ZAMFARA STATE OF NIGERIA

CASH MANAGEMENT STRATEGY

DECEMBER 2020

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LIST OF ACRONYMS

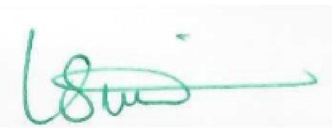
Acronym	Description
OAG	Office of The Accountant General
BIR	Board of Internal Revenue Service
CAS	Cash Allocation System
CDS	Central Disbursement System
CMS	Cash Management Strategy
DTO	Department of Treasury Operations
DMO	Debt Management Office
EXCO	Zamfara State Executive Council
FAAC	Federal Account Allocation Committee
FI	Financial Regulation
FRA	Fiscal Responsibility Act
IGR	Internally Generated Revenue
IPSAS	International Public Sector Accounting Standards
ZSG	Zamfara State Government
MDAs	Ministries, Departments and Agencies
MOF	Ministry of Finance
PFM	Public Financial Management
SHOA	State House of Assembly
ZSIFMIS	Zamfara State Integrated Financial Management Information System
TSA	Treasury Single Account

FOREWORD

The broad **objectives of public financial management** are to achieve overall **fiscal** discipline, allocation of resources to priority needs, efficient and effective allocation of **public** services. Due to limited resources available, Government at all levels is confronted with the need to develop an appropriate strategy for deploying the resources in a manner that will make maximum impact and lead to the promotion of the welfare of her citizens while also ensuring the security of lives and properties. It is in this light that we consider the development of a Cash Management Strategy as a necessity in our overall agenda towards the growth and development of Zamfara State.

As a responsive Government, the Administration of **His Excellency, Dr. Bello Muhammad, MON (Mutawallen Maradun),** considers the implementation of this Cash Management Strategy as a critical initiative in driving the developmental agenda of the State.

I hereby certify that the contents of this Cash Management Strategy (CMS) document are comprehensive and crucial for the use of all Institutions of Zamfara State entrusted with its implementation.



18/12/2020

HON. RABI'U GARBA, FCNA, ACrF
Honourable Commissioner for Finance
Zamfara State

PREFACE

Government Ministries, Departments and Agencies (MDAs) adhere to strict cash management controls for monitoring cash inflows and outflows and ensuring a sufficient amount for meeting urgent and day-to-day public service delivery. This ensures that cash is efficiently managed and money is not lost through theft or error in the processing of the transaction. The best practices adopted to enhance management of government fund include cash forecast, prompt remittance of Government revenue to the Treasury and disbursement to strengthen transparency, accountability and probity. In addition, with the aid of technology, the Cash Management System and procedure are employed for managing flows of receipts and payments of cash in Government MDAs and also managing cash balances held by government bodies, including investments outside Government, towards achieving an optimal cash balance that guarantees timely processing of government obligations and avoidance of unnecessary idle cash balances.

The Zamfara State Cash Management Strategy provides a detailed account of how the Cash Management System of the State is to function. It highlights the duties of all the arms and personnel of Government involved in its proper functioning. It also serves as a guide for all MDAs in understanding the flow of their cash. It is to provide an initial basis for deepening and broadening some of the ongoing reforms, particularly with respect to approved budget profiling, preparation of revenue forecast and annual cash plans, as well as the pursuit of the Treasury Single Account Policy.

17/12/2020

Jibrin Baba, FCNA
(Rimin Gusau)
Accountant General
Zamfara State

CHAPTER ONE:
INTRODUCTION AND BACKGROUND

1.0 INTRODUCTION

Effective management of public finances improves governance, supporting governments at all levels towards the realisation of their aspirations. Aside from its local utility, it is also critical in positioning governments--national and subnational--to better contribute to global sustainable development aspirations, which have been captured as Sustainable Development Goals (SDGs) at the worldwide level, and more recently Agenda 2063 for countries in the African continent. Overall, the goal for governments is to advance local and global progress by ending poverty, protecting the planet, and ensuring that all people enjoy peace and prosperity. With many governments faced with severe and looming fiscal crises- - huge mismatch between rising expenditure and declining revenue, a scenario that has continued to threaten public service delivery--governments in recent times are being encouraged to deploy effective strategies for the efficient utilisation of public resources – cash and non-cash.

Noting the critical role of cash resources in public finance, cash management, an area of finance, which entails the collection, handling, recording and utilisation of cash resources, has received wide attention as a priority area for public finance reform across the world. At a most basic level, government entities are required to have a strategy and framework for managing their cash resources to support resource-use optimisation, ensure liquidity and ensure that Government's operations are carried out unimpeded. By implication, therefore, the establishment of an effective and efficient cash management framework is at the core of achieving a transparent and responsive government.

Maximising cash flow and ensuring the timely availability of cash resources for operational purposes for Government is a significant function strongly linked to the ability of governments to respond to public demands. This is more so for subnational governments – States and Local Governments--whose heavy reliance on intergovernmental financing options can sometimes disrupt their balance sheets and negatively impact on their activities. The 2014 fiscal crises, which resulted from the plunge in crude oil prices, affected subnational governments more, through a sharp decline in intergovernmental transfers, leading to about seventy percent of States not being able to meet recurrent obligations such as payments of salaries and wages.

The need for governments to deliberately create systems towards ensuring fiscal discipline, financial sustainability and an efficient and effective cash management framework, therefore, cannot be overemphasised. Aside from the susceptibility of state government's finances to transfers and grants from the Federal Government in a federal system of Government as practised in Nigeria, there is the increasing need and demand by the citizens on governments to demonstrate transparency and accountability in public resource management and utilisation. To this end, developing a cash management strategy, which will serve both as an operational and communication tool will put governments in a good light, engender trust with citizens and support the quest for good governance.

