

# **PLATEAU STATE**

**ARREARS CLEARANCE FRAMEWORK (ACF)**

**JANUARY 2020**

## ABBREVIATIONS

PLSG	Plateau State Government
OAG	Office of the Accountant General
ACF	Arrears Clearance Framework
SFTAS	State Fiscal Transparency Accountability and Sustainability Programme for Results
DLI	Disbursement Link Indicator
DAC	Debt Arrears Committee
DLR	Disbursement Link Result
LMC	Liquidity Management Committee
APA	Annual Performance Assessment
DMO	Debt Management Office
FGN	Federal Government of Nigeria
VAT	Value Added Tax
IGR	Internally Generated Revenue
CBN	Central Bank of Nigeria
TSA	Treasury Single Account
MDA	Ministries, Departments and Agencies
GDP	Gross Domestic Product
FRA	Fiscal Responsibility Act
FRL	Fiscal Responsibility Law
FSP	Fiscal Sustainability Plan
FAAC	Federal Account Allocation Committee
FY	Fiscal Year for the Government (January 1 – December 31)
HFD	Home Finance Department (Federal Ministry of Finance)
IVA	Independent Verification Agent
MTEF	Medium Term Expenditure Framework
PFM	Public Financial Management
PforR	Programme for Results
GNP	Gross National Products
IMF	International Monetary Fund
SEC	Security and Exchange Commission
FDI	Foreign Direct Investment
NAICOM	National Insurance Commission
IPPIS	Integrated Personnel Payroll Information System
MPR	Monetary Policy Rate
WB	World Bank



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## CHAPTER 1

### 1.1 Background

Plateau State is one of the thirty-six states that make up the Federal Republic of Nigeria. It is located in the middle belt zone of Nigeria and sits at latitude 80022' North and 100024' North and longitude 8 and 150 East, covering a total land area of 26,899sq kilometers. It also has a land area of about 26,899 square kilometers.

The name "Plateau" is derived from the geographical landscape in the middle belt of Nigeria. It has peaks like Shere Hills, extinct volcanoes, and crater lakes and is the source of a couple of major Nigerian rivers.

The State is in close proximity to the capital city of Nigeria, Abuja.

Commercial activities in the State are driven by agriculture and agro related businesses, scaling from micro, small and medium, with a few macro and large commercial and industrial sized businesses. Agriculture is the predominant employer of labour in the State and the most popular businesses are based on agricultural products.

Plateau State is a leading destination for tourism in Nigeria with an enormous endowment of nature that supports one of the most important global industries of the world, with considerable potentials for export earnings and creating a variety of employment opportunities.

The State Government generates and receives income which it spends in the process of performing its roles to the citizens. The process of spending financial resources through budgetary provision will leave the State in arrears since budget is not a realistic figure but an estimate of expected income to be generated and spent. This will lead to expenditure arrears as some expenses will not have the resources to be expended.

Accumulation of expenditure arrears is one of the problems in the State's public financial management (PFM). The State Government in her desire to be eligible and qualify for the State Fiscal Transparency, Accountability and Sustainability Programme for Results (STFAS) grant of the Federal Government, put in place through the State Ministry of Finance, a Team of inter-ministerial experts to review the State Domestic Arrears (Contractor's Arrears, Pension and Gratuity Arrears, Judgment Debts Arrears, Staff Salary and Claims outstanding and other category of payments). The accumulation of arrears by Government shall have negative effect on domestic economy; reduce the impact of fiscal policy and total demand thereby undermining macro-economic stability etc.

In order for the State to be qualified and access the grant under the provision of DLR 8, as well as have a sustainable arrears clearance framework it should have authentic Domestic Arrears balances at the end of each year, reported in an online publicly accessible database, with a verification process in place.

In the bid to achieve this, the State shall have a Debt Arrears Committee (DAC), to ascertain and collate all documents relating to Domestic Debt Arrears in the State every 31<sup>st</sup> December, categorize and review them to confirm whether they are valid, contested or rejected.



