

RECORDING GOVERNMENT REVENUE AND EXPENDITURE

Although the recording of government revenue and expenditure is based on the concept of double entry, the procedure of recording transactions in the government sector is different from the commercial enterprise.

In government sector, the theory of fund accounting is followed.

“A fund is an independent principle and of accounting entity with resources and obligations.”

Each government unit can be regarded as a fund and complete accounting records are maintained for each fund. E.g. ministry of finance, Planning and economic development has many departments and each of these departments can be regarded as a separate fund.

There are management (major) steps in government accounting and these include;

- i. Annual estimates
- ii. Presentation of the budget
- iii. Spending by ministries
- iv. Internal control
- v. Audit by the Auditor general
- vi. Public accounts committee

1. ANNUAL ESTIMATES

These estimates are prepared by various ministries and these are submitted to the treasury. These estimates include revenue and expenditure figures for the next year.

2. PRESENTATION OF THE BUDGET.

The minister of finance presents the budget for the next financial year before the parliament in the month of June every year. The budget contains the estimate of government revenue and expenditure. The various proposals of the budget are debated in parliament. After approval by the parliament, the budget is implemented.

3. SPENDING BY MINISTRIES.

Specific amounts are appropriated by the parliament to the different ministries. The government ministries can then spend the amounts appropriated to them. Appropriated amounts can be used by the ministries to perform their duties. The amounts appropriated to the ministry can be allocated for different purposes. The ministry can not spend amounts in each excess of their appropriations without the approval by parliament.

4. INTERNAL CONTROL

In each ministry, there is an internal control system. The purpose of this control is to ensure that the spending is according to the appropriations and for correct purposes.

5. AUDIT BY THE AUDITOR GENERAL (AG)

The auditor general is responsible to audit the books of accounts of the various Government departments. The main purpose of this audit is to ensure that all(s) appropriated have been spent for correct purposes. This report is presented to the government together with annual appropriation accounts.

6. **PUBLIC ACCOUNTS COMMITTEE (PAC)**

PAC consists of members of parliament. The AG presents his report about the audit of government accounts to this committee. This committee is deals with issues raised by the AG in his report. The report of this committee is placed before parliament and the treasury is responsible for implementing its recommendations.

7. **PAY MASTER GENERAL (B.O.U)**

This is the principal paying agent of the government and is considered as the banker for all government departments. All revenues of the government are paid into Ex-chequer account. It means the consolidated fund constitutes the credit side of the Ex-chequer account is kept at the B.O.U. The pay master general makes the payment on behalf of the Government.

MAJOR BOOKS USED.

- Revenue register
- Revenue abstract
- Revenue account
- Appropriation account
- Petty cash book
- Cash book
- Vote book
- Treasury single account

REVENUE REGISTER.

Each source of Revenue is maintained in a separate Revenue register. The duplicate copy of Bank Pay-in-slip is attached to duplicate copy of demand note and receipts are classified in the revenue registers by the Revenue Collector or any other person authorized by him or her.

FORMAT OF A REVENUE REGISTER

Revenue Register

Department/Section..... Date..... Folio.....
 Description of Revenue..... Account code.....

Revenue Due					Revenue Received					Am't Paid out/banked	Remarks:	
Date	Details	Payers	Am't for FY	Totd ue	Date	Rec no.	Arrears	Curre nt	Tot Am't rec'd		File No.	Ref

Names

Signature.....

Date

The revenue registers are recorded in duplicate. Both parts are signed by the Revenue collector.

Revenue Register

Department/Section...**works** Date...15.6.2020.....
 folio.....

Description of Revenue item...**SLAUGHTER FEES**..... Account
 code...**35**.....

Bal in arrear	Revenue Due					Revenue Received					Am't Paid out/banked	Arrears c/f	Remarks: File No. Ref
	Date	details	payers	Am't for FY	Tot due	Date	Rece no.	Arrears	Current	Tot Am't received			
58,000	15.8.20	Slau ghter fees	ABC butcher	60,000	118,000	15.8.20		58,000	42,000	100,000	100,000	18,000	
58,000				60,000	118,000			58,000	42,000	100,000	100,000	18,000	

Names

Signature.....

Date

REVENUE ABSTRACT

- A statement summarizing periodic transactions of a particular account.
- For example Revenue Abstract gives a summary of revenue for the period classified per programme, sub-programme and by account codes. Similar classification applies to expenditure abstract.
- Information posted to the abstract come from source documents. E.g. receipts for revenue and payment vouchers for expenditure.
- At the end of the month, the abstract is totaled up according to the classifications made and posted to relevant programmes, sub-programmes, and account codes in the general ledger.

