, prepare and publish statutory financial statements of the federal government and any other statements of accounts required by the Minister of Finance;
 - (iv) manage federal government Investments;

RESPONSIBILITIES OF PUBLIC OFFICERS - 2

(cont'd)



- (v) maintain and operate the accounts of the Consolidated Revenue Fund, Development Fund, Contingencies Fund and other Public Funds and provide cash-backing for the operations of the Federal Government;
- (vi) maintain and operate the Federation Account;
- (vii) establish and supervise Federal Pay Offices in each state capital of the federation;
- (viii) conduct routine and in-depth inspection of the books of accounts of MDAs to ensure compliance with rules, regulations & policy decisions of the federal government;
- (ix) investigate cases of fraud, loss of funds, assets and store items and other financial malpractices in MDAs;
- (x) provide financial guidelines through issuance of treasury circulars to MDAs and ensure strict compliance;
- (xi) carry out revenue monitoring and accounting;

RESPONSIBILITIES OF PUBLIC OFFICERS - 3

(cont'd)



2. The Auditor-General for the Federation - Is the Officer responsible under the Constitution for the audit and report on the public accounts of the federation including all persons and bodies established by law entrusted with the collection, receipt, custody, issue or payment of Federal Public moneys or custody, issue, sale, transfer or delivery of any stamps, securities, stores or other property of the government of the federation is the Auditor-General for the Federation, hereinafter referred to as the Auditor-General.

In line with **FR.108 and 109**, the Auditor-General is to examine and ascertain whether in his opinion:

- (a) the accounts of government have been properly kept;
- (b) all public monies have been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of revenue;

RESPONSIBILITIES OF PUBLIC OFFICERS - 4

(cont'd)



- (c) monies have been expended for the purposes for which they were appropriated and the expenditure have been made as authorised; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safe-guard and control public property and funds.
- (e) He shall, at all reasonable times, have free access to books of accounts, files, safes, security documents and other records and information relating to the accounts of all federal ministries/extraministerial offices

Further to the above, the Auditor-General for the Federation shall carry out the following statutory functions:

- (i) Financial Audit in accordance with extant laws
- (ii) Appropriation Audit
- (iii) Financial Control Audit
- (iv) Value-for-Money (Performance) Audit

RESPONSIBILITIES OF PUBLIC OFFICERS - 5

(cont'd)



3. The “**Accounting Officer**” means the Permanent Secretary of a ministry or the head of extra-ministerial office and other arms of government who is in full control of, and is responsible for human, material and financial resources which are critical inputs in the management of an organization.

The Accounting Officer shall among other functions:

- (i) be responsible for safeguarding of public funds and the regularity and propriety of expenditure under his control, observe and comply fully with the checks and balances spelt out in the existing Financial Regulations which govern receipts and disbursement of Public Funds and other assets entrusted to his care and shall be liable for any breach thereof;
- (ii) note that, his accountability does not cease by virtue of his leaving office and that he may be called upon at any time to account for his tenure as Accounting Officer.

RESPONSIBILITIES OF PUBLIC OFFICERS - 6

(cont'd)



4. The Political Head of a Ministry - Is the Minister while that of a parastatal, extra-ministerial office and other arms of government shall be the Chairman/Executive Secretary of the parastatal or extra-ministerial office and other agencies of government or as defined in the extant laws that govern their operations.

- ❖ Any directive to the Accounting Officer by a Political Head having financial implications on the ministry, agency or parastatal shall be in writing.
- ❖ Should the implementation of a directive from a Political Head result in an unauthorised expenditure, and/or contravene extant rules and regulations, the Accounting Officer shall be responsible for such an unauthorised expenditure unless a report had been made by the Accounting Officer to the Head of Service, in the case of ministries/extra-ministerial offices, or to the Minister, in the case of Parastatals.

SOME EXAMPLES OF ABUSE OF FINANCIAL REGULATIONS:



- ❖ Public Funds are appropriated with impunity
- ❖ Contracting and procurement procedures are largely circumvented
- ❖ Internal audit functions of checks and balances are undermined
- ❖ The use of Accounting Manuals appears to be unpopular
- ❖ Mandatory Financial reports and returns are in arrears
- ❖ Political office holders pay inadequate attention to Financial Regulations in their official duties.

IMPLICATION OF ABUSE OF FINANCIAL REGULATIONS



- ❖ Poor attitude of political Office holders to fiscal Management
- ❖ Economic difficulties as is presently being faced by our country
- ❖ Unethical practices by Public Servants
- ❖ Political Interference
- ❖ Loss of Government revenues
- ❖ Corruption and misapplication of public funds by Public servants.

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Resulting in Losses to Government



S/N	Types of Offences	Sanctions
i	Failure to answer Audit Query(s) FR.3101	Any Accounting Officer or Public Officer who fail to give satisfactory explanations to audit queries within stipulate time shall be surcharged and removed from the duty or dismissed and prosecuted. Where it involve an Accounting officer, he or she shall be reported to Mr. President.
ii	Inflation of contracts FR.3102	Anyone alleged to be involved in the inflation of contracts shall be 5 days within which to respond to query and where the inflation of contract involve the Tender Board, all the members that approve the contract shall be severally and collectively sanctioned.
iii	Payments for Jobs not executed FR.3104	Where a contractor or supplier who is paid Mobilization fees for a job fails to perform, he or she shall be given 30 days to refund the money, failing which the mobilization fee shall be recovered from him/her via EFCC and contractor black-listed.

