Impact of Budgeting and Budgetary Control in Tertiary Institutions (A Case Study of Edo University, Iyamho, Edo State)

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Abstract
The purpose of this research work is to make inquiry and analysis of the relation between control and effective management in a contemporary higher institution. This research was written with a practical orientation in other to facilitate its relevance, alternatively. The research work therefore focuses on the role and importance of effective budgeting and budgetary control on tertiary institution in Nigeria. The purpose was to further analysis the problem that lies on the initial point of institution of the area concern, Edo university, Iyamho, Benin City. Thus, the need for accurate presentation and analysis of data that would enhance effective management control of finance become important for the smooth running of the institution. However, a number of theoretical convention are much reliance on the techniques as a substituted of good management. The internal lags and delays in the system is another problem. Necessary commendations were the provisions of a budget manual should not be left out as the content is of the paramount importance to the budget preparation for budget preparation stages. The reliance of government director should be a secondary guild and a sole institution and information for the preparation for budget in the institution. A budget should never be a straight jacket, given no flexible to executives as budget set long before the actual event and circumstance will alter in the implementation. The conclusion point to
**Introduction**

Organizations are of different kinds whether profit oriented or non-profit oriented need to plan for their future activities. The institution or higher learning cannot be nearly excluded in this issue. The planning aspect is very essential in the course of undertaking a venture like running a higher institution. According to Lucey (1988) “The full budgeting process is comprises of budgeting control and budgeting planning”. Budgeting and budgeting control and management in their function of planning controlling and decision making. A budgeting plan or target in the form of a quantitative statement for specified time span (period). The budget for a future time span attempt to look over the hill into future period of time and how it intends to get there. Budget attempts to look at tomorrow’s business world (in a short firm and management is forced to think about tomorrow opportunities)

In management accounting Lucey (1988) retaliated that “short term tactical planning or budgeting planning is the process of preparing detailed short term (usually a year)” plans for the functions, activities and development of the organization thus, collecting this long year co-operate plan into action. According to Lambe, Lawal and Okoli (2015), budgeting is a key policy instrument for public management and management of firm; it is a familiar activity to many as it is practiced in our private lives as well as in businesses, government and voluntary groups. The Chartered Institute of Management Accountants (CIMA) (2000) sees budget as a financial or qualitative statement prepared and approved prior to a defined period of time for the purpose of attaining a specified objective. Egbunike (2014) believes that budget is a comprehensive and coordinated plan expressed in financial terms for the operations of an enterprise for some specific period in the future. Lucey (2003) defined a budget as a quantitative expression of a plan of action prepared for an organization as a whole in order for them to carry out
certain functions such as sales and production or for financial resources items such as cash, capital expenditure, man-power purchase and others. Budgetary control as noted by the Institute of Cost and Management Accountants (1998) is the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparisons of actual with budgeted outcomes, either to secure by individual action, the objectives of that policy, or to provide a basis for its revision. In the same vein, Batty (1982) sees budgetary control as a system which utilizes budget as a means of planning and controlling all aspects of the organization. The philosophy underlying budget and budgetary control therefore is that they serve as indicators of costs and revenues linked to the daily operational activities of project managers, a means of providing information and supporting management decisions throughout the year and monitoring and controlling the organization, particularly in analyzing the differences between the budgeted and actual. Consequently, budgeting and budgetary control are needed for evaluating the performance of an organization. Budgeting is a house hold name in every organization; it touches the very heart of management. “Because the success rest largely on the correctness of its assumption and the support it received from the subordinate for serious moral question”. The budgetary process is an integral part of both planning and control activities where as the full process is much under and were positive than this. It is about making plan for the future, implementing these plans and monitoring its activities to see whether they conform to these plans. Omolehinwa (2002)

**Statement of the Research Problem**
This research paper among others was under taken to examine the budgeting and budgetary control process. These problems of budgeting cannot be over emphasis, must budgets in Nigeria have been planned and implemented under military rulerships. Therefore, many problems associated with this. In the first place, such budgets do not benefit from a democratic process of policy making. Choice may be based on the values and sentiment of the ruling military actors. A second problem which is associated with the first is that under the military the instruments available for pressuring budget discipline are subject to sentiments of the military rulers. Another problem that befalls on budgeting in Nigeria is that the role the budget is supposed to play to ensure the success of development plans is usually neglected in Nigeria. In the first place all our
national development plans have been abandoned at one stage or the other. So, most of our budget have been produced when there are no development plans being implemented. Frequent change in fiscal policies and corruption are others problem with budgeting.

**Operational Definition of Terms**
In the course of this project work, some terms are used they are stated below:

**Budget:** as a plan in an organization expressed in monetary terms and subject to the constraints imposed by the participants and the environments, indicating how the available resources of the organization may be utilized in order to achieve whatever the objectives of the organization.