## 1.2 Coverage and Scope of the Framework

Plateau State Government (PLSG) expenditure arrears are financial obligations that have been incurred by any level of the public sector which payments have not been made by the due date. Payment may be overdue based on legal obligation, specific contractual commitment, continuing service arrangement or insufficient fund support budgeted expenditure in the financial year. The value of expenditure arrears constitutes the amount of the original overdue payment, as well as any interest or financial penalties that the Government might not pay.

This document shall be the policy guideline and procedure that is aimed at settling these categories of Domestic Arrears for Plateau State:

- Staff Salary Arrears and Claims Outstanding
- Contractors' Arrears
- Pension and Gratuity Arrears
- Judgment Debts Arrears (Principal, interest and penalty)
- Consumption of public utilities
- Other categories of payments due

## 1.3 Purpose of the Framework Document

This document is aimed at guiding users in identifying, recording and managing of domestic expenditure arrears in Plateau State. This is equally going to assist the State in establishing processes and systems that will control and reduce her domestic arrears. Without the clearance of arrears, there cannot be progress in the development of Plateau State. This of course depends on the availability of strong economic policy as well as the political will in following through on the framework document.

## 1.4 Expenditure Arrears

Expenditure arrears is when financial obligations that are payables, liabilities and commitments which have remained unpaid beyond a specified due date of payment and where no due date is specified. Expenditure arrears remain unpaid after a specified number of days which is contrary to the date on the invoice or contract. This may contravene a law, regulation, government payment policy or local practice.

## 1.5 Users of this Document

The document is primarily meant for the Plateau State Government. The staff of the Ministry of Finance, Office of the Accountant General, Planning and Budget Commission, Debt Management Department, Office of the Auditor General, Bureau of Public Procurement, Ministry of Works and Transport etc. who may be involved in debt management and settlement arrears at one point or the other, will also find it useful.

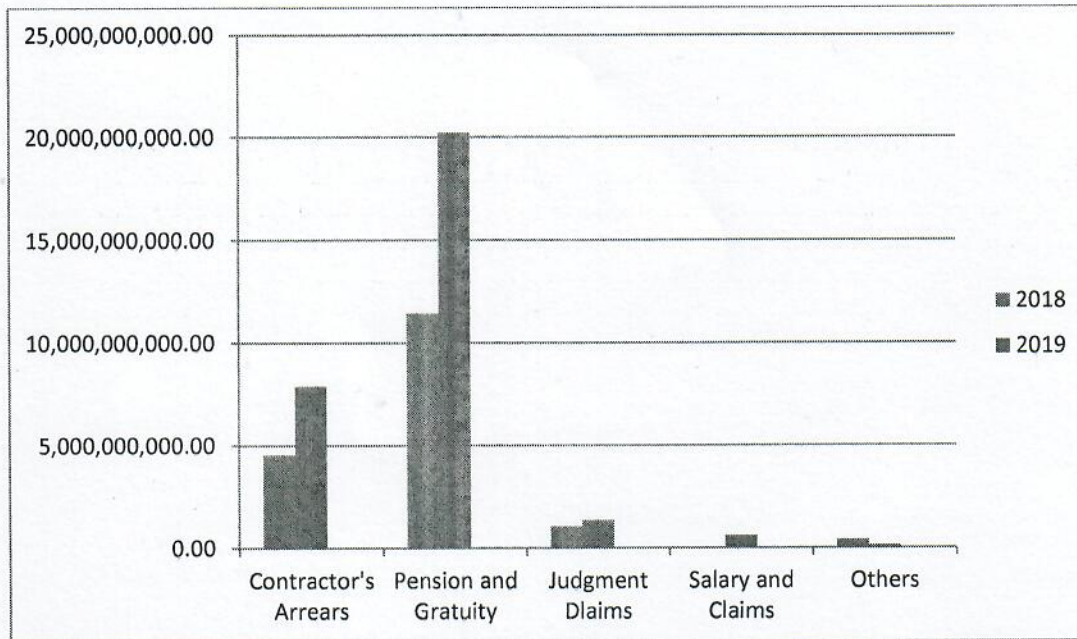
The framework should be used in conjunction with other Public Finance Laws, accounting system and procedure manuals in Plateau State.

