

BUDGET PROCESS GUIDE FOR FISCAL TRANSPARENCY



Centre for Social Justice

(Mainstreaming Social Justice in Public Life)

First Published in January 2022

By

Centre for Social Justice Limited by Guarantee
Plot 836, Block 1, Emmanuel Aguna Crescent, Off Idris Ibrahim
Crescent, Off Obafemi Awolowo Way, Jabi
P.O. Box 11418 Garki, Abuja.

Website: www.csj-ng.org

Blog: csj-blog.org

Twitter: @censoj

Facebook: Centre for Social Justice, Nigeria

Email-censoj@gmail.com

This Budget Process Guide was researched and written by Eze Onyekpere Esq and David Onyinyechi Agu. The support of Ferguson Chukwunenye Emekaronye in proffering recommendations for improvement and proof reading of the Guide is acknowledged.

TABLE OF CONTENTS

Abbreviations	v
List of Boxes	vi
List of Figures	vi
List of Tables	vii
Foreword	viii
Chapter One: The SFTAS Intervention	1
1.1 Introduction	1
Chapter Two: Background and Basics	3
2.1 Introduction to Fiscal Transparency	3
2.2 The Need for a Budget Process Guide for Fiscal Transparency	5
Chapter Three: Legal and Policy Framework	6
3.1 Budgeting Within the Law	6
3.2 The Constitution.....	6
3.3 The Fiscal Responsibility Laws (FRLs) of the States	9
3.4 The Public Procurement Laws of (PPLs) of the States	16
3.5 Relevant Regulations and Policies	17
Chapter Four: The Processes, Responsibilities and Timelines (1)	18
4.1 Introduction to the Budgeting Processes	18
4.2 The Budget Conception/Formulation/Preparation Stage	21
4.2.1 Preliminary Policy Documents (MTEF, MTSS, MTDS, etc.)	21
4.2.2 Setting the Budget Objectives, Goals, Targets and Limits	25
4.2.3 The Budget Call Circular and Preparation of MDAs' Budget Proposals	25
4.2.4 Submission to Budget Office and Bilateral Discussion on the MDAs' Proposals	27
4.2.5 Collation and Review of the Budget Proposal	27
4.2.6 Public Consultation and Further Review of the Budget Proposal	28
4.2.7 State EXCO Presentation and Adoption of the Budget Proposal	30

Chapter Five: The Processes, Responsibilities and Timelines (2)	30
5.1 The Budget Approval Stage	30
5.1.1 Presentation of the Budget Estimates by the Governor to the SHA and Preparation of Citizens Budget	30
5.1.2 Legislative Readings and Adoption of the Appropriation Bill	31
5.1.3 Legislative Committees' Consideration and MDAs' Defence of their Budget Proposals	31
5.1.4 Public Hearing on the Proposed Budget	32
5.1.5 Legislative Revision of the Proposed Estimates and Passage of Appropriation Bill	33
5.1.6 Governor's Assent to the Appropriation Bill and Citizens Version of the Enacted Budget	33
5.2 The Budget Implementation/Execution Stage	34
5.2.1 Preparation and Reviews of the Cash Plan and the Budget Disbursement Schedule	35
5.2.2 Securing Executive Approvals on Expenditure Heads	35
5.2.3 Completion of Procurement Processes	36
5.2.4 Securing Fund Releases on the Approvals	37
5.2.5 Execution of the Budget	37
5.2.6 Monitoring and Reporting of Budget Execution	37
5.2.7 Evaluation of the Projects and Publication of End-year BIR	39
5.3 Auditing of the Annual Statement of Accounts and Public Accounts Committee Proceedings	40
Chapter Six: Conclusion and Overall Process Flow	42
6.1 Conclusion.....	41
6.2 Budget Process Flow.....	43

ABBREVIATIONS

BIR	Budget Implementation Report
CSJ	Centre for Social Justice
DLI	Disbursement Linked Indicator
FRA	Fiscal Responsibility Act
FRL	Fiscal Responsibility Law
IBP	International Budget Partnership
IMF	International Monetary Fund
MAN	Manufacturers Association of Nigeria
MDAs	Ministries, Departments and Agencies of Government
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategies
NACIMMA	Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture
NESG	Nigerian Economic Summit Group
PAC	Public Accounts Committee
PPA	Public Procurement Act
PPLs	Public Procurement Laws
CRF	Consolidated Revenue Fund
SFTAS	State Fiscal Transparency, Accountability and Sustainability Programme
SHA	State House of Assembly
SMART	Specific, Measurable, Achievable, Reasonable and Time-bound
SPT	Sector Planning Team
State EXCO	State Executive Council

LIST OF BOXES

Box 1: Positive Dimensions of Budget Transparency

LIST OF FIGURES

- Figure 1: Extended Budgeting Process
- Figure 2: Abridged Flow Chart of Budget Processes
- Figure 3: Key Budget Documents at Each Stage of the Budget Processes
- Figure 4: MTSS Road Map
- Figure 5: Process Flow of the Budget Preparation Stage
- Figure 6: Process Flow of the Budget Approval Stage
- Figure 7: Process Flow of the Budget Implementation Stage
- Figure 8: Process Flow of the Budget Oversight/Audit Stage

LIST OF TABLES

- Table 1: Tasks, Responsibilities, Timelines and Feedback Mechanism for MTEF Preparation and Approval
- Table 2: Tasks, Responsibilities, Timelines and Feedback Mechanism for MTSS Preparation
- Table 3: Tasks, Responsibilities, Timelines and Feedback Mechanism for Call Circular and Preparation of MDA Budget Estimates
- Table 4: Tasks, Responsibilities, Timelines and Feedback Mechanism for Bilateral Discussions
- Table 5: Tasks, Responsibilities, Timelines and Feedback Mechanism for Collation and Review of Budget Proposals
- Table 6: Tasks, Responsibilities, Timelines and Feedback Mechanism for Public Consultation on the Budget Proposal
- Table 7: Tasks, Responsibilities, Timelines and Feedback Mechanism for State Executive Council Presentation and Adoption of Budget Proposal
- Table 8: Tasks, Responsibilities, Timelines and Feedback Mechanism for Presentation of Budget Estimates to SHA and Preparation of Citizens Budget
- Table 9: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Committee's Consideration and MDA Budget Defence
- Table 10: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Public Hearing on the Budget Defence
- Table 11: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Revision of the Proposed Estimates and Passage of Appropriation Bill
- Table 12: Tasks, Responsibilities, Timelines and Feedback Mechanism for Assent to the Appropriation Bill and Citizens Version of the Enacted Budget
- Table 13: Tasks, Responsibilities, Timelines and Feedback Mechanism for Annual Cash Plan and Budget Disbursement Schedule
- Table 14: Tasks, Responsibilities, Timelines and Feedback Mechanism for Some Procurement Activities

Table 15: Tasks, Responsibilities, Timelines and Feedback Mechanism for Monitoring and Reporting on Budget Execution

Table 16: Tasks, Responsibilities, Timelines and Feedback Mechanism for Evaluation and Producing the Year End BIR

Table 17: Tasks, Responsibilities, Timelines and Feedback Mechanism for Audit

FOREWORD

The Budget Process Guide for Fiscal Transparency is a practitioner's guide for use by government officials in the respect and strengthening of transparency in the budgeting process at the subnational level. It also points out the intervention points, opportunities and strategies for demand side actors to make inputs through popular participation in budgeting. The Process Guide articulates the links between transparency, accountability, participation, integrity, inclusiveness, legality, timeliness, access to information, accessibility, specificity in budgeting and the plan, policy budget continuum.

The Process Guide outlines the exact steps needed to complete the budgeting process from the beginning to the end. It creates standardisation, helps to improve budgeting efficiencies and analytically improves fiscal transparency documentation flow. The Process Guide shows tasks, responsibilities, timelines and feedback mechanisms for improving fiscal transparency. This is based on the provisions of laws such as the Constitution of the Federal Republic of Nigeria 199 (as amended), Fiscal Responsibility Act which is replicated in state level Fiscal Responsibility Laws, state level Public Procurement Laws, Financial Instructions as well as international standards like the International Monetary Fund's Fiscal Transparency Code, Open Budget Index of the International Budget Partnership, etc.

The tasks, responsibilities, timelines and feedback mechanisms discussed all stages of budgeting. It starts with the pre-budget statement in the Medium Term Expenditure Framework to the Medium Term Sector Strategies and covers the Call Circular and preparation of budget estimates. Budget defence sessions at the Ministry of Finance/Budget Office and approval by the State Executive Council are featured as well as the stages of approval in the State House of Assembly. Assent by the Governor, budget implementation, monitoring, reporting and evaluation and audit featuring all the documentation and reports are contextualised within the law and policy framework.

The Process Guide is published under the State Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results - a reform programme to strengthen fiscal sustainability and performance. A component of the SFTAS programme is the Disbursement Linked Indicator 2 focused on "Increasing Openness and Citizens Engagement in the Budget Process". The Process Guide has benefitted from available literature from the International Budget Partnership, Organisation for Economic Cooperation and Development as well as the World Bank/International Monetary Fund.

Chapter One

The SFTAS Intervention

1.1 Introduction

The State Fiscal Transparency, Accountability and Sustainability (SFTAS) Programme for Results is a reform programme to strengthen fiscal sustainability and performance. A component of the SFTAS programme is the Disbursement Linked Indicator 2 (DLI 2) focused on “Increasing Openness and Citizens Engagement in the Budget Process”.

Centre for Social Justice (CSJ) is the firm hired by the Federal Government of Nigeria through the Federal Ministry of Finance, Budget and National Planning under the SFTAS to develop, design and provide support to states in the development of a process Guide for the State Budget Office that details the flow of budget development process and documents required for fiscal transparency. CSJ is specifically charged with the following.

A. Develop a Process Guide for the State Budget Office that details the flow of budget development process and documents required for fiscal transparency:

The Process Guide will outline the exact steps needed to complete the budget process from the beginning to the end. It creates standardisation, helps to improve budgeting efficiencies and analytically improves fiscal transparency documentation flow. The Process Guide will show tasks and responsibilities, procedures and exceptions to the general rule and time to completion, etc. It will define the necessary inputs and outputs, scope, boundaries, sequencing and design a flowchart. The Process Guide will be based on the provisions of laws such as Fiscal Responsibility Act and relevant documentation prescribed in public finance management laws as well as international standards like the International Monetary Fund’s Fiscal Transparency Code, Open Budget Index, etc. It will also review the processes relevant to fiscal transparency. The central issue will be to ensure that documents and processes that will guarantee fiscal transparency from the supply side and give citizens sufficient information to make informed inputs and contributions in the budgeting process will be in the Process Guide.

B. Outline Opportunities for Citizen’s Feedback in the Entire Budget Process and Present Budget Feedback Mechanisms to States:

This is the demand side of the feedback mechanism and will include outlining the technical and non-technical requirements for such feedback mechanisms to be successful. CSJ will provide Budget Feedback Tools which will be used by States to get feedbacks from citizens in the budgeting process. It will review extant and available tools throughout the budgeting process and seek to fix gaps where the performance is not optimum.

This is related to creating opportunities to ensure that citizens participate (feedback) and make inputs into the budget process, starting with the pre-budget statement (MTEF, MTSS, Call Circular, etc.), executive budget proposal, budget debate through public hearings in the legislature, implementation, monitoring, reporting and auditing of the budget. This feedback will be predicated on a guarantee that budget information is made accessible to all.¹

This will rely on existing laws and policies as well as fit and good practices from international standards. These laws and policies for citizen's feedback include the Fiscal Responsibility Law, Public Procurement Law, Freedom of Information Act, Open Government Partnership (OGP) commitments, general public finance management laws and standards developed from the Open Budget Index, etc.

¹ See OGP National Action Plan 2019-2021 Commitment 1- Brief Description of Commitment.

Chapter Two

BACKGROUND AND BASICS

2.1 Introduction to Fiscal Transparency

The budget is an economic and political instrument that translates public plans and policies into actionable programmes for the realisation of strategic goals. Traditionally, these goals include overall human development, macroeconomic stability, economic growth, job creation, improvements in the standard of living, environmental sustainability, gender and social inclusion, realisation of human rights and fundamental freedoms, etc. For the budget to serve its purpose, it must be transparent.

The principle of transparency is crucial to the budgeting process, mandating that information affecting budget decisions on sources of funds and expenditure details, fiscal transformation, development thrusts and programmes, etc., should be timely, accurate, genuine and portray the true state of fiscal affairs. In addition, this information should be made available and accessible to the general public, open to public scrutiny, and written clearly and be readily understood by the public. Furthermore, transparency introduces the good qualities of integrity in the use of public resources; inclusiveness in harnessing public voices including the socially excluded groups, building up trust and improving the quality of public expenditure.² Transparency is inextricably linked to accountability and popular participation (citizens engagement) in budgeting.

