CONTROLLING EXPENDITURE IN THE PUBLIC SECTOR THROUGH BUDGETING

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ABSTRACTS
The study is intended to investigate whether or not budgeting is an effective tool for expenditure control in the public sector in Nigeria. Since wants are plenty while the resources to satisfy those wants are limited, every organization or public sector tend to find means by which it can get what it want with the limited resources at its disposal. Therefore, the study has one broad objective and three specific objective which are to examine the control of expenditure and implementation of budget in public sectors, to highlight the effectiveness of budgeting as a tools for expenditure control, to identify problem areas in the budgeting system and to form a basis for policy formulation. Data were collected mainly from one sources i.e secondary sources. The secondary data which was obtained from internet/web, course papers on the subject matters, magazine, Journals, Newspapers and published materials. From the research above, the study indicated that budgeting is a very effective tool for controlling expenditure in the public sector and other sphere of business.

Key Words: Budgeting, Control, Expenditure, And Implementetation

Introduction
Background of the Study
The need for planning and budgeting cannot be over emphasized in an environment bedeviled by socio-economic as well as political instability. The above assertion is true for both the private and the public sector of the economy who seek maximization of their resources in pursuance of either economic objective or social objectives or a combination of both.
Efficient planning and budgeting in itself will not perform the magic of increasing growth, stability and self-sustenance if there is no proper control of such plans as documented in the budget. One of the prime responsibilities of management is the development of new techniques which will reduce the element of uncertainty in making organization decision of one of such is budgeting. It has had wide application even before the advent of large scale business.
Though, there still exists in business a great talk of understanding of how budgets are and how they can best be utilized to serve management. As the process of managing increases in complexity and as the factors of competition increases the risks in business, budgeting should be made to play an increasingly important role in the organization.
Budgets are formal quantitative statements of the resources allocating for carrying out planned activities of an organization over given period of time. They are the most widely
used means for planning and controlling activities at every level of an organization. A
budget indicates the expenditure and revenue planned for some future date. The planned
figures become the standard by which future performance is measured.
Adeniyi, A. Adeniji. (2008) A budget is a future plan of action formulated by
management for the whole organization or a section thereof, which is expressed in
monetary terms. A budget is therefore, a detailed commitment to plan of action. In this
respect it differs from a: forecast: which is merely to occur if no positive planning action
are taken.
The best laid down plans may fail either because the persons involved in executing them
fail or there is an occurrence of unfavorable events which are external to the people and

Literature Review
Concept of Public Expenditure
Heald and Mc Lead (2002) said, “Public expenditure is a simple concept which denotes
the dispensation by the state “, on non market criteria of economic recourses that it has
acquired from firms and households. However, the detailed is highly complex because the
modern state is such a difficult concept to analyze. Consequently, care is always required
in the interpretation of public expenditure figures especially when it become heated
political debate.
According to Heald and Mcleod that, the reported sized of public expenditure can also be
affected by the treatment of fees and charges. Public expenditure can be expressed on a
gross or net basis, where charges are very small relative to total expenditure. For
example, in the National Health Service (N H S), the effect is minimal. However, where
charges play a substantial role, there is a major difference between gross and net
expenditure.

The Concept of Budget
Budgets mean different things to different people. Accountants view them from the
preparation aspect, managers from implementation aspect and behavioral scientists from
the human implication aspect. However all those view point have to be merged in order
to achieve the desired objectives.
According to Adams (2006) a budget could be defined as a future plan for the whole
organization or a section thereof. It can also be seen as a plan quantified in monetary
terms, prepared and approved prior to a defined period of time usually showing planned
incomes to be generated and/or expenditure to be incurred in that period and the capital to
be employed to a giving objectives (Lucey 2007).
According to Simeon,(1985), Budget is a quantitative statement of plan for future period
usually twelve(12)calendar months it gives expression to the objectives of the business
for the period and the policy for achieving these objective.
All these definitions are emphasizing the need for good planning and control of financial
and non- financial activities by all the three components of an economy. Since resources
are scares there is the need for proper and adequate planning and control in order to achieve maximum objectives.