Cash management in the context of Public Sector Management (PSM) practice is a Public Financial Management (PFM) instrument for the efficient and effective mobilisation and allocation of resources in order to achieve Government's stated objectives of effective and efficient delivery of public goods and services to citizens. From an investment perspective, it is the practice of maximising a government's liquid resources.

1.1 GOALS AND OBJECTIVES OF CASH MANAGEMENT

Theoretically, the overriding goals of cash management include:

- Maximising availability – This implies decreasing time lag from the earning of revenue to its cash conversion and properly timing expenditure without a default;
- Maximising yield – Achieving maximum result on cash collection and disbursement.

According to Larson (2004), sound cash management policies have six primary objectives:

- Proper management of liquidity;

- Making continual efforts at accelerating collections;
- Maximisation of investment earnings;
- Creation of enabling policies that reduce the need to borrow;
- Maintenance of high levels of efficiency in the management of disbursements, and
- Provision of timely and accurate reporting.

Three major components emerging from these objectives, therefore, include efforts towards cash mobilisation, cash disbursements and investments, and banking relationships, which not only apply to private sector organisations but also public entities (Forbes, 1980). In addition to above-state dated objectives of a sound cash management policy or strategy, cash management for government entities should be designed to support government operations in meeting legal obligations as well as also protecting Government's assets from risks such as default, market, reputational, safekeeping and collection risks. It should also provide adequate liquidity by ensuring adequate availability of funds as and when needed while also allowing a margin for unforeseen expenditure. Accountability is also a core objective to be achieved by a sound cash management policy – ensuring compliance with extant federal and State laws and policies and timely and accurate reporting of activities to taxpayers.

1.2 RATIONALE FOR CASH MANAGEMENT

Noting the evolving role of Government in discharging its core function of delivering efficient services to the public in a transparent and accountable manner, irrespective of the level of such Government, the effective and efficient management of cash resources is increasingly becoming the foremost function of the Accountants General and treasury departments in Finance Ministries. Important issues relevant to the functioning of these departments or offices are ensuring the availability of sufficient cash resources to cover government liabilities while seeking to minimise idle cash balances, reducing Government's financing costs and increasing yields on government resources through funds' investments, payments timing and collections management.

Cash management as a strategy is conceptualised as a core pillar of a government's Public Financial Management (PFM) reform, designed in the context of general improvements in treasury management and investment.

The aim is to articulate the Government's intention towards repositioning the Treasury to carry out its function more effectively as it relates to the effective management of financial inflows and outflows for the execution of a budget. It is an attempt by Government to be deliberate in defining policies, controls and standards that are well communicated to all relevant stakeholders towards ensuring that Government's operations are not hindered by lack of cash resources and that services and goods are delivered efficiently.

1.3 STRUCTURE OF THE DOCUMENT

Following this introductory chapter are five other chapters. Chapter Two of this document highlights cash management framework, focusing on the conceptual, regulatory, institutional and procedural frameworks that guide the operationalisation of a typical cash management process. The discussion on the framework is built on a conceptualisation of the cash management cycle, which captures the flow of activities from forecasting to monitoring and periodic auditing. Chapter Two also briefly highlights, in more practical terms, certain preconditions and the ideal features of a cash management system. Chapter Three discusses Zamfara State cash management process and existing institutional and regulatory frameworks, which include profiling of relevant Ministries, Departments and Agencies (MDAs), with a view to scoping responsibilities and duties. The chapter also includes a procedural framework, which highlights broad issues regarding the operationalisation of the strategy. Chapter Four discusses the instruments for operationalising the strategy in details and also generic considerations for the deployment and use of the identified instruments. These instruments include cash planning, Treasury Single Account, and debt management and investment policies. The fourth chapter includes a section on a proposed monitoring and evaluation framework for cash management in Zamfara State. Chapter Five covers profiling of risks associated with cash management strategy implementation and highlights institutional procedures for mitigating identified risks. Chapter Six concludes and summarises the document.

CHAPTER TWO:
CASH MANAGEMENT FRAMEWORK

2.0 INTRODUCTION

This chapter captures the different frameworks underpinning the conceptualisation and operationalisation of a cash management strategy. Specifically, cash management cycle, which provides a conceptual basis for the other frameworks, is discussed alongside features of an ideal cash management system and certain prerequisites for the effective functioning of the system.

2.1 CASH MANAGEMENT CYCLE

A typical cash management process is cyclical and can be both systemic and operational. While a systemic cycle consists of infrequent policies and contractual decisions that influence the functioning of the system in aggregate, the operational cycle comprises the regular activities, which can be monthly, weekly, daily, and in some cases, hourly, needed to operate the system.

Elements of the systemic component of cash management include:

- Evaluation of needs, which typically derives from the annual budgets, setting the overarching direction of priorities of the governments for a given period, usually a year;
- Establishment of policies – in this context, this could be policies for investing idle cash or intermittent or short-period savings needed to meet periodic recurrent government obligations such as salaries and wages;
- Establishment of annual objectives –objectives would typically cover issues such as availability of cash, the yield of investments, programme efficiency etc.;
- Establishment of relationship with financial institutions; and
- Design of accounting systems, which could be cash accounting systems, receivables and payables etc.

Cash management operating cycle, broadly speaking, entails the following steps:

- Forecasting cash flows – entails identification of streams of revenue and expenditure over a given period (usually quarterly, six-monthly or annually);
- Collecting revenue - revenue receipts by State Governments comprise a combination of Internally Generated Revenue (IGR) (including fines and fees), revenue from the Federation Account (Statutory Allocation), Grants and Aids, Internal and External Loans and other sources;
- Making and tracking investments – usually risky and very complex, requiring sound policies and a well-developed capital and money market;
- Making disbursements - payments by Government are in the form of recurrent and capital expenditures. Recurrent can be debt and non-debt. While recurrent expenditures are the payments made by Government for the day-to-day activities of Government as they occur (salaries, overheads and Consolidated Revenue Fund (CRF) Charges), capital expenditures are the payments made by Government for items of public investment to deliver government programmes and projects that generate future benefits and socioeconomic development.
- Monitoring, evaluating and auditing – ideally, to be done daily.