### The State Domestic Arrears Database Position as at 31<sup>st</sup> December, 2019 is:

S/N	Description	2018	2019
1	Contractor's Arrears	N4,552,296,846.80	N7,895,704,949.13



2	Pension and Gratuity	N11,447,996,539.29	N20,218,345,338.32
3	Judgment Debts	N1,033,801,431.68	N1,344,636,466.99
4	Salary and Claims	NIL	N594,008,084.69
5	Others	N410,828,060.00	N148,714,709.00
	<b>TOTAL</b>	<b>N17,444,922,876.77</b>	<b>N30,201,409,548.13</b>



The State has a historical Domestic Debt Arrears accumulation which has been inconsistent for the past five years, despite the current Government's effort to settle same. This is a result of long outstanding Debts Arrears by previous Administrations. Contractor's Arrears and Pension and Gratuity are increasing while Staff Salary and Claims have declined.

#### 1.6 COMPARATIVE STATE – LEVEL DOMESTIC EXPENDITURE ARREARS FOR THE PAST FIVE YEARS (2014-2018)

Code	DETAILS	2014 N	ACTUAL	2015 N	ACTUAL	2016 N	ACTUAL	2017 N	ACTUAL	2018 N	ACTUAL
1	CONTRACTOR'S ARREARS	8,952,382,817.00		23,231,708,039.30		20,445,519,853.10		22,053,632,507.03		4,552,296,846.80	
2	PENSION & GRATUITY	8,450,697,935,75		8,885,501,590.00		10,607,946,375.32		10,164,874,565.23		11,447,996,539.29	



3	SALARY & OTHER STAFF CLAIMS	4,700,226,739.34	3,946,731,648.73	NIL	473,262,002.21	NIL
4	JUDGMENT DEBTS	19,986,090.00	192,896,995.08	186,300,000.00	212,300,000.00	1,033,801,431.68
5	OTHERS	1,402,736,285.98	1,790,371,177.32	457,991.27	457,991,127.52	410,828,060.00
	<b>TOTAL</b>	22,123,293,582.09	36,256,838,273.11	31,240,224,219.69	33,271,060,201.99	17,444,922,877.77

### 1.7 Explanation of the State's Policy on Arrears

The Plateau State's Policy on Arrears is aimed at controlling the accumulation of arrears whilst ensuring measures that clear existing arrears.

The following measures will be adopted in this regard:

- I. **Supporting the credibility and realism of the State's budget.** The State's budget shall be a realistic plan for expenditures based on conservatively estimated revenues based on robust assumptions and forecasts in the fiscal frameworks.
- II. **Forming Treasury Single Account (TSA)** for effective management of cash flows and ensure that payments are centralized to the State's Treasury to prevent arrears as a result of administrative hurdle.
- III. **Strengthen Legal and Regulatory Framework.** A frame work shall define payment terms when in arrears, reporting requirements as well as the necessary controls at the budget stages of authorization, commitment and payments with appropriate provisions for breaching sanctions.
- IV. **Improve Accounting and Reporting.** Arrears clearance requires adequate, timely and reliable information about their size, composition and impact through Government accounting systems that recognize expenditure commitments, liabilities and payments.
- V. **Strengthen Commitment Controls** to effectively limit commitments to approved budget allocations and availability of funds.
- VI. **Facilitate Improved and Integrated Cash and Debt Management** that ensures liquidity to meet cash obligations as they arise through accurate and timely short term estimates of cash inflows and outflows.
- VII. **Supporting Oversight of the State owned Enterprises** through governance frame works that require timely payment of bills, regular monitoring and reporting of liabilities to reduce implicit contingent liabilities.
- VIII. **Upgrade the Government's Financial Management Information Systems** to one that is capable of controlling the main stages of budget execution that handles the entire expenditure chain, including the release of budget funds, commitments against



the budget funds, production of purchase orders, receipt of goods and services claimed in the invoices, and payment or non-payment of invoices.