Revenue Register is checked together with other attachments for arithmetical accuracy and endorsed to confirm their corrections. If there are any material financial errors, the Revenue collector is held responsible. The information in the revenue registers is classified and posted to the Revenue Abstract.

Format of Revenue abstract

REVENUE ABSTRACT											
Abstract of Revenue for the month of Aug 2020										Date	
Revenue source/programme code 500										Section	
Code										No.....	
Code		77		34		35		36		Total
Tot b/f	Vr	ugx	vr	Ugx	vr	ugx	vr	ugx	vr	Ugx	
Tot c/f											
Prepared by : Revenue Accountant Checked by : Chief Finance Officer											

-Revenue Assessment

Assume that the Assessments were made on July 1st July 2020, and received on 15th August 2020 were as follows:

Item	Payer	Purpose	Prog	Sub- Prog	Amount Rec'd Ugx.	Receipt No.	Balances b/f Ugx.	Assessed Ugx.
1.	D.Wanyana	Land premium	500	77	18,000	0001	50,000	50,000
2	J.Bbaale	Parking fees	500	34	210,000	0002	70,000	190,000
3	ABC Butchers	Slaughter fees	500	35	100,000	0003	58,000	60,000
	Total				328,000		178,000	300,000

Required: Enter the information in a Revenue Register, Abstract, Cash book using Cash and Accrual basis of accounting.

POSTING ABSTRACT INTO THE LEDGER.

LEDGER

DATE	PARTICULARS	Fol.	Debit	Credit	BALANCE
	D.WANYANA (LP 01)				
01-Jul	Bal.b/d		50,000		50,000
1/7	Assessment No.....	jv001	50,000		100,000
30/8	Receipt No 0001			18,000	82,000
	J.BBAALE (LP 02)				
1/7/	Bal b/d		70,000		70,000
1/7	Assessment No.....		190,000		260,000
30/8	Receipt No.0002			210,000	50,000
	ABC BUTCHER (LP 03)				
1/7	Bal b/d		58,000		
1/7	Assessment No....		60,000		118,000
30/8	Receipt N0 00003			100,000	18,000

RECONCILIATION OF REVENUE RECEIVABLE CONTROL A/C AND SUNDRY DEBTORS.

31/8	name	code	Dr	Cr
	Revenue receivable	31000	150,000	
	D. WANYANA	31000-1		82,000
	J. BBAALE	3100-2		50,000
	ABC BUTCHERS	3100-3		<u>18,000</u>
	TOTALS		<u>150,000</u>	<u>150,000</u>

THE REVENUE ACCOUNT

This shows the estimated and actual receipts in respect of a specific revenue unit. The significant differences between estimated and actual receipts are also explained by the Accounting officer in form of footnotes at the end of every financial year.

Example:

From the following information, prepare a statement of Revenue for the year ending 30th June 2020.

	Estimated Receipt	Actual Receipt
	UGX.	UGX
Renting building and Equipment	850,000	870,000
Fees for trading license	430,000	400,000
Fees for exporting license	740,000	780,000
Other receipts	235,000	210,000

The following additional details are made available

1. Balance on hand as at 30-6-2019 247,000
2. Balance on hand as at 30-06-2020. 160,000

SOLUTION

Statement of Revenue for year ending 30th/06/2020

Particulars	Estimated receipts	Actual receipts	Difference	
	Ugx	Ugx	Ugx	
Renting building and equipment	850,000	870,000	20,000	
Fees for trading license	430,000	400,000	(30,000)	
Fees for exporting license	740,000	780,000	40,000	
Other receipts	<u>235,000</u>	<u>210,000</u>	(25,000)	
	2,255,000	2,260,000	5,000	
		247,000		
		2,507,000		

APPROPRIATION ACCOUNT

The account shows the estimated expenditure, actual expenditure, amounts underspent and overspent for a particular year. The main purpose of this account is to analyse the differences between estimated and actual expenditures.

These differences are explained by the accounting officer in the form of foot notes . overspending or under spending is explained only if there is a significant difference between estimated and actual expenditure.