Generally, cash management frameworks are designed to enable governments to effectively and efficiently carry out the identified steps in the operational cycle with a view to maximising available cash resources and the proceeds from invested idle cash.

Accordingly, there has been a general consensus on certain features that should mark an efficient management system. They include:

i. Central to efficient cash management is TSA, which consolidates all government cash balances. It incorporates cash inflows and outflows generated by revenue collecting agencies, expenditures across Government, debt and other financial transactions;
ii. Another feature of efficient management of government cash is a timely and accurate forecast of in-year cash flows. The accuracy and integrity of

cash flow forecasts are dependent on the credibility of budget appropriations, the robustness of the in-year budget revision procedures, and the transparency of the linkages of cash flows with procurement plans; and

iii. The third feature is the optimal use of available cash balances. Government idle cash balances in commercial banks usually attract interest at a lower rate than the government borrowing that may have resulted in the accumulation of the excess balances. Therefore, information made available to the Treasury through in-year cash planning enables it to choose between investing the surplus, or, using it to retire outstanding obligations. Investment or borrowing decisions require timely and coordinated policy decisions from stakeholders such as the Treasury, debt management and revenue authorities, banks and major line ministries.

2.2 REGULATORY FRAMEWORK FOR CASH MANAGEMENT

The legal framework helps to serve as the authorising document providing a basis for financial management and control as well as ensuring uniformity in the preparation and reporting of government accounts. It also serves as a basis of engagement between the citizens and Government, clearly stipulating expectations and standards of performance. As it applies to all governments at all levels, the relevant financial provisions in the Constitution of a country are the highest level of a regulatory framework for cash management, which prescribes the appropriate account into which all government revenues should be deposited and from which expenditures can be made. Other relevant laws include the Public Finance Management (PFM) Law, Fiscal Responsibility Law (FRL) or Financial Regulations, which establishes the legislative and institutional framework and, where necessary, highlights fiscal responsibilities, top-level processes and guidelines for budget formulation, management, financial accounting, and reporting.

State governments, in most cases, are expected to domesticate some of these laws and regulations to provide guidelines that are more nuanced to the State's local realities. These include the Public Finance Management (PFM) laws and the Fiscal Responsibility Law (FRL). Other forms of regulation include financial regulation, treasurer letters and circulars, gazette, public service rules etc. At the international level, there are international standards and frameworks that also guide some aspect of the cash management process. More recently, the International Public Sector Accounting Standard (IPSAS) has become applicable as a relevant international standard.

Specifically, the lower level regulations in the form of policies and approved guidelines prescribe the organisational coverage of cash management in terms of types or levels of government resources: general government activities, extra-budgetary funds, semi-autonomous government organisations, State-Owned Enterprises (SOEs), and special funds. In some cases, details in terms of roles and responsibilities and performance standards are clearly set out in these guidelines, thereby setting the institutional framework for the operationalisation of the cash management process. Formally approved, a cash management manual or guideline also represents a regulatory framework for cash management. This guideline can be complemented by a user manual for the cash management module on the State's Integrated Financial Management Information System (SIFMIS).

As the case may be, the Ministry of Finance in collaboration with the Ministry of Budget and Planning can also provide further detailed guidelines on procedures for the classification and recording of budget items – expenditure and revenue, in-year budget adjustments and reallocation among sectors, commitment management, payments, revenue collection as well as detailed procedures for managing the investment of surplus funds and monthly liquidity requirements.

Operations of the cash management process can also be guided by Memoranda of Understanding (MOUs), and Service Level Agreements (SLAs) used to formalise the relationship between the Government and relevant vendors providing services towards the functionality of the system. Examples include electronic data exchange protocols and standards provided by commercial banks for efficient cash management.

2.3 INSTITUTIONAL FRAMEWORK FOR CASH MANAGEMENT

Although there is no definite institutional arrangement for cash management, however, a good practice is to set up a Cash Management Unit or its equivalent in the Ministry of Finance and to review and consolidate periodic cash flow plans and reports provided by spending MDAs. It is important to note that the location of the unit is not sacrosanct as there are cases where it is located in the Treasury or Accountant General's Office, Budget Department or Debt Management Office. Typically, the unit is staffed by 3–5 professionals, on a full-time basis. They are experienced in planning, budgeting and financial management, control and reporting. The main functions of the Unit usually include:

i. Developing and administering cash management manual and guidelines that include uniform templates for cash projections and timelines for the submission of projections;
ii. Establishing a schedule of regular cash review meetings with the main stakeholders and opening lines of communication with other government agencies;
iii. Arranging for capacity building initiatives in the area of cash management, including the organisation of regular training sessions and seminars;
iv. Coordinating the submission of prescribed cash flow projections by the cash management committees in line ministries;
v. Reviewing, validating, consolidating, and analysing the projections received from line ministries;
vi. Reviewing, validating and analysing cash balances in the bank accounts of government agencies;
vii. Monitoring and reviewing the alignment of cash flow forecasts with the procurement plans submitted by the line ministries and seeking necessary clarifications;
viii. Submitting cash flow analysis and recommendations on future cash requirements to the liquidity committee;
ix. Collaborating with those responsible for debt management to ensure that the very short-term focus of in-year cash management is consistent with the more long-term outlook of debt management;

x. Collaborating with the banks to ensure that the short-term in-year cash management recommendations are consistent with the monetary policy requirements;
xi. Interacting with the revenue authorities, major line ministries and the banks to exchange information on major receipts and payments and the daily cash position;
xii. Monitoring transfers and subventions to MDAs to ensure that these subventions and transfers are made according to cash plans submitted by these entities and are need-based; and
xiii. Establishing networks with cash managers in government organisations for continuing evaluation and mitigation of risks to cash management.