**IX. Implement Technological Solutions to Control Expenditures** that historically contribute to the accumulation of arrears.

**X. Constant Liquidity Management Committee (LMC)** meeting to guide Government's decisions on budget and fund releases.

### **1.8 Causes of Expenditure Arrears**

Plateau State Government is unable to discharge its payment obligations in a timely manner. The accumulation of Government expenditure arrears is sometimes the result of acute Government liquidity shortage that accompanies serious economic or financial crises. Expenditure arrears is the result of the failures at any or all underlying cause

- Unrealistic budget:-This can be the result of overly optimistic microeconomic or revenue projections and/ or under-provisioning for compulsory expenditure items.
- Commitment Control:- Controlling commitment is essential for controlling expenditure and preventing arrears.
- Poor Cash management:- This is where expenditure commitments are registered and controlled within available expenditure ceiling or cash limits, arrears can accumulate if sufficient liquidity is not available to pay invoices when they fall due.
- Delays in processing of payment Excessive:- documentation requirements, cumbersome ex ante audit, or lack of manpower or automation can slow the processing of invoice and making payment
- Deliberate deferred payments:- State government may be tempted to deliberately delay payment as a means of reporting a higher cash balance in the short term, notably at the end of the fiscal year.
- Inadequate sanctions:- Control of expenditure can be undermined by ineffective sanctions or an unwillingness to enforce them, against officials or institutions who fail to comply with the law.

## **CHAPTER 2**

### **2.1 SCHEDULE OF ACTION TO SETTLE ARREARS**

For the year starting from 2020 assessment year, the State developed a realistic multi-year funding plan for clearing the stock of Arrears, based on realistic estimates of funds available and competing expenditures.

### **2.2. Sources of State Revenue**

The following are but limited sources of funding to the State for the clearing of Domestic Arrears:

- (i) Internally Generated Revenue (IGR)



- (ii) Revenue from Federal Government (i.e. made of FAAC allocation including VAT net of deductions, off revenues like the Paris Club refunds etc).
- (iii) Grants (from the Federal Government and other non-governmental organizations i.e. World Bank, IMF etc).
- (iv) Loans (State borrowings like Federal Government loans, CBN development financing programmes, State Bonds, Commercial Bank Loans, and Contract financing).

### 2.3. Coverage of Expenditure Arrears

In developing the ACF, the State took into consideration a combination of various prioritization criteria which would lead to a reduction of domestic arrears stock in the year of assessment. The State targets a 5% reduction of arrears in using the following criteria, and more reduction in subsequent years.

**Claims of Staff Salary** - in view of the severe socio economic implication of Salary Arrears, Government has deliberately as a matter of policy ensured prompt payment of staff salaries and claims, thus the existence of zero arrears of salary in the State, except for Political Office Holders Severance Gratuity.

**Arrears of Contractor** – the State plans to pay contractors whose payments are due on the basis of (i) Ongoing works and (ii) Completed works awaiting payments. The proportion of funds allocated to this category of debt will be shared 70:30 respectively.

**Pension and Gratuity**- Government will continue to pay pension to deserving Pensioners as and when due without incidence of pension arrears, whereas Gratuity will be paid on basis of oldest (10 years and above) and recent (less than 10 years) 70% and 30% respectively, on the funds allocated.

**Judgment Debts** – Government to avoid the payment of penalties which will increase the cost of arrears, Judgment Debts that are likely to attract penalties will be paid with 70% of the funds allocated to Judgment Debts, the remaining 30% will be paid in order of smallest in size, this will assist many small firms that are vulnerable to cash flow problems to survive.

The State's funding strategy for the clearing of domestic arrears will be a combination of the following:

- (i) Earmarked Revenue generated from budget provision and
- (ii) Borrowings from commercial banks, contract financing and issuance of State bond and guarantees.

