

**Evidence-Based Governance in the
Electronic Age**

Case Study

Financial Records Systems in Nigeria

This case study has been prepared by the International Records Management Trust and does not reflect the views of the World Bank nor the Government of Nigeria.



*A World Bank/International Records Management Trust
Partnership Project*

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INTRODUCTION

- 1 *Evidence-Based Governance in the Electronic Age* is a three-year project delivered in partnership between the World Bank and the International Records Management Trust. It involves coordinating a global network of institutions and organisations to facilitate the modernisation of information and records systems.
- 2 Records, and the information they contain, are a valuable asset that must be managed and protected. Records provide the essential evidence that a particular action or transaction took place or that a particular decision was made. Records support all business functions and are critical to the assessment of policies and programmes, and to the analysis of individual and organisational performance. Without reliable records, government cannot administer justice and cannot manage the state's resources, its revenue or its civil service. It cannot deliver services such as education and health care. Without accurate and reliable records, and effective systems to manage them, governments cannot be held accountable for their decisions and actions, and the rights and obligations of citizens and corporate bodies cannot be upheld.
- 3 New technologies provide great potential to improve services and efficiency, but the evidence base upon which governments depend must continue to be protected and preserved. For initiatives such as e-government and e-commerce to be successful, governments must have access to information that possesses certain crucial characteristics: the information must be available, accurate, relevant, complete, authoritative, authentic and secure.
- 4 The aim of the *Evidence-Based Governance* project is to make records management a cornerstone of the global development agenda. The challenge is to rebuild and modernise information and records management systems in parallel with complementary measures to improve the broader environment for public sector management. The project represents a major opportunity to integrate records management into global strategies for good governance, economic development and poverty reduction.
- 5 During the first phase of the project, studies were carried out within the World Bank and in a range of countries to explore the requirements for managing personnel, financial and judicial records in a hybrid, electronic/paper environment. This report is one of thirteen case studies that illustrate the issues involved. The studies have been supplemented by findings derived by a global discussion forum involving senior officials and records and archives professionals. The knowledge gathered through these means is providing the basis for the development of assessment tools to measure the quality of records and information systems in relation to clearly defined functional requirements and benchmarks. The project will develop tools for use in the three areas of study: personnel, financial and judicial records systems. Ultimately, the information gathered will also help to define the requirements for global capacity building for managing electronic records.
- 6 The case studies have been chosen to represent differences in geographic regions, administrative structures and resource environments.

- 7 The management of financial records has been examined in Nigeria, Tanzania, Chile and Vietnam. These countries give a broad geographical spread and represent different degrees of development in financial reform and the use of electronic records.

Terms of Reference and Methodology

- 8 This report covers a visit to Abuja, the federal capital of Nigeria, by Ray Bennett, from 23 to 26 April 2002. Visits were made to the offices of the Accountant General, the Ministry of Finance, the Auditor General and the National Archives. The management of financial records by the states or local government was not part of this case study.
- 9 The case study represents a snapshot in time. The observations it contains were current as of April 2002. Since then, new developments and improvements have taken place on a regular basis and therefore the case study does not represent the situation at present. It is hoped that the findings in this report will highlight issues that will continue to arise in many other situations.

Acknowledgements

- 10 Grateful thanks are extended to J K Naiyeju JP (Accountant-General of the Federation), Chief Adeosun O Oni (Director, Treasury Services, Office of the Accountant-General of the Federation), Mr B M Mshelia (Chief Accountant, Ministry of Finance), Mr Ejiga Danjuma (Principal Auditor, Office of the Auditor General) and Mr Haruna Ladan (Senior Administrative Officer, National Archives, Ministry of Information). A list of people consulted is at Appendix A.