The estimated expenditure details relating to a certain ministry as at 30th June 2020 were as follows:

S/n	Details	Estimated (UGX.)	Actual (UGX)
1	Personnel enrollment	80,000	90,000
2	House allowance	15,000	13,000
3	Leave allowances	5,000	4,500
4.	Travelling expenses	22,000	23,000
5	Electricity /water	6,000	6,500
6	Purchases of plant and equipment	50,000	40,000
7	Appropriation in-aid (AIA)	15,000	12,000

Supplementary estimates authorized during the year were as follows:

Personnel enrollment shs. 8,000

Travelling expenses shs.(2,000)

Required; Prepare the Appropriation Account for the year ending 30th June 2020

Solution:

Appropriation Account for the year ending 30-06-2020

Particulars	Approved budget	Actual	Amount underspent	Amounts overspent
Personnel enrollments:				
Original	80,000			
Supplementary	<u>8,000</u>	90,000		2,000
	88,000			
House allowances	15,000	13,000	2,000	
Leave allowances	5,000	4,500	500	
Travelling allowance:				
Original	22,000			
Supplementary	<u>(2,000)</u>			
	20,000	23,000		3,000
Electricity & Water	6,000	6,500		500

Purchase of Plant & Equipment	50,000	40,000	10,000	
Total	184,000	177,000	12,500	5,500

Footnotes: Surplus Gross Estimate Over Expenditure Difference in AIA	shs. 7,000
NET SURPLUS to be surrendered to the exchequer	shs. <u>(3,000)</u>
	<u>4,000</u>

NB:

1. **Appropriation in Aid (AIA)** – These are particular classes of revenue which the Treasury authorizes an accounting officer to use in addition to the amount they got from the Consolidated fund (Exchequer), to meet expenditures. These are basically internally generated funds which are expected to be recorded in appropriations in Aid A/c.

2. **EXCHEQUER ACCOUNT**- This the Account that records the amounts authorized from the consolidated fund regarding specific vote and the amounts withdrawn from this account by the paymaster General (PMG).

3. PAYMASTER GENERAL OR CASH ACCOUNT

The account shows the withdrawal from the EXCHEQUER and the amounts paid during a particular year.

THE CASH BOOK

The cashbook comprises two major parts, the debit side for **Receipts** ; and the credit side for **Expenditure**. At the beginning of each financial year, the Cash-book (s) are opened with the previous year's balances of cash at hand or at bank. Each bank account is maintained in its own cashbook. The balance on each bank account shall be entered individually. Balances on different bank account (even if kept in the same bank) are not be added together. Overdrawn bank accounts shall not be offset against positive balances, even if both the positive and the overdrawn accounts are maintained in the same bank or relate to the same vote.

RECORDING THE CASH BOOK

Cash Receipt and Banking

- i. All amounts received, whether in the form of cash or cheques, are entered on the receipts side of the Cashbook ie Debited.
- ii. When cash is banked, the entry that removes cash from the Cash Account to bank account is entered in the credit side of the cash column. The reference is given as “C”, contra.
- iii. When the banking has been made, the entry to record the banking is entered on the debit side within the bank column. The reference is “C” contra.
- iv. Some monies may be deposited by the payer directly into the bank account to the credit of the public sector entity. On the production of the bank pay-in-slip(s), the payer will be issued with an acknowledgement receipt by the main cashier after confirming the credit on the account. Using the acknowledgement receipt issued and the bank pay-in-slip(s) the amount ie entered on the debit side of the bank column. The entry is cross-referenced like any other entry.
- v. Other monies may be received by direct credit to the bank account without raising a bank pay-in- slip. eg a bank may credit the account with interest received. In this case,

on checking the bank statement or obtaining credit advice from the bank an acknowledgement receipt is made as a basis of recording the amount into the cashbook, within the respective bank account column, and cross-referenced. The cash book should adjusted for interest, bank charges and other indirect charge or credits to the bank after the bank reconciliation.

- vi. **Cheque payments** – when a cheque is issued the cheque number is entered in the cashbook on the credit side in sequential order.

Example:

Assume the following transactions for the entity are posted to the Cashbook for Bank A/C 01-6756 maintained in Stanbic BANK.

Date	Receipt No.	Amount Ugx	Date	VR No.	Payee	Cheque	Amount
3/07/20	007	200,000	4.7.20	001	ABC Co.	0026	2,500,000
10/7/20	008	700,000	4.7.20	002	imprest	0027	500,000
14/7/20	009	500,000	5.7.20	003	CBS	0028	1,500,000
27/7/20	010	2,800,000	26.7.20	004	Juma	0029	8,000,000

Posting to cash book (amounts in thousands of ugx)