According to the 2019 Fiscal Transparency Code of the International Monetary Fund (IMF)³, fiscal transparency is also linked to four key critical indicators as follows.

- ❖ Fiscal reports should provide a comprehensive, relevant, timely and reliable overview of the government's financial position and performance.
- ❖ Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of public finances.
- ❖ Governments should disclose, analyse and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.
- ❖ Government revenues from natural resource exploration and extraction activity should be collected, managed and disbursed in an open and transparent manner.

² OECD Budget Transparency Toolkit, 2017.

³ <https://www.imf.org/external/np/fad/trans/Code2019.pdf>

Furthermore, the International Budget Partnership (IBP) has identified certain irreducible minimum principles associated with budget transparency. These include legality – all revenues and expenditure should be guided by law and policy and expenditures must have the prior authorisation of a legislative body; timeliness and periodicity of performing budgetary actions including the provision of reports on performance and results.⁴ Budgetary documents and reports are to be presented in user friendly and simplified manner and in formats accessible to majority of citizens including persons living with disabilities. Access to information is key and citizens should have the right to access the information that facilitates participation in the budgeting process.⁵ Budget provisions should be specific so as not to cloud the intention of the proposals and they should follow national and internationally accepted classifications. The plan-policy-budget continuum should be clearly reflected in budgets so that citizens can understand the policy links associated with specific budget provisions.

In summary, budget transparency has been identified with the following positive dimensions.

Box 1: Positive Dimensions of Budget Transparency

- ❖ At an aggregate level, transparency requires the provision of reliable information on government's fiscal intentions and forecasts.
- ❖ Detailed data and information on government operations, including the publication of comprehensive budget documents that embody properly classified accounts of the government and estimates of quasi-fiscal activities undertaken outside government.
- ❖ Clear definition of conflict of interest rules for elected and appointed officials; meeting of freedom of information requirements; existence of non-opaque regulatory framework, open public procurement and employment practices, code of conduct for tax officials, and published performance audits.
- ❖ It is at the heart of good governance in both the public and private sectors. It helps prevent people and institutions from doing things that cannot stand the test of scrutiny from outside.
- ❖ Transparency provides the feedback for informed debate on budgeting (public) issues and policies. Indeed, it is a prerequisite for public debate, which can lead to better programmes and more efficient resource use. For example, if budget information is not available, it is difficult to discuss it. It facilitates the identification of weaknesses, thus facilitating the adoption of needed reforms.
- ❖ Transparent governments can be held accountable; legislatures and civil society will better be able to hold government accountable if they have information on government programmes, policies, practices and expenditures. Elected office

⁴ See the International Budget Partnerships 2021 Open Budget Survey Guide and Questionnaire.

⁵ See the Freedom of Information Act, 2011

holders will also be more likely to make decisions in accordance with their mandate if those decisions are open to public scrutiny. Similarly, members of public services will be more likely to act in a responsible manner if their actions are transparent. Holding governments accountable can provide a check on corruption.

- ❖ Adherence to transparency increases faith in governments. Support can come from the public who can better understand what their governments are doing, and thus have more confidence in government;
- ❖ Transparency contributes to macroeconomic and fiscal stability as it prevents the buildup of a crisis in secret, bringing about smaller adjustments sooner.

Source: Mike Obadan 2002⁶

2.2 The Need for a Budget Process Guide for Fiscal Transparency

Given that SFTAS DLI 2 is focused on citizens' participation in the budgeting processes, transparency is imperative for participation across all stages of the budget. This will include transparency in the formulation, preparation, approval, implementation, monitoring and evaluation to audit of the processes. This will include the idea of producing the simplified citizens' version of the pre-budget statement being the medium term expenditure framework (MTEF), executive budget proposal, enacted budget, quarterly budget implementation reports, mid-year budget implementation review, year-end budget implementation report and the yearly audit report.

This Process Guide seeks to identify key activities, persons and institutions responsible for their performance, timelines, transparency requirements and their supporting mechanisms within existing laws and policies as well as how to improve upon extant practices. It provides a step-by-step guide for the demand and supply side to work as partners in the co-creation of fiscal governance improvements. This will facilitate a more transparent budgeting process within the larger goal of improving public service delivery, good governance and strengthening democracy and its institutional frameworks.

Finally, it needs to be stated that transparency embraces inclusivity, a process that brings all stakeholders on board encompassing gender, vulnerability and disability. The budgeting process should be transparent to all, not to a dominant select class of citizens.

⁶ Budget Office of the Federation, (2002); Proceedings of the Workshop on Implementing the 2002 Federal Budget.

Chapter Three

LEGAL AND POLICY FRAMEWORK

3.1 Budgeting Within the Law

Budgeting is a very streamlined process that is governed by a well-defined set of laws, rules and regulations contained in various legal instruments such as the Constitution, Fiscal Responsibility Act, Public Procurement Act and Financial Regulations. The associated budget transparency is also regulated by law and policies. This chapter provides a summary of the key legal provisions underpinning budget transparency.

3.2 The Constitution

The Constitution of the Federal Republic of Nigeria (1999 as amended) is the fundamental law of the land and any law or policy inconsistent with it is void to the extent of its inconsistency.⁷ The following provisions are relevant for fiscal transparency.

120. (1) All revenues or other moneys raised or received by a State (not being revenues or other moneys payable under this Constitution or any Law of a House of Assembly into any other public fund of the State established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the State.

(2) No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that is charged upon the Fund by this Constitution or where the issue of those moneys has been authorised by an Appropriation Law, Supplementary Appropriation Law or Law passed in pursuance of section 121 of this Constitution.

(3) No moneys shall be withdrawn from any public fund of the State, other than the Consolidated Revenue Fund of the State, unless the issue of those moneys has been authorised by a Law of the House of Assembly of the State.

(4) No moneys shall be withdrawn from the Consolidated Revenue Fund of the State or any other public fund of the State except in the manner prescribed by the House of Assembly.

This section establishes the Consolidated Revenue Fund (CRF) of the state and prescribes that moneys can only be withdrawn from the CRF or any other public fund of the state on the authority of legislative appropriation or a law of the State House of Assembly (SHA) and the money must be withdrawn in the manner prescribed by the legislature. Any deviation from this process and procedure stated above will not be in tandem with the demands of transparency. This, to an extent, defines the powers of

⁷ S.1 (3) of the Constitution. Any reference in this Guide to the Constitution is a reference to the Constitution of the Federal Republic of Nigeria 1999 (as amended) unless the context otherwise indicates.

the legislature in the management of public moneys. All bills passed by the SHA require the assent of the governor to become law. The assent is to be given within 30 days and where the governor declines assent, the SHA can dispense of the requirement of assent if the bill is passed again by two-thirds majority of the House.⁸

121. (1) The Governor shall cause to be prepared and laid before the House of Assembly at any time before the commencement of each financial year estimates of the revenues and expenditure of the State for the next following financial year.

(2) The heads of expenditure contained in the estimates, other than expenditure charged upon the Consolidated Revenue Fund of the State by this Constitution, shall be included in a bill, to be known as an Appropriation Bill, providing for the issue from the Consolidated Revenue Fund of the State of the sums necessary to meet that expenditure and the appropriation of those sums for the purposes specified therein.

(3) Any amount standing to the credit of the

- (a) House of Assembly of the State; and*
- (b) Judiciary*

in the Consolidated Revenue Fund of the State shall be paid directly to the said bodies respectively; in the case of the Judiciary, such amount shall be paid directly to the Head of the Courts concerned.

(4) If in respect of any financial year, it is found that -

- (a) the amount appropriated by the Appropriation Law for any purpose is insufficient;*
- or*
- (b) a need has arisen for expenditure for a purpose for which no amount has been appropriated by the Law,*

a supplementary estimate showing the sums required shall be laid before the House of Assembly and the heads of any such expenditure shall be included in a Supplementary Appropriation Bill.

S.121 further justifies the legal aphorism that there can be no expenditure without appropriation and provides that the executive prepares the estimates for legislative approval. The judiciary and the legislature enjoys a first line charge/statutory transfer. It provides for supplementary appropriation to take care of needs not envisaged at the time of preparing and approving the original appropriation estimates.

However, there is a challenge to fiscal transparency from the perspective of timeliness of executive and legislative actions. The Constitution gives the governor the liberty to present the estimates to the legislature at any time before the commencement of each financial year. This is problematic because following the language of this provision can give rise to late presentations by the executive and late approval by the legislature.

⁸ S.100 of the Constitution.

There is no timeline in the law for the budget to be ready before the beginning of the financial year. The provision should have taken cognisance of the need to present and approve of the budget within a financial year which has been defined in S.318 of the Constitution as: "Financial year" means any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe".⁹

122. *If the Appropriation Bill in respect of any financial year has not been passed into Law by the beginning of the financial year, the Governor may authorise the withdrawal of moneys from the Consolidated Revenue Fund of the State for the purpose of meeting expenditure necessary to carry on the services of the government for a period not exceeding six months or until the coming into operation of the Law, whichever is the earlier:*

Provided that the withdrawal in respect of any such period shall not exceed the amount authorised to be withdrawn from the Consolidated Revenue Fund of the State under the provisions of the Appropriation Law passed by the House of Assembly for the corresponding period in the immediately preceding financial year, being an amount proportionate to the total amount so authorised for the immediately preceding financial year.

This provision guarantees continuity in government's service delivery and running of the administration when there is a delay in the passage of the budget.

123. *(1) A House of Assembly may by Law make provisions for the establishment of a Contingencies Fund for the State and for authorising the Governor, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the Fund to meet that need.*

(2) Where any advance is made in accordance with the provisions of this section, a Supplementary Estimate shall be presented and a Supplementary Appropriation Bill shall be introduced as soon as possible for the purpose of replacing the amount so advanced.

Beyond a supplementary appropriation, S.123 provides for the establishment of a Contingency Fund from which expenses can be made for urgent and unforeseen needs and the moneys so used shall be replaced as soon as possible through a supplementary appropriation.

125. *(1) There shall be an Auditor-General for each State who shall be appointed in accordance with the provisions of section 126 of this Constitution.*

(2) The public accounts of a State and of all offices and courts of the State shall be audited by the Auditor-General for the State who shall submit his reports to the House of Assembly of the State concerned, and for that purpose the Auditor-General or any

⁹ See also the Financial Year Act, Cap F.27, Laws of the Federation of Nigeria, 2004.

person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts.

(3) Nothing in subsection (2) of this section shall be construed as authorising the Auditor-General to audit the accounts of or appoint auditors for government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by Law but the Auditor-General shall –

(a) provide such bodies with -

(i) a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and

(ii) a guideline on the level of fees to be paid to external auditors; and

(b) comment on their annual accounts and auditor's report thereon.

(4) The Auditor-General for the State shall have power to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by a law of the House of Assembly of the State.

(5) The Auditor-General for a State shall, within ninety days of receipt of the Accountant-General's financial statement and annual accounts of the State, submit his report to the House of Assembly of the State and the House shall cause the report to be considered by a committee of the House responsible for public accounts.

(6) In the exercise of his functions under this Constitution, the Auditor-General for a State shall not be subject to the direction or control of any other authority or person.

The Lima Declaration of Guidelines on Auditing Precepts states that the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable to accept responsibility, to obtain compensation, or to take steps to prevent - or at least render more difficult such breaches.¹⁰

3.3 The Fiscal Responsibility Laws (FRLs) of the States

The Fiscal Responsibility Law (FRL) of States is another important legal instrument that describes and specifies how the States ought to carry out their budgetary activities. The FRLs of the States is a domesticated version of the Fiscal Responsibility Act (FRA) of the Federal Government. The long title to the FRA describes it as:

¹⁰ Adopted at the IX Congress of the International Organisation of Supreme Audit Institutions-INTOSAI.

An Act to provide for prudent management of the nation's resources, ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within a medium term fiscal policy framework, and the establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the nation's economic objectives; and for related matters.

FRLs are the major guiding laws of State legislatures on matters relating to budgeting and public financial management activities of the State Governments in Nigeria. In fact, the provisions of the Law support public financial management reforms across the States. It is important to emphasise that SFTAS Programme is weaved around the implementation of the provisions of States' Fiscal Responsibility Law.

To show the importance of the budgetary processes in the entire public financial management reforms, Parts III – V (which cover Sections 18 – 31) of the Fiscal Responsibility Act (FRA) focuses on the annual budget, budgetary planning of Corporations and budgetary execution and achievement of targets in the annual budgets.