2.4 PROCEDURAL FRAMEWORK FOR CASH MANAGEMENT

Achieving the cash management objectives requires the deployment of tools and instruments which are guided by a procedural framework, especially since there are regular and routine activities. A sound cash management strategy, therefore, should identify not only possible instruments for operationalising the strategy but also include clear procedural guidelines for applying those instruments. For example, the procedural framework should discuss mechanisms for the integration of the centrally approved top-down estimates based on macroeconomic assumptions, government priorities and historical trends with bottom-up periodic (quarterly, monthly and daily) reports.

Similarly, the framework should describe cash forecasting procedures that guide and predict continuing budget baseline, and also identify and prioritise significant cash flows and reasonable projections of planned expenditures and revenues. Cash management instruments, which include tools for systematically organising the process of forecasting, collecting, accounting and disbursing cash resources, should be discussed extensively in a cash management strategy or policy. Instruments generally used include:

- Cash forecasting and planning;
- Treasury single accounts (TSA) for centralisation, consolidation and management of Government’s cash resources;
- Investments for optimising idle funds;

- Debts, which could be through using tax anticipation notes (TAN), revenue anticipation notes (RAN) etc.

While investment and debt as instruments can be captured in separate policy documents, their use for cash management purposes should be highlighted in any sound strategy.

2.5 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) FOR CASH MANAGEMENT

The importance of Information and Communication Technology for cash management cannot be overemphasised, especially since government financial transactions are sometimes in high volume and require high computational capability on the part of Government not only to monitor transactions with vendors but also manage relationships with financial institutions. Recently, countries and states have been encouraged to implement an Integrated Financial Information System (IFMIS), which can help governments to cope with high volumes of electronic revenue and expenditure transactions across large geographical regions. Furthermore, zero-balancing of all government accounts can be undertaken daily while committed amounts for future payments can be automatically included within cash plans and spreadsheet analysis of actual cash inflow and outflow versus forecasts can be performed for thousands of line items seamlessly. The recording of transactions for seamless monitoring and reporting can also be achieved.

There are different ways of configuring cash planning module in a standardised IFMIS: bottom-up to enter cash flow plans, validate them against macro-economic indicators, and check consistency with procurement plans at the spending units, OR top-down to consolidate and analyse cash flow plans submitted by spending units, and interface with debt and investment databases at the cash management unit.

The following modules can be configured as an integrated component of the overall IFMIS solution with the following features, among others:

i. expenditure controls;

ii. forecasting;
iii. interface with external systems to retrieve information on large taxpayer transactions;
iv. debt management;
v. automated procurement procedures;
vi. automatic reconciliation of bank transactions with system transactions;
vii. retrieval of information on cash inflows;
viii. retrieval of information on cash outflows;
ix. debt servicing transactions;
x. local government balances; and
xi. data entry and validation at the source, ensuring the quality of budget execution data used for cash management.

While IFMIS enhances the quality and timeliness of data required for cash management, the other advantages include:

i. Availability of comprehensive databases of historical revenues and expenditures;
ii. Beginning-to-end data processing that enables automatic access to bottom-up cash flow projections which can be used to investigate variances from the cash plan; and
iii. Seamless automation of payment data through the possibility of interfacing IFMIS systems with banks and with systems operating in spending units.

2.6 SEQUENCING AND IMPLEMENTATION OF CASH MANAGEMENT STRATEGY

A Technical Note[1] by the International Monetary Fund (IMF) on cash management suggests that the speed at which cash management can be improved depends on:

i. the starting point, especially the extent to which basic conditions for effective cash management are in place;
ii. the willingness of authorities to move ahead, including confronting resistance to reforms that provide full treasury oversight of all government bank accounts, as well as enhancing the transparency of all government operations at the transaction level;
iii. the infrastructure available for rapid transfer of funds by electronic means;
iv. the degree to which financial markets have developed, including end-of-day bank account "sweeping" and financial market instruments available for daily cash management; and
v. human capacity and organisational arrangements.

The fundamental features of cash management considered as preconditions for developing effective modern cash management are:

i. centralisation of government cash balances and establishment of a TSA structure;
ii. a clear understanding of the coverage of the cash planning framework;
iii. the ability to make accurate projections of short-term cash inflows and outflows;
iv. an adequate transaction processing and accounting framework;
v. timely information sharing between the central Treasury, revenue-collecting agencies, spending ministries and Treasury branch offices; and
vi. appropriate institutional arrangements and responsibilities.

CHAPTER THREE:
LEGAL, INSTITUTIONAL AND PROCEDURAL FRAMEWORK FOR CASH MANAGEMENT IN ZAMFARA STATE

3.1 LEGAL AND REGULATORY FRAMEWORK FOR ZAMFARA STATE'S CASH MANAGEMENT

The fundamental law governing this Cash Management Strategy in Zamfara State is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides for a consolidated revenue fund for states of the federation into which all revenues or money raised or received by a state are to be paid and appropriated in accordance with a law of the State House of Assembly (SHOA). It provides that no money shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that is charged upon by the Constitution or where the issue of those money has been authorised by an Appropriation Law, Supplementary Appropriation Law or Law passed in pursuance of section 121. The Constitution provides clearly that the Appropriation Law shall authorise the Executive arm of Government to withdraw and spend amounts specified from the CRF.

Other than the Nigerian Constitution, the following are some of the Laws and regulations that also govern Zamfara State Cash Management Strategy:

a. Zamfara State Fiscal Responsibility Act
b. Zamfara State Bureau for Public Procurement Law,2020
c. Zamfara State Consolidated Revenue Law 2020
d. Zamfara State Financial Regulations
e. Occasional Treasury Circulars issued by the Office of the Accountant General of Zamfara State for additional rules and guidelines in respect of accounting processes and cash handling.