**Types of Budgets**

Budgets may take different forms depending on the situation. Williamson (2006) classified budgets into 3 major classes.

(a) **Time perspective** - This relates to the time period for which the budget was prepared and includes.

(i) Short – Term Budget – This relates to current conditions and it usually covers a period of one year. They are in turn broken down into quarterly, monthly, fortnightly or weekly budgets for control purposes.

(ii) Medium-Term Budget- This could relate to any financial or non financial budgets that may cover the period of between one to five years with a period of thirteen (13) months as the floor and a period of fifty nine months as the ceiling.

(iii) Long – Term Budget- This cover a period of between three to ten years. It considers matters such as capital, assets purchase and long term finance between debt and equity.

(b) **Quantitative perspective** – This is based on the monetary value involved.

(i) Surplus Budget – This is when the total estimated revenue is greater than the total estimated expenditure. In this type of budget, not all estimated revenue is proposed to be spent in that year. That is there will be reserve.

(ii) Deficit Budget- This is direct opposite of Surplus Budget, and it is when the government’s total proposed expenditure for a period of time is more than the total estimated revenue.

(iii) Balanced Budget –This is when the total estimated revenue is equal to the proposed expenditure. This means that nothing will be left as reserved from the money collected in form of revenue.

(C) **Activity perspective** -This depends on the activities involved in that budgets. It includes, operating budgets, financial budgets and master budgets. It should however be noted that the quantitative perspective is more popular in the public sector.

**Importance of Budget**

In all government units, the executive arm prepares the budget and submits same to the legislative arm for review, modifications and approval. The approved budget serves as a basis for the activities of those government units for the fiscal period under focus. According to Halidu, (2006) there are four main purposes which a government budget serves.
(i) A Budget is an economic and financial document. It highlights government policies which are designed to promote economic growth, full employment and enhance the quality of life of the citizens.

(ii) It is used by the citizens and the international community to appraise the performance of the government.

(iii) It is used as a tool to curb inflation and deflation and also as a useful guide for the allocation of financial resources.

(iv) Through the legislature, the executive arms use the budget as a means of accountability for the funds earlier entrusted and appropriations newly approved.

(v) The Budget stand for the request of the executive arm of government for the legislature to collect and disburse funds.

**Uses of Budget**

According to Abdullahi (2009) Budgets are used in different ways which assist in achieving economic growth and economic development in any country. It is used in the following ways.

(i) Communication - Budgets helps government in communicating horizontally and vertically. When budgets are being prepared, individuals, group’s communities and associations will inform government about their areas of interests. This is upward communications. When the Budget is approved, government reads it to the members of the public and the published it the news papers. This is what refers to downwards communication.

(ii) Motivation - A budget is a target to be achieved; government motivates the staff through their welfare, promotions and improved condition of service for assisting in the full and successful implementation of the budget.

(iii) Planning - Budgets are used to plan for all government activities for the purpose of achieving economic development. Budgets are plans to which monetary values are assigned of what are to be achieved in a determinable future time for a period of one year.

(iv) Budgets is used for standard for measurement of performance - since a budget is a target, it is a measure of performance. What is achieved is recorded and compared with the target of performance set. The process of implementation draws management attention to problematic areas.

(v) Evaluation of Economic and social policy - Budgets are used to solve the social problems of inflation and unemployment. The inflation and unemployment are inversely related i.e. when try to reduce unemployment, inflation will increase, therefore, budget is the only technique to be use in other to have accurate improvement in a economy entirely.

(vi) Cost Reduction Techniques Project Appraisal- Evaluation of operations and procedures may result in cost saving. This is because, the budgets is prepared base on the available resources and immediate need of the general public.

**Methods ofPreparing Budgets by Government in Nigeria.**
According to Hassan (2011), the budgeting approach used by government can be broken down into the following.

(i) Traditional, Line items or incremental Budgeting.
(ii) Zero Base Budgeting Technique (ZBBT).
(iii) Planning, Programming Budgeting System (PPBS).
(iv) Performance Budgeting.