The implication of the State clearing/settling arrears on the Budget and State Debt situation of the State and its consistency with State Budget/Fiscal/Debt policies and framework is in the summary table of the multi-year funding plan.

### 2.4. Clearance of Expenditure Arrears

Plateau State Government has identified the causes of accumulation of arrears and designed measures to address the challenge; as well as the needs to develop a strategy to eliminate the outstanding stock. This strategy will communicate to stakeholders, Government's plan, timetable and criteria for the liquidation of arrears, thereby minimizing



any possibility for any perception of favoritism and corruption in the selection of creditors to be paid. In doing this, the following key factors should guide the arrears clearance strategy:

- (i) **Comprehensiveness.** The arrears clearance strategy should apply to all outstanding payments incurred by all parts of the public sector.
- (ii) **Transparency.** The clearance of arrears should proceed according to a public timetable and criteria for prioritizing clearance which should be transparently stated and adhered to.
- (iii) **Credibility.** To demonstrate commitment to addressing the root causes of the problem, the strategy should include measures to avoid the accumulation of new arrears, and Ministries or Agencies that fail to implement these measures should be penalized appropriately.
- (iv) **Realism.** The Government's annual budget and medium-term fiscal projection should make adequate provision for the cash cost of arrears clearance.
- (v) **Verification.** Arrears should be verified to ensure that only valid claims are cleared

## 2.5. Strategy for Arrears Clearance

In order to ensure transparent and credible arrears clearance, the State is to follow this comprehensive strategy: -

- (i) **Stocktaking.** A comprehensive stocktaking of arrears should be conducted which will enable the State Government to understand the extent, composition, and vintage of the Government unpaid bills and prioritize its clearance. A timetable should be communicated for the stocktaking exercise, and a clear definition of the information requirements should be provided to all relevant institutions with a cut-off date, most preferably quarterly.  
A database of all apparent claims will be prepared and a quarterly reporting framework instituted. The stock taking will enable the State Government to identify the underlying cause and the specific corrective actions required to be addressed.
- (ii) **Verification.** Once data on the outstanding stock of arrears has been collected, the data should be verified to ensure that they are genuine claims to avoid payment of fraudulent claims. This activity can be undertaken by the Domestic Arrears Committee and the Debt Management Department.  
The process is as follows:

### Step 1: Collection of unpaid invoices

The initial responsibility for producing the necessary documentation should rest with the Chief Financial Officer of the MDA. The responsibility for the proof of validity of claims without proper documentation should rest with the claimant. Only original documentation should be accepted for signing and not photocopies, to avoid fraudulent claims.

### Step 2.: Verification of Claims

- a) Invoices and supporting documents should be checked to verify the value amount payable.



- b) The age of the payable should be checked by reference to the invoice and other documents.
- c) The State Ministry of Finance taking full account of the legal framework with respect to disclosure of taxpayer records should undertake checks with revenue authority to ensure that suppliers are registered, taxpayers are determined and whether they are delinquent in tax payment.
- d) The claims should be properly approved for payment.

### Step 3. Categorization of Claims

Based on the review of validity, each claim should be categorized as valid, contestable, or rejected. Valid claims are those for which adequate documentation exist to recognize a government liability. Contestable claims are those for which incomplete documentation has been provided. Rejected claims are those for which legitimate documentation has not been presented.

### Step 4. Appeals from Claimants:

Holders of contestable claims may be invited to provide further documentation to support their claims or have their claims referred for adjudication. Such claims may arise through collusion with government officials or poor record keeping. The burden of proof on the validity of such claims should rest with the claimants, and the government may decide to settle them in the future on a case-by-case basis on the recommendations of the DAC or independent adjudicator. Claim holders have the right to appeal the DAC or independent adjudicator's decisions through the judicial system.