3.2 INSTITUTIONAL FRAMEWORK FOR CASH MANAGEMENT IN ZAMFARA STATE

3.2.1 EXECUTIVE GOVERNOR

The Constitution vests the executive powers of the State in the hands of the Governor. Section 121(1) provides that 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 following financial year. The Governor of Zamfara State exercises these executive powers directly or through his designates such as the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries and other officers in the public service of Zamfara State.

3.2.2 INSTITUTIONAL ARRANGEMENTS

Zamfara State Cash Management Strategy is implemented through the following institutions:

a. Zamfara State Executive Council formulates the priorities of the State Government; considers recommends State Budget to the State House of Assembly.
b. Zamfara State House of Assembly analyses, reviews, and passes the appropriation bill which, upon the Governor's accent, becomes Law.
c. The Ministry of Finance is the main organ of the Zamfara State Government Executive Council for the execution of its fiscal policy.
d. The Office of the Accountant General (OAG) maintains accounting policies and procedures, supervises and inspects the accounting operations of all MDAs, inspects and monitors all revenue collectors, thereby accounting for the State Government's revenue and expenditure, and safe custody of all revenue records, including soft and hard copies of financial documents. The OAG is responsible for fund management, expenditure controls of all MDAs, investment of surplus short-term funds, a compilation of monthly and annual financial statements of accounts, treasury operations, and maintenance of all bank accounts. The OAG shall deploy account staff to all MDAs. It is, therefore, an important and crucial institution for the management of Zamfara State Cash Management Strategy.
e. Zamfara State Board of Internal Revenue Services is the sole institution responsible for the collection of all internally generated revenue accruing to the State from all sources. It executes the State policies on taxation, stamp duties, motor vehicles licensing, fees and all forms of levies.
f. Zamfara State Ministry of Budget and Economic Planning coordinates the preparation of the State's Annual Estimates in line with the State Development Plan (long and medium). The Ministry leads in the

formulation of tools and tracking of the implementation of plans and budget.

g. Zamfara State Bureau of Statistics provides critical data necessary to drive development plan, review its implementation and monitor the impact of government activities on the citizens. This institution provides critical data needed for planning and reviews of the outcome of government programmes which are critical for determining usage and deployment of scarce government resources.
h. Internal Debt Management Office is responsible for executing transactions in financial markets, including the **management** of auctions and other forms of borrowing. It is responsible for external **debt** negotiations, other forms of negotiations, and all other funding operations. It is also responsible for keeping track of all government local and foreign debts.

3.2.3 CASH MANAGEMENT STRATEGY COMMITTEES

In addition to the various Institutions listed above, Zamfara State has also established three Committees to drive the realisation of its Cash Management Strategy. The Committees shall be responsible for profiling the revenue and expenditure of the State and providing critical input towards the attainment of the Cash Management Strategy objectives earlier listed. The terms of reference and composition of the Committees are provided in the annexe to this document. The Committees are:

a. **Expenditure Profiling Committee**, chaired by the Honourable Commissioner for Budget and Economic Planning, is responsible for working with the MDAs to prepare the expenditure profiles for recurrent and capital expenditure.
b. **Revenue Profiling Committee,** chaired by the Accountant General, is responsible for collaborating and working with the Board of Internal Revenue to prepare the State revenue profiles.
c. **Cash Planning Committee,** chaired by the Honourable Commissioner of Finance. The responsibility of this committee is to align the expenditure and revenue profiles together to create annual Cash Plan. The Expenditure Profiling and Revenue Profiling Committees submit their reports to the Cash Planning Committee, which then aligns them and ultimately reports to the Governor and the Zamfara State Executive Council.

3.3 PROCEDURAL FRAMEWORK FOR CASH MANAGEMENT IN ZAMFARA STATE

In Managing Cash in Zamfara State, Cash is considered in terms of inflow and outflows.

3.3.1 PROCEDURAL FRAMEWORK FOR CASH INFLOWS

The Cash Inflows of the State include:

1. Statutory Allocations
2. Internally Generated Revenue
3. Grants and Donations and
4. Loans and Advances (what we call Below the Line Accounts)

The key elements of the Cash Inflow procedure are:

1. All revenue collection is to be paid Into designated Bank accounts
2. All revenue must be paid through the central revenue account.
3. All revenue collections accounts shall be linked to the Consolidated revenue Account.
4. Cash balances position shall be consolidated across all banks daily.
5. All cash balances in revenue collection account in all commercial banks shall be swept to the Consolidated revenue Account every 3 days.
6. All cash balances in the consolidated revenue account shall be swept to the Accountant General FAAC Account (which is the main TSA) or the sub-TSA domiciled with the same bank at every first or second week of the month.
7. The use of POS and other electronic channels of collecting revenue is deployed and shall continue to be enhanced across all revenue collecting agencies.

3.3.2 PROCEDURAL FRAMEWORK FOR CASH OUTFLOWS

As part of a broader strategy, the following are the key strategies of Government to drive in cash outflows:

1. Centralised disbursements of personnel emoluments and pensions

Under this strategy, the State ensures an end-to-end payment of all salaries, allowances, pensions, gratuities and all disbursements relating to employee benefits. Although the entire State personnel budget is decentralised by ministries and departments of Government, the release of cash to beneficiaries is centrally done. While all government departments and ministries are responsible for ensuring efficient deployment of human resources in the State, they are responsible for their own share of the personnel budget. The settlement of all these expenditures is centrally done.

2. Print-outs are forwarded to MDAs to check and ensure they are complete and accurate. Where discrepancies of any nature exist, they should be reported within seven days for necessary corrections. All variations involving promotions, removal from payroll, and new appointments are to reach the Office of the Accountant General on or before the 10th day of each month. This is to ensure that MDAs take ownership of payroll to ensure that salaries are paid correctly and promptly.