(i) Traditional, Line items or incremental Budgeting.- This involves picking previous year’s figures and adding a percentage to arrive at the current year’s budget. The percentage added is based essentially on three factors, i.e. Trend of economic event, Inflation and available funds.

(ii) Zero Based Budgeting Technique (ZBBT) - This requires that every item of expenditure be justified as if the particular activity or programmed is taking off for the first time. It is the preparation of operating budget from a zero base of expenditure cost. In fact, under this technique resources are not necessarily allocated in accordance with the previously patterns each items of expenditure proposed has to be annually re-justified.

(iii) Planning, Programming Budgeting System (PPBS) - This is primarily a system associated with cooperate management which identifies alternative policies, presents the implementations of their adoption and provides for the efficient control of those policies chosen. The principal features of planning, programming and budgeting system are that it relates to objectives and outputs as it emphasizes the choice.

(iv) Performance Budgeting.- This can be defined as a technique used for presenting public expenditure in form of functions or project to be undertaken, highlighting the cost involvements. The anticipated cost is compared with the expected income. The focus of the technique is on results or output achieved rather than how much has been expanded.

Budgetary Control
Essentially budgeting in itself is a planning process. It is a process involving the selection of objectives and their means of attainment. It includes a delineation of goals and the choice of a decision model for selecting means of achieving them. Thereafter the issue of control becomes the next agenda for budgeting to be the useful management tool it is reputed to be.

Control
Control as defined by professional associates LTD (2001). Control is the implementation of the approved decision model and the used of feedback so that objective is optionally obtained. It is concerned with the successful implementation of a course of action as predetermined by and decision model. It is also concerned with the feedback that might change the future plans and possibility change the decision model itself or change the prediction method that provides inputs to the decision
model. With the forgoing at the back of our minds control aspect of budgeting can be as outline below.

Upon the approval of the master budget, sub-units’ budgets are extracted and passed down to various sub-units or area offices, Training centre’s, Department in the case of public sectors and Local Government.

**The Need for Budgetary Control**

According to C. Ola (1982)pg 26. States that budgetary control is the establishments of a policy and the continuous comparison of actual with budgeted results either to seine by industrial actions, the objectives of that policy is to provide a basis for it revisions.

Be it institution, organization or business enterprises have realized during past years, the importance or need of budgetary control. Management of any organization or institution has come to regain budgetary control as indispensable tools in the measurement of their performance. The need of budgetary control can be seen as follows.

- It obliges management to make an early study to it problems and instilling into the organization, the habit of careful study before making decision.
- Budgetary control involved forecasting. Management is forced to examined critically every factors likely to have an impact on the achievement of planned objectives and to ensure that necessary precautionary measure are taken in advance.

**Challenges of Budget Implementation in the Public Sector**

According to Adams (2006) the key factors which militate against efficient and effective implementation of the public sector are as follows.

(i) Human Element – Top Government official view budgeting as restraining and challenging. They tend to develop a lot of apathy towards its adoption and implementation. The lack of probity and accountability of some operative effect successful budgeting.

(ii) Uncertainties Underlying Data inputs.- there is a lot of uncertainty in the data used for the budget preparation. The projections in revenue accruing from oil may not be forthcoming in view of the vagaries in the world market. Lack of efficient data base also impedes reliable forecasts.

(iii) The type of project for which the budget is prepared.- the success of a budget depends on the type of project to which it relates. Some project is popular while others are not. Those which are not popular may face stiff implementation.

(iv) The problem of inflation. - Inflation tends to reduce the purchasing power of money. When the value of money is falling, budget implementation may run into problems. The revenue available will not be able to cover the expenditure.

(v) Political, Social and Cultural Elements.- Each geopolitical zone has its own cultural beliefs and taboos which may take time to change. Introducing
innovation may be met with stiff opposition. For example, a section of the country may not be willing to provide land for development purpose. Likewise where there is political instability, budget implementation is at risk.

(vi) Changing Government policies.- Government policy always have either positive or negative effects on the implementation on the national budgets. For effective budget implementation, Government policies have to be harmonized and consistent. Frequent changes of government policies affect budget implementation.