In particular, Section 18 of the Fiscal Responsibility Act (FRA) stipulates that:

“18. Notwithstanding anything to the contrary contained in this Act or any other law, the Medium-Term Expenditure Framework shall:

(1) be the basis for the preparation of the estimates of revenue and expenditure required to be prepared and laid before the National Assembly under section 81 (1) of the Constitution.

(2) The sectoral and compositional distribution of the estimates of expenditure referred to in subsection (1) of this section shall be consistent with the medium term developmental priorities set out in the Medium Term Expenditure Framework.”

Implicit in this provision is that the procedure for the preparation of the annual budgets begins with the preparation, presentation and approval of the MTEF. However, it should be emphasised that the Medium Term Sector Strategies (MTSS) of the Ministries, Departments and Agencies (MDAs) of Government feed into and are derived from the MTEF. The further implication of Section 18 presented above is that the annual budget may not be deemed to have complied with laid down procedures if there is no approved MTEF that served as a guide/basis for the preparation of the budget. This means that it is not just about having an MTEF document, but ensuring that the MTEF serves as a guide/basis for the preparation of the annual budget.

The MTEF is to be prepared by the Commissioner for Finance /Budget and Economic Development or its equivalent before the end of the second quarter of each financial year and presented to the State Executive Council for consideration and endorsement.¹¹ Thereafter, it is presented to the State House of Assembly for approval.

¹¹ S.14 (1) of the FRA.

By S.11 of the FRA, the MTEF comprises of the following.

3) *The Medium-Term Expenditure Framework shall contain-*

- (a) *a Macro-economic Framework setting out the macro-economic projections, for the next three financial years, the underlying assumptions for those projections and an evaluation and analysis of the macroeconomic projections for the preceding three financial years;*
- (b) *a Fiscal Strategy Paper setting out-*
 - (i) *the Federal Government's medium-term financial objectives,*
 - (ii) *the policies of the Federal Government for the medium-term relating to taxation, recurrent (non-debt) expenditure, debt expenditure, capital expenditure, borrowings and other liabilities, lending and investment,*
 - (iii) *the strategic, economic, social and developmental priorities of the Federal Government for the next three financial years,*
 - (iv) *an explanation of how the financial objectives, strategic, economic, social and developmental priorities and fiscal measures set out pursuant to sub-paragraphs (i), (ii) and (iii) of this paragraph relate to the economic objectives set out in section 16 of the Constitution;*
- (c) *an expenditure and revenue framework setting out-*
 - (i) *estimates of aggregate revenues for the Federation for each financial year in the next three financial years, based on the predetermined Commodity Reference Price adopted and tax revenue projections;*
 - (ii) *aggregate expenditure projection for the Federation for each financial year in the next three financial years,*
 - (iii) *aggregate tax expenditure floor for the Federation for each financial year in the next three financial years,*
 - (iv) *minimum capital expenditure floor for the Federation for each financial year in the next three years;*

Provided that, the estimates and expenditures provided under paragraph (d) of this subsection shall be-

- (i) based on reliable and consistent data certified in accordance with section 13(2) (b) of this Act,*
- (ii) targeted at achieving the macro-economic projection set out in subsection (2) (a) of this section,*
- (iii) consistent with and derive from the underlying assumptions contained in the macro-economic framework, the objectives, policies, strategic priorities and explanations in the Fiscal Strategy paper;*

(d) a Consolidated Debt Statement setting out and describing the fiscal significance of the debt liability of the Federal Government and measures to reduce any such liability; and

(e) a statement describing the nature and fiscal significance of contingent liabilities and quasi-fiscal activities and measures to offset the crystallization of such liabilities.

The MTEF looks back to provide evidence of previous performance before providing projections of revenue and expenditure for the medium term. To a great extent, it meets the four cardinal parameters of the IMF Fiscal Transparency Code.

The FRA captures and recognises the role of citizens, stakeholders and other groups in the preparation of the MTEF as it prescribes a process of consultation as follows:

“In preparing the draft Medium-Term Expenditure Framework, the Minister-

- (a) may hold public consultation, on the Macro-economic Framework, the Fiscal Strategy Paper, the Revenue and Expenditure Framework, the strategic, economic, social and developmental priorities of government, and such other matters as the Minister deems necessary;*

Provide that, such consultations shall be open to the public, the press and any citizen or authorised representatives of any organization, group of citizens, who may attend and be heard on any subject matter properly in view”

Furthermore, Section 19 of the FRA stipulates that:

19. *The estimates of revenue and expenditure (in this Act referred to as the "Annual Budget") shall be accompanied by:*

(a) a copy of the underlying revenue and expenditure profile for the next two years;

(b) a report setting out actual and budgeted revenue and expenditure and detailed analysis of the performance of the budget for the 18 months up to June of the preceding financial year;

(c) a revenue framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity Price as contained in Medium-Term Expenditure Framework;

(d) measures on cost, cost control and evaluation of results of programmes financed with budgetary resources;

(e) a Fiscal Target Appendix derived from the underlying Medium-Term Expenditure Framework setting out the following targets for that financial year-

(i) target inflation rate,

(ii) target fiscal account balances,

(iii) any other development target deemed appropriate; and

(f) a Fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.

The provisions of S.19 of the FRA imply that the annual budget presentation should be done in such a manner as to engage the SHA with evidences of the “**SMART-ness**” (Specificity, Measurability, Attainability, Relevance, and Time-bound nature) of the budget that is being presented. In essence, those supporting documents are meant to facilitate the legislature’s understanding of the performance of previous budgets, revenue flows, cost control and value for money, developmental targets of the budget, fiscal risk projections and measures to contain them, etc. Generally, these supporting documents help to prove that the budget has been well prepared by the executive based on empirical evidence.

Sections 25 – 31 of the Act focus on the implementation of the budget. In particular, Section 25 provides the framework for the implementation of the budget by breaking the annual budget into projected monthly cash flows thus:

“25.-(1) The Federal Government shall cause to be drawn up in each financial year, an Annual Cash Plan which shall be prepared by the office of the Accountant-General of the Federation.

(2) The Annual Cash Plan shall be prepared in advance of the financial year setting out projected monthly cash flows and shall be revised periodically to reflect actual cash flows.”

According to the IMF Guidelines for Public Expenditure Management, a Cash Plan has the following objectives:¹²

Cash planning has three main objectives: (1) to ensure that expenditures are smoothly financed during the year, so as to minimize borrowing costs; (2) to enable the initial budget policy targets, especially the surplus or deficit, to be met; and (3) to contribute to the smooth implementation of both fiscal and monetary policy. An effective cash planning and management system should:

- ❖ *recognize the time value and the opportunity cost of cash;*
- ❖ *enable line ministries to plan expenditure effectively;*
- ❖ *be forward-looking--anticipating macroeconomic developments while accommodating significant economic changes and minimizing the adverse effects on budget execution;*
- ❖ *be responsive to the cash needs of line ministries;*
- ❖ *be comprehensive, covering all inflows of cash resources; and*
- ❖ *plan for the liquidation of both short- and long-term cash liabilities.*

With the provisions of the above Section, the Annual Cash Plan shows the monthly revenues from all the applicable revenue sources and match monthly expenditures to available funds in order to avoid unnecessary fiscal deficits that could lead to avoidable fiscal debts. To ensure that the cash plan reflects current realities, it is to be updated from time to time. That way, any shortfalls in the previous projections will be filled up in the current/revised projections.

By S.26 of the FRA:

The Minister, shall within 30 days of the enactment of the Appropriation Act, prepare and publish a Disbursement Schedule derived from the Annual Cash Plan for the purposes of implementing the Appropriation Act.

The Disbursement Schedule facilitates planning for project implementation by MDAs.

S.27 of the FRA provides that:

(1) The sums appropriated for a specific purpose shall be used solely for the purpose specified in the Appropriation Act.

(2) Without prejudice to subsection (1) of this section, the Minister may in exceptional circumstances and in the overall public interest, recommend for the approval of the National Assembly virements from sub-heads under heads of account, without exceeding the amount appropriated to such head account.

Virements can only be done on the authority of the legislature. It is not even a blanket authority but limited to *subheads under heads of account, without exceeding the amount appropriated to such head account.*

¹² <https://www.imf.org/external/pubs/ft/extend/guide5.htm>

S.28 of the FRA deals with the power to restrict commitments if there is paucity of funds. It provides that:

(1) Where, by the end of three months, after the enactment of the Appropriation Act, the Minister determines that the targeted revenues may be insufficient to fund the heads of expenditure in the Appropriation Act, the Minister shall, within the next 30 days of such determination, take appropriate measures to restrict further commitments and financial operations according to the criteria set in the Fiscal Risk Appendix.

(2) Where the targeted revenues are re-established, either in part or in full, the appropriations for which further commitments were restricted shall be restored proportionately.

(3) The provisions of subsections (1) and (2) of this section shall not apply to statutory or constitutional expenditures.

This section provides for a transparent and empirical way and manner of restricting commitments through the criteria already approved by the legislature in the Fiscal Risk Appendix. It removes arbitrariness and discretion in the task of restricting commitments.

In addition, S.30 of the FRA provides for quarterly budget implementation reports to be prepared by the Budget Office within the Ministry of Finance or State Planning Commission. Specifically, the Section provides that:

“30.-(1)The Minister of Finance, through the Budget Office of the Federation, shall monitor and evaluate the implementation of the Annual Budget, assess the attainment of fiscal targets and report there on a quarterly basis to the Fiscal Responsibility Council and the Joint Finance Committee of the National Assembly.

(2) The Minister of Finance shall, cause the report prepared pursuant to subsection (1) of this section to be published in the mass and electronic media and on Ministry of Finance website, not later than 30 days after the end of each quarter.”

Bringing the issue down to the States, it is required that the State Budget Office (domiciled at either the Ministry of Finance, Ministry of Budget and Planning, or the State Planning Commission) prepares quarterly budget implementation reports. These reports are expected to be prepared and published on the State Website within 30 days after the end of the quarter in review. The publication of these reports on the State website within record time is the major requirement to qualify for DLI 1.1 of the SFTAS Programme for Results.

Sections 40-45 of the FRA deals with debts and borrowing and sets out detailed procedures for incurring debts, debt limitation and borrowing. S.48 of the FRA is specifically on fiscal transparency and it states:

(1) The Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure

and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for its finances.¹³

(2) *The National Assembly shall ensure transparency during the preparation and discussion of the Medium-Term Expenditure Framework, Annual Budget and the Appropriation Bill.*

This provision underscores the primacy of fiscal transparency in a Fiscal Responsibility legislation. When S.48 (and other specific provisions of the FRA) are read in conjunction with the enforcement S.51 of the FRA, it produces a reinforcement for fiscal transparency. S.51 provides as follows:

A person shall have legal capacity to enforce the provisions this Act by obtaining prerogative orders or other remedies at the Federal High Court, without having to show any special or particular interest.

The implication is that the foregoing provisions of the FRA creates enforceable fiscal transparency rights for citizens of Nigeria.

3.4 The Public Procurement Laws of (PPLs) of the States

State level PPLs are modelled after the Federal Public Procurement Act (PPA). PPLs to a great extent regulate capital budget implementation. The objectives are generally focused on the harmonisation of existing government policies and practices on public procurement, ensuring probity, accountability and transparency in the procurement process; the establishment of pricing standards and benchmarks. Other objectives are ensuring the application of fair, competitive, transparent, value for money standards and practices for the procurement and disposal of public assets and services; the attainment of transparency, competitiveness, cost effectiveness, professionalism in the public sector procurement system.¹⁴ The fundamental principles of procurement focus on open competitive bidding, transparency, eradication of conflict of interest, timeliness, equity, fitness for purpose, value for money and strict application of the law and its rules and guidelines.

PPLs regulate the organisation and planning of procurement and its associated issues - the role of the Accounting Officer, procurement planning committee, tenders board and prequalification of bidders. PPLs also prescribe the various methods of procurement for goods, services and construction. These include the default open competitive bidding and special and restricted methods of procurement vis, two stage tendering, restricted tendering, request for quotations, direct procurement and emergency procurement. Special rules guide the procurement of consultants through such methods as expression of interest for ascertained needs and unascertained needs and requests for proposals.

¹³ Underlining supplied for emphasis.

¹⁴ See S.4 of the PPA on the objectives of the Act.

PPLs have provisions for procurement surveillance and review, disposal of public property, code of conduct for public procurement as well as offences and punishment.