3. This strategy seeks to ensure that establishment circulars are adhered to regarding rates of allowances such as hardship, shifting, estacodes etc.
4. Gratuities and Pensions for a deceased pensioner are payable in court only.
5. No government bank account may be overdrawn, or any temporary advance obtained from a bank without the prior permission of the Accountant General and DMO. This is in line with F.I. 3205.
6. A public officer who authorises the payment of public fund to ghost-worker and knowingly processes such payment shall be charged for misconduct F.I. 3110.
7. Central Disbursements to All Contractors

   Under this strategy, all payments to contractors in the State shall be managed centrally by the State treasury. Whereas MDAs are responsible for incurring expenditure based on the annual approved budget of the State, payment to all the engaged contractors shall be centrally made directly from the States Accountant General's Account.
8. Use of Cash Allocation System to Manage Overhead at MDA Levels

   Overheads relating to day to day management of the Ministries and Departments shall be released from Treasury using the approved budget as a guide. Cash allocations shall be subject to retirement by the various

MDAs with the appropriate sanction of stopping further releases where a cash allocation is not retired within a reasonable time as may be defined by the State Accountant General.

9. Prompt Remittance of All Deductions Made at Source

All taxes deducted at source when making payments shall be remitted to the relevant tax authorities at the time of making the main payment to the beneficiaries. This is to prevent the accumulation of tax arrears and demonstrate financial discipline.

CHAPTER FOUR:
CASH MANAGEMENT INSTRUMENTS IN ZAMFARA STATE

4.1 CASH PLANNING

Cash Planning is an instrument for Cash Management which involves using tools and techniques to plan and control cash. It involves the preparation of cash flow projections based on expected receipts and payments. The Cash planning tools to be employed by Zamfara State include Revenue Profiling, Expenditure Profiling, Annual Cash Plan, In-Year Performance Review, Cash Disbursements, Revenue Managements and Commitments Controls.

4.1.1 REVENUE PROFILING

This is a cash planning tool used to forecast revenue monthly based on budgeted revenue figures and statistical/historical trends. The initial revenue profile shows the in-flow of revenues (recurrent and capital) monthly. The Treasury of Zamfara State led by the Office of the Accountant General is responsible for the application of forecasting tool capable of producing robust and accurate forecasts in ensuring the effectiveness of the deployment of this tool.

4.1.2 EXPENDITURE PROFILING

Expenditure profiling is a part of cash planning tool whose focus is to forecast the outflow of recurrent and capital expenditure monthly using budgeted expenditure figures and statistical/historical trends and capital project work-plans. This function is performed at every MDA but coordinated state-wide through the Zamfara State Ministry of Budget and Economic Planning.

4.1.3 ANNUAL CASH PLAN

The Revenue and Expenditure Profile of the State will be integrated under this instrument to derive the Annual Cash Plan. This annual cash plan will immediately reveal the need for borrowing, investing, or saving or shifting of expenditure based on the deficits or surplus arrived at after matching the revenue and expenditure profile. This crucial role is to be performed by the Zamfara State Treasury and coordinated by the office of the Honourable Commissioner of Finance.

4.1.4 IN-YEAR PERFORMANCE REVIEW

This tool allows the Treasury to appraise and assess the performance of the Initial forecast, and also do a forecast in the light of new developments and realities. This instrument is used based on feedback obtained from actual activities relating to revenue profiles and expenditure profiles that form the basis of the annual plan in operation.

4.1.5 CASH DISBURSEMENT

Cash Disbursements refer to payments made by cash but also by cash equivalents or electronic fund transfers. Payments will be made based on statutory receipts from the FAAC as well as IGR collections. Zamfara State has been consistent over the years in giving priority to the welfare of her citizens and ensuring the booming of economic activities by making the payment of monthly salaries and pensions her first and foremost priority upon receipts of her FAAC allocations. Other lines of priorities are releases to MDAs for utilities and running costs. Payment vouchers originate from each MDA based on the approved budget, which is also captured in the annual cash plan. These payment vouchers are then processed for the approval of the Executive Governor and the State Executive Council as the case may be. They are then included in the cash disbursement plan of the Treasury and released based on their nature and the availability of funds.

4.1.6 REVENUE MANAGEMENT

Revenue Management involves all the procedures necessary to ensure that the income of government departments and agencies is meticulously planned and fully accounted for and that once cash is received, it is safeguarded and clearly visible. There are two major sources of Revenue for Zamfara State, which are the monthly allocations received from FAAC, and IGR. The monthly allocation is treated in line with the Constitutional provision, which stipulates that there must be a Consolidated Revenue Fund account into which all FAAC receipts and IGR collections are deposited. To ensure that revenues are safeguarded, all revenues of the State are to be made directly to the State Government accounts. Cash payments are no longer permissible for IGR or any other form of revenue. All State revenue must be captured into the central revenue account from where returns of revenues are to be made to self-financing MDAs based on approved guidelines as approved by the Executive Governor of Zamfara State.

4.1.7 COMMITMENT CONTROLS

Commitment controls require that all funds required to meet future obligations are tracked and known. This tool is to ensure that appropriations and budgets are not overspent due to unrecorded obligations that will be incurred prior to the fiscal year-end. This control requires the tracking of all material commitments (requisitions, purchase orders and contractual obligations), regardless of the basis of accounting in use.

4.2 TREASURY SINGLE ACCOUNT (TSA)

The Treasury Single Account is defined by the Central Bank of Nigeria as the operation of a unified structure of government bank accounts in a single account or a set of linked accounts for all government payments and receipts. The objective of TSA is to bring all government funds in bank accounts within the effective control and purview of the Treasury, in order to: Enthrone centralised, transparent and accountable revenue management; Facilitate effective cash management; Ensure cash availability; Promote efficient management of domestic borrowing at minimal costs; Allow optimal investment of idle cash; Block loopholes in revenue management; Establish an efficient disbursement and collection mechanism for government funds; Improve liquidity reserve, and Eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions.