(vii) Corruption.- Corrupt Government officials also embezzle funds meant for projects and divert them for personal use by themselves and their families.

According to Lamido (2011) in his press conference, said that 25% of the National Budget is spent on members of the national assembly. Similarly, a large chunk of the national budget is spent on recurrent expenditure rather than capital expenditure (Okonjo Iweala, 2013).

Appraisal of Budgets in Nigeria

Nigeria budget is still facing a lot of imperfections ranging from the processing up to the implementation of the budget. The constitution itself has some flaws as it gives the national assembly the authority to determine government expenditure without same authority for revenue and financing plan.

There is also the problem of dependency on single products as a major source of revenue to the country and neglect of other sources, such as Agriculture, Industries, Individual Tax. etc. In this case, if there is a drop in revenue due to a decline in production as a result of vandalism, or a fall in the world oil demand as we are experiencing now, the economy will be affected greatly.

Similarly, the budget performance reports do not cover the entire budget dealing with only the capital budget which is less than 30% of the budget expenditure. Also consolidated government statement is prepared annually.

There also a cases of unreported government operations. For instance, fiscal reports do not include details of their revenues and expenditures not even as annexes, similarly financial statements do not include details of income and expenditure on donor funded projects.

Another cankered worm disease that affects our nation budgets is corruption, corruption has also eaten deep into the fabric of the society as funds meant for projects are diverted by government officials and their cronies for their own personal used. Corruption is the key to all destruction in all sectors of the government that brought us to where we are today.

Finally, there is lack of public office holder to be strictly adhered to the rules and regulation guiding the budget plan and implementation.

Conclusion

The research work has indicated that, Budgeting is a very effective tools for expenditure control in both the public sector and private organization, for the case of this study, quite
numbers of problem were revealed which may involved over expenditure as one of the greatest factors that lead to non-implementation of budget according to plan. However, in Nigeria budgets tend to be hampered by a lot of problems, they are good on paper but when it come to the issue of implementation there are always problems. These problems range from those between the legislative arm of government and the executive arm which causes delay in the passage of the appropriation Act into law. In addition, the late release of funds also causes problems in the implementation of projects which would have improved the lives of the societies. The overdependence on oil as the major sources of revenue to the government also affects the National Budget. Anything that affects crude oil production and sales such as militant attacks on oil installation or a reduction in the prices of crude oil in the World market causes a lot of problems to the nation plan. One of the greatest problem revealed in the study was lack of properly monitoring of the projects that was contracted out which may result to lack of execution of those projects and deviations from the original plan of the budget. Therefore, for any country to develop it must pay attention to it budget and it should be plan in such a way that, it will serve the purpose of National Development need and priorities. A budget should not be observed as just a mere custom that is done every year and abandoned afterwards.

**Recommendations**

From the research finding, the researcher wishes to make the following recommendation. The Federal Government should have a continuous policy of development as it was observed from the finding that frequent policy reversal tend to hamper efficient budget implementation, and as a result, it lead to negative impact on economic development and economic growth. Also there should be a political will to fight that concern warm disease, i.e corruption as the main reason for continuous problems in the implementation of budgets in Nigeria, these is because most of implementation problem is traceable to corruption cases. There should be a time frame for the passage of the appropriation Act into law. As much as possible the legislative and the executive arm of government should ensure that they have a harmonious working relationship instead of delaying the passage of the Act due to available disagreements. Federal Government and the state level should try to diversify the economy and find other sustainable sources of revenue apart from oil, e.g. area like Industries, Agriculture, solid minerals e.t.c. This will reduce the problems associated with a fall in oil prices in the international market or a fall in oil production in the country. There should also be a proper control of the budget in order to avoid having continuous cases of budget deficit which are incurred as a result of unnecessary extra – budgetary spending. Similarly, budget performance reports have to be produced timely otherwise inefficiencies in previous budgets will continuously be carried forward to subsequent budgets.
Finally, to make the budget more effective there should be a proper balance or alignment between resources allocation with economic development and economic growth as the main priorities.

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