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Resulting in Losses to Government



S/N	Types of Offences	Sanctions
iii	Payments for Jobs not executed FR.3104	Any public officer who fraudulently pays money to a contractor for poor quality of work or for a job not executed shall be required to refund it and shall be removed from the schedule and matter referred to EFCC.
iv	Irregular or wrong payment FR.3106	A public officer who makes an irregular payment from public funds, shall be given 21 days notice for explanation, else the amount involved shall be recovered from the officer, and be removed from the schedule.

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Resulting in Losses to Government



S/N	Types of Offences	Sanctions
v	Shortage or losses of stores by Store officer FR.3107.	Where a store keeper or officer-in-charge of store fails in this regard, he shall be given 14 days to explain, he shall not be surcharged the total cost of the loss, but shall be removed or transferred to another schedule.
vi	Shortage or losses of stores of Cash by Cashier FR.3108	Where a cashier or officer suffers a loss or shortage, he has 7 days within which to answer query, failing which he shall be surcharged the full amount and transferred to another schedule
vii	Payments to non-existent Employees (Ghost Worker) FR.3110	A public office who authorizes payment of public fund to a ghost worker and/or knowingly processes such payment shall be charged for gross misconduct, removed from the schedule and reported to FECC for prosecution

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Resulting in Losses to Government



S/N	Types of Offences	Sanctions
viii	Failure to collect and account for Government Revenue FR.3112 (ii)	Where an officer fails in this regard, he/she shall be given 7 days to answer query, failing which the officer shall be surcharged for the full amount involved handed over either to EFCC or ICPC.

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Not Directly or Immediately Resulting In Loses to the Government, but Infringes on Budget Control and Proper Financial Management

(cont'd)



S/N	Types of Offence	Sanctions
1	Splitting of Contract FR.3116	Any officer who is involved in splitting of contracts to circumvent tenders procedures shall be given 21 days to explain, failing which any loss arising thereof shall be recovered from or surcharged.
2.	Non Recovery of Advances FR.3118	The Head of Accounts who is to recover personal advances from staff shall be requested within 21 days to offer written explanations on this for negligence and shall be surcharged or advance recovered from him , as he equally face charges for gross misconduct under the Public Service Rules.
3.	Non Rendition of Returns FR.3122	The Head of Accounts or his equivalent in the MDA who fails to render Monthly Transcript/Trial Balance shall be requested to answer query within 21 days, failing which Allocation of Fund to his MDA shall be suspended indefinitely.

CODIFICATION OF OFFENCES AND SANCTIONS

- Irregularities Not Directly or Immediately Resulting In Loses to the Government, but Infringes on Budget Control and Proper Financial Management

(cont'd)



S/N	Types of Offence	Sanctions
4.	Non-Retirement of Advances and Imprest FR.3124	A public officer who fails to respond to a query issued to him within 21 days for non-retirement of advances or imprest shall be surcharged and the total amount involved recovered. He/she shall not be granted further advances or imprest until retirement of previous one.

Sanctions For Making Payments **By Using Cheques Or Cash** Without Exemption And Other Violation Of Financial Regulations



S/N	Types of Offences	Sanctions
1.	Sanctions for making payment with Cash / Cheques FR.3127	Any Organization that makes payment by Cheque or Cash without having been exempted from e-payment policy of government shall have it budget suspended
2.	Bank Accounts FR.3202	No official bank account shall be opened unless authorized by the Accountant-General of the Federation. Each approved account shall be maintained under an official designation of the Parastatal.
3.	Obtaining Loans / Overdrafts FR.3205	No loan or any form of advance/overdraft shall be obtained from the bank without prior approval from Debt Management Office.
4.	Placement of Excess/Idle funds in Deposit Account FR.3206	No excess funds shall be placed on deposit account without prior approval of the Accountant-General of the Federation. But If approved, can only be invested in Government Treasury Bills.

Sanctions For Making Payments **By Using Cheques Or Cash** Without Exemption And Other Violation Of Financial Regulations



S/N	Types of Offences	Sanctions
5.	Interest received on fixed Deposit Accounts FR.3207	All interest earned from moneys placed on deposit account on the approval of Accountant-General shall be paid into CRF.
6.	Non-posting of transactions into ledgers FR.3119	Head of Accounts shall be queried and any loss will be recovered from him and/or from the officer concern. <u>Where no loss is involved</u> , officer will be seriously warned and charged for gross misconduct under the Public Service Rule.
7.	Compliance with Financial Regulations FR.3208	Except the enabling Act relating to a particular Parastatal provides otherwise, the provisions of the Financial Regulations shall apply. Where any provision of FR conflicts with the Act relating to any particular Parastatal, the immediate advice of the Accountant-General should be sought.



CONCLUSION



- ❖ Government officials must change their attitude in the management of public funds by shunning unethical practices.
- ❖ Public servants should not only acquaint themselves with the provisions of the financial regulations and other enabling acts but should show patriotism by supporting their implementation.
- ❖ There should be pragmatism in the monitoring and evaluation of fiscal operations, and cases of breaches of regulations.
- ❖ Established cases of breach of regulations should be thoroughly investigated and appropriate punishment meted on culprits to serve as deterrent to others.



CONCLUSION - 2



Public office holders and all persons entrusted with public resources have a duty to ensure that public business and resources are managed in accordance with the established rules and regulations.



Thank you
Questions and Comments