Specific provisions facilitating fiscal transparency include S.16 (14) PPA, that all unclassified procurement records shall be open to inspection by the public at the cost of copying and certifying the documents plus an administrative charge as may be prescribed by the regulator. There are also provisions for advertisement of tenders (S.25 PPA), invitation of civil society organisations and professionals to monitor bid opening sessions [S.19 (b) PPA]

3.5 Relevant Regulations and Policies

There are some regulations and policies that are not laws *stricto sensu*, but are relevant in the consideration of various aspects of the budgeting processes. The most notable is the Financial Regulations made pursuant to Finance (Control and Management) Act.¹⁵ At the state level, they are known as Financial Instructions. They cover issues such as financial authorities and responsibility of public officers, revenue collection and accounting, expenditure authorities and authorisation, expenditure classification and control, standardisation and accounting procedures and payments procedure. Other matters covered include bank account and cheques, cash books and monthly returns, imprests, stores, salaries, advances, receipts and licences, internal audit, use of government vehicles and other property, offences and sanctions, etc.

¹⁵ Cap F26, Laws of the Federation of Nigeria 2004.

Chapter Four

THE PROCESSES, RESPONSIBILITIES AND TIMELINES (1)

4.1 Introduction to the Budgeting Processes

Budget preparation, approval, implementation, reporting, monitoring and evaluation as well as auditing is a very tedious process. It takes a whole year for a single process to be completed. Figure 1 displays the extended budgeting process.

Figure 1: Extended Budgeting Process



Budgeting is more appropriately called a cycle and it is continuous because fiscal governance is a continuum. When one budget cycle is winding down, another begins. At the state level, the cycle starts from the determination of priorities at the overall and sectoral levels through the medium term expenditure framework (MTEF) and the medium term sector strategies (MTSS).¹⁶ It proceeds to sending out the budget call circular by the Ministry of Finance, preparation of sectoral budget proposals, technical support and budget bilateral discussions between MDAs and the Budget

¹⁶ See S.11-14 of the FRA.

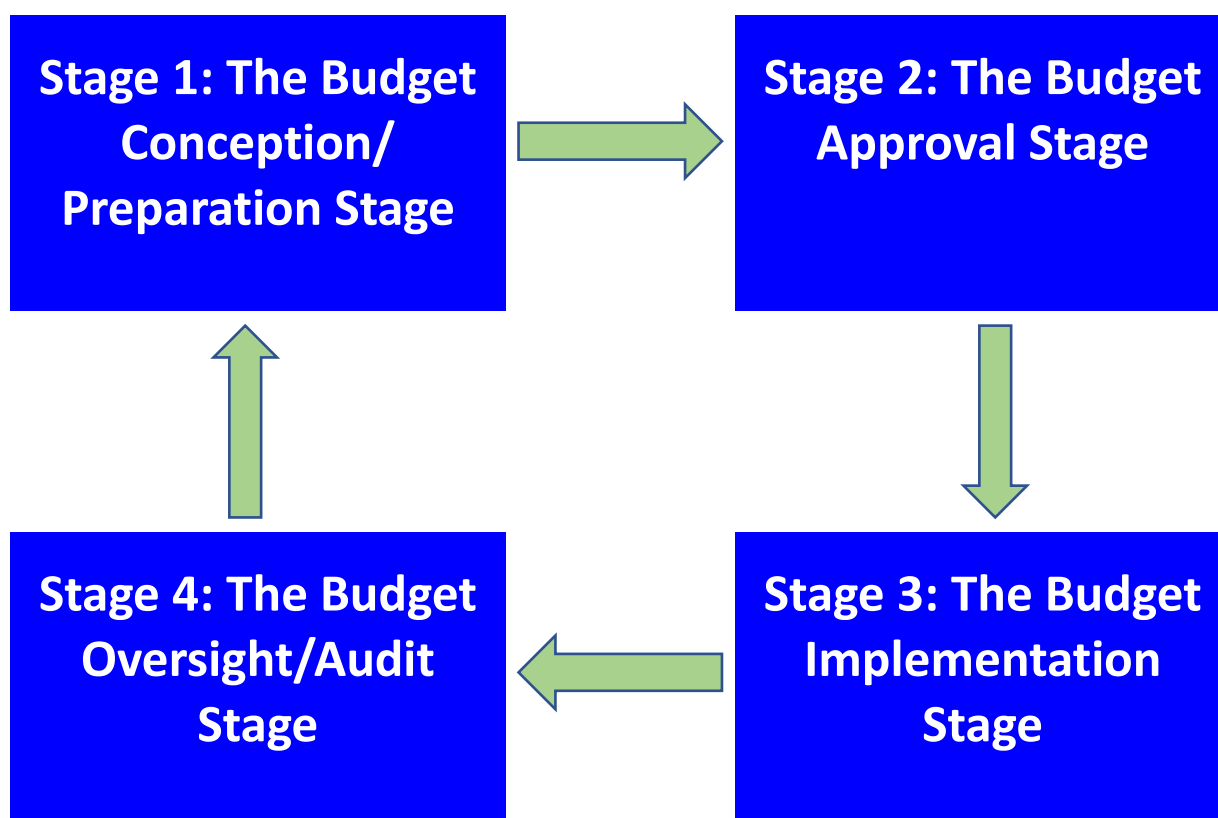
Office/Ministry of Finance and approval of the executive budget by the State Executive Council. Thereafter, the Governor submits the estimates to the SHA¹⁷ which considers and approves of same. This is followed by the Governor's assent for the Appropriation Bill to become law. Implementation, monitoring, evaluation and reporting follows while audit¹⁸ is the last stage of the cycle.

In a shortened form, there are four major stages of budgeting processes – namely,

- 1) The Budget Conception/Formulation/Preparation Stage,
- 2) The Budget Approval Stage,
- 3) The Budget Implementation Stage, and
- 4) The Budget Oversight/Audit Stage.¹⁹

These stages flow into each other in quick succession. Figure 2 below describes an effective budgeting process:

Figure 2: Abridged Flow Chart of Budget Processes



As shown in the flow chart above (Figure 2), the last stage of the processes in one fiscal year feeds into the first stage of the processes in the subsequent fiscal year. This is because the information gathered from the oversight/audit activities carried out within the current fiscal year helps in the formulation of projects and programmes that will make up the budget of the next fiscal year.

¹⁷ S.120 (2), (3) and (4) as well as S.121 of the Constitution.

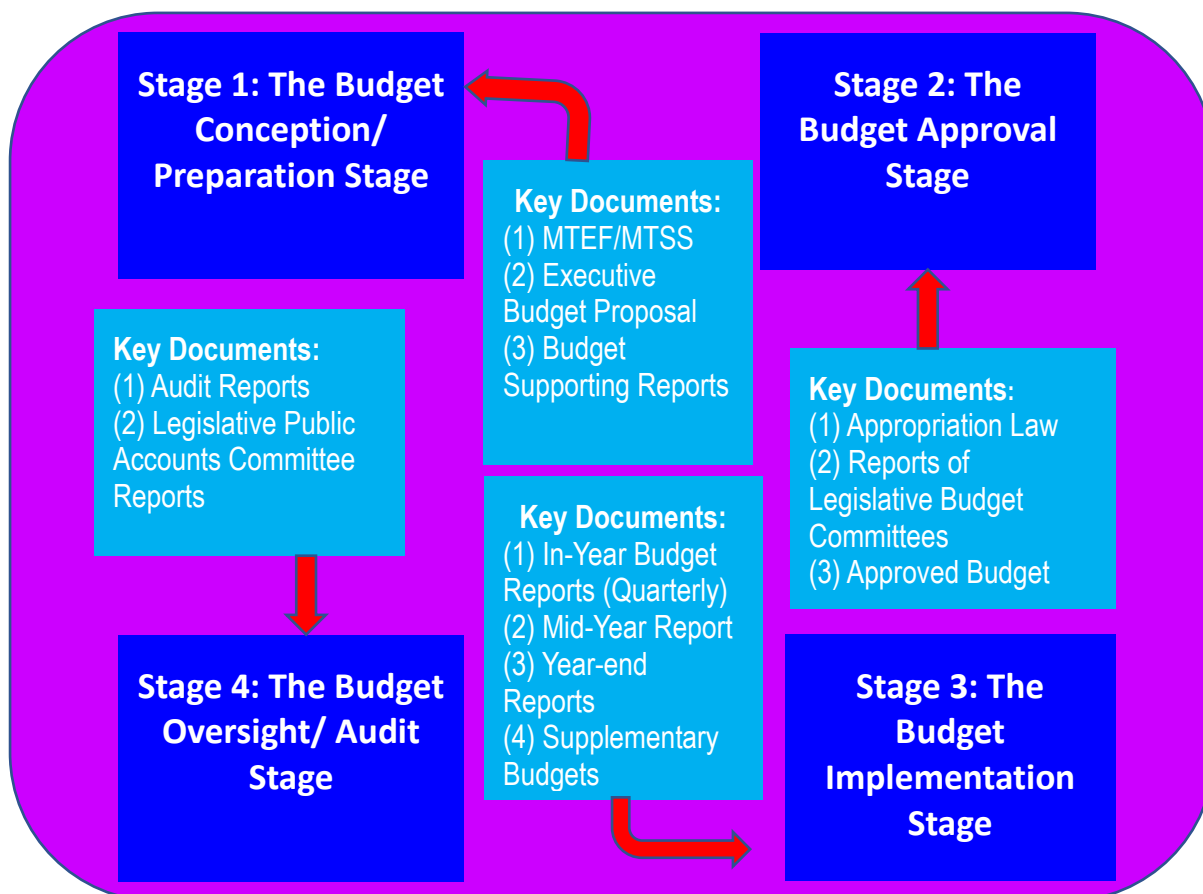
¹⁸ S.125 of the Constitution.

¹⁹ <https://www.internationalbudget.org/wp-content/uploads/MODULE-2-Defining-the-Problem.pdf>

The extensive disaggregation of budget stages is discussed in details within the subsections that discuss the four major stages below.

In each of the Stages of the budget processes, some key budget documents are produced and published. These key budget documents are the key evidences that such processes have been properly observed and documented. Figure 3 presents the documents required for each stage of the budgeting process.

Figure 3: Key Budget Documents at Each Stage of the Budget Processes



Having identified the four major stages of budget processes, it is important to discuss these stages in details. The sections below separately discuss each of the stages in details and presents the tasks, responsibilities, timelines and feedback mechanism in tabular formats. It is imperative to note that the timelines presented here are “not later than” as the activities can be done earlier. The reference to officials like the Commissioner/Permanent Secretary/Accounting Officer as the person responsible in the tables below is because they are the political and technical heads of MDAs. The activities will be implemented under their leadership of the MDA. Furthermore, the designation of MDAs responsible for budgeting matters may differ from state to state. While some states allocate these responsibilities to the Ministry of Finance, others have ministries named after the Budget and Economic Development/Planning and this informs the use of the word “equivalent” in some instances.

4.2 Stage One: The Budget Conception/Formulation/Preparation Stage

The Budget Conception/formulation/preparation stage is the first stage of the budgeting processes. This stage involves a lot of activities which include:

- a) Dealing with Preliminary Policy Documents (MTEF, MTSS, MTDS, etc.);
- b) Setting the budget objectives, goals, targets and limits;
- c) Sending out of the budget Call Circular;
- d) Preparation of MDAs' budget proposals;
- e) Bilateral discussion on the MDAs' proposals;
- f) Collation and review of the entire budget proposal;
- g) Public consultation and further review of the budget proposal; and
- h) EXCO Presentation and adoption of the budget proposal;

Each of the activities listed above involves a number of MDAs of the Government as well as citizens and citizens' groups.

4.2.1 Preliminary Policy Documents (MTEF, MTSS, MTDS, etc.): The preparation of the MTEF should precede the preparation of the budget. It is sometimes referred to as the pre-budget statement. However, immediately after preparing the MTEF, the various MDAs/sectors of the government should also prepare and produce their MTSS. This will help to show the medium-term goals and strategic directions of the MDAs.

The purpose of the MTEF is to:

- ❖ Achieve macroeconomic stability without compromising economic development.
- ❖ Direct the bulk of spending to the state's strategic priorities.
- ❖ Achieve predictability of both policy and funding so that MDAs can plan ahead and programmes can be sustained.
- ❖ Enforce financial discipline in line agencies as well as autonomy to increase incentives for efficient and effective use of public funds.