### Step 5: Rejections of invalid claims:

The State Government should formally notify rejected claimants and state the basis of the rejection. It is essential that Government retain full records of decisions made to defend future legal actions by claimants

#### (iii) **Classification.**

When the arrears data is collected and verified, it should be analyzed and classified for the purpose of arrears clearance. A database of valid outstanding payments should be established and maintained centrally by the state ministry of finance / State Debt Management Department.

To allow for appropriate categorization, the following data should be capture for outstanding claim.

- (i) **Vintage.** The database should capture the original due date on each invoice, and arrears should be classified according to how long they have been overdue. If the due date is not recorded in the invoice, the invoice date can be used as a proxy for the due date.



- (ii) Debtor. The database should capture the State Government entity incurring the liability classified by institutional group like Ministries, Departments and Agencies (MDA's).
- (iii) Creditors. The database should capture the creditor 's name classified by type
  - State Government / State-owned enterprise
  - Federal Government
  - Local Government
  - Employees (Staff Salary)
  - Private individuals
  - Private / Corporate businesses
  - Financial institutions
  - Extra-budgetary funds
  - Others
- (iv) Economic category: The database should classify arrears by GFSM 2001 economic category such as compensation of employees, acquisition of goods and services, transfer acquisition of nonfinancial assets, and acquisition of financial assets.
- (v) Currency. The database should capture the currency in which the obligation was originally denominated so that cash managers can ensure that sufficient foreign exchange is available to meet external arrears.
- (vi) Contractual terms. The database should capture any relevant contractual information including for example, whether the outstanding balance result in the interest and/or penalties for non-payment.
- (vii) Payment status. The database should capture the total amount due on the invoice, amounts already paid, amount outstanding, and any rescheduling, discounting, or factoring of the unpaid obligation.
- (viii) Risk of non-payment. The database should include a risk assessment of further payment delays ie. Non-payment of civil servant salary may be potential for industrial action and for non-payment of contractor for a project would include the risk of litigation and increase in cost.

When the data base has been established, the Debt Management Department should keep it up-to-date showing the discharge of arrears and any subsequent additions to the stock.

- (iv) Prioritization. If a database of valid claims on state government has been established, a set of criteria for prioritizing their liquidation should be determined. The prioritization of arrears clearance should be based on transparent criteria, depending on the nature of the arrears, these might include the following: -
  - Socioeconomic impact. Arrears to economically sensitive or vulnerable sectors, such as salaries of low-income workers, pensions, and social benefits, should be prioritized.
  - Vintage. Older obligations should have priority over newer obligations.
  - Cost. Arrears that accrue interest and penalty charges should have priority.



- Risk. Arrears that may result in legal action, disruption of essential services or cost escalation of future supplies to government should be prioritized.
  - Currency. Payment of foreign currency denominated debt should be prioritized if domestic currency devaluation is outpacing domestic inflation.
  - Creditor. The state government should prioritize the clearance of intra-government debts, as this can be done administratively through the annual budget at minimal net cost.
- (v) Liquidation.: Once the criteria for prioritizing arrears for clearance have been established and published, the payment or liquidation of obligation can begin. The liquidity Management Committee (LCM) should oversee arrears liquidation to ensure the consistent application of the principles of the strategy.
- The annual budget and medium-term budget framework (MTBF), should make explicit provision for the clearance of arrears. Such measures may include the centralized management and control of the budget for arrears repayment to avoid the recycling of arrears.

### CHAPTER 3

#### 3.1 PRIORITIZATION CRITERIA FOR ARREARS: to be settled and the implementation of the ACF

The Arrears clearance will be based on a combination of various factors, like type of arrears, rationale, status, budget provision and fund availability.