EXECUTIVE SUMMARY

- 11 The Government of Nigeria has identified governance and corruption as issues that must be tackled in order to reverse economic decline and has taken pre-emptive action. Fundamental reform of budget processes will need to be part of this strategy. (paras 20 to 23)
- 12 Donors and lenders are committed to improvements in economic governance and private-sector-led growth for poverty reduction. Most donors have only recently resumed large scale activities in the country and they expect rigorous financial accountability in the form of sufficient, reliable and relevant evidence to support expenditures. (paras 24 to 26)
- 13 The proper management of financial records in the public sector in Nigeria is fundamental to the management of resources and the elimination of corruption. Well-maintained financial records are essential to meeting Nigeria's development aims. Public sector accountability, in particular financial accountability, is a high priority. (paras 27 to 28)

- 14 Nigeria operates a federal system based largely on two layers of government: the federal and state governments. Responsibility for financial records rests primarily with the Accountant General and the Auditor General. The Accountant General has not delegated responsibility for the management of financial records as a specific, separate responsibility within the Ministry of Finance. Thus, there is no top-level post within finance that takes direct responsibility for records management, nor is there anyone within finance that 'champions' record management. There does not appear to be any direct involvement by the National Archives in the management of financial records nor any financial expertise within the Archives. (paras 29 to 35 and Appendix B)
- 15 Revised Financial Regulations were issued in January 2000 to restore and enhance transparency and public accountability. These regulations provide for the safe custody of security documents and security books and set out retention periods for financial documents and books. As yet, there are no standards and practices to control the retention and disposal of electronic records. Some financial records at federal and state level are computerised. (paras 36 to 39 and Appendix C)
- 16 The main audit problems associated with record keeping are: non-compliance with procedures for contract documentation; insufficient documentation supporting purchases; incomplete reconciliation; failure to account for stores properly; and weaknesses in documentation which permits fraud. (paras 40 to 42)
- 17 The National Archives Decree (1992) was enacted to enhance and strengthen records management and archival services in Nigeria. The Decree places the responsibility for records management within public offices on the head of the office concerned. The National Archives provides services for public offices in an advisory capacity, working towards the establishment of efficient and systematic records management practices. (paras 43 to 46)
- 18 The volume of financial records in public offices has built up over the past 20 years or so. This suggests that financial records are rarely destroyed. The Archives is assisting ministries with setting up proper records systems and advising on the disposal of non-active records, but it does not have adequate resources to cover all agencies systematically. Each public office should appoint a departmental records management officer to be responsible for the records management programme. (paras 47 to 50)
- 19 Issues relating to the management of electronic records need to be considered as part of the government ICT strategy. These include storage, preservation and access of e-records, the integration of paper and electronic records, and the local capacity to manage and maintain these systems. (paras 51 to 52)

BACKGROUND INFORMATION¹

- 20 Nigeria is the most populous country in Africa with 130 million inhabitants. The population includes some 250 ethnic groups, with diverse languages and religious faiths. The following are the most populous and politically influential: Hausa and Fulani 29%, Yoruba 21%, Igbo (Ibo) 18%, Ijaw 10%, Kanuri 4%, Ibibio 3.5%, Tiv 2.5%. The religious faiths are: Muslim 50%, Christian 40%, indigenous beliefs 10%. The main languages are English (official), Hausa, Yoruba, Igbo (Ibo) and Fulani. Nigeria's economy is highly dependent on the oil sector, which accounts for 46% of gross domestic product (GDP) and for 85% of the country's foreign exchange earnings.
- 21 Despite the country's relative oil wealth, poverty is widespread, and Nigeria's basic social indicators place it among the 20 poorest countries in the world. About 66% of the population falls below the poverty line of roughly one US dollar a day compared to 43% in 1985. Economic mismanagement, corruption and excessive dependence on oil have been the main reasons for the poor economic performance and rising poverty.
- 22 The democratically elected government of President Olusegun Obasanjo assumed power in Nigeria in May 1999. President Obasanjo's administration has identified corruption and governance as issues that need to be forcefully tackled in order to begin to reverse the economic decline. Three years into its mandate, the Government has already taken important steps to improve public sector accountability and transparency and to fight corruption. It has passed an anti-corruption bill and created an independent anti-corruption commission. It has reissued its financial regulations, and there is some indication that they are being followed more closely than in the past. Public contracts in excess of N50 million² must be submitted for Federal Executive Council (FEC) approval. The FEC has recently approved changes to public procurement guidelines to make it more open and competitive. A manpower audit to help reduce leakage in the wage bill spending was completed in 2000.
- 23 However, there are still fundamental problems with prioritising public spending programmes and preventing spending running out of control. To deliver on the administration's objectives more fully, a comprehensive and coherent strategy and programme for improving economic governance is needed. Fundamental reform of budget processes and institutions will need to be a central part of this strategy.
- 24 The World Bank supports seven projects in Nigeria with a total commitment of about US\$444 million in the areas of privatisation, power transmission, HIV/AIDS, community development, education, water and economic management capacity building. After scaling back lending to Nigeria from about US\$600 million a year in the late 1980s to US\$200-250 million during 1992/1993, the Bank is now preparing to provide quick and effective support to Nigeria as warranted by the Government's policy actions and the country's development needs.