Table 1: Tasks, Responsibilities, Timelines and Feedback Mechanism for MTEF Preparation and Approval

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation of MTEF	Commissioner/Permanent Secretary of the Ministry of Finance or equivalent	First and second months of the second quarter of the year	Reviews, analysis, memorandum, alternative recommendations,
Inputs for MTEF	Planning Commission, Inland Revenue Agency,	First and second months of the	lobby, multi-media advocacy (print,

	Statistics Agency, Fiscal Responsibility Commission, Legislature	second quarter of the year	electronic, digital and social media) and awareness creation
Citizens version of the Draft MTEF	Commissioner/Permanent Secretary of the Ministry of Finance or equivalent	Third month of the second quarter	
Citizens consultation	Commissioner/Permanent Secretary of the Ministry of Finance or equivalent	Third month of the second quarter	
Endorsement of the MTEF	State Executive Council	Third month of the second quarter	
Forwarding to the Legislature	The Governor	Third month of the second quarter	
Approval of MTEF	State House of Assembly	Between June and the first month of the third quarter	
Citizens version of the approved MTEF	Commissioner/Permanent Secretary of the Ministry of Finance or equivalent	Second month of the third quarter	

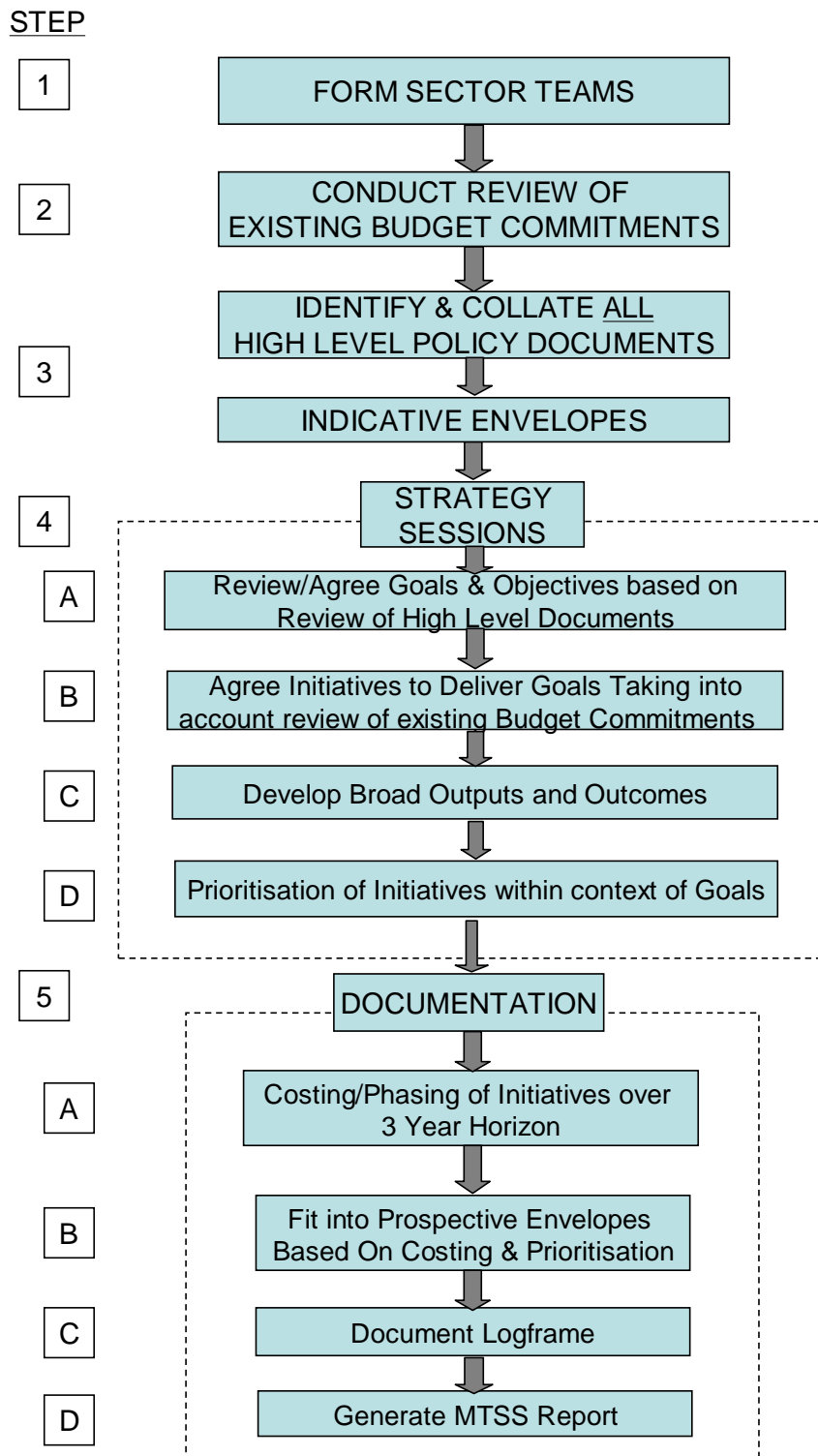
The MTSS is the MDA/sectoral expenditure plan that has the following objectives:

- ❖ Articulates medium-term (three years) goals and objectives against the background of the overall goals of overarching high level policies, the attainment of the SDGs, etc.
- ❖ Identifies and documents the key initiatives (that is, projects and programmes) that will be embarked upon to achieve the goals and objectives.
- ❖ Costs the identified key initiatives in a clear and transparent manner.
- ❖ Phases implementation of the identified initiatives over the medium-term.
- ❖ Defines the expected outcomes of the identified initiatives in clear measurable terms; and
- ❖ Links expected outcomes to their objectives and goals.

The road map for the MTSS includes the formation and composition of Sector Planning Teams (SPT), followed by a review of existing budgetary commitments. The identification and collation of high-level policy documents will be followed by the top-down indicative envelope. The third stage is the Strategy Session where the SPT members review and agree on goals and objectives based on the review of high-level policy documents, agree on initiatives to deliver goals taking into account the review

of existing budget commitments. The strategy session will develop broad based outputs and outcomes and prioritise them within the context of the goals. The documentation stage involves costing and phasing of the initiatives over the three-year horizon, fitting the initiatives into envelopes based on costing and prioritisation. It documents the log frame and finally generates the MTSS report. Figure 4 shows the MTSS Road Map.

Figure 4: MTSS Road Map



Each Ministry is required to constitute a high-level team for the preparation of its MTSS. The team, which is to be designated as “*Sector Planning Team*” (SPT) is the working team that would be charged with the responsibility for delivering the MTSS of the Ministry and shall include the following:

- (a) The Commissioner and/or Permanent Secretary as the lead.
- (b) The 2 most senior officers responsible for planning.
- (c) The 2 most senior officers responsible for budgeting.
- (d) Heads of the core parastatals and agencies under the supervision of the Ministry.
- (e) 2 members of the relevant House of Assembly Committee with oversight over the Ministry.
- (f) 4 members of reputable Civil Societies, Professional Associations and Organised Labour working in areas related to the work of the Ministry.
- (g) 1 member of the Organised Private Sector (state chapters of NESG, MAN, NACIMMA).

The MTSS is to be prepared immediately after the approval of the MTEF since the indicative envelopes will come from the MTEF. This should be concluded between in the third month of the second quarter and the first month of third quarter, being the month of July.

Table 2: Tasks, Responsibilities, Timelines and Feedback Mechanism for MTSS Preparation

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Formation of Sector Planning Team	Commissioner or Permanent Secretary	June of every year	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Preparation of MTSS	Sector Planning Team led by Commissioner or Permanent Secretary	Between June and July every year	
Citizens version of MTSS	Permanent Secretary	August every year	

In addition, States are also expected to prepare their Medium Term Debt Strategy (MTDS). However, a well prepared MTEF containing a “*Consolidated Debt Statement setting out and describing the fiscal significance of the debt liability of the Federal Government*”

and measures to reduce any such liability; will cover the ground of the MTDs. The MTDS shows the level of indebtedness of the State Government (domestic and external) and how the debts are expected to be liquidated within the medium term period. It shows in concrete terms the level and sources of projected revenues and expenditures within the medium term period. MTDS equally shows the implications of the projected revenues and expenditures on future indebtedness of the State. Where the State does not have further capacity (or space) to borrow more money, the MTDS suggests other means of filling any fiscal gaps that may arise in the medium term from the fiscal activities of the government.

4.2.2 Setting the Budget Objectives, Goals, Targets and Limits: Drawing from information and figures presented in the aforementioned policy documents, the annual budget objectives, goals, targets and limits are drawn. Once the specific objectives, goals and targets of a particular annual budget is set by the relevant agencies of the government and adopted by the Governor and the EXCO, it becomes very easy for the Budget Office to set the budget limits (envelopes) across the MDAs. These limits are set with a focus on the overall budget size (usually set by the total size of projected revenue). Ideally, the setting of budget objectives, goals, targets and limits should happen in July of every year. This is to ensure that they serve as the basis for the contents of the budget Call Circular, which follows immediately after.

4.2.3 The Budget Call Circular and Preparation of MDAs' Budget Proposals: Once the limits and envelopes are set by the Budget Office (or Budget Department), the next step will be to prepare and send out the Budget Call Circular. It sets out the requirements and instructions that must be satisfied and followed in the preparation of the budget estimates.²⁰ It has been more appropriately defined as:

*“Budget Call Circular means a circular (i) requesting the submission in a prescribed form, of the revenue and expenditure estimates of Ministries, Extra-Ministerial Departments, and other executing Agencies of Government for the next financial year; and (ii) giving detailed guidelines and instruction on the preparation of the estimates and expenditure in a manner consistent with the medium term developmental priorities set out in the Medium Term Expenditure Frame Work”.*²¹

The Budget Call Circular does not only communicate the demand for MDAs to submit their budget proposals to the Budget Office, but also specifies the limits (envelopes) allocated to the MDAs, as well as sets timelines for the various activities that will culminate into the final budget preparation. This means that the MDAs become aware of their envelopes and timelines for further budget engagements through the communication of the Budget Call Circular.

In addition, the Budget Call Circular advises the MDAs on procedures that will guide their preparation of budget estimates (including but not limited to the budget preparation template and citizens' engagement). In an ideal situation, Budget Call Circular is sent out not only to MDAs, but also to certain leaderships of citizens' groups.

²⁰ See FGN Budget Call Circulars 2021 and 2022.

²¹ <https://www.lawinsider.com/dictionary/budget-call-circular>

The essence of sending the Budget Call Circular to the citizens' group is to inform them of the intention of the Budget Office to begin the budget preparation process and to seek their inputs into the entire process. This way, the citizens' groups will be free to liaise with their MDAs of interest to suggest projects and programmes in their sectors in line with current realities of the State.

In an ideal situation, sending out of Budget Call Circular should happen between late June and early July of every year. This will help the MDAs to have sufficient time to respond to the Circular with their budget proposals. However, the Call Circular should be sent out after the conclusion of the MTSS. A well prepared MTSS lays a solid foundation for easy preparation of the MDA budget proposal. Table 3 shows the outline of the Process Guide for Call Circular and preparation of MDA estimates.

Table 3: Tasks, Responsibilities, Timelines and Feedback Mechanism for Call Circular and Preparation of MDAs Budget Estimates

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation of Call Circular	Commissioner/Permanent Secretary of the Ministry of Finance or Director General of the Budget Office or equivalent	Late June of every year	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Sending out the Call Circular to MDAs and relevant sector CSOs and Groups	Commissioner/Permanent Secretary of the Ministry of Finance or Director General of the Budget Office or equivalent	Between late June and early July every year	
MDAs Consultation of the SHA and Citizens Groups	Permanent Secretaries of MDAs	July of every year	
Completion of Budget Estimates	Permanent Secretaries of MDAs	July of every year	

Once the Budget Call Circular is received with supporting documents, the MDAs are required to prepare their estimates in line with their budget ceilings/envelopes. To be able to come up with a realistic budget that meets the needs of the people, citizens' engagement which started in the MTSS is expected to continue at this stage of the budget processes. Several citizens' groups work on various sectors of the State and may have more information on the sectoral/grassroots realities than state officials. Their involvement in the budget conception stage (at MDA level) will therefore be very vital in ensuring that the budget meets the needs of the people. The MDAs' officials are therefore expected to collaborate with those relevant citizens' groups and come

up with budget estimates that do not only fall within their budget limits, but also meet current needs of the people while being consistent with the demands of high level policy instruments.

Ideally, the preparation of MDAs’ budget proposals should take place in July of every year. This will ensure that the Budget Office has sufficient time to hold bilateral discussions with the MDAs on their budget proposals.

4.2.4 Submission to the Budget Office and Bilateral Discussions on MDAs’ Proposals:

MDAs submit their expenditure plan including estimates of their recurrent and capital expenditure to the Budget Office and this is followed by bilateral discussions. The bilateral discussion session with the Budget Office gives the MDAs the opportunity to defend (first hand) their entire budget proposals. It helps the MDAs to showcase the goals and objectives they intend to achieve with the proposed expenditures. This means that 15 – 40 proposed line items may be targeted at achieving just one or two goals, objectives and targets. The bilateral discussion also offers the Budget Office opportunity to review some budget values upwards or downwards without overshooting the total budget size. It equally offers opportunity for the Budget Office to review how well the MDAs’ proposed budgets fit into the overall goals and policies of the State and Country.