S/N	CREDITOR	CRITERIA	RATIONALE	DATA REQUIRED	BUDGET PROVISION	FUNDS AVAILABLE
1	Contractor's Arrears	a) Ongoing projects 70% b) Completed work awaiting payments 30%	a) Ensure ongoing work is completed b) Oldest creditors who have been waiting longest are paid.	1) Status of project construction 2) value of outstanding arrears 3) Date missed payment was first due.	₦6,700,000.00	



				4)Contract terms whether provides for late penalties. 5)Amount owed to each person.		
2	Pension and Gratuity	a)Oldest (10 years and above) and recent (less than 10 years) 70% and 30% respectively, on the funds allocated	-Oldest creditors who have been waiting longest are paid first	-Value of outstanding arrears. -Date missed payment was first due	₦6,841,500,00 0.00	
3	Judgment Debts	a) Smallest first 30% of funds allocated b)Subject to penalty 70% of funds allocated	-Smallest in terms of value is paid, this allows many creditors to be paid and focus is on small firms that are vulnerable to cash flow problems. -Arrears subject to penalty to be considered so to as reduce cost of late payment of arrears	-Value of outstanding arrears. -Date missed payment was first due. -Contract terms whether provides for late penalties -Amount owned to each person	₦769,312,000. 00	
4	Salary and claims	a)Equal base salary allowed	-All creditors who have been waiting are paid. -Arrears subject to penalty to consider first so as reduce cost of late payment of arrears	-Value of outstanding arrears. - Date missed payment was first due - Amount owned to each person	NIL	
5	Others. (Political Office Holders Severance Gratuity)	a) Equal percentage	a) All creditors who have been waiting longest are paid first. b) Arrears subject to penalty to	- Value of outstanding arrears. - Date missed payment was first due. - Contract	₦410,829,000. 00	



			consider first so as to reduce cost of late payment of arrears	terms whether provides for late penalties - Amount owed to each person		
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## CHAPTER 4

### 4.0 ORGANISATIONAL / INSTITUTIONAL ARRANGEMENTS FOR OVERSEEING THE IMPLEMENTATION OF THE ACF

#### 4.1 LIQUIDITY MANAGEMENT COMMITTEE OF ACF

The Plateau State Cash Management strategy has principally been implemented by the Liquidity Management Committee, which is being chaired by the Governor of the State. The aim of this Committee is to streamline short term cash flows and cash balances for more cost effectiveness, value for money, the reduction or total elimination of the State domestic arrears – especially contractor' arrears, pension and gratuity, staff claims and salary arrears, judgment debts and others.

##### (i) MEMBERSHIP OF LIQUIDITY COMMITTEE

The membership of the Liquidity Committee is as follows:

- |  |               |
|--|---------------|
| a. H. E. THE EXECUTIVE GOVERNOR OF PLATEAU STATE | CHAIRMAN      |
| b. THE SECRETARY TO THE STATE GOVERNMENT         | VICE CHAIRMAN |
| c. HON. COMMISSIONER OF FINANCE                  | MEMBER        |
| d. HON COMMISSIONER FOR BUDGET & PLANNING        | MEMBER        |
| e. PRINCIPAL SECRETARY TO THE GOVERNOR           | MEMBER        |
| f. PERMANENT SECRETARY MIN.OF FINANCE            | MEMBER        |
| g. ACCOUNTANT GENERAL                            | SECRETARY     |

##### (ii) LIQUIDITY COMMITTEE SECRETARIAT

The committee shall establish a Secretariat to support its work using the existing staff within the Office of the Accountant General.



To realize this, the Liquidity Management Committee is expected to do the following based on its terms of reference:

- a. The preparation of a realistic monthly Cash Plan for the state with clear commitment limits.
- b. Proper review of the budget to ensure that it is realistic and credible before approval of Memos.
- c. Recommend monthly memos based on monthly cash forecast and cash availability for the month.
- d. Facilitate timely processing of payments, to avoid deferral of payments and the incidences of idle cash balances in Government accounts.
- e. Established a realistic quarterly cash projection for the state by estimating the receivables and determining the funding gap.
- f. Ensure that Government borrowings are based on pre-determined funding gap.
- g. Ensure the full implementation of the Treasury Single Account (TSA), to enhance the effectiveness of the committee.
- h. Interact with MDAs, Government departments and agencies to ensure efficient management of Government's receipts and payments.