4.2.1 OBJECTIVES OF TSA

Zamfara State's principal goal of adopting TSA is to enhance her ability to promote the welfare of her citizens. The International Monetary Fund, an international organisation, headquartered in Washington, D.C., consisting of 189 countries working to foster global monetary cooperation, in a 2010 paper titled Treasury Single Account: Concept, Design, and Implementation Issues, outlined the benefits of operating a Treasury Single Account. It started by explaining that the primary objective of a TSA is **to ensure effective aggregate control over government cash balances.** It listed the benefits of a Treasury Single Account as:

1. **Allows complete and timely information on government cash resources**

In countries with advanced payment and settlement systems and an Integrated Financial Management Information System (IFMIS) with adequate interfaces with the banking system, this information will be available in real-time. As a minimum, complete update balances should be available daily.

2. **Improves appropriation control**
   The TSA ensures that the Ministry of Finance has full control over budgetary allocation, and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra-budgetary, measures.
3. **Improve operational control during budget execution**
   When the Treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner. The existence of uncertainty regarding whether the Treasury will have sufficient funds to finance programmed expenditures may lead to sub-optimal behaviour by budget entities, such as exaggerating their estimates for cash needs or channelling expenditures through off-budget arrangements.
4. **Enables efficient cash management**
   TSA facilitates regular monitoring of government cash balances. IT also enables high-quality cash out-turn analysis to be undertaken.
5. **Reduces bank fees and transaction costs**
   Reducing the number of bank accounts results in a lower administrative cost for the Government for maintaining these accounts, including the cost associated with bank reconciliation, and banking fees.
6. **Facilitates efficient payment mechanisms**
   A TSA ensures that there is no ambiguity regarding the volume or the location of the government funds and makes it possible to monitor payment mechanisms precisely. It can result in substantially lower transaction costs because of economies of scale in processing payments.
   The establishment of a TSA is usually combined with the elimination of the "float" in the banking and the payment systems, and the introduction of transparent fee and penalty structures for payment services. Many governments have achieved substantial reductions in their real cost of banking services by introducing a TSA.
7. **Improves bank reconciliation and quality of fiscal data**

A CRA allows for effective reconciliation between the government accounting systems and cash flow statements from the banking system. This reduces the risk of errors in reconciliation processes and improves the timeliness and quality of the fiscal accounts.

8. **Lowers liquidity reserve needs.**
   A TSA reduces the volatility of cash flows through the Treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility.

4.3 OPERATIONS OF TREASURY SINGLE ACCOUNTS IN ZAMFARA STATE

1. All MDAs are not to operate ANY bank account under any guise, outside the purview and oversight of the Treasury.
2. All government cash resources will be consolidated comprehensively. This means that all government resources, both budgetary and extra-budgetary, must be brought under the direct control of the Government through the Treasury.
3. The State Banking arrangement shall be unified, to enable the Ministry of Finance and the Office of the Accountant General (OAG) to have full oversight of government cash flows across banks.
4. The State shall maintain a TSA model whereby the TSA is maintained in a single financial institution and associated zero balance ledger sub-accounts (ZBAs) are maintained in other banks where balances are swept from three (3) days or at such other earlier time as the State may decide from time to time.

CHAPTER FIVE:
RISK MANAGEMENT

5.1 INTRODUCTION

There are many **risks** associated with **cash** management. Risk management is, therefore, concerned with developing strategies to mitigate the risks and ensure the attainment of the State Goals and Developmental Objectives. Risk in this context is the potential of losing something of value or diminishing the opportunities for gain as a result of a given action or inaction, which may negatively affect the achievement of government goals. Thus, according to this definition, Risk is not only about the likelihood of a future loss, but it also addresses the potential of failure in making use of and missing an opportunity or gain. For this reason, Zamfara State intends to maintain a high-risk management efficiency to be able to maintain the course of her success, growth, and goal achievement.

5.2 RISKS ELEMENTS IN CASH MANAGEMENT

5.2.1 CASH PLANNING:

This involves forecasting of Cash Inflows and Outflows of Government and MDAs.

5.2.2 CASH FLOW MANAGEMENT:

This involves all process engaged for the Collections and disbursements of cash.

5.2.3 COST CONTROL:

This consists of processes such as trend analysis, pricing intelligence and competitive bidding to identifying expenditure and minimise them while deriving optimum benefits.

5.2.4 BUDGET CARRY-OVERS:

This refers to the right to use any unspent appropriation beyond the period it was originally granted. This means that a spending agency can use some or all of what has not been spent on the previous year' appropriation in addition to the current year's budget allocation.

5.2.5 CASH HANDLING:

Cash Handing is the process used by the Treasury and MDAs to manage available cash in their custody.

5.2.6 CASH BALANCE MANAGEMENT:

Cash Balance Management involves strict monitoring of cash movement to ascertain the accuracy of reported cash balances across all accounts and financial reports.

5.3 TYPES OF RISKS AND MITIGANTS

5.3.1 OPERATIONAL RISKS

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors. Systems failures. Fraud or other criminal activity.

Common Risks in Cash Management include:

a. Misappropriation of advance disbursements.
b. Cash may be lost, misused or diverted as a result of overstatement of expenditures or under-reporting of revenue.
c. Duplicates payments due to negligence or fraudulent intent
d. The omission of critical transactions by employees
e. Failure of Internet technology systems

5.3.2 CREDIT RISKS

This is that a financial loss will be encountered if a counterparty to a transaction does not fulfil its financial obligation in a timely manner. Credit risk is both short term and Long term in nature. The Government will seek to maintain her credit ratings by ensuring that it meets her obligation through appropriate planning and deployment of cash management instruments.

5.3.3 MARKET RISKS

This is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which the Government is involved. The market also is known as systematic risk can be hedged against. The State shall deploy appropriate mechanism towards the overall mitigation of this risk through interest swap, repricing/re-fixing of financial instruments.