Date	part	Vr no.	folio No.	Cash	Bank	Date	Part.	Folio	Vr no.	Cheq No.	Cash	Bank
1.1	Bal b/f			Nil	Nil	4.7.20	ABC co		001	0026		2,500
3.7.20	Receipt	007			200							
10.7.20	Receipt	008			700	4.7.20	Imprest			0027		500
14.7.20	Receipt	009			500	5.7.20	CBS		003	0028		1,500
						26.7.0	Juma		004	0029		8,000
27.7.20	Receipt	010			2,800							
30.7.20	Bal c/f (OD)				8,300							
					12,500							12,500
						1.8.20	Bal b/f					8,300

THE VOTE BOOK

This is where the Department’s approved budget provisions are entered using a separate sheet for each item. Whenever local purchase orders, contract certificates and payment vouchers are raised, the concerned vote controller records such a commitment on the relevant vote. The purpose is to monitor and control the vote to ensure that it is not overspent. This is used by each fund in the government department and it is a book in which various accounts are opened. A vote book is like a ledger. In a vote book, a vote number of any particular department or ministry is always recorded or used. A vote book is not balanced because it is not an account.

Format of Vote Book

Programme:

Approved Estimate:.....

Item.....

Date	Ref	Payee details	Cash released	Commitments	Payments	Cummulative totals	Balance	Vote Controller's initials	Remarks

Example:

The approved expenditure for the extension of the Northern By-pass is Shs 100,000,000 for the whole project. The project is expected to take two years from 1 July 2017 to 2019. The transactions below took place in the first 6 months (1 July to 31 December 2017):

1 July: Ordered for iron bars and cement from you and company for Shs 25,000,000 (LPO 5213).

7 July: Paid Shs 3,000,000 for a lorry hire to transport cement (payment voucher 357).

10 August: Paid Tom and Company Shs 15,000,000 being payment for goods ordered (payment voucher 358).

15 August: Bought Timber from A,B and U Shs 5,000,000(Payment voucher 359).

20 September: Issued LPO 5214 to Patel and Sons Shs 20,000,000.

25 October: Paid Shs 7,000,000 as part payment to Patel and Sons (payment voucher 360).

30 October: It was realized that one of the Caterpillars got a problem which needed to be fixed for work to move smoothly, a re-allocation of Shs 50,000,000 was made to cater for the repair and replacements of the destroyed machines.

5 November: Paid Shs20,000,000 to Spear motors for the sparts (payments voucher 361)

20 December: Paid Shs 15,000,000 as salaries to their workers.

Required:

Complete the the vote book page from the following information relating to the ministry of works.

Programme: Extension of Northern By-pass**Sub-Programme:.....****Approved Estimate: 100,000,000****Re-allocation: 50,000,000**

Date	Ref	Payee details	Cash released	Commitments	Payments	Cummulative totals	Balance	Vote Controller's initials	Remarks
			SH'000	Sh'000	Sh'000	Shs'000			
1.7	LPO	You &co.		25,000		25,000	75,000	ak	This is a planned commitment
7.7.20	Pv 357	transporters	3,000		3,000	28,000	72,000	ak	paid
10.8.20	Pv 358	Tom and company	15,000		15,000	43,000	57,000	ak	pd
15. 8.20	Pv 359	A,B and U	5,000		5,000	48,000	52,000	ak	pd
20.9.20	LPO 5214	Patel and sons		20,000		68,000	32,000	ak	This is a planned commitment
25.10.20	PV 360	Patel and Sons	7,000	13,000	7,000	68,000	32,000	ak	pd
30.							82,000	ak	reallocation
5.11.20	Pv 361	Spear motors	20,000		20,000	88,000	62,000	ak	pd
20.12.20		Workers	15,000		15,000	103,000	47,000	ak	pd

EXERCISE

The Statutory Instruments 2007 no.25 is the local governments (financial and Accounting) regulations,2007. This instrument provides for accounting in the local government sector and puts emphasis on vote control and how it can be revised when there has been insufficient provision of funds (24 and 25). Given the above; -

- Outline the advantages of using a vote book **3 marks**
- Explain how any vote book can be revised through virement, re-allocation and supplementary budgets **6 marks**
- Distinguish between a cash receipt and a cash voucher **02 marks**
- The following information was submitted by the Sub-accountant of Lumino Sub-county for the month ended April 30th 2018**

1-4-2018. The Sub-Accountant collected the second quarter allocation of UGX 3,000,000 in respect of Education through VOTE 013. Head of Expenditure is 221 while the sub-head is 011

3-4-2018. Paid UGX.150,000 for the purchase of loose cover books and Hard cover Notebooks on P.V.No 3001 from Aristoc Bookshop.