¹ World Bank website - <http://www.worldbank.org/afr/ng/data.htm> - and Public Expenditure Review 2001

² Circa US\$433,839 at April 2002. World Bank *Nigeria Federal Public Expenditure Review Decision Draft 2001* (para 8)

- 25 The framework for assisting Nigeria has three pillars each designed to contribute more effectively to the government's development. These are:
- economic governance (improving public resources management, anti-corruption efforts and legal/judicial reforms)
 - private-sector-led growth for poverty reduction (removing bottlenecks faced by the non-oil private sector)
 - community driven development (bottom-up, demand-driven, aimed at bringing resources for health, education, water and other services to poor Nigerians who currently do not benefit from the country's oil wealth).
- 26 In addition to the World Bank Group, donors and lenders with programmes currently active in Nigeria are the International Monetary Fund, African Development Bank, United National Development Program, European Union, UK Department for International Development, US Agency for International Development and a number of specialised United Nations' agencies. Most donors have only recently resumed large scale activities in the country.
- 27 Well-maintained financial records are essential to Nigeria's ability to meet its development aims. They will support accountants in preparing financial reports for managing resources and for communicating their use to the public. They will also permit independent auditors to give the public assurance that financial reports are credible. Well-maintained financial records, reports and audits should provide a bridge between the politician, the bureaucracy and the citizen and underpin good financial management, information and accountability in a democratic state.
- 28 Donor and lender agencies are beginning to recognise the need to strengthen records management systems as part of wider institutional capacity building and policy reforms and of efforts to improve resource management and overcome corruption.

MANAGEMENT OF FINANCIAL RECORDS: GOVERNMENT STAKEHOLDERS

Organisational Structure and Overview of Functions³

- 29 Nigeria operates a federal system based largely on two layers of government: the federal and state governments. In addition, the 1999 Constitution implicitly recognises local government as a third tier. Responsibility for the establishment and structure of local government is assigned to state governments. See Appendix B for further information. There are 18 states and 12 local government authorities across the six geopolitical zones.

³ World Bank Public Expenditure Review, 2001

- 30 Since the return to democracy and adoption of the 1999 constitution, sub-national levels of government in Nigeria have greater autonomy. The states have their own legislature, but some local governments rely almost entirely on allocations from the Federal Government. Their share in consolidated government spending is growing, reaching over 35% in 1999. This report does not cover the arrangements for managing financial records at state and local government level.

Office of the Accountant General of the Federation

- 31 In the Accountant Generals' Office, the Federal accounts are computerised. In the central ministries they are produced manually. It is hoped to establish a LAN within the Ministry of Finance and to link this with other ministries by the end of 2002. The Director, Treasury Services, Office of the Accountant-General of the Federation reported that some states have computerised their accounts and are more advanced than at the Federal level. Each quarter the Ministry of Finance publishes economic performance figures against the budget. The current priorities for reform in the financial sector are:

- strengthening the system of financial reporting
- moving forward progressively with the computerisation of accounts
- ensuring that Treasury accountants are put in charge of financial management of the ministries.

- 32 Several areas affecting finance are under review:

- the Accounting Manual
- the 1958 Financial Control and Management Act
- the Nigerian Fiscal Responsibility Bill, which is in draft.

- 33 The legislation dealing specifically with record keeping requirements for financial records is the Financial Control and Management Act (1958). States and local governments have their own financial rules covering financial records.

- 34 The primary responsibility for financial records rests with the Accountant General and the Auditor General. However, there is no-one in either department who 'champions' record management. The Department of Planning, Research and Statistics, although headed by a non-accountant, might be the appropriate location for this role. While the National Archives is responsible for assessing the adequacy of record keeping practices of the public offices, the staff in the Accountant General's Office were not aware of any involvement by the National Archives in the management of financial records nor of any financial expertise within the Archives. There is no formal connection between the National Archives and the Accountant General's Office. More information about the functions and activities of the National Archives is given in paragraphs 43 to 46.