5.3.4 LIQUIDITY RISKS

This is a risk that the Government may be unable to meet her short-term financial obligation as they become due. Liquidity is like fuel to a vehicle. Without liquidity, government activities will be stalled, and the ability to carry out basic responsibilities will be stalled. A minimum criterion of liquidity is the ability of the State to meet commitments when due and to undertake transactions on a timely basis.

General Risk Mitigation Measures

There are critical measures that must be employed to mitigate the risk of cash management. Zamfara State intends to engage the following:

a. Maintaining regular, multiple and adequate back up of IT Infrastructure, including developing a disaster recovery mechanism.
b. Regular Bank Reconciliation of all Government accounts
c. Endorsement of all payment vouchers by the Internal Auditors before being sent to the Treasury for Payment.
d. Training of all finance Staff in Cash handling and proper source documents maintenance.
e. Use of Automated platform for all revenue collections, thereby avoiding the risk associated with cash collections.
f. Centralised disbursements of personnel emoluments, pensions and gratuities using an end to end payment platform.
g. Segregation of duties for handling and managing collections.

5.4 ADMINISTRATION OF CASH OUTSIDE THE TREASURY

Cash held outside the Treasury simply referred to cash maintained in Imprest Funds, Cash - in transit, and below the line account (revolving fund) or negotiate instruments. Zamfara State Cash management discourage the administration of fund outside Treasury; this is because the Treasury account balance will only be possible if all accounts are administered by the TSA policies.

5.4.1 GUIDELINES FOR HANDLING CASH

Cash handling shall be done in accordance with Zamfara State Financial Regulations and Other relevant guidelines for internal checks and controls. The Financial Regulation stipulates all documents and processes that must be complied with in cash handling. The Guidelines here include:

a. Proper documentation
b. Compliance with approval work-flows mechanism
c. Reconciliation of Deposits and Withdrawals
d. Online Payments through the electronic billing system, pay mode, or automated bill etc
e. Inventory Control over receipts books

5.4.2 SECURITY IN CASH HANDLING

The risk of losing cash can be mitigated by ensuring that cash is appropriately secured from misuse. The major approach of Zamfara State Government is to discourage the use of physical cash in her transactions and ensure that majority of her financial transactions are done through electronic or end to end payment system that ensures that funds reach intended destinations. However, Cash in respect of Imprest for small operational expenditure shall also be properly secured through:

a. Ensuring that the Cashier Office is secured and safeguarded against fire outbreak;
b. Unused cash drawers shall remain in the vault storage during the day.
c. Keeping cash levels very low such that any amount above the defined threshold of Petty Cash shall not be kept but deposited in the bank.
d. Maintenance of regular physical cash verification processes by the internal auditor;
e. Ensure access restriction to the vault storage.

f. The key to the cash drawer shall remain in the sole custody of the cashier and shall never be given to anyone else or left in the drawer when the cashier is away from the office.
g. Installing security cameras that can monitor all areas where cash is collected or handled, providing additional safeguard and moral deterrent towards cash mismanagement and other associated risks of cash handling.

5.5 MANAGEMENT OF IDLE CASH BALANCES

Investopedia defined Idle funds as any cash that you haven't invested in an interest-bearing account or in the financial markets. When inflation is rising, the idle funds are in effect losing value as they are not even growing at the pace of rising costs. One of the goals of Zamfara State Cash Management Strategy is to minimise Idle cash as much as possible. With the adoption of the TSA model, the State will have unfettered and unified access to all her bank accounts balances, while easily monitoring movements and trends needed to identify cash balances that have become idle. In addition to the TSA model, the Revenue and Expenditure profiling coupled with the preparation of Cash Plan will enable Government to forecast cash surplus and then decide on its investment over the period that the fund becomes idle.

Idle Cash Balances shall be utilised as follows:

a. Deposit of the idle cash in an interest-bearing account or in the financial markets.
b. Pay down debts and cut interest expense;
c. Set up a sinking fund which is a reserve, to retire debts on annual instalments.

5.6 MERITS OF MANAGING CASH MANAGEMENT RISKS

a. Better utilisation of cash resources.
b. Minimise losses and maximise opportunities.
c. Improved efficiency in cash management.
d. Minimum disruptions in treasury management.
e. Proper safeguard of cash assets.
f. Avoid all forms of irrelevant costs.
g. Creates moral deterrent from committing fraud and theft.

CHAPTER SIX:
SUMMARY AND CONCLUSION

In summary, Zamfara State intends to drive her development agenda through the full implementation of this Cash Management Strategy. The following are, therefore, the outcome of employing this Strategy:

1. All Government banking arrangement shall be unified with the Ministry of Finance having full oversight of all Government cashflows across bank accounts using the Treasury Single Account Model.
2. Central disbursements of all Personnel costs such as Salaries, Allowances, Pensions, Gratuities through and an end to end electronic payment system,
3. Central disbursements of all payments to contractors through the State Treasury regardless of the MDA or location of execution or engagement.
4. There shall be proper revenue and expenditure profiling towards the attainment of efficient cash plan which shall be subject to in-year performance review.
5. All cash balances in the consolidated revenue account shall be swept to the Accountant General FAAC Account (which is the main TSA) or the sub-TSA domiciled with the same bank at every first or second week of the month.
6. All Revenue collection is to be paid into designated Bank Accounts.
7. The Treasury shall ensure proper monitoring of all Government cash balances towards minimising Idle balances.
8. The temporary surplus in the CRA shall be invested in interest-bearing instruments with minimised risk.

9. Cash management risks shall be mitigated through continuous staff training, regular reviews or appraisal of performance, appropriate use of technology, planning, internal checks, audit and controls.
10. Use of Cash is discouraged, and MDAs shall not keep cash above threshold as will be communicated through circulars from the Office of the Accountant General of the State from time to time.