**CERTIFICATION OF AWARD BY SENATE**

**AHMADU BELLO UNIVERSITY, ZARIA**

**THIS THESIS SUBMITTED BY**

**ALIM MUHAMMED DATTIJO**

**WAS ACCEPTED IN PARTIAL FULFILLMENT OF THE**

**REQUIREMNTS FOR THE DEGREE OF THE**

**UNIVERSITY**

**THE DATE OF AWARD IS**

**DATE** **DEAN**

**POST GRADUATE SCHOOL**

# BUDGETARY ACCOUNTING IN PUBLIC SECTOR

## A STUDY OF BAUCHI STATE URBAN UTILITIES BOARD

by

**ALIM MUHAMMADU DATTIJO**

A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE

DEPARTMENT OF ACCOUNTING,
FACULTY OF ADMINISTRATION,
AHMADU BELLO UNIVERSITY
ZARIA - NIGERIA

October, 1993

DECLARATION

THE VIEWS Expressed in this dissertation result from research carried out on my own accord. This dissertation has not been accepted in any previous application for a higher degree. All quotations are distinguished by quotation marks and the sources of information are specifically acknowledged by means of references.

ALIM MUHAMMADU DATTIJO

CERTIFICATION

THIS thesis entitled Budgetary Accounting in Public Sector: A Study of Bauchi State Urban Utitities Board by Alim Muhammadu Dattijo meets the regulations governing the award of the degree of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

| | |
|---|---|
| CHAIRMAN, SUPERVISORY COMMITTEE | 10th July 1984 DATE |
| MEMBER, SUPERVISORY COMMITTEE | 15/10/99 DATE |
| MEMBER SUPERVISORY COMMITTEE | DATE |
| HEAD OF DEPARTMENT | 15/10/99 DATE |
| DEAN POST-GRADUATE SCHOOL | 30/11/00 DATE |

## D E D I C A T I O N

This dissertation is dedicated to my father Alhaji Dattijo, my mother Maimunatu and my late grand-mother Baba Kori (Fissam Karu) who stood by me and encouraged me to persevere in any difficult condition I may find myself in.

Alim Muhammadu Dattijo

# A C K N O W L E D G E M E N T S

First, my sincere thanks go to Mr. A. Watosennyi, my first Supervisor for his painstaking and genuine guidance which led me a long way in writing this dissertation.

I am greatly indebted to my present Supervisor, Mr. A. Silva for his critical observations, review and genuine guidance made on this thesis, both in terms of style of presentation and research contents. His help and cooperation had helped a lot in bringing this study to its completion.

I also thank the former Head, Accounting Department Dr. B. Akpa, who had given me a lot of cooperation and encouragement in writing this project.

My sincere appreciation goes to Mr. Y. Sankey of the Department of Administration, Ahmadu Bello University, Zaria for his help in Editing this dissertation.

I am grateful to staff members of the following libraries; President Kennedy Library, Institute of Administration, Ahmadu Bello University; Ibrahim Kashim Library, Ahmadu Bello University; Bauchi State Library, Gombe Road, Bauchi; Federal Government Library, Kobi Street, Bauchi and Federal Polytechnic, Bauchi Library.

I wish to express my gratitude to Bauchi State Urban Utilities Board's Management for the in-service award granted me. I also appreciate the concern and cooperation of Management of Central Bank of Nigeria and Federal Polytechnic, Bauchi for giving me some days off duty to enable me meet my Supervisor whenever the need arose.

My special thanks go to Alhaji Ali Umaru Misau who gave me all the necessary encouragement and assistance towards the completion of this project.

I also thank my wife Maryam and our children Muhammad Sani, Maimunat (Ummi), Aisha (Saliha), Ibrahim Hanif and Fatima and a host of relatives, friends and well wishers for their love, care and concern without which this study would not have been brought to a successful end.

My appreciation goes to my Brother and friend, Malam Nuhu Ibrahim and Mal. Ya'u Dauda Giade for this assistance in typing this project. Also my former Secretary in Federal Polytechnic, Bauchi, Miss Hulda Bello.

Lastly, I specifically thank my brother, Ibrahim Muhammad Dattijo and my in-law, Alhaji Yerima Abba (Ajiyan Misau) for their assistance at the critical period of this study.

A. M. DATTIJO

# A B S T R A C T

Budgetary Accounting in operation was inherited from the Colonial Administration over thirty years ago with little or no modification or improvement. This was despite the growing sophistication of environment, including vital elements of the environment such as the general public and employees in the Public Service. This study was undertaken to reveal existing loopholes which need to be addressed for better Management of financial resources of the public sector.

The study started with discussion of budgets and budgetary control aspects of budgetary accounting. These involved historical development of budgetary control, prior to 1930, and the executive budget movement; budgetary control in an organisation; budgetary control administration, and budgetary control in Nigeria.

Research methodology discussed these factors; different methods of collecting data including mailing, telephone and personal contact. It also shed light in questionnaires administred and choice of the respondents.

The individual responses were grouped together into percentages. They were presented and analysed as such, to discover their hidden meanings. This was then related to Bauchi State Urban Utilities Board.

The findings of the research included the following: emphaiss was mainly on financial accountability, financial regulations inherited from the Northern Region Government not reviewed to suit the present day problems, appointments not purely on merit, and chief executive not interested on budgetary

control and performance not accounted for.

In the light of the findings, the following recommendations were made. Establishment of budget Department or Unit, Policies of the government to be expressly stated, training, seminar, and workshops on budgets, establishments of goals, standards, efficient use of materials and review of rules and regulations governing financial matters on regular basis.

# TABLE OF CONTENTS


| | Page |
|---|---|
| Title Page | i |
| Declaration | ii |
| Certification | iii |
| Dedication | iv |
| Acknowledgement | v |
| Abstract | vii |
| Table of contents | ix |
| CHAPTER I - INTRODUCTION | 1 |
| 1.1 Budgetary Accounting in the Public Sector | 1 |
| 1.2 Objective of Study | 5 |
| 1.3 Statement of Hypothesis | 6 |
| 1.4 Research Methodology | 7 |
| 1.5 The scope of the Research | 8 |
| CHAPTER II - LETERATURE REVIEW | |
| 2.1 Budgetary Accounting | 11 |
| 2.2 Budgetary Control | 14 |
| 2.3 Historical Development of Budgetary Control in Public Sector | 19 |
| 2.4 Budgetary Control 1930 to date | 24 |
| 2.5 Budgetary Control as Function of Budgetary Operations | 29 |
| 2.6 Budgetary Control Administration | 37 |
| 2.7 Budgetary Control in Nigeria | 41 |


KASHIM IBRAHIM LIBRARY

CHAPTER III - RESEARCH METHODOLOGY


3.1 Method Adopted 45

3.2 Administration of Questionnaire 48

3.3 Method of Questionnaire Administration 49

3.4 Method of choice of Respondents 52

CHAPTER IV - DATA PRESENTATION AND ANALYSIS 54

4.1 Introduction 54

4.2 Questionnaire 'A' 54

4.3 Questionnaire 'B' 72

4.4 Review of Standard 80

4.5 Material Usage Report 81

CHAPTER V - RECOMMENDATIONS AND CONCLUSION

5.1 Budgetary Accounting 94

5.2 Findings 94

5.3 Recommendations 101

5.4 Conclusion 104

Bibliography 106

Appendix I: Questionnaire 'A' 111

Appendix II: Questionnaire 'B' 114

# CHAPTER I

# INTRODUCTION

## BUDGETARY ACCOUNTING IN THE PUBLIC SECTOR

The term budget has become a household name in Nigeria. Thanks to the oil boom period, a budget year at the peak of the boom was greated with optimism by the populace, today the reverse is the case. The Budget year is now looked upon with pessimism and distrust, since the introduction of the so called structural adjustment programme (SAP), with its attendant problems of galloping inflation and withdrawal of government subsidy sydrome.