- 35 At the federal level, standard document formats are used for the same financial processes, as set out in the Financial Regulations. States have their own regulations and documentation, which government is trying to harmonise. There is a standard classification system for the federal accounts, but there is no consistent classification system for records and documents. States and research bodies can request information about federal expenditure.
- 36 Revised Financial Regulations were issued in January 2000 to restore and enhance transparency and public accountability. It is mandatory for all public officials to ensure strict compliance with these regulations. They provide for the safe custody of security documents (Regulation 933) and security books (Regulation 934). Regulation 935 sets out retention periods for financial documents and books.
- 37 Records are either retained permanently or destroyed after seven or two years, depending on the category. See Appendix C for further information. Officers responsible for the documents listed may destroy them at the end of the prescribed periods 'after auditing or reconciliation'.
- 38 In addition there are detailed regulations governing the prescribed forms, their preparation, use and disposal. For example, prior notice of intention to destroy unused receipts must be given to the Auditor-General to enable an Audit Officer to attend and witness their destruction.
- 39 The Financial Regulations are augmented from time to time by Federal Treasury Circulars. There are no standards and practices yet to control the retention and disposal of electronic records.

Auditor General

- 40 The Office of the Auditor General is under the control of the Treasury. Staff are tied to civil service salaries and recruitment processes. However, there are proposals to establish an independent audit body. The statements of account prepared by the Accountant General up to 1999 have been audited and the audited statements for the period 1994 to 1999, produced on a manual basis, are about to be published. The centralised Internal Audit function is a pre-audit of expenditure. A post-audit must take place before the documentation goes to store; this can cause temporary storage difficulties.
- 41 The main audit problems associated with record keeping are:
- non-compliance with procedures for contract documentation
 - insufficient documentation supporting purchases
 - incomplete reconciliation
 - failure to account for stores properly
 - weaknesses in documentation which permits fraud.

- 42 Auditors have not commented adversely on their ability to find financial records, although documents older than 1990 take some time to locate.

National Archives

- 43 The National Archives is a Federal Department of the Ministry of Information and National Orientation. Its main regional centres are at Ibadan, Enugu and Kaduna. These are functional archives with processing, binding, searching, photography and library facilities. There are many smaller archives offices that are not fully 'functional'. There is also a small headquarters in Lagos. Most of the current expenditure is on the salaries of over 200 staff employed in the National Archives and its regional centres. However, the Archives does have a separately identified capital estimates spending programme, comprising various building and re-equipment works to regional centres at Kaduna and Maiduguri and the construction of a National Archives headquarters in Abuja. The amounts proposed for capital spending in 2001 were N99.5m (US\$863,340) out of a total of N6,388.9m (US\$55,435,140) proposed for the Ministry.
- 44 The National Archives Decree (1992) established the National Archives and set out its functions concerning the preservation and management of records of public and private bodies, individuals and companies. In addition to organising and managing the National Archives, the NA Director's other responsibilities include:
- giving advice on all matters relating to records and archives to all public and State offices
 - examining public records
 - establishing as an integral part of the national archives, records centres primarily charged with the management of non-current public records
 - issuing general schedules regarding the retention and disposal of records common to several or all public offices
 - assessing the adequacy of record making and record keeping practices of the public offices through periodic reviews
 - conducting research and studies, developing and establishing standards and procedures creating and keeping records
 - applying selective retention of records
 - scheduling of records for disposal, storage and security
 - preserving of records and their retirement to records centre or the NA
 - organising training programmes for the staff in public offices concerned with records management

- providing technical advice and assistance in records management to all public offices.
- 45 The Director is required to prepare an annual report on the activities of the public offices in the field of records management.
- 46 The National Archives Decree places responsibility for records management within public offices on the head of the office concerned. Each public office must appoint a departmental records management officer to plan, develop and organise the records management programme for the office. The volume of financial records in public offices has built up over the past 20 years or so, and oral evidence suggests that financial records are rarely destroyed. The Archives is actively assisting ministries to set up proper records systems and advise on the disposal of non-active records. The construction of regional records centres will assist in the storage of semi-current records.