**Budget Committee**
These are group of trained personnel whose task is to coordinate and review the budget programme, establish procures and time able.

**Operating Budget**
This is the budget that lay down the planning requirement for the day running of an enterprise over a normal circle of operational area of an undertaking.

**Cash Budget**
These are budget that shows firm project cash inflow and output over some specific period of time.

**Master Budget**
This is a budget that summarized all functional budgets. That is budgeted profit and loss account.

**Review of Related Literature**
In this paper, the review of related literature encompassed the conceptual issues and theoretical framework.

**Conceptual Issues**

a. **The Concept of Budget and Characteristics**
   According to Brown and Howard (2002), it is a predetermined statement of management policy during a given period which provides a standard for comparison with results actually
achieved. Also, Buyers and Holmes (1984) defined budget as a financial and/or quantitative statement prepared and approved prior to be pursued during that period for the purpose of attaining of a given objective. To Cope (1994), it is a comprehensive plan expressed in financial terms by which an operating programme is effective for a given period of time (usually one year) including estimates of the services, activities and projects comprising the programme, resultant expenditure requirement and the resources usable for their support. Laynetwor (2004) posits that budgeting is the only comprehensive approach to managing an organization and if utilized with sophistication and good judgment, the objectives of the organizations can be achieved. Budget recognizes fully, the dominant role of managers and provides a framework for implementing the fundamental aspects of scientific management as management by objectives (MBO), effective communication, participative management, dynamic control, continuous feedback, responsibility accounting, management by exception and management flexibility. Therefore, a good budget may be characterized with the following attributes:

> Participation – It involves as many people as possible in drawing up a budget;
> Comprehensiveness – It embraces the whole organization;
> Standards – It is based on established standards of performance;
> Flexibility – It gives room for changing circumstances;
> Feedback – It constantly monitor performance;

(b) The Concept of Budgetary Control

What is a Budget?
A budget is a document or plan presented annually for review and approval by a governing body process whereby organization policy is formulated, action programs are put into effect and both strategic and management controls are established. Budget must have the capacity to adopt in changing needs interest and available technology in the delivery organizational service should be included in the budget.
The dictionary terms of accounting by Derek (1975) defined budgeting as a plan expressed in financial expenditure and receipt over a period prepared before the activity begins. The institution of cost and management accounting are quoted in Brown defines budgets as a financial and or quantitative statement, prepared and approved prior to a defined period for attained the organizational long term objective it may include income expenditure and the employment of capital. A budget is a stand and with which the performance and the achievement of people organization and department are evaluated and analyzed and measured. Budget relate to a forecast amount of money to be received and incurred in respect of a captain function. According to Harper (1979) budget is an economic plan relating to the period of time. There is a functional factor in any budget. This definition is easily remembered, but it is important to appreciate the word “economic”. An economic plan is not relating to all economic resources. Budgeting however, primarily include; planning resources and only secondarily planning money. Generally, a budget is a predetermined statement of management policy during a giving period which provides for comparison with the result actually future time. It is a detailed plan of action that is prepared in relation to a year for operational budget example seller production budgets for a section of the organization to be translated into detailed plan of actions.

**Budget Preparation Stages**

This is a time consuming but very vital of the organization to succeed. Deliberately in view the process is a chronological series of steps but in practice the process is less straight forward steps that are repeated, revisions are made and there will be considerably discussion and argument. Budget making requires careful scheduling to ensure adequate time and information for sound decisions. The budget process involves four major steps:

i. Executive preparation
ii. Reviews and adoption of the government body
iii. Budget execution
iv. Post audit and evaluation
If the required ass of detail is to be coordinated and important deadlines are to be meet, steps in this process should be undertaken in a logical sequences.

**Responsibility for performing specific step must be clearly assigned**

Well designed forms should be developed to ensure that budget request are submitted in as uniform complete a manner as of the budget should be also be set forth in uniting (as in budget manual or other forms or institution)

According to Porque (1986) there are five stages in the preparation of any budget.

1. Plans are created for functional management areas and those plans are coordinated inside a define future time period.
2. A money value is agreed for some of whose plan which are revenue or expenditure.
3. The agree plans are communicated to the various responsibility centres and cost centres.
4. Action or no action taken by the managers responsible against reported adverse controllable variances is monitored.

**The Key Factors**

In the preparation of budget, Owner and Brown (1992) contended that it is essential to consider the key factor or as it is sometimes termed in budgeting.

**The Principle Budget Factor:**

This is the factor, the accounting should consider in order to ensuring that the functional budgets are reasonably capable of fulfillment clearly, it must be determined and its value assessed before any other factors can be budget. Indeed, part of the art of management is to make plans so that the principal budget factor is exploited to the maximum. The principal budget factor includes raw materials, machine, time, labour and working capital.