8-4-2018. Paid UGX.175,000 to Aristoc Bookshop for the supply of stencils and typing sheets on P.V.No 3002.

16-4-2018. Paid UGX.200,000 to Uganda Bookshop for biros, pencils, rulers, erasers and mathematical instrument sets on P.V.No 3003.

18-4-2018. Issued an LPO No.4001 to the tune of UGX 400,000 to Aristoc Bookshop for the supply of carbon papers, staple pins, perforators and glue.

19-4-2018. Issued an LPO No.4002 to Maryam Ventures for the supply of computer accessories to the tune of UGX.370,000.

22-4-2018. Aristoc Books supplied the requested items worth UGX.300,000 as per their invoice and P.V.No.3004 was raised for payment.

23-4-2018. Paid the sum of UGX.370,000 to Maryam Ventures for the supply of computer accessories on P.V.No 3006.

24-4-2018. Paid the sum of UGX.300,000 on P.V.No 3007 to Jaiye & Sons for the supply of Flat files and Arch files.

27-4-2018. Issued an LPO No.4003 to Mukono Bookshop for the supply of Fine Art materials worth UGX 250,000.

29-4-2018. Paid the sum of UGX.250,000 to Mukono Bookshop for the items supplied on P.V.No.3008.

Required:

You are required to post the transactions in a Vote Book. **14 Marks**

Analysis cash book:

this is like a petty cash book and is usually used for the purpose of re-enforcement to the holder of a standing imprest. It shows the amount authorized as standing imprest. The payment made under various types of items and balance at hand. In other wards, the analysis cash book analysis the amount spent from the standing imprest which is due for re-enforcement. **“Imprest system-** is where the cashier gives the petty cashier enough cash to meet his needs for the period”. At the end of the period, the cashier finds out the amount spent. The petty cashier will produce the petty cash vouchers as evidence of the amount spent. The petty cash in hand should than be equal to the original to the amount with which the period was stated.

TREASURY SINGLE ACCOUNT (TSA)

The TSA is a recently introduced cash control and management tool. It is a unified structure of government bank accounts through which government transacts all its receipts and payments with a consolidated view of its cash resources.

The primary objective of the TSA is to ensure management of government aggregate cash balances in order to:

- Minimize transaction costs during budget execution.
- Ensure efficient control and monitoring of funds released to various government agencies and
- Improve coordination between fiscal and monetary policy implementation.

The Government adapted a decentralized TSA -Zero balanced accounts model in the short to medium term. The model aggregates all government cash balances into a set of linked bank accounts. In future, Government plans to go to a centralized TSA with a single bank account into which all GOU (Public) revenues will flow and from which all payments will be made.

The GOU TSA framework is being implemented in a phased manner initially covering expenditure and Revenue bank accounts for central government votes.

The initial phase covered central government bank accounts managed through the IFMS maintained at the Bank of Uganda (BOU) and upcountry referral Hospitals connected unto the IFMS. It excluded local government accounts, foreign mission accounts, accounts of upcountry based agencies and accounts of state-owned trading entities.

The model operates two types of TSA account-TSA Holding Account and TSA Sub Account (TSSA).

TSA Holding Account

This account is operated by the Accountant General at Bank of Uganda. The account serves two main purposes:

- It receives funds from the Consolidated Fund according to approved cash limits and accounting warrants on a need basis (quarterly, special release or for supplementary funding).
- It is used to transfer funds to the TSA Sub Account (TSSA) to fund payments for expenditures by the votes.

The total of the available unpaid amount on each vote's accounting warrant equals the TSA holding account pool balance as each vote has an equivalent amount relating to its unpaid out amount on its accounting warrant.

TSA Sub Account (TSSA)

TSA Sub Account (TSSA) replaced the Treasury General Account (TGA). The TSSA is funded from the TSA Holding Account instantly based on aggregated totals of approved invoices submitted for payment. The remaining account balances on the TSSA equivalent to unpaid invoices is swept back to the TSA holding Account on a daily basis leaving a zero balance.

It is important to note that under this decentralized model, each vote operates a TSSA equivalent to the former TGA.

EFT Cash account

This is a disbursing account for cash withdrawals at BOU. The account is funded from the TSSA by votes preparing cash invoices for withdrawal of cash at BOU which are then processed on the EFT cash account. Once that is done the votes then submit cash withdrawal payment requests with all the necessary approvals to BOU to collect the cash. The unutilized cash is swept daily to the TSSA Account. Sweeping means that any balance remaining on the TSSA at the end of the day is swept back to the TSA holding account.