Ideally, the bilateral discussion on the MDAs’ budget proposals should be carried out between Late-July and mid-August of every year. This will enable the Budget Office to have sufficient time for collation and review of the entire budget proposal, which follows immediately after this stage. Table 4 provides a guide.

Table 4: Tasks, Responsibilities, Timelines and Feedback Mechanism for Bilateral Discussions

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Invitation to Bilateral Discussion	Director General of the Budget Office or equivalent	Late July every year or already provided in the Call Circular	Not applicable
Bilateral Discussions	Director General of the Budget Office or equivalent and Permanent Secretaries of MDAs and their teams	Between late July to mid-August every year	Not applicable

4.2.5 Collation and Review of the Budget Proposal: Immediately after the bilateral discussions, the Budget Office is expected to collate all the adopted line items and figures with a view not to exceed the available revenues within the year. This is the point where the Budget Office begins to ask question around duplications across MDAs’ proposed budgets. Where there are cases of duplication, the Budget Office will decide which of the duplicated items to remove or retain. The collation and review

period is also a stage at which the Budget Office will ensure that the amounts allocated to similar items are same across MDAs as long as there are no extra costs that should be incurred when certain MDAs handle the spending.

Ideally, the collation and review of the entire budget proposal should happen between Late-August and Early-September of every year. This will enable the Budget Office to have sufficient time for public consultation and further review of the budget proposal, which follows immediately after this point.

Table 5: Tasks, Responsibilities, Timelines and Feedback Mechanism for Collation and Review of Budget Proposals

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Collation and review of Budget proposal	Budget Office/Director General or equivalent	Late August Early September every year	Not applicable

4.2.6 Public Consultation and Further Review of the Budget Proposal: This is the third major stage of public consultation and citizens’ engagement. Public consultation and citizens’ engagement at this point of the budget proposal is actually to show them the overall macroeconomic assumption behind the proposed budget. It equally affords the Budget Office the opportunity to show the citizens the total budget size as well as the various sources of projected revenue. The disaggregation of projected total expenditure is also presented to the citizens and citizens’ groups. It is the disaggregated presentation of total expenditure that helps the citizens and citizens’ groups to make informed suggestions that will help in making the budget speak to the needs of the public.

Ideally, public consultation and further review of the budget proposal should take place in early September of every year. This will help the Budget Office to have sufficient time for all further reviews of the budget proposal and make it ready for presentation to the State Executive Council.

Table 6: Tasks, Responsibilities, Timelines and Feedback Mechanism for Public Consultation on the Budget Proposal

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Put consultation materials in the public domain	Commissioner of Finance/Director General, Budget Office or equivalent	Not less than one week to the consultation	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Public consultation on budget proposal	Commissioner of Finance/Director General, Budget Office or equivalent	Early September every year	

4.2.7 State Executive Council Presentation and Adoption of the Budget Proposal:

The Governor is the Chief Executive Officer of every State. The Governor also appoints the Commissioner, Special Advisers, Senior Special Assistants, Special Assistants, Technical Assistants, etc., who make up the State Executive Council (State EXCO). Once the Budget Office is through with the collation and further review of the budget, it is ready for presentation and adoption at the State EXCO. Given that members of the EXCO have been privy to the contents of their MDAs' budget proposals, the EXCO presentation is usually a ceremonial requirement for their adoption of the overall budget proposal. Ideally, EXCO presentation and adoption of the budget proposal should happen in early to mid-September of every year.

Table 7: Tasks, Responsibilities, Timelines and Feedback Mechanism for State Executive Council Presentation and Adoption of Budget Proposal

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Presentation of Draft Budget to State EXCO	Commissioner of Finance or equivalent	Mid-September every year	Not applicable
Adoption by State EXCO	State EXCO led by the governor	Mid-September every year	Not applicable

Chapter Five

THE PROCESSES, RESPONSIBILITIES AND TIMELINES (2)

5.1 Stage Two: The Budget Approval Stage

The SHA is charged with the responsibility of considering and approving the annual budget in line with the constitutional function of appropriation. The budget approval stage involves a number of activities, which include the following:

- a) Presentation of the budget to the SHA by the Governor and preparation of Citizens Budget
- b) Legislative readings and adoptions of the Appropriation Bill
- c) Legislative Committees' consideration of the MDAs' Budget Proposals
- d) MDAs' defence of their Budget Proposals
- e) Public hearing on the Proposed Budget
- f) Legislative revision of the proposed estimates
- g) Legislative passage of the Appropriation Bill
- h) Executive Assent to the Appropriation Law

It is a fact that the SHA takes the lead in the approval stage of the budgeting processes. However, some of the activities listed above still require heavy interface between the SHA and the MDAs. Some equally involve the citizens and citizens' groups.

5.1.1 Presentation of the Budget Estimates by the Governor to the SHA and Preparation of Citizens Budget: The Governor under S.121 of the Constitution is mandated to present the estimates and the accompanying documents identified under S.19 of the FRA to the SHA. This should be done within the second half of September or first week of October each year. The Citizens Budget should be prepared and made available to the public at the same time of presenting the estimates to the SHA.

Table 8: Tasks, Responsibilities, Timelines and Feedback Mechanism for Presentation of Budget Estimates to SHA and Preparation of Citizens Budget

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Presentation of Budget Estimates to SHA	State Governor	Second half of September to first week of October every year	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Planning, consultation and developing the Citizens Budget	Commissioner/Permanent Secretary Finance or DG Budget Office or equivalent	Second half of September to first week of October every year	

Dissemination of Citizens Budget	Commissioner/Permanent Secretary Finance or DG Budget Office or equivalent	First week of October and continues thereafter	
----------------------------------	--	--	--

5.1.2 Legislative Readings and Adoption of the Appropriation Bill: As a norm, the legislature will have to read and adopt the appropriation bill and conduct a discussion on its general principles before sending the estimates to the various committees for further review. It is only after this point that the estimates are committed to the relevant committees for detailed considerations.

Ideally, the legislative readings and adoptions take place within the first two weeks after the presentation of the budget proposal to the House (i.e. on or before mid-October). That helps to create sufficient time for wide consultations and consideration of the proposed budget before final approval.

5.1.3 Legislative Committees’ Consideration and MDAs’ Defence of their Budget Proposals: This is the point where the SHA spends much time because of the nature of the activity to be carried out. The fact that appropriation process takes time in the SHA is mainly due to the time required by various Legislative Committees to finalise their considerations of MDAs’ budget proposals. The Legislative Committees with oversight on the activities and budget implementation of the MDAs will equally engage the MDAs on their projections for the next fiscal year. Against the background of this, they are in a very good position to review the estimates (upwards or downwards).

Furthermore, members of the various Committees harvest and utilise inputs from citizens and citizens’ groups, who are the primary constituencies at this point. This is done with the aim of ensuring that the budget line items speak to the needs of the people and that the proposed budget meets the “SMART” requirements.

The MDAs at this point interface with the Legislative Committees to defend their budget proposals and estimates. This interface helps the MDAs to not just defend the items but to convince the SHA that the items are all geared towards the main goals and objectives of the State Government.

Ideally, the Legislative Committees’ consideration of the MDAs’ budget proposals as well as MDAs’ defence of their budget proposals should take place within two-four weeks after the budget proposals have been sent to the Committees. The essence of allowing much time for this stage of the approval process is to ensure that the budget that will be approved will meet the SMART requirements. It will equally make the Legislature have sufficient information to be able to hold the public hearing on the proposed budget.

Table 9: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Committee’s Consideration and MDA Budget Defence

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Consideration of Budget Estimates	Oversight Committees of the SHA	October to mid-November every year	Reviews, analysis, memorandum, alternative
Defence of budget estimates	Commissioner/Permanent Secretary/Director General, etc., of the MDAs before the Oversight Committees	October to mid-November every year	recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Harnessing of Citizens Inputs	Oversight Committees of the SHA	October to mid-November every year	

5.1.4 Public Hearing on the Proposed Budget: The SHA conducts a public hearing on the proposed budget at this point. The public hearing helps the SHA to interface with citizens’ groups and deliberate on their various submissions on the budget estimates. Usually before the public hearing, citizens and citizens’ groups are invited to make submissions per their analysis of the budget to the SHA for consideration. It is these submissions that will be considered during the public hearing.

Ideally, the public hearing on the proposed budget holds within the same period as that of the legislative consideration of the proposed budget and MDAs’ defence of their budget proposals (most likely between Mid-October and Mid-November).

Table 10: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Public Hearing on the Budget Defence

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Ensure Public Hearing Agenda is in the public domain	Leadership of Appropriation/Finance or equivalent Committee of the SHA	October to mid-November each year	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media
Hold Public Hearing	Leadership of Appropriation/Finance or equivalent Committee of the SHA	October to mid-November each year	advocacy (print, electronic, digital and social media) and awareness creation
Collate and input the relevant recommendati	Leadership of Appropriation/Finance or Oversight or equivalent Committees of the SHA	October to mid-November each year	

ons of the Public Hearing			
---------------------------	--	--	--

5.1.5 Legislative Revision of the Proposed Estimates and Passage of Appropriation Bill: The revision of the Estimates is undertaken between the Oversight Committees and the Coordinating Appropriation Committee. It is important at this point to emphasise that the appropriation function of the SHA demands that they should be able to reduce, increase, remove or add estimates and line items after all necessary considerations have been made. As long as such reviews are done in good faith and in the best interest of the public, there is nothing wrong in the legislative revision of the proposed estimates before approval. That is part of the appropriation function of the legislature.

Ideally, the legislative revision of the proposed estimates should take place in late November in order to ensure that there is still sufficient time for the budget approval and assent before the end of the year.

Immediately after the legislative revision of the proposed estimates, the SHA passes the Appropriation Bill and sends same back to the Governor for his/her assent. This passage of the Appropriation Bill happens in just one day of Legislative sitting. It can therefore happen the same week the revision ends.

Ideally, the Legislative Passage takes place in early- mid December, thereby creating room for the Executive Assent to be given before the end of the year.

Table 11: Tasks, Responsibilities, Timelines and Feedback Mechanism for Legislative Revision of the Proposed Estimates and Passage of Appropriation Bill

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Revision of Estimates	Oversight Committees and Appropriation/Finance or equivalent Committees	Late November of every year	Reviews, analysis, memorandum, alternative
Passage of Appropriation Bill	Members of the SHA under the leadership of the Speaker	Early December of every year	recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation

5.1.6 Governor’s Assent to the Appropriation Bill and Citizens Version of the Enacted Budget: The Governor as the Chief Executive Officer of the State gives assent to the budget by signing the budget in a public ceremonial way. This Executive signing of the Appropriation Law (approved budget) can happen anytime between the day of Legislative approval and the last working day of the current year for a subsequent fiscal year’s budget. This implies that the Executive Assent to the

Appropriation Law is expected to hold between Mid-December and Late-December of every year.

If the budget as approved by the SHA contains provisions that are objectionable to citizens' groups, there is an opportunity of a feedback mechanism to engage, lobby and present evidence to the Governor demanding the withholding of assent and sending the budget back to the SHA for corrections before assent will be granted.

Table 12: Tasks, Responsibilities, Timelines and Feedback Mechanism for Assent to the Appropriation Bill and Citizens Version of the Enacted Budget

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Assent to Appropriation Bill	State Governor	Late December of every year	Reviews, analysis, memorandum, alternative recommendations, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Preparation of Citizens version of enacted Budget	Commissioner of Finance/DG Budget Office or equivalent	Late December of Preceding Year to early January of the New Year	
Dissemination of Citizens Budget	Commissioner of Finance/DG Budget Office or equivalent	January till Year End	

5.2 Stage Three: The Budget Implementation/Execution Stage

The budget implementation/execution process begins from the point of assent to the budget. It is not necessarily a process that begins from the first day of the new year. This is because some activities that make up budget implementation process should happen before the first day of the year. The following activities make up the budget implementation/execution stage of the budget processes:

- a) Preparation and reviews of the Annual Cash Plan and the Budget Disbursement Schedule
- b) Securing executive approvals for expenditure
- c) Completion of procurement processes
- d) Securing fund releases on the approvals
- e) Execution of the budget
- f) Monitoring and reporting of the execution of the budget
- g) Evaluation of the budget execution
- h) Preparation and publication of End-year budget report

The subsections below present the details of the activities that make up the budget implementation/execution stage of the budgeting processes as listed above.

