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Ondo State Budget Office,
Ministry of Economic Planning and
Budget,
State Secretariat Complex,
Alagbaka, Akure.

27th March, 2025.

CIRCULAR LETTER TO:

The Chief of Staff to the Governor,
The Secretary to the State Government,
The Head of Service,
All Chairmen of Local Government Councils,
The Permanent Secretary, Ministry of local
Government and Chieftaincy Affairs,
The Permanent Secretary, Ondo State Local
Government Service Commission,
All Heads of Local Government Administration,
The Administrative Secretary, Economic Planning
and Coordinating Office,

**GUIDELINES FOR BUDGET PREPARATION BY 18 LOCAL GOVERNMENT
AREAS OF ONDO STATE**

1.0 Introduction

1.1 The Nigerian federation has implemented significant reforms in its budgetary process across the three tiers of government in recent years. These changes are designed to make the budget preparation process more realistic and aligned with international best practices. This led to the adoption of a unified National Chart of Accounts (NCoA) for the federation. The NCoA, which has been adopted at the federal level for approximately 12 years, was fully domesticated by all 36 States in Nigeria in 2021. However, Ondo State began this domestication process nearly a decade ago.

1.2 In the same vein, the federation also adopted the International Public Sector Accounting Standards (IPSAS) for the preparation and presentation of the

Consolidated Financial Statements of all public entities across the federation. The shift towards IPSAS compliance aims to enhance transparency, accountability, and fiscal discipline in the polity. This implies that the entire financial management process of public entities must fully be in compliance with both the IPSAS standards and the adopted NCoA.

1.3 Additionally, **the Governor of Ondo State has directed, as a matter of utmost priority, the State to key into the federal government's Nigeria Human Capital Opportunities for Prosperity and Equity (HOPE-Governance) programme.** The adoption of IPSAS and the National Chart of Accounts at both the State and Local Government levels is a key requirement for the State to qualify for this programme. In other to comply with the directive of Mr Governor, it is imperative for all Local Governments in the State to adopt these standards so as to ensure that the State qualifies for the grants available under the HOPE-Governance programme.

1.4 Having regard to the foregoing, it is, therefore, essential for all Local Governments in Ondo State to update and make their budgeting practices to align with the IPSAS framework and the domesticated National Chart of Accounts. This change is essential for ensuring that the financial management practices at the LGA level aligns with global best practices and fosters the sustainable growth of Ondo State. It is against this backdrop that this guideline has been developed to support all LGAs in the State in preparing their subsequent budgets as well as the annual Consolidated Financial Statements, starting with the 2026 budget, in full compliance with these standards.

2.0 Objectives of the Guideline

2.1 This guideline outlines the necessary requirements and steps for the successful adoption of the new budgeting framework. It is critical that each Local Government Area takes prompt and concerted action to ensure full compliance with this guideline by the 2026 fiscal year. The specific objectives include:

- i. To provide clear and actionable steps for LGAs in Ondo State to prepare their 2026 budgets in compliance with the domesticated National Chart of Accounts (NCoA).

- ii. To ensure that all LGAs transition smoothly to the International Public Sector Accounting Standards (IPSAS).
- iii. To emphasize the importance of fiscal discipline, accountability, and transparency in the budgeting process, in this instance, in the third tier of government.

3.0 Key Requirements

3.1. Adoption of National Chart of Accounts (NCoA)

3.1.1 All LGAs must ensure the adoption of the National Chart of Accounts as domesticated by Ondo State. This is a crucial step towards standardizing the budgeting process across all levels of government, ensuring that financial transactions are recorded consistently and transparently.

3.1.2 Action Steps:

- i. Familiarize yourself with the NCoA documentation.
- ii. Integrate the NCoA codes into your financial reporting systems.
- iii. Ensure all staff involved in budget preparation understand and are trained on the NCoA structure.

3.1.3 The NCoA segments include various categories, such as administrative, economic, functional, programme, fund, and geo-code, and all these classifications should be accurately reflected in the 2026 budget.

3.2.0. Compliance with International Public Sector Accounting Standards (IPSAS)

3.2.1 IPSAS is a set of accounting standards developed for the public sector to improve the quality of financial reporting. Adopting IPSAS ensures that the financial statements produced by the LGAs are consistent with international best practices, improving both transparency and accountability.