In 1979, Harper, a leading lecturer in eh field stated that “if the limitation imposed by one because the principal budget factor”.

**Types of Budget**

When preparing budget it will be found that the technique used for preparing long term budget often form those used for preparing short term budget since they are primarily concerned with the capital structure of a business over a long
term period with the day to day operating in fact, when planning long-term finance it is imperative to prepare operating budgets. The various types of budget their methods of preparation are discussed below.

1. **Capital Budget:** According to Harper (1979) a capital budget is a budget that lay down the planning requirement from the long term running of an enterprise. It is dedicate, the fixed asset, working capital and forms of finance that will be needed over the future years from the above explanation capital budget can be prepared in this method.

2. **Capital Budget: Cash flow method:** As Harper (1979) wrote “one method of preparing a capital budget or ascertaining cash need is by using the cash flow techniques” using this techniques, one simple list the cash receipt and payment for each sub period of the budget so that the case resources available of movement can be ascertained.

3. **Vin Projected Balance Sheet:** Harper (1979) contented that an alternative method of preparing a capital budget is by means of the projected balance sheet method. To apply these methods all the assets and liability figures at the end of each sub-period of the budget period are forecast with the exception of cash figure is then compute by difference between that asset and the liabilities. If the balancing figure shows undesirable cash saluting a planned change id mark to one or more of the balance sheet is alternatively obtained.

4. **Operating Budget:** An operating budget may be defined as a budget that lays down the planning requirement for the day to day operation of an enterprise over a normal cycle of operations for example one year.

5. **Functional Budgets:** from the foregoing, it is clearly seen that preparing and operating budgets each function within an organization usually preparing within its own budget on a basic of the organization objective Howler (1982) defined a function of an undertaking functional budget are subsiding to the master budget which the summary budget, in operating its component functional budget which is finally approved, adopt and employed.

**Problems Associated with Budgeting in Tertiary Institution**
Lucey (1984) also enumerated the various problem that is difficult which may occur in connection with budgeting as follows.
1. There may be too much may occur in connection with budgeting as follows
2. The budgetary system pertains because of undue pressure or poor human relations may cause problems and decrease of motivation.
3. Variances are just as frequently due to changing circumstances poor forecasting of general uncertainties as to managerial performance
4. The internet lays delay in the system is another problem. The resulting variance from the budgetary be used to guide management action.

**Importance of Effective Budgeting to the Edo University, Iyamho**
The effectiveness of budgeting in the institution has removed numerous bottle necks from the administration to the institution that are always scarce in comparison with the various services.
1. Effective budgeting in the institution also assess the continue efficiency of a programme for the allocation of resources according.
2. It encourages forward planning for the institution
3. It helps to details plan of action for the institution over a period of time lastly, it help to coordinate the activities of the institution in terms of number of structures to build to the existing one etc

**What is Budgetary Control?**
French (1975) defines budgetary control as “control based on the use of budgets for various activities, and comprise of actual performance with budgeted performance.
It can also be defined as a system and control system in varying degrees of complexity and coverage, can be found in most organization of any size in both the public and private sectors.
According to Lucey (1984), the benefit of budgeting include the following,
1. It is the major formal was in which the organization objective related individual manager and supervisors, it provide clear guidelines for current operation.
2. It is an important medium of communicating organization plan and objectives to functional areas and of the progress towards meeting these objectives.
3. The development of the budget (if done properly) help to achieve coordination of the various departs and functions of the organization.
4. The objects set for individual managers provides a means of evaluating managers actual performance provide allowance made for any.
   
a. Organizational Fitness: A full system of budgetary control may not be appropriate in certain firms in particulars, rapidly changing technology and or market force may render the traditional twelve month detailed budget approach unhelpful. In a firm facing every dynamic condition it may be areas (such as over cash flow) but that detailed cost budget, may be unnecessary. This is not suggesting that control is unimportant in rapidly changing organizations. Only that full budgetary control may be in appropriate. Managers should ensure that the budget construction and budget management merely to maintain the system.
   The budget system should be designed around the particular need of the business standard
   
b. Management Commitment: All levels of management especially top level management must be committed to be the use of the budgets. Achievable target must be set, and action taken over areas not performing according to budgets if management merely regards budget process as a fulfilling exercise with no real meaning effectiveness, then the system will lack credibility and may fall into disc use.
   c. Budget Education : If the budget system whereby budget are established in financial terms as responsibilities of executive in relation to the requirement of the overall policy of the actual result and budgeted standards either to secure through action by responsibilities executive the policy to provide a basis for a revision of policy. The chartered institute of management Accounting (CIMA) official terminology makes a clear that such budget related responsibilities of individuals to the requirements of policy and that purpose of control is to secure by individual action the objective of the policy or provide a basis for its revision.

There are basic stages in budgetary control processes and they include setting of pre- determined standards, measurement of actual performance against pre-determined standards and corrective measures if necessary to bring the actual performances in line with the
pre-determined standard. Thus, the overall purpose of budgetary control is to assist managers’ plan and control the use of resources in systematic and logical manner to ensure that they achieve their financial objectives. For budgetary control to be effective, the following essentials/features must be in place:

➢ A sound and clearly defined organization with a clearly defined manager’s responsibility;
➢ An effective accounting record keeping and procedures;
➢ Support and commitment of top management for the budgetary control system in place;
➢ Training of managers in the development, interpretation and use of budgets; and
➢ Flexibility of budgets to ensure revision of budgets where amendments are needed to make them appropriate and useful.

**The Requirement for Effective Budgetary Control in Tertiary Institution**

Ola (1982), stated that budgetary control is an important factor in any system financial control. He defines the term “budgetary” as the control of income and expenditure through the medium of budget with which actual performance is compared. The basic requirements are as follows:

i. Involvement and support be awarded of the budgets and should educate others about the benefit.

ii. Organizational Chart: There should be a chart in the organization such that each chart will recognizes its function.

iii. Clear definition of objective: There should be definition of long term objective in order to achieve the short term objective.

iv. Clear definition of responsibility that the responsibility each level with undertake should be well defined.

v. There should be a budget manual

vi. There should be a budget committee who will oversee the whole plans

vii. Clear management information should be put in place. There should be good accounting system business form as cash books, journals, job card and good clock system should be put in place to support the management with enough information.
Methodology
This research work explores secondary sources of materials in sample random which implies the impact of budgeting and budgetary control in tertiary institutions on workers performance in an organization, data from textbooks, journals, newspapers, magazines, internet and libraries were made use of.

Theoretical Framework
There are numerous theories that can be used to explain budget and budgetary controls: Walker’s progressive theory, the Principal-agent model and budget theory, Punctuated equilibrium theory of budgeting among others. However, the theoretical framework of this paper was premised on the above two theories.

a. Walker’s Progressive Theory: Walker was concerned with the standard of living in cities and the ability to pay for it. Walker’s progressive budget theory centered on the premise that the means to decide how to allocate between options was through the “Utilitarian ideal” or indifference point in economic theory as applied to government budgets. Walker advanced her belief that the ideal of marginal utility was desirable, but it needed to be applied according to the progressive – values” or “human nature values (Beckett, 2002).

b. The Principal-Agent Model and Budget Theory: At the heart of public budgeting are relationships among those who provide agency services and those who allocate resources to service providers. In order words, those who make claims on governmental resources are agents and those who allocate and ration the resources are principals. In this relationship, the principals contract with agents to provide services to the public, and the main focus for all those involved is the contract (i.e. the budget) itself (Forrester, 2002)

Conclusion
Throughout discussion in this study it has been discovered that tertiary institution cannot be administered without an effective budgetary system by virtue of the research work we have undertaken. It is vital to conclude that budgeting is probably the most wide range and financial techniques used within an organization. Although, accountants tends of be the centre of budgeting
activities all officers should involved in budget preparation and budgetary control. Apart from the above points budgets carry certain potential benefit including planning decision making is effectively operated at all level of management. To this fact, co-operation between non financial executive and accountant is essential for the smooth running of budgeting and budgetary control system in tertiary institution.

**Recommendations**

Based on the result of this research and the hypothesis tested, the following recommendations are preferred:

i. The preparation of budgets in higher institutions meet a standing budget committee to care for the issue of budgeting in the institution. it is pertinent to recommend the university of Benin should make it possible committee to take the outstanding responsibility.

ii. The provision of a budget manual should not be left out as the continued is of the paramount importance to the budget preparation stages. The reliance and government director should be a secondary guide and a sole instruction and information for the preparation of budget in the institution.

iii. Forecasting is a judgment that can be made by anybody these persons should be competent to make such judgment such as complying with the institution objective when in used.

iv. To reader, the budget as successful one it should prepared according to the institution of financial resources.

v. In other to achieve a realistic budget all level of management especially al top management should be committed to the use of the budget for correct use of the budgetary system as a positive managerial techniques, it is important that all people involved should be aware of its implications.

vi. A budget should never be a strait jacket giving no flexibility to executives as budget set along before the actual events and circumstance will alter in the implementation.

vii. Budget should therefore be used with judgment officer should be encouraged to discuss reason for performance variation.
viii. Budget variance reports should be often produced either monthly and should be given to individual concerning their own activities.

ix. Finally, some unit of the institution may required monitory on a more frequency basis, weakly or even daily report may be necessary.

References


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