5.2.1 Preparation and Reviews of the Cash Plan and the Budget Disbursement Schedule:

The Annual Cash Plan under the FRA is to be prepared by the State Accountant General in advance of the financial year setting out projected monthly cash flows and shall be revised periodically to reflect actual cash flows. This should be prepared in the month of December of the preceding year. The Office of the Accountant-General of the State also prepares the monthly projections of revenue inflows. However, given that the Cash Plan is a projection of expected revenues and expenditures, there are possibilities of realities within the year to differ from the projections. Whenever such deviations are significant, there may be need to review the Cash Plan in line with the observed realities. This review can happen quarterly or every other month.

The Commissioner of Finance or equivalent official shall within 30 days of the enactment of the Appropriation law prepare and publish a Budget Disbursement Schedule derived from the Annual Cash Plan for the purposes of implementing the Appropriation Law.

The preparation of the Cash Plan and Disbursement Schedule can as well be stepped down to MDA-level. In this way, MDAs will look at the amounts projected to be allocated to it within a month or quarter and allocated the same amounts to various projects and line items. That way, it will be easy for the MDAs to know the right requests for approvals to be sent at various points in time within the year.

Table 13: Tasks, Responsibilities, Timelines and Feedback Mechanism for Annual Cash Plan and Budget Disbursement Schedule

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation of Annual Cash Plan	Accountant General of the State	December preceding the New Year	Reviews, analysis, and awareness creation
Preparation of Budget Disbursement Schedule	Commissioner of Finance or equivalent	Within 30 days of the enactment of the Appropriation Law.	
Dissemination of the Annual Cash Plan and Budget Disbursement Schedule	Accountant General of the State and Commissioner of Finance or equivalent respectively	As soon as the Annual Cash Plan and Budget Disbursement Schedule are produced.	

5.2.2 Securing Executive Approvals on Expenditure Heads: From the first day of the year (except for the holidays or the New Year Day), the MDAs will start sending their requests for approvals to spend on their budgeted projects in line with the Cash Plan and Budget Disbursement Schedule. The Governor as the Chief Executive Officer of the State presides over the approvals under the Authority to Incur

Expenditure (AIE) granted to MDAs. Securing executive approvals on expenditure heads is an all-year-round activity. Whether for recurrent or capital expenditures, MDAs can secure approvals from the first day of the year till the last day of the year.

However, it needs to be noted that the need for AIE is founded on the lack of budget realism. For a realistic budget where the forecasts of revenue and expenditure are based on empirical evidence, insisting on AIE is clearly a micro-managing exercise which cannot be justified under the jurisprudence of the Fiscal Responsibility framework.

5.2.3 Completion of Procurement Processes: Public procurement is a process and time bound set of activities that must conform with the enabling law and regulations laid down by the regulatory agency. The process includes ensuring that projects are included in the annual appropriation, procurement planning, preparation of tender documents, call for tenders, receipt of tenders, examination and evaluation of tenders, award of contract. The activities take place on an all year round basis depending on availability of funds and the nature of the procurement activity. However, a few procurement activities can be time bound as shown in Table 14.

Table 14: Tasks, Responsibilities, Timelines and Feedback Mechanism for Some Procurement Activities²²

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation of Procurement Plan	Permanent Secretary/ Accounting Officer	December preceding the budget year and the first month of the budget year being January	Reviews, analysis, and awareness creation
General Notice Advertisement	Permanent Secretary/ Accounting Officer	Not later than the first quarter of the year	
Opening of bids	Permanent Secretary/ Accounting Officer	Immediately after the deadline set for submission of bids or any extension thereof	

²² This is based on the Federal Public Procurement Act 2007 as amended by the 2020 Finance Act.

Advertisement under national and international open competitive bidding	Permanent Secretary/ Accounting Officer	Not more than four weeks for contracts within the thresholds of the Parastatal and Ministerial Tenders Boards and not more than six weeks for contracts above the thresholds of the Ministerial Tender's Board before the deadline for the submission of the bids for goods, works and services	
---	--	---	--

5.2.4 Securing Fund Releases on the Approvals: The approval received for implementing a project may not be the same as securing fund releases. It is therefore imperative that after securing approvals for implementation/execution of a project, that the concerned MDA also ensures that it secures release of funds from the office of the Accountant-General. This activity should immediately follow the securing of executive approvals on expenditure heads and completion of procurement processes. It is important to emphasise that sometimes, release of funds can come in batches/tranches depending on availability of funds in the State Treasury. Some other times, the release of funds may also come in tranches following the contract terms of payment based on various stages of project completion. The Permanent Secretary/Accounting Officer and the MDAs Finance Team are responsible for securing release of funds.

5.2.5 Execution of the Budget: In line with the terms of the contract and availability of funds, MDAs are expected to execute their projects immediately after securing executive approvals from the Governor and completing the procurement process. The already prepared Cash Plan guides the MDAs in the execution of projects following the due seasons of the year when the projects are usually implemented in order to make impact. It is important to emphasise that this is the main activity within the budget implementation stage. Even after securing fund releases, except there is real execution of projects, there is no budget implementation/execution. Budget execution happens all year round. The Permanent Secretary/Accounting Officer and the MDAs' Project Supervisors are responsible for ensuring project execution.

5.2.6 Monitoring and Reporting of Budget Execution: Monitoring of the execution of the budget is a continuous process that begins from the first day of budget execution. This monitoring exercise is usually led by the Monitoring Department of the Ministry of Finance or the Ministry of Budget and Planning (depending on the nomenclature applicable in a particular State). Furthermore, the Legislative Committee that performs oversight function over the activities of the MDA, the procurement regulatory agency being the Bureau of Public Procurement and the Fiscal Responsibility Commission also monitor the implementation of the budget. In addition, citizens and citizens' groups can as well perform independent monitoring of budget

execution. The monitoring of the execution of the budget is an activity that happens at every point within the year as long as there is budget implementation.

The moment approvals and releases of funds are secured, the Budget Office is expected to liaise with the Office of the Accountant-General to be able to document and report the expenditures as made across the MDAs. The preparation and publication of the reports are expected to be done on quarterly basis – four reports. This is to be within one month of the end of the quarter.

Fit and good practices demand the production of a Mid-Year Budget Implementation Report different from the second quarter Budget Implementation Report (BIR). The Mid-Year Budget Report reviews budget implementation against the forecasts and assumptions in the approved budget with a view to course correction. It is produced as a separate document. Based on the Fiscal Responsibility Act, the quarterly budget implementation reports should be prepared and published within 30 days after the end of the quarter being reported. However, the SFTAS programme has reduced the preparation and publication of the quarterly reports within 28 days (4 weeks) after the end of the quarter being reported.

Table 15: Tasks, Responsibilities, Timelines and Feedback Mechanism for Monitoring and Reporting on Budget Execution

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation and dissemination of Quarter 1 BIR	Commissioner of Finance through the Budget Office or equivalent	April of every year	Reviews, analysis, memorandum, alternative reports, town hall meetings, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Preparation Quarter 2 BIR	Commissioner of Finance through the Budget Office or equivalent	July of every year	
Preparation and dissemination of Mid-Year BIR	Commissioner of Finance through the Budget Office or equivalent	July of every year	
Preparation and dissemination Quarter 3 BIR	Commissioner of Finance through the Budget Office or equivalent	October of every year	
Preparation and dissemination Quarter 4 BIR	Commissioner of Finance through the Budget Office or equivalent	January of the new year	

5.2.7 Evaluation of the Projects and Publication of End-year BIR: The Legislative Committees as well as the Monitoring Department at the Ministry of Finance or Ministry of Budget and Planning and other agencies should evaluate the impact of the expenditures made within the year. Oversight and evaluation is an all year round activity. However, specific project impact evaluation activity should take place towards the end of the year. This is because the exercise should feed into the End-Year Budget Report. To be able to gather sufficient information from the evaluation exercise, the views of beneficiaries should be gathered. This evaluation activity can as well be carried out by independent citizens or citizens' groups working in the MDA's thematic areas. The outcome of their impact evaluation exercise should be taken seriously by relevant MDAs.

Having evaluated the impact of projects, the Budget Office is expected to liaise with the Office of the Accountant-General to be able to document and report the expenditures made across the MDAs throughout the year. This End-Year Report should not only document what has been done within the year, but should also compare what has been done with what was planned to be done (i.e. the budget). The report equally shows reasons for possible differences between the approved budget and actual budget execution. Furthermore, the End-Year BIR equally shows the impacts and results that have been recorded through the implementation of the budget within the year. The practice of publishing the 4th Quarter BIR with the End Year Report is not a good practice because the 4th Quarter BIR is to be published within one month after year end. This does not give enough time to complete evaluation and fit and good practices under the FRA allows up to six months within the new year to publish the end of year report. Thus, they need to be separate documents.

Table 16: Tasks, Responsibilities, Timelines and Feedback Mechanism for Evaluation and Producing the Year End BIR

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation and dissemination End of Year BIR	Commissioner of Finance through the Budget Office or equivalent	Six months after the end of the year being June of the following year ²³	Reviews, analysis, memorandum, alternative reports, town hall meetings, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation

²³ S.49 (1) of the Fiscal Responsibility Act.

5.3 Stage Four: Auditing of the Annual Statement of Accounts and Public Accounts Committee Proceedings

The submission of the Accountant General’s financial statements to the Auditor General starts the constitutional process of audit. By S. 125 (5) of the Constitution:

The Auditor-General for a State shall, within ninety days of receipt of the Accountant-General's financial statement and annual accounts of the State, submit his report to the House of Assembly of the State and the House shall cause the report to be considered by a committee of the House responsible for public accounts.

However, MDAs submit their financial statement to the Accountant General before he collates them for submission to the Auditor General. Best practices require MDAs to submit their financial statements within the first quarter of the year while the Accountant General submits to the Auditor General in the fourth month of the year. The constitutional 90-day window starts running from the date of submission by the Accountant General to the Auditor General. However, the Auditor General can perform other audits including value for money audits, environmental audits, etc.

The Public Accounts Committee (PAC) of the SHA is a special committee established by the Constitution and charged inter alia with receiving and reviewing the report of the Auditor General to ensure that public moneys have been spent in accordance with appropriation, probity, value for money, transparently and in accordance with laid down policies and regulations. It seeks to hold spending agencies accountable to the people.

Although there is no clear timeline set in the law on the timeframe for the conclusion of the work of the PAC, a timeline of not more than six months from the date of the receipt of the Auditor General’s report is imperative. The justification is that financial and resource management matters are best resolved within a reasonable time when the parties to the transaction are still in service and can remember all the facts without any need for refreshment of memory. Delays in the consideration of audit reports by the PAC is not justice for the treasury especially when moneys have been mismanaged. This is justice denied because of the time value of money.

Table 17: Tasks, Responsibilities, Timelines and Feedback Mechanism for Audit

Task	Responsible MDA/Officials	Timeline	Feedback Mechanism from Citizens
Preparation and submission of MDA financial statements to Accountant General	Accounting Officer	Before the end of the first quarter	Reviews, analysis, memorandum, lobby, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Submission of harmonised financial statements to Auditor General	Accountant General of the State	The month of April every year	

Submission of audited accounts to the Public Accounts Committee of the SHA	Auditor General of the State	Before the end of July every year	
Audit Forum	Public Accounts Committee/ Auditor General's Office	Within three months of the submission of Auditor general's report.	Attend the Audit Forum and provide information and evidence where available, multi-media advocacy (print, electronic, digital and social media) and awareness creation
Legislative consideration of the Auditor General's report	Public Accounts Committee	Six months after the submission of the Auditor General's report	Attend PAC meetings and hearings, provide information and evidence where available, multi-media advocacy (print, electronic, digital and social media) and awareness creation

Chapter Six

CONCLUSIONS AND OVERALL PROCESS FLOWS

6.1 Conclusion

Fiscal transparency is at the core of a developmental budget. It provides the information and conditions needed for citizens' participation in the budgeting process which leads to improvements in service delivery. Observations from States show that most of these processes are not usually followed. Some even follow the processes without understanding their essence, relevance and expected outputs. It is therefore expected that this Process Guide will provide a clear understanding of the purposes and relevance of the budget processes as well as their stages in order to help States in Nigeria to continue their efforts towards public financial management reforms that are geared towards fiscal transparency. It will also assist civil society and other stakeholders to engage the budgeting process and to hold government accountable.