3.2.2 Action Steps:

- i. Ensure that the budgeting process follows IPSAS guidelines, including accrual accounting where applicable.

- ii. Align financial reporting to meet IPSAS standards in areas such as revenue recognition, expense classification, and financial statement presentation.
- iii. Train relevant staff on the IPSAS framework.

3.3.0 Full IPSAS Compliance by 2026

3.3.1 The 2026 budget must be fully compliant with IPSAS. This goal must be a top priority for all LGAs, and there should be active and urgent efforts to ensure all necessary systems and processes are put in place well in advance.

3.3.2 Action Steps:

- i. Review and update current accounting and financial management practices to align with IPSAS.
- ii. Develop a phased plan for achieving full IPSAS compliance, focusing on key aspects such as revenue, expenditure, asset management and liabilities recognition.
- iii. Collaborate with external experts and the State Budget Office for guidance on achieving full compliance.

3.4.0 Segmentation of the 2026 Budget

3.4.1 The 2026 budget must be prepared based on the following key segments:

- i. **Administrative Segment:** Reflects the structure and organization of the local government's departments.
- ii. **Economic Segment:** The economic segment deals with the transaction that is being performed which could be a Revenue, Expenditure, Asset acquisition or Liability.
- iii. **Functional Segment:** Focuses on the functions of government, detailing the purposes of the budgeted items and their expected impacts on citizens.
- iv. **Programme Segment:** Reflects specific programmes a project of government being funded is addressing. Twenty-one of these have been developed in the NCoA.

- v. **Fund Segment:** Specifies the different funds sources used by the LGA, ensuring proper allocation and tracking of financial resources.
- vi. **Geo Code Segment:** Ensures that financial resources are correctly aligned with geographic areas, showing names of the wards, towns and villages where projects are to be executed.

3.4.2 Each segment is critical for ensuring a detailed and comprehensive budget, which is integral to transparency and accountability.

3.5.0 Implementation Timeline

3.5.1 The implementation of the National Chart of Accounts and IPSAS compliance is a priority, and adherence to the following timeline is essential for a smooth transition.

3.5.2 Immediate Action Required

- i. **Start now:** Begin familiarizing yourself with the NCoA and IPSAS frameworks. Training and workshops should be organized for all key personnel involved in the budget preparation process.
- ii. **System Updates:** Begin to make the necessary updates to accounting software and financial reporting systems to accommodate the new structure.

4.0 2026 Budget Preparation

- i. **Complete Compliance:** The 2026 budget must reflect full compliance with both the NCoA and IPSAS.
- ii. **Ongoing Support:** Regular consultations with the State Budget Office will be essential throughout this process to ensure compliance and resolve any challenges faced by the LGAs.

5.0 Support and Guidance

5.1 The State Government is committed to providing all necessary support to facilitate this transition. Key areas of support will include:

- i. **Training and Capacity Building:** The State Budget Office will organize training sessions for LGA budget staff on IPSAS and the NCoA.

- ii. **Technical Assistance:** Expert advisors will be available to assist with specific issues related to the adoption of IPSAS and the National Chart of Accounts. This will also include provision of necessary templates (supplied to States by the NGF secretariat) for the preparation and consolidation of NCoA compliant budget.
- iii. **Monitoring and Evaluation:** Continuous monitoring will ensure that all LGAs are progressing as planned and meeting the set timelines.

5.2 The State Government will also establish a dedicated helpdesk and advisory service to provide ongoing support during the budget transition process. **To this end, all LGAs are to forward their 2025 budget documents both in hard and soft copies to the undersigned for review on or before Thursday 17th April 2025** to facilitate the design of tailor-made support for each LGA.

6.0 Conclusion

6.1 The adoption of the National Chart of Accounts and full compliance with IPSAS are significant steps in the modernization of public financial management at the local government level. These changes will not only improve transparency and accountability but will also foster a more efficient allocation of resources as well as ensure that public funds are used effectively and efficiently to drive the socio-economic development of Ondo State.

6.2 We are confident that by working together, we can achieve a fully compliant, transparent, and accountable budgeting system that will serve as a model for other States in Nigeria. We count on your full cooperation and commitment to this important initiative.

6.3 Thank you.



S.R. AWORERE
Administrative Secretary
Ondo State Budget Office