**(iii) REPORTING BY LIQUIDITY COMMITTEE**

The Committee is to review and submit the following reports:

- a. Review the reconciliation of all Bank Accounts prepared and submitted by the office of the Accountant General of the State.
- b. Approved all Cash flow forecast during the year and report same to the Governor on a monthly, quarterly and annual basis.
- c. Submit report of monthly disbursements in respect of Contractor's Arrears, Pension and Gratuity, Judgment Debts, Staff Salary and Claims and other payments due as liabilities to the Domestic Arrears Committee and Debt Management Department.
- d. Prepare Monthly, quarterly and annual reports of their activities and submit to the Executive Council/Governor.
- e. Any other report that will be demanded from time to time.

**4.2 DOMESTIC ARREARS COMMITTEE:**

The Domestic Arrears Committee is a strong team of inter-ministerial experts, which will be reporting to the Governor of the State. The aim of this Committee is to streamline Domestic Arrears for more cost effectiveness, value for money, the reduction or total elimination of the State domestic arrears – especially contractor' arrears, pension and gratuity, staff claims and salary arrears, judgment debts and others. This Committee will be Chaired by the Accountant General of the State.

**(i) MEMBERSHIP OF DOMESTIC ARREARS COMMITTEE**

The membership of the Domestic Arrears Committee is as follows:

- |    |                                  |               |
|----|----------------------------------|---------------|
| a. | ACCOUNTANT GENERAL OF THE STATE  | CHAIRMAN      |
| b. | DIRECTOR GENERAL DEBT MANAGEMENT | VICE CHAIRMAN |



c.	DIRECTOR GENERAL PROCUREMENT	MEMBER
d.	DIRECTOR OF TREASURY (AG)	MEMBER
e.	DIRECTOR ICT/AUDIT (AG)	MEMBER
f.	DIRECTOR BUDGET (MINISTRY OF BUDGET)	MEMBER
g.	DIRECTOR LEGAL DRAFTING (MIN. OF JUSTICE)	MEMBER
h.	REP. OF DEBT MANAGEMENT	SECRETARY

### **DOMESTIC ARREARS COMMITTEE SECRETARIAT**

The Committee shall establish a Secretariat to support its work using the existing staff within the Office of the Debt Management Office.

To realize this, the Domestic Arrears Management Committee is expected to do the following based on its terms of reference:

- a. Ensure and maintain an Internal Domestic Arrears database and publicly accessible on line version of the database.
- b. The preparation of a realistic monthly Domestic arrears Plan for the State.
- c. Recommend monthly, quarterly and yearly memos based on forecast and budgetary provision.
- d. Facilitate timely processing of payments and to avoid deferral of payments in Government accounts.
- e. Established a realistic quarterly cash projection for the state by estimating the receivables and determining the funding gap.
- f. Ensure that Government borrowings are based on pre-determined funding gap.
- g. Develop an Arrears Clearance Framework; seek for authority, Legislative approval and an Executive Order, for its implementation.
- h. Interact with MDAs, Government departments and agencies to ensure efficient management of Government's payments.

#### **(ii) REPORTING BY LIQUIDITY COMMITTEE**

The Committee is to report to the Executive Governor / State Executive Council and shall have delegated authority to request for information it requires from the MDAs to carry out the following functions:

- a. Design and agree on a reporting template for all MDAs.
- b. To review the state domestic arrears (contractor's arrears, pension and gratuity arrears, judgment debts arrears, staff salary and claims outstanding and other category of payments due).
- c. To report accurately on arrears balances across all types of Domestic Arrears in the State.
- d. To report monthly, quarterly and yearly an Internal Domestic Arrears database report and publicly accessible on line version of the database.
- e. Ensure an established formally approved process for the continuous oversight of each stage of verification and reporting of findings.

**Submitted by:**



**Dr. Cyril Tsenyil (FCNA)**  
**Accountant General**

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**Hon. Commissioner of Finance**