Various laws and policies regulate the budgeting process and these include the Constitution, Fiscal Responsibility Laws, Public Procurement Laws, Public Finance Management Laws, Financial Regulations/Instructions as well as relevant international standards. Fiscal transparency is about respect of national laws and international standards which have crystallised as fit and good practices. It requires the observance of its tenets at all stages of the budgeting process from formulation and preparation to the audit stage. This brings to the fore the need for procedural observance of the series of actions or steps that needs to be taken in order to achieve a particular end which is about the formal process. Therefore, the process is as important as the substantive issue(s) and observance of the procedural due process leads to the ultimate goal of improved fiscal governance which strengthens service delivery, democratic institutions and the general welfare.

Achieving fiscal transparency involves a collaboration between government, civil society, the private sector and the general public. It involves some element of co-creation in the budgeting process in the full understanding that the improved budgeting benefits all. It needs to be stated that fiscal transparency embraces inclusivity, a process that brings all stakeholders on board encompassing gender, vulnerability and disability. The budgeting process should be transparent to all, not to a dominant select class of citizens.

Finally, fiscal transparency is an evolving concept that should benefit from the experience of practice and societal evolution in other facets of human life. As technology and available knowledge improves and the practices of professions such as accounting and financial management evolve, the opportunities for improved fiscal transparency will increase.

6.2 Overall Budget Process Flows

The figures below (figures 5 – 8) show the process flows of each of the stages of the budget processes.

Figure 5: Process Flow of the Budget Preparation Stage

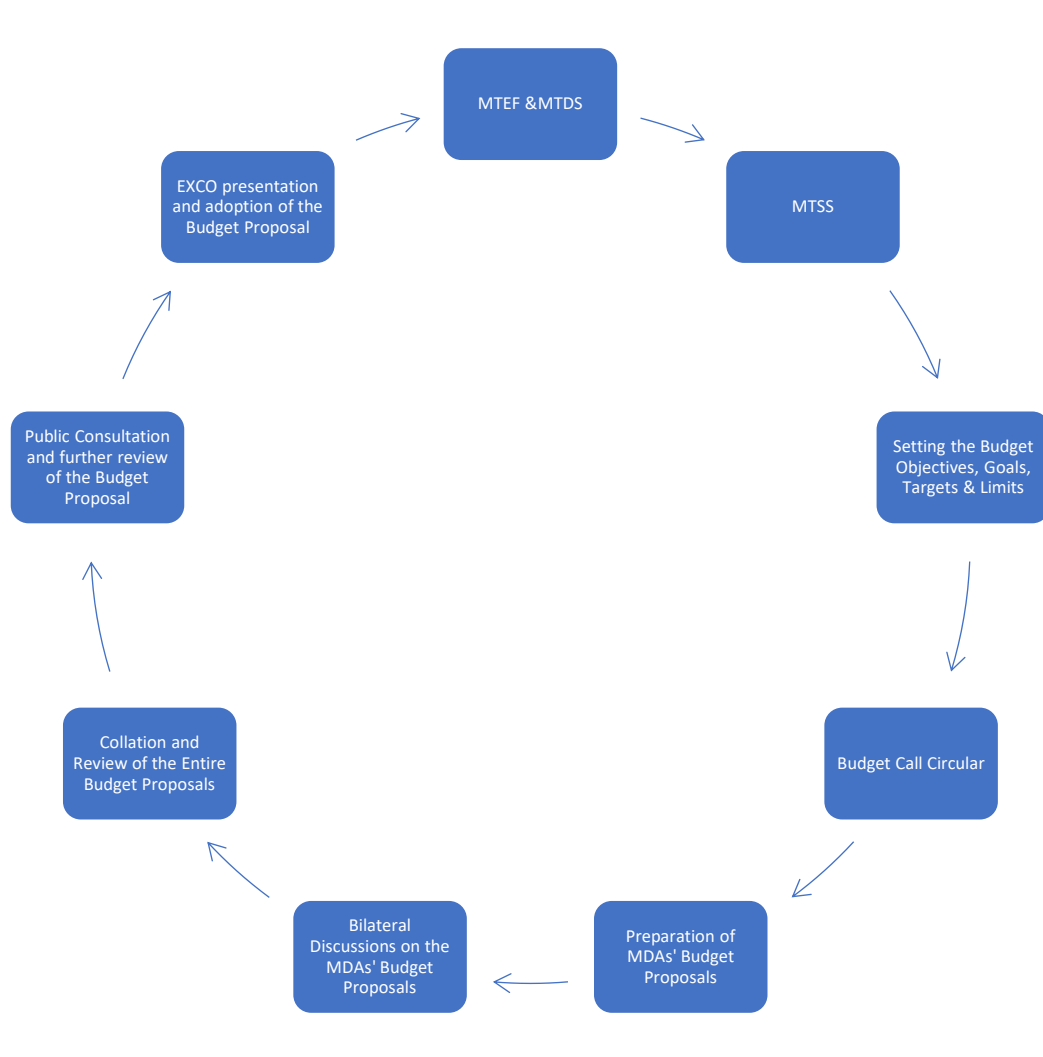


Figure 6: Process Flow of the Budget Approval Stage

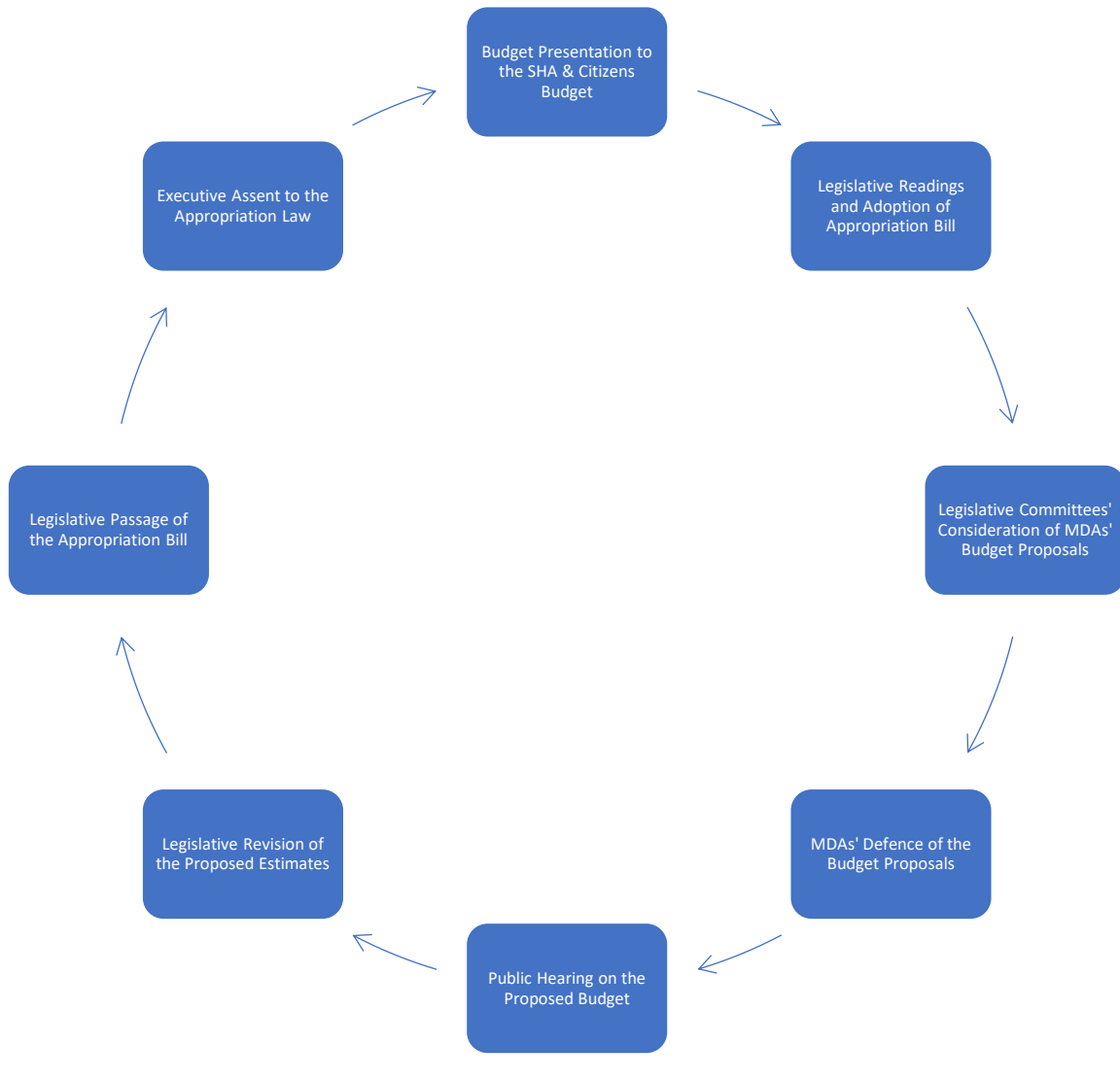


Figure 7: Process Flow of the Budget Implementation Stage

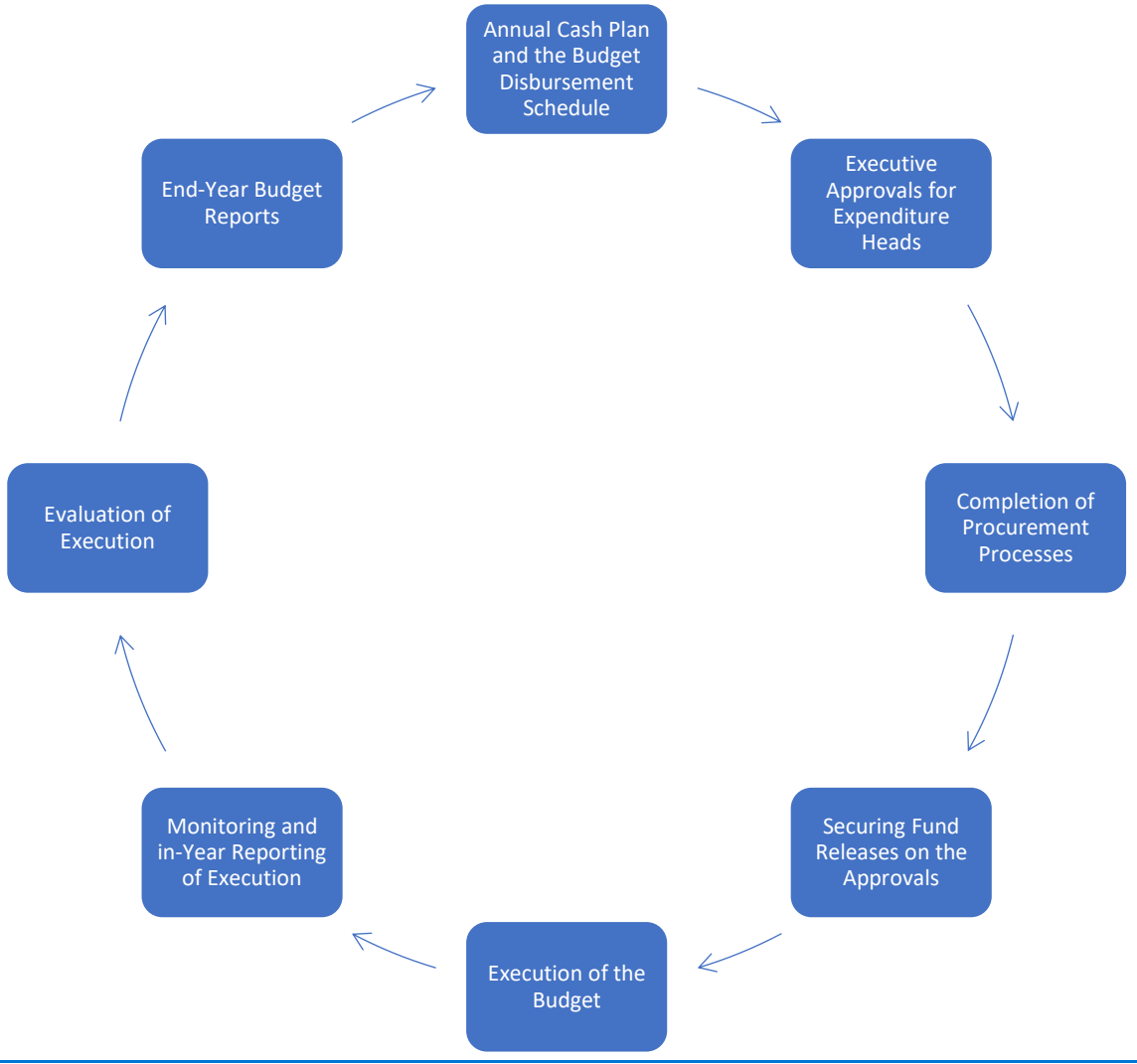


Figure 8: Process Flow of the Budget Oversight/Audit Stage