RECORDS AND INFORMATION MANAGEMENT: KEY ISSUES

- 47 The National Archives has wide ranging investigative, corrective and advisory powers for public records that should enable records to be managed effectively. However, it does not appear to have much involvement in financial records management or to have specialists or expertise in managing financial records.
- 48 An area of concern is whether financial records are destroyed in a timely manner in accordance with defined retention periods. The financial regulations provide for financial records to be maintained for seven years after audit. However, it appears that financial records are retained in ministries for longer periods. The National Archives does not have sufficient resources to monitor all aspects of record management on a regular basis at each ministry/department.
- 49 Records management controls could be tightened if each public office could appoint a departmental records management officer to be responsible for the records management programme, for ensuring that there are specific retention and disposal schedules appropriate to the office and for monitoring the application of the schedules. The Accountant General has not delegated responsibility for the management of financial records as a specific, separate responsibility within the Ministry of Finance. Thus, there is no top-level post within finance that takes direct responsibility for records management.
- 50 Records management is not taught to finance staff, although the National Archives provides training courses in general records management. Nor do there seem to be administrative links between the staff of the National Archives and the Accountant General.
- 51 At present the computerisation of financial records is in its early stages. The LAN link between the Ministry of Finance and other ministries will intensify this trend. However, there are no standards and practices covering electronic records management issues such as their storage, preservation, security and accessibility over

time. Nor is there local capacity to manage and maintain electronic records management systems or any evidence of training in this area.

- 52 Nigeria is giving a great deal of emphasis to computerising key functions, and it will be important to ensure that there is adequate capacity to manage the records that will be generated by the new systems as evidence for accountability. It is important that e-records management issues should be addressed as part of the government ICT strategy.

LIST OF PEOPLE CONSULTED

J K Naiyeju JP, Accountant-General of the Federation

Chief Adeosun O Oni, Director, Treasury Services, Office of the Accountant-General of the Federation

Mr B M Mshelia, Chief Accountant, Ministry of Finance

Mr Ejiga Danjuma, Principal Auditor, Office of the Auditor General

Mr Haruna Ladan, Senior Administrative Officer, National Archives, Ministry of Information

**ASSIGNMENT OF EXPENDITURE RESPONSIBILITIES BETWEEN
DIFFERENT TIERS OF GOVERNMENT**

Source: Public Expenditure Review June 2001

Tier of Government	Expenditure category
Federal only	defence; shipping; federal trunk roads; aviation; railways; posts, telegraphs and telephones; police and other security services; regulation of labour, interstate commerce, telecommunications; mines and minerals; social security; insurance; national statistical system; national parks; guidelines for minimum education standards at all levels; water resources affecting more than one state
Federal-State (shared)	antiquities and monuments; electricity; industrial, commercial and agricultural development; scientific and technological research; statistics and surveys; university, technological and post-primary education; health and social welfare
State-Local (shared)	primary, adult and vocational education; health services; development of agriculture and non-mineral resources
Local Government	economic planning and development; cemeteries, burial grounds; homes for the destitute and infirm; markets; sewage and refuse disposal; roads, streets lighting, drains, other public facilities

**RETENTION PERIODS FOR SECURITY BOOKS AND DOCUMENTS
AND OTHER ACCOUNTING RECORDS**

Source: Federal Government Financial Regulation 935

Security books and documents and other accounting records shall be retained for the following periods after use (ie in the case of books or registers from the date of the last entry made therein):

Permanently:

- warrants issued by the Minister of Finance
- cash books (other than Revenue Collectors')
- principal and other journals
- principal and subsidiary ledgers
- personal emoluments records (index) sheets
- pensions registers
- loans registers
- investment registers
- register of safe and keys

For seven years:

- abstracts of revenue and expenditure
- revenue collectors' cash books
- original payment vouchers
- original receipt vouchers
- loans registers
- investment registers
- plant ledgers
- paper money registers
- stores ledgers and stock books

For two years:

- local purchase order books
- book copies of rail or other transport warrant

Cheque book counterfoils until after reconciliation.

Officers having in their custody any of the documents specified above may destroy them at the end of the prescribed periods after auditing or reconciliation.