The common man may be right for his diffent reactions to budgets. Budgets are more than just financial plans for the financial year. These days budgets assume central importance in public sector financial management and implementation of government fiscal and monetary policies for the common good of its citizen. It was in Budgets, for instance the amount to be received (revenue) and amount to be spent (expenditure) which affect citizens' welfare are proposed in budget centres (Ministries, Departments and Parastatals) in the form of draft estimates. These estimates are discussed, modified and then adopted (approved). The figures approved in these estimates provide the legal limits for spending by the public sector (Approved budget). This approved budget is the melting pot of government policies, plans and programmes. These (policies, plans and programmes) were attached monetary values to form what we call budget.

Budgets can hardly be useful tools for sound financial management without a good system of accounting devise for monitoring both revenue and expenditure aspects of budgets. A good system of Accounting provides necessary budgetary controls for tne attainment of budget targets and goals. Whatever the budgeting system adopted by public sector, it can hardly achieve its objectives and goals without efficient and sound budgetary accounting. Two budgetary systems are available: traditional budgeting method (which is concerned with listing of expected revenue and expected expenditure for a financial year); and the program and performance budget which is assumed to be better than traditional method. Program performance budgeting system has started gaining acceptance in public service in Nigeria. According to Oshisami[1] the Federal Government of Nigeria adopted PPBS for budgeting in 1981. However, these two (traditional and PPBS) budgeting systems would hardly succeed without good budgetary accounting system for efficient budgetary control, which would instill into the minds of public officers a sence of accountability and responsibility, ultimately instilling financial discipline and prudence.

---

(1) Oshisami K and dean, P. N. Financial Management in Nigerian Public Sector. Administrative staff college of Nigeria (ASCON), 1984 Lagos, Nigeria P. 71.

Events in the Public Sector, such as inflated contracts, misappropriations and outright fraud have resulted in instability and collapse of many regimes (both civilians and Military) in Nigeria, since independence in 1960. Despite this, there is hardly a good and efficient budgetary accounting system which permits presentation of relevant and timely information for prompt reaction to any irregularity or for making decisions. This laxity has cost and still costs this nation (Nigeria) and "extremely high price in terms of lost opportunities for economic development"(2)

Sound budgetary accounting for budgetary control in the public sector is not only important but a necessity in managing the dwindling resources of this nation which is the result of the so called global economic recession. "Whereas the problem of the 70s was how to allocate the excessive revenue of the country the current problem is how to keep expenditure within limits"(3),

---

(2) Okpechi, S. O. "Financial Management and reporting in Public Sector - Paper presented at the conference organised by the Nigerian Accounting Teachers Association (NATA) held at University of Lagos, Lagos, Nigeria 22-24 September, 1986.

(3) Olowokure T. O. "Value for Money, as a Method of Performance Appraisal in Public Sector". Paper presented at the conference organised by the Nigerian Accounting Teachers Association (NATA) at University of Lagos, Lagos. Nigeria 22-24 Sept. 1986.

KASHIM IB

Bauchi State Urban Utilities Board came into being as a result of a merger of two Boards: Bauchi State Water Board and Bauchi State Urban Development Board under Bauchi State Edict No. 21 of 31st October, 1986. Under this Edict, the Board is formed as a corporate body with perpetual succession and a common seal and has power to sue and be sued in its corporate name and acquire, hold and dispose off unmovable property in its name (Edict 21:3). As a body corporate the board is self accounting. It was vested with the power to manage its financial resources in a manner it deems fit in the best interest of the people and government of Bauchi State. (Edict 21 [17-20]. The Board in return was expected to keep proper books of accounts and present the audited annual accounts to the Governor together with external Auditors' report on the accounts presented (see section 22 and 23 of the Edict) The board has power to prepare its budgets. If approved, it must follow it to the latter, (section 21) making sure that the financial operations are within the budget limitations. But mere compliance is not enough. There is need for sound budgetary control for allocating of responsibilities to those in charge of financial management.

Despite some degree of independence in financial matters, the Board was not operating its accounting system any differently from main public sector organisations such as the civil service. Therefore the problems of public sector accounting are also relevant to the system of the immediate

budgetary accounting in operation at the Bauchi State Urban Utilities Board. This makes it suitable for a case study.

## 1.2 OBJECTIVE OF THE STUDY

The aim of this study was to establish how Central the budget has become to financial Management, programmes and policy implementation in public sector in general, and the Bauchi Utilities Board in particular. The focal point of this research is the budgetary control aspect of budgetary accounting. However, due to importance of budgetary control for successful project implementation (whatever budgetary method is adopted), this study is concerned with budgetary accounting system as it relates to budgetary control in the public sector. The research on budgetary accounting in the public sector, also aims at establishing the system's strength and weaknesses and make recommendations for improvement. It is hoped that by so doing, existing gaps in accounting knowledge would be narrowed.

Public sector accounting was based mainly on cash transactions which public sector accounting systems record into their books at the beginning of every budget year. As government opens clean books of accounts at the beginning of every budget year, no previous transactions are taken into account. Transactions which do not involve

the immediate cash movement are ignored. This practice gives room for irregularities which this research would like to portray clearly with the aim of clearly exposing the resultant problems.

1.3 STATEMENT OF HYPOTHESIS

Budgetary accounting as can be seen from the above is an important tool for successful implementation of any government budget. Therefore to have a guided research, the following hypothesis are considered.

(1) A good Budgetary accounting system permits communication of timely and relevant information for making informed decision, responsibility accounting and control.

(2) A good Budgetary accounting shows propriety of transactions and conformity with established rules to give evidence of accountability for stewardship.

(3) The present Budgetary accounting system in Bauchi State Public Service in general and Bauchi State Urban Utilities Board in particular is not sufficiently adequate and efficient to permit prompt communication of relevant and reliable accounting information for sound budgetary control.

## 1.4 RESEACH METHODOLOGY

This research is a critical study of public sector budgetary accounting as it relates to budgetary control. It will be based on the following:-

1) Intensive and extensive review of literature on government accounting and budgeting. This is to form a sound theoritical basis for this study. For further insight into the existing practices this study will make use of available documents relating to budgetary accounting in Bauchi State Urban Utilities Board.

2) Interviews would be conducted using structured questionnaires. The sample population for this study would include the following:-

   i) Chief Executives and top Management staff of Bauchi State Public Service including some staff of Ministry of Finance.

   ii) Management and staff of Bauchi State Urban Utilities Board, especially staff of Accounts Division.

This interview would be conducted with a view to the following:-

1) To determine the relevance and effectiveness of the existing accounting practice as it relates to budgetary control in the public sector.

2) The importance attached generally to the accounting practice in the public section. sector

3) Satisfaction and dissatisfaction with part or whole of the budgetary accounting system as it relates to control and performance measurement in the public sector.

4) Any loopholes and/or lapses which needs to be attended to for sound control and performance measurement in public sector budgetary accounting.

5) The composition (quality) of staff handling accounting practice in the public sector. Why and how this affects the quality of the accounting records and practice in public sector.

6) Justification or improvement for change of existing practices.

## 1,5 THE SCOPE OF THE RESEARCH

The scope of this study would cover on a general level public sector budgetary accounting as regards control and management of performance of various units of government. This research is however a case study of Bauchi State Urban Utilities Board. The study of the Board would cover a ten years period from 1978 to 1987, which spans both military and civilian regimes.

The literature review would cover budgetary control and standard costing as important tools, for control and measurement of performance. Both standard costing and

budgetary control are closely related. Infact standard costing is an important element of budgetary control.

A standard is a normal established level in advance of an actiivty to be used as a yard-stick for comparision[4], standard costing on the other hand is physical requirements of a product (or service) expressed in monetary terms"[5]. unlike the existing practice in public sector accounting where the emphasis "is exclusively focused on legalistic and judiciary accountability on the year by year basis"[6] standard costing is concerned with responisbility accounting. It is mean to show any deviation from the target set or goals to be achieved.

Budget is defined as a plan quantified in monetary terms prepared and approved prior to a defined period of time, usually showing planned income (revenue) to be generated or (received) and/or expenditure to be incurred

---

(4) Golway, Albert "Standard costing and control by variance Analysis" The Nigerian Accountant, Vol. xix (2) April, 1986 June P.27.

(5) Keller, I. W. Management Accounting for Profit Control Mcgraw Accounting series. New York, U. S. America 1966 p.172.

(6) Oshisami K and Dean; op. cit. (see p. 1)

during that period and the capital to be employed to attain a given objective and goal "(7)".

Budgetary control is the establishment of budgets relating to the responsibilities of executives to the requirement of a policy and continous comparision of actual iwth budgeted results either to secure by individual action, the objectives of that policy or to provide basis for remedial action "(8)".

This research would be limited to study of budgetary control aspect of budgetary accounting as a means for better budgetary performance.

---

(7) Owler, W. Z. and Brown J. L. Wheldon's cost Accounting. United Kingdom 1984, p. 482.

(8) Ibid

# CHAPTER II

## LITERATURE REVIEW

A simple budget can be traced to the development of democratic institutions of representative government in modern Europe and America long before 1900. But it was not until sometimes later that budgetary accounting was incorporated into the public sector accounting system.

With the passage of time, the development of more formal and complex budget reports and proceedures made the incorporation of budgetary accounting into the ledgers of government necessary. This was as a result of the need for more control of the finances of the public, entrusted in the hands of government.

A budget is a financial plan and control for the coming budget year. Therefore, it includes giving consideration for both revenue and expenditure. It is a means by which the executive sets forth in detail a financial programme for consideration and approval of the legislature and the public.

### 21. Budgetary Accounting

Budgetary accounting can be described as the practice of the governmental organisations in keeping and presenting their operating accounts in the same format and along side their budget."(1) The main purpose of budgetary accounting was to emphasize the budgets role as a control device thereby enhancing probity and accountability. External accountability is facilitated in that the performance of the management

---

(1) Jones, R. and Pendleburry, M (1988) Public Sector Accounting Pitman, London, Great Britain pp. 154-156

473710

can easily be shown to the legislature and the general public whose monies and resources are being collected (through taxes, levies and other sources) and utilised for the purpose of achieving the objectives set down in the budget. The rationale for budgetary accounting is that, it is possible for budgets and accounts to be continuously and promptly compared so that timely action may be taken to correct unfavourable or favourable variances whenever such occasions arose.

Budgetary accounts means those accounts which reflect the estimated income or proposed expenditure of the budget and other financial transactions as they occur in such a manner that administrative control can be attained in compliance with the scheme outlined in the budget (2) Therefore budgetary accounts in normal circumstances reflects Budget operation and conditions essential to the executive, legislature and the public and usually, budgetary accounts include the following accounts for each expendable fund (3)

(1) Estimated revenue

(2) Appropriations and

(3) Encumberances

As with budget itself, the introduction of budgetary accounts into governmental ledgers projected these ledgers into future. Unlike before, where the recording was, of what actually took place, now the ledgers include what is expected to take place in future period.

---

(2) Naylor, E. E. (1940) "Budgetary and Property Accounts". Accounting Review Vol. 15 p. 485

(3) Ibid.

The main purpose of budgetary accounting in the public sector were to provide for control and comparison.

As a control device budgetary accounts furnish a basis for analyzing governmental expenditure by appropriations and by objects so as to ascertain whether the activities of government are carried out on an efficient and economic basis. Also budgetary accounts facilitate comparison by showing the actual expenditure incurred against budgeted amounts whether it is revenue or expenditure for the budgeted period.

The budget comes into operation after the passing of the appropriation law which makes it legal. It is this passing of the appropriation law which therefore authorizes the executive to expend resources approved in the budget. The budget as a legal instrument in the public sector makes it mandatory for effective control to be exercised not only because of the importance of such control but due to the necessity to avoid the law being breached with the attendant consequence of penalities for such action. These legal instruments in the form of appropriation laws passed by the legislature not only direct the expenditure to be made, but also how the resources are to be expended. Therefore, if in the process of implementing, the budget is ineffective in controlling the actual transactions it is highly probable that the law has not been complied with. The legal character of the budget appropriations makes it mandatory that effective budgetary control must be in operation.

## 2.2 Budgetary Control

Budgetary control begins with the persons charged with the spending program not with the accounting records as discussed above in budgetary accounting. The emphasis here is that the necessary protective devises ought to be in the possession and control of the budget implementor (or activity administrator) and not the book keeper. The most elaborate book keeping records will not prevent the commitments beyond the permissable amounts. Therefore control needs to be concentrated on points at which commitments can originate. The subject matter of placing budgetary control which is directly associated with accounting problem is given below:-

1. "Every budget figure intended as a working control can be related to a single organisational unit (budget centre) by administrative appointment. This is necessary prior to the beginning of each fiscal year.
2. For every budget figure apportioned or otherwise, there should be a corresponding account or group of accounts, with proper classisfications.
3. For every budget figure apportioned or otherwise, there should be a corresponding account or group of accounts, with proper classifications.
4. Budget responsibility can be made to fall directly on departmental and other operating heads with clearing of details being done by the budget officer.

4. When major or minor emergencies are eminent the administrative procedure applicable to them must in any scheme of operation be carefully outlined so that (a) no departmental proregative have to be surrendered and (b) switching of accounts to be changed does not replace reallotment of funds"(4)

It is interesting to note that there is no serious controversy on the definition of budgetary control. The scholars are unanimous in their approach to this subject. It was loosely defined by Simasthei P. (1960). In his view, budgetary control, in terms of its applicability to Federal Budget of United States is the three phases of budgeting processes i.e. preparation and presentation by the chief executive, appropriation of the same by the congress (legislature) and the execution.(5) He goes further to state various weaknesses that lie in piece-meal consideration of appropriation requests. However, on the expenditure side the acrual based accounting has made expenditure control effective.

Owler and Brown (1984), and Dobson (1958).

---

(4) Ibid: Accounting Review (see p. 13)

(5) Simasthei, Paras (1960)
Accounting Review Vol. 35 p. 314

give a definition of what is budgetary control. They said that it is "the establishment of budget relating the responsibility of the executive to the requirements of a policy and the continuous comparision of actual with budgeted results either to secure by individual action the objectives for the policy or to provide a basis for its revision." This definition also coincides with the one given by Smathein on p. 16 in that it is based on the (1) establishment budget and (2) the application of budget. Both are concerned with budget preparation and executive process.

The definition by Jones and Pendleburry (1988) in their book "Public Sector Accounting" is not far from the above definitions but it is only more restricted. They defined budgetary control as "a process of controlling, measuring, reporting, analysing and feedback".(6)

Therefore budgetary control is concerned with ensuring that expenditure is carried out in line with the budgeted amount and the objectives and level of activity agree envisaged in the budget are achieved. All the above definitions agree on the relevance and importance of budgetary control in the budgeting process and remidial actions necessary for any variance that may arise from budgeted figures.

Another aspect is that for budgetary control to be effective, it must be involved in continuous measuring of actual expenditure and relevant out-put and comparing the

---

(6) Jones, R. and Pendle burry op. Cit. (see p. 12)

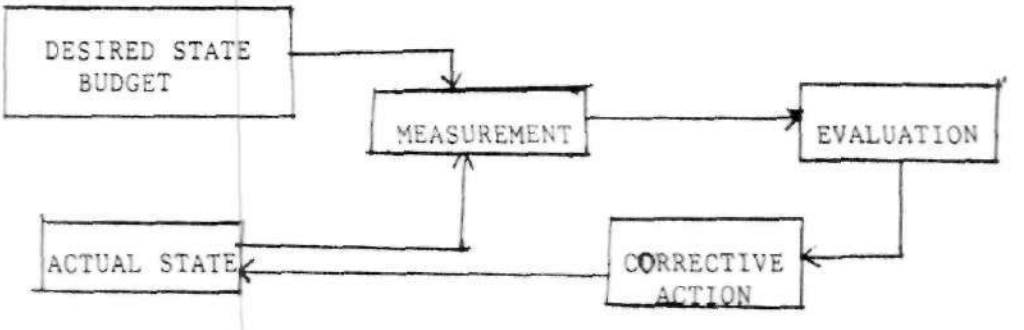
same with the budgeted amount. Variances promptly analysed and brought to the attention of the budget holder together with relevant information on reasons for such events taken place are important. Therefore the first requirement of a good system of budgeting is to set up accounts for collecting data on both input and output at the lowest distinct level of activity (budget centre or cost centre). This is to give adequate and timely information as failure to report on time to budget holders on their performance will seriously weaken the budgetary control system.

Although absolute accurary is important, it can be sacrificed in favour of timely report to the budget control managers. The use of computers means budget reports now is possible within a short period for the managers to digest. Therefore public sector should benefit from their use (computers) to have timely reports.

KASHIM IBRAHIM LIBRARY

2.2.1 Budgetary Control Function

FIGURE 2.1: THE BUDGETARY CONTROL FUNCTION
SOURCE: ACCOUNTING REVIEW VOL.14 1966 P. 239



Budget as an instrument of control desired to have a plan embodied in it to be carried out with minimum possible divergence between the budgeted and the actual amounts. Therefore the budgeting process and its product, the budget, are extremely useful in assisting the management in fulfilling its function of planning.

The view of the budget as a blue print for action gives rise to the typical role attributed to it in the control function. It is portrayed as a type of yard stick against which performance is measured. An evaluation of this measurement then determines what corrective action is necessary. Without management implementing the yard stick aspect of the budget through measurement the budget is not considered to be useful as a control device. The control process starts after the budget has been adopted (approved).

Budgetary control function also involves directing persons toward the achievement of budget objectives and goals. For it to direct people toward the desired objectives, consideration needs to be given to the social set up and belief of the people the budget seeks to influence. Without these, a wrong application of control methods to different sets of people would result into the desired objective not being achieved. So where budgeted performances give consideration to some observable attributes of the outcome of the workers response this could result into better control of the budget. Thereby the objective of the budget is more achievable.

## 2.3 Historical Development of Budgetary Control in Public Sector

The development of modern budgeting system is said to have its roots in England. It is there that the earliest document relating to budgeting can be found in the "Domesday Book". This document (domesday book) was compiled from the returns of a survey of land in Mediaval England so that the Monarchy of the period might levy taxes and tributes more effectively. The growth of representative government limited the power of the Monarch in imposing taxes. The first of such effort coming to fruition in the margna charta passed in 1217 in which the barons limited the power of the king in imposing taxes(7). Also this democratization spread to other parts of European nations giving rise to the modern budgeting system. Modern budgeting development was mostly from the national level to the local level in the European Nations, but the situation in the United States was different. The development of budgeting started from the municipal cities from there it reached the national level.

Budgetary control in England started as far back as the year 1787 or even earlier. For it was in that year that an important milestone in budgetary control was established. That was the establishment of a consolidated revenue fund, where all the government revenues are lumped together as one entity and expenditures incurred are charged to this fund based on appropriation law. However before that

---

(7) Public (1962) Modernizing Government Budget, Public Administration Service, Chicago U. S. America P.I

there were struggles to control government expenditure by the house of commons in the years 1688-89. Also within the same period successful attempts were made in separation of the kings personal outlays and the state resources.

The consolidated revenue fund provided the basis for public fund accountability through centralization of the government income under one account designated as fund. This led to the initial step for comprehensive financial reporting of public sector activity. In the year 1802 a financial statement was published by the treasurer as a result of improved financial reporting. In 1822 the financial statement was presented to the parliament for its guidance in the budgeting process thereby facilitating the job of the parliament as the initial budget controller. The financial statement served as guide in detecting any irregularity in the budget and enabled those responsible to take whatever remedial measures deemed necessary to correct lapses.

2.3.1 The Executive Budget

The Executive budgeting in United States gives an interesting development in budgetary control processes. It gives interesting picture of how budgetary control gained ascendency in budgeting process. From control exercised by legislature over budget to that power being handed over to the executive arm of government. Prior to this appropriations were done by respective departments separately and each department received appropriation direct from the legislature.

Before the period 1911 to 1926 when the movement for executive (control) budgeting gathered momentum traditional practices of appropriations and expenditure

practices were mostly grounded in legislative initiative and supremacy in financial affairs. The executive budget movement resulted into modification of the situation so that better control can be achieved over the management of public resources. What existed prior to this budget movement is described below:-

1. No central official was empowered to review or revise departmental budget estimates or to make fiscal recommendations to the legislature;
2. There were no standard accounting practices. Each unit classified its accounts in its own way.
3. Each department submitted its estimates to the legislature separately, mostly at different times.
4. The estimates usually were lacking in supporting data and often presented in lump sum.
5. Agency requests were not related to revenue projections or to overall state expenditure.
6. Each department bargained straight with the appropriation separately for each department.
7. There was little or no control and supervision of departmental spending(10)

The growth of public expenditure from the relatively small amount of $188 million to $1.4 billion in 1922 (expansion of almost 700 percent) made it imperative for stiff control to be exercised. Moreso with the words of Allen Schick "the mudraking exposures of public ineptitude

---

(10) Schick, Allen (1971) Budget Innovation in States, Washington DC, U.S. America 1971 pp. 27.

and corruption and the growing influence of public administration and its scientific management ethics stimulated wide spread disatisfaction with established budgetary methods (8). Those factors resulted into the need for central authority to control the budget. Thereby making executive budget becoming readily acceptable in United States of America.

The executive budgeting movement was concerned with all the three major concepts in central budgeting system; i.e.; planning, co-ordination and control of the government activities through the budget. The immediate problems of misappropriation and other related malpractices of that time made it possible for control to have upper hand over the other two concepts in envolving an acceptable budgeting system. Control is in harmony with the immediate preference of the legislations and ranked as the number one in financial management.

The legislature has the power over the states finances as decisively put by the constitution of the United States of America that "....no money shall be withdrawn from the treasury but in consequence of appropriation made by law". In 19th century practice it meant that there was no intermediary between the legislature and spending authorities (9). It meant that there was no contraint on the legislative authorization. This led to incessant rise in public expenditure and loose financial arrangement that weakened the control of the legislature over spending. In order for the legislature to achieve budgetary control they traded some of their powers on financial management with the executive through the centralization of the budget under the chief executive who acts as a controller.

The above budget reform was carried for the purpose of the

---

(8) Ibid (see p. 20)

(9) Ibid (see p. 20)

legislature strenthning control over spending agencies. Therefore now the chief executive becomes the control agent for the legislature. Among his duties, was to present budget accounts in such a way that would facilitate detailed scrutiny of agency request and enable the legislature to intervene when it wanted to do so.

To further facilitate the easy scrutiny, the line item-expenditure classification has considerable utility in that it would deter the administrators from excessive or improper spending and make it easy for control officers to maintain close whatch over departments' spending.

The period 1920 was concerned with the task of refining and difusing the widely approved control procedures which came about as a result of executive budget movement earlier (1911 to 1926) developed by Fredrick and his associates[11]. Budget writers of this period were concerned with standard forms and formats and their publications were mainly on the detailed description of recommended practices. The accountants who took command of budget offices were trained in the methods of control and committed to item operators.

Davies, (1940) the first U. A. Budget Director has this to say on accountants' roles as budget controllers.

> The Bureau of budget is concerned only with the humbler and routine business of government .....
>
> It is concerned with no question of policy save that of economy and efficiency[12]

The 1992 budget and accounting act directed the president of the United States to formulate a national budget.

---

(11) Ibid p.22

(12) Davies, C. G. (1940) Accounting Review Vol. 15 PP 217

A Budget Bureau was then created to provide him with technical assistance.

2.3.2 Budgetary Control 1930 to date

The great economic depression of the 1930s and early 1940s served as an important turning point for budgetary control process. During that period budgetary control which was intitially conceived as a vehicle for enforcing legislative intent now became the vehicle for imposing executive intent on the agencies in implementing budgets. This situation was brought about as a result of projected revenue falling sharply below the expected (or budgeted) amount. These revenue shortfalls compelled governments to reduce expenditure below the amount appropriated by the legislature. Executive measures also served to change the attitude of budget holders towards treating appropriations as directives or invitation to spend the full amount of what was approved, rather than treating the same as a mere expenditure ceiling. Such development can be seen in the attempt of people like C. G. Daves, who in his capacity as the budget director issued circulars setting forth proceedures for establishing reserves and effecting savings on the budgeted amounts. In a paper presented at the proceedings of National Tax Association in 1932 Mark Graves[13] who was the budget director of New York State expounded his philosophy of budgetary control below as:

"It is not sufficient as I see the situation

---

(13) Mark Graves "state expenditure control". Proceeding of the National Tax Association (USA) pp. 148-149

KASHIM IBRAHIM LIBRARY

> to attempt to control expenditures entirely through instrumentality of the appropriate act... I maintain that it is quite as important to control expenditure out of appropriations as it is to exercise great care in making an appropriation in the first instance .... it is essential to have vested authority to restrain the spending agencies. (14)

At the close of the 1930 this budgetary control tradition was firmly entrenched in the public sector budgetary process.

In 1942 the United States Bureau of Budget created a section of budgetary control within the fiscal budget department. Development in the budgeting process resulted in the establishment of budgetary control sector which was primarily concerned with the budget execution at the overall level.(15) This section prepares and submits monthly report of the state of approriations for the purpose of determining the trends of the particular classes of obligations or expenditures. It took note of all those references which appear out of line and made recommendations for corrective action. It was also empowered to study the relationships or obligations for their effects upon the overall budgeting programme. As to the matters which affected budgetary control by Federal accounting and reporting, .....

---

(14) Ibid (see p. 25)

(15) Burkhead, Allen (1956). Government Budgeting John Wileand son Inc. New York U. S. America pp. 54

it was expected to collaborate with the Bureau of budget and General Accounting Office to sort out any problems that may arise.

After the World War II ended most of the academicians in war time activities were released from these assignments. They started questioning the rational behind the existing traditional budgeting system which gives so much information to the budget users about the items on which the money is to be spent but nothing about what government intended to be achieved. The Hoover Commission which was assigned with the responsibility of critical examination of the existing traditional practices and made recommendation for better budgeting system, came out in 1949 with the recommendation for the Performance Budgeting system.

Performance Budget came about as a remedy to the shortcamings of the traditional budgeting system. Burkhead, in his description of performance budgeting put it as "a classification that emphasizes the things which government does rather than the things which government buys" (16). He goes further to give his difinition of performance budget "as one which represents purposes and objectives for which the funds are requested, the costs of the programme proposes for achieving those objectives and quantitative data measuring the accomplishments and work performed under each programme." (18) From the above definition of performance budget the following essential features can be found.

---

(16) Ibid (see p. 26)

(17) Ibid (see p. 26)

1. Classification of budget in terms of functions, programme and activity.
2. Measurement of work done or out output provided, although government programmes are not always quantifiable.
3. Expression of the budget in a way which allows a direct comparism between cost of funding and work to be performed for each programme or activity.
4. Monitoring of actual against budgeted cost and performance(18).

Under performance budgeting system budgetary control is not only important but necessary due to the dual purpose the budget is made to serve. Both the inputs and outputs become subject of control from the budget amount rather than just the revenue and expenditure control as under the traditional system, but also what is actually achieved by such expenditure whether the budgeted performances have been achieved ro not, and whether there are serious deviations from the planned performance or not.

Budgetary control under performance budgeting involves monitoring both budgeted cost and budgeted output, against the actual cost and actual output. These will require the keeping of up to date and sufficient records for the purpose of review of the achievement of the budget, to enable budget managers to isolate the variance and take corrective action. This information

---

(18) Oshisami K. and Dean P.N. Op. cit (see p. 2)

needs prompt reporting to the budget holders to avoid weakening the budgetary control system.

In the 1960s a new budgeting system was further introduced into the public sector financial management. Again, the U.S.A. led this initiative in the capitalist world. This new system was planning, programming and Budgeting system (PPBS). A special condition for it being successfully implemented was availability of comprehensive and prompt statistical data. This makes it less attractive for developing economies like Nigeria. The idea behind PPBS is that, first the objectives of the governmental policy must be identified and stated. Then the activities which contributed to a common goal should be identified as a programme. Within the overall goal, there will be sub goals and the activities which contribute to these, are sub goals or sub programmes. However, even in the developed countries such as the United States of America difficulties are encountered in the full application of PPBS. In many U. S. agencies the system has been discarded due to its difficulties in operationalization. These difficulties include lack of "reserves of skilled manpower, excellent statistical sources and developed facilities for data storage and analysis.[19] Therefore in under-developed countries with hardly enough resources, skilled manpower and poor statistical record keeping; PPBS can hardly be practiced without some serious modifications and adaptations.

---

(19) Ibid see p.28

## 2.5 Budgetary Control System As Function of Budgetary Operations

In general, budgetary control definitions have two sections which needs to be further elaborated for the purpose of better understanding of the topic. These are:-

(a) The establishment of budgets; and

(b) The application of budgets.

Budgetary control involves the establishment of budget which involves the preparation of different aspects of budget like budget preparation for revenue, production and budget centre budget. The application of budget involves the control of those budgets prepared and resultant remedial action that may be taken.

### 2.5.1 The Establishment of Budgets

Budget is a financial and/or quantitative statement, prepared prior to a defined period of time for the policy to be pursued during the period. The establishment of budget involves the preparation of the budget prior to a defined period of time. Before it is prepared, the objectives of the policy to be pursued must be laid down and thereafter, the budget becomes a policy statement based on money or quantities.

Budget preparation: No precise time period is normally given for the budget preparation, but it must be completed well in advance of the period in which the budget will be implemented. The period in most cases is that period of not more than one calender year or operating cycle, but depending on circumstances it could be of lesser or longer duration. This could depend on the objectives to be pursued.

In preparation of a master budget three primary budgets are required to be given attention first before preparation of the over all budget. These are:-

(a) Revenue Budget;

(b) Output Budget; and

(c) Budget centre Budget.

These budgets need all the serious considerations they deserve. This is because of their importance in the success of the overall budget of the organisation. It is proper to further discuss these budgets, so as to have a better understanding of their significance.

1. Revenue Budget:

It is concerned with the income that would be available for financing the expenditure and reserves section of the budget. It is very important in that the budget can hardly operate successfully under faulty revenue estimates or forecasts. It is very necessary that revenue should properly be forecasted as near the actual situation as possible. Therefore to have a reliable forecast the following should be taken into consideration.

(a) Analysis of the past revenue available to the public sector. This gives the actual trend of the past performance which is available for reliable forecast of what would be very likely the situation in the coming period.

(b) Forecast of the general economic conditions. The economic conditions would guide us to what

we shall be expecting in the coming period.

(c) The level of resources, taxes and other available sources of income.

2. Output Budget

In order to have a realistic budget, additional consideration should be given to the following: the revenue potential, the cost and the output of each department. The output capacity of each department is necessary for determining the level and quality of service provided.

3. Budget Centre Budget:

Budget centre is a section of organisation undertaking defined activities for budgetary control. The budget is prepared here on the basis of the forecasted revenue which consists of:-

1. Work budget for which the centre is responsible shows the quantity and quality of material, labour overhead expenses and work in progress.
2. Expenditure budget prepared based on the work budget would show the expenditure is to be inccurred in carrying out the budgeted work, taking into consideration the following classification:
   - (i) Factors of production;
   - (ii) Quantity and costs;
   - (iii) Controllability; and
   - (iv) Variability.

By combining the budget of work and expenditure there can be prepared what is in effect a budgeted operating statement for each budget centre.

Production Factors Budget:

It is concerned with the

(a) Materials, (b) Labour, (c) Capital and (d) Expenses.

(a) Material budget consists of two parts:

(1) Material requirement budget which includes the total quantity and estimated cost for materials required during the plan period.

(2) Materials purchase Budget is arrived at after taking into consideration the stock available, stock requirement to be built up, work in progress requirement, storage space, economic order quantity, financial resources available and prices to be paid.

(b) Personnel (Labour) Budget - It is concerned with two sub-budgets. They are:- (a) Personnel requirement budget which shows the number of personnel required for each section, then quantity and quality of the set out tasks in the budget. (b) The personnel engagement budget shows any required addition to the existing personnel strength. It also includes training, new engagements, quality and quantity of the non staff required etc. in the budget period.

(c) Capital investments (outlays) budget would show the requirements of capital expenditure during the period taking into consideration the long term requirement, the replacements, financial resources available, period of maturity and availability of the alternatives.

(d) Expense Budgets - These are short term liabilities which require cash or other resources within the

budget period to be paid out. This makes it necessary for an expense budget to be carefully be planned and properly forecasted to avoid running into cash flow problems in the budget execution.

Quantity and Cost

For the purpose of better control, proper forecast should be made of quantities of the inputs and outputs and their costs.

Controllability

There are controllable and uncontrollable items to the budget centre. The Manager should take care of what he has control over and those not controllable or partially controllable by him should be taken care of at the centre.

Functional Budgets:

Functional budgets are prepared to show the summary of the budget centre functions (e.g. Administration, Production etc). The purpose of which is to provide an overall picture of the activities and costs of function. A functional budget is one which relates to any of the functions of an undertaking.

Summary Budget/Master Budget:

These are prepared to show the overall picture of the budgets consisting of all budget centres in an organisation. This is the Master Budget. The summary Budget shows the summaries of the budget centres budget in detailed form, like giving total figures for personnel wages, summary of the total material requirement for the budget centre and so forth.

budget period to be paid out. This makes it necessary for an expense budget to be carefully be planned and properly forecasted to avoid running into cash flow problems in the budget execution.

Quantity and Cost

For the purpose of better control, proper forecast should be made of quantities of the inputs and outputs and their costs.

Controllability

There are controllable and uncontrollable items to the budget centre. The Manager should take care of what he has control over and those not controllable or partially controllable by him should be taken care of at the centre.

Functional Budgets:

Functional budgets are prepared to show the summary of the budget centre functions (e.g. Administration, Production etc). The purpose of which is to provide an overall picture of the activities and costs of function. A functional budget is one which relates to any of the functions of an undertaking.

Summary Budget/Master Budget:

These are prepared to show the overall picture of the budgets consisting of all budget centres in an organisation. This is the Master Budget. The summary Budget shows the summaries of the budget centres budget in detailed form, like giving total figures for personnel wages, summary of the total material requirement for the budget centre and so forth.

2.5.2 Application of Budgets

In the application of budgets attention is given to the control aspect of what is actually budgeted. The process also gives attention to the setting of budgetary control administration and revision of the budgeted amount to conform with the actual situation. We are going to start with control of production factors.

The Control of Production Factors

To be effective, control should be excised at the earliest possible stage, namely, the stage at which expenditure is incurred on the purchase, engagement or hire of production factors. Control of the volume of expenditure is essential to be sensitive to the requirements of the budget centres which employ them. The information required for effective control should be provided on the following lines:

(1) Materials:

Purchase. The department responsible should receive at a relatively short interval a statement of the value of orders placed for each material or group of materials.

Issue. The budget cetnre responsible for storage, handling and control of materials should be provided with information concerning material usage.

Usage. Material usage data is incorporated in the statements provided to the budget centres which use the materials.

2) Personnel

Engagement and training - the department responsible for engaging and training personnel should be informed regularly of the personnel positions, numbers employed, engaged, sent to training, left training, in training, left employment and so forth.

3) Capital Expenditure

Regular statements of the actual expenditure compared with budgeted amounts should regularly be made available.

4) Expenses

Commitments - Any substantial commitments for future items of expenses should be shown on the statement provided to the cost centres involved.

Cost - Cost of items of expenses are included in budget centres statements.

The Control of Budget Centre:

Fixed budget - It is designed to remain unchanged irrespective of the level of activity and economic conditions.

Flexible budget - It is designed to change with the level of activity actually attained. It chages with the level of production.

Budgetary Control and Standard Costing:

Budgetary control and standard costing can be operated independent of each other but to obtain the greatest benefits, both should be operated simultaneously. Budgetary control operates to ensure that standard conditions are maintained, while standard cost operation is an additional test of performance and at the same time provides all

KASHIM IBRAHIM LIBRARY

other advantages over alternative methods of costing. Where possible, flexible budgetary controls should be operated in conjuction with standard costing.

Budgetary control is a predetermined plan in financial terms to cover all phases of business activity and the operation of that plan in such a way that the anticipated objective with minimum deviation from the actual is achieved. Standard costing is a system of cost accounting which is designed to show in detail how much each product should cost to produce and to sell when an organisation is operating at a stated level of efficiency and for a given volume of output (20). A standard cost is a predetermined calculation of how much cost from an assessment of the value of cost elements that correlate technical specification and quantification of material, labour and overhead costs, the prices and/or wages rates expected to apply during the period in which the standard cost is intended to be used (ICMA Terminology) (21).

The standard cost can be further simplified to mean a schedule of estimated costs which are based upon definite engineering specifications for quantity, standard and forecast of future market trends for price standards with fixed allowance expressed in money for Labour, material and overhead for an estimated quantity of out put for each phase of activity during a definite period of time.

Both budgetary control and standard costing are

---

(20) J. Batty: Standard Costing, 4th Edition ELBS p.9

(21) Ibid

necessary tools for achieving as near as possible the objectives set down by the budget. However, to succeed, it must be a realistic as possible to get necessary co-operation from the employees. Their participating in setting both standards and budget is necessary. This would make them internalize the budget goals as their own rather than imposition from the above.

The Budget Revision:

The Machinery for revision of budget should be set for sound budgetary control to take care of any situation that may warrant such event. For control to be effective budget should take into consideration the existing situation as it affects the budget. Therefore the budget should be reviewed frequently whenever there are considerable changes in the existing environment in which the budget operates. In flexible budgets revision is almost automatic.

In organisations that operate both budgetary control and standard costing simultaneously, the standards are based on the budget whenever the budget is revised, standard costs are revised to accord with the revised budgets.

2.6 Budgetary Control Administration

2.6.1 The Chief Executive

Budgetary control as an instrument of management, for effective control of the budgetary process and implementation in an organisation, must be responsible to the Chief Executive of the organisation. Where the budgetary control has the support of the chief executive, managers under him are more likely to

co-operate fully and place more reliance on budgetary control than if the organisation were of the responsibility of the lesser executive.

The chief executive bears the responsibility for the effectiveness of budgetary control, but the detail preparation and administration of such control is delegated to subordinate centres of functional responsibility. These centres include the budget committee, the budget officer and the budget centre managers.

2.6.2 The Budget Committee

This is a body established in an organisation comprising the chief executive as the chairman or any other person appointed to represent him on his authority. The budget officers serves as a secretary and budget centre managers as members or persons appointed to represent them. Their functions include the following:-

(1) To receive instructions concerning the policy to be followed.

(2) To receive and scrutinize all budgets in the light of the policy instructions received.

(3) To decide the detailed policy to be followed.

(4) To make suggestions for budget revision.

(5) To approve finally the revised budget.

(6) To receive and deal with budget and actual comparision statement.

(7) To recommend action to be taken by managers.

The recommendation of the budget committee is not final but only of advisory nature, but the decision of the

chief executive is final. Therefore these recommendations become a policy which only when accepted by the chief executives.

The democratic nature of the budget committee makes it more likely for the budget to succeed during implementation. This is because the interest of those implementing the budget is aroused if the budget is seen as their own product rather than an imposition from the top. Also, by discussing issues outside their own sphere of interest the budget committee members have the opportunity at widening their horizons. This enables them to take a less restricted and parochial view of the aims and activities of the other divisions.

2.6.3 Budget Officer

The budget officer, whether called budget director or controller should be directly responsible to the chief executive. In large organisations he is only concerned with budgetary control administration. But in small organisations he could be accountant or cost accountant. The responsibilities of the budget officer include the following:-

(1) To act as a secretary to the budget committee;

(2) To prepare the budget programme;

(3) To issue budget instructions in accordance with the budget programmes;

(4) To receive and provide to managers historical data and analysis of the historical data;

(5) To receive, scrutinize and discuss with managers detailed budgets;

(6) To prepare summary budget; and

(7) To review the budget manual regularly and make such modifications to it as are necessary to improve the administration of budgetary control.

2.6.4 The Budget Centre Mangers

The preparation of budget starts from the budget centres. These budget centre, budgets build up to make the master budget for the organisation as an entity. Therefore, successful implementation of the budget depends on the participation of these managers, as they are directly involved in implementation of the budget.

2.6.5 The Budget Manual

The budget manual is a document which sets out the rules and responsibilities of persons engaged in routine implementation of the budget. Manuals are prepared in detail as records required for budgetary control. Therefore when devising a system of budgetary control it is necessary to record all necessary details in a document of this sort so that routine checking can be effectively done.

From the foregoing discussion, we may say that budgetary accounting is an important tool for public sector financial management. The budgetary control aspect of budgetary accounting takes precedence over the rest in that it has introduced the human element. Control has to be exercised by somebody for it to be effective.

## 2.7 Budgetary Control in Nigeria

Due to colonial background of the financial history of Nigeria, the budgeting system in operation is not self evolved, but rather imposed on Nigeria by the colonial administration of Britain. As a result, the budgetary control system in operation is that of the British crown. In the financial year of 1958/59, that is, on the eve of independence, the budget presented by First Nigerian Minister of Finance Chief. F. S. Okotiebo, he highlighted the problems of the budget which seriously questioned the control aspects of the budget. In his words: "Too often do we find that people who are most careful in the use of their own money are too willing to see public money frittered away[22], and he went further to call for "Value for money expenditure"[23].

From 1958 to 1966 when the military first tasted the sweetness of political power and therefore unwilling to leave, the system of budgeting in operation has not been changed from the west-minister or parliamentary type. In that system, the Prime Minister is the Chief Executive as well as member of the House. This dual role limits the powers of the house to question the excesses of the executive arm of the government.

During the Military regime which started from January 15th 1966 to October 1st, 1979, when power was handed over to civilian administration, the executive and legislative powers were vested in the Head of State, a Military officer.

---

(22) Okotiebo, F. S. (1958) Federal Government Budget. 1958/59, Lagos, Nigeria pp.1-5

(23) Ibid

KASHIM IBRA...

He was absolute in his roles. He was the Chief Executive as well as the Head of the executive council. Under such circumstances nobody could check the excesses of the Chief Executive. The Military did not set up the necessary machinery for accountability despite the fact that they cited lack of accountability as one of the reasons to justify their taking over of power.

Although the 1979 constitution opted for the executive presidency where the executive as well as the legislature are separated (sections 74-78 and 112-116 of 1979 constitution) the politicians disregarded these constitutional provisions thereby rendering the constitution in-effective and hence lack of accountability resulted.

As a result the Military again came to the "rescue" of Nigerian State on the 31/12/83, and they have been in power since then. They justified their come back to power on these civilians misdeeds including corruption, misappropriation and reckless spendings. Yet they have done nothing to change the existing budgetary control system. Here budgetary control is mainly bestored on the chief executive but there are no corresponding legislative provisions to check this excesses.

One may be tempted to assign this controlling role to the executive councils of the states and federal executive council, but they are choosen by the chief executives themselves. Therefore the position of an executive council member depending on the executive needing his services, makes it difficult for him to exercise any effective check on the

governor or president and commander-in-chief. The electorate cannot demand for an account of a regime's stewardship because the military was not elected by them in the first place.

However, an interesting item concerning budgetary control was included in the Bauchi State Budget of 1985. The then Military Governor characterized the previous budgets as those that lacked any regard for planning (and control)[24]. He said of the 1985 budget that ".....all accounting officers must ensure that their monthly expenditures are within the cash flow allocation rather than budgetary provision"[25]. This he said was to keep expenditure within the available resources rather than merely on approved amounts in the budget.

The budgetary control measures of Bauchi State Urban Utilities Board despite being a corporate entity, is not different from those being operated in the main public service. In the oil boom period, that is, between 1978 to early 1983, budgetary provisions meant a licence to spend money to the maximum amount approved in the budget. But the current economic crises has made the Board to limit its spending to the allocations made by the cash flow committee. This committee is composed of all the heads of departments controlling various votes in the budget.

---

(24) Sani Sami (1985) Bauchi State Budget. Government Printer, Bauchi, Nigeria. pp.5-7

(25) Ibid

On the whole, we have seen the development and separation of powers in both the executive and legislative arms of the government in Western World. This development was later to lead to control being exercised solely by the executive on budget rather than the legislature controlling the executive arms of the government. In the Nigerian case not much else can be said due to the fact that it is only as recently as 1985 that the executive saw the need for the implementation of budgetary control measures.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Method Adopted:

This research was under taken with the sole aim of proving or disproving some earlier stated hypothesis set in the introductory chapter. Laid down research rules, regulations and proceedures have been employed to arrive at the reliable information in this thesis. Being more scientific than the other methods, structured questionnaires were used for data collection. This method has many advantages among which include the following:-

(a) Standardised approach to interview which permits scientific generalisations to be made from the data obtained.

(b) Focus the attention and answers of the interviewee of the requirement of the interview questions.

(c) Time saving in data collection due to the fact that answers to questions are set down in the questionnaires.

(d) Using structured questionnaire in conducting a study serves to limit personal bias in answering questions. As the respondent is only asked to pick from set answers.(1)

Due to the fact that the budgetary process needs some varying level of exposure to the persons interviewed, the Author subdivided the sample population into two strata for the questionnaire administration. They are those in top level

---

(1) Ndagi J. O. (1984) Essentials of Research Methodology for Nigerian Educators. University Press Limited, Ibadan, Nigeria, p. 58

positions in the public sector (Chief Executives and top level Managers) then any other officer not in the first category.

Questionnaire (A) was mainly concerned with the question of policy, preparation and implementation of budgets which apart from the need for some level of formal education, there was also need for on the job experience and exposure to different aspects of budgetary process and Administration which enable respondents to give reliable information. This factor above made the author to limit the administration to the Chief Executive and other members in top management positions. In the table 3.1. below features the breakdown of group of top management staff on whom the questionnaires were administered.

Table 3.1 TOP MANAGEMENT STAFF INTERVIEWED

QUESTIONNAIRE A

| S/NO | POPULATION SAMPLED | SAMPLE SIZE | RESPONDENT | NON RESPONSE |
|---|---|---|---|---|
| 1. | Directors General | 10 | 9 | 1 |
| 2. | General Manager/Chief Executives | 3 | 2 | 1 |
| 3. | Economic Planning Officers | 3 | 3 | 0 |
| 4. | Assistant General Managers | 5 | 3 | 2 |
| 5. | Accountant General | 1 | 1 | 0 |
| 6. | Chief Accountants/Auditors | 5 | 3 | 2 |
| 7. | Chief Engineers | 3 | 1 | 2 |
| 8. | Production Manager | - | - | - |
| 9. | Government Printer | 1 | 1 | 0 |
| 10. | Area Manager | 3 | 1 | 2 |
| | TOTAL | 34 | 25 | 9 |

Source: Result of Administered Questionnaire.

Questionnaire 'B', is directed towards finding the effectiveness of the control process, preparation and operation of the budget in Bauchi Utilities Board so as to meet up the daily operations of an organisation. This information can be found readily from the line managers and staff of non management category. Also table 3.2 below gives the breakdown of the group of other staff on whom the questionnaire was administered.

TABLE 3.2
LINE MANAGERS AND NON MANAGEMENT STAFF INTERVIEWED QUESTIONNAIRE B.

| S/NO | POPULATION SAMPLED | SAMPLE SIZE | RESPONSE | NON RESPONSE |
|---|---|---|---|---|
| 1. | Accountants | 10 | 7 | 3 |
| 2. | Executive Officers | 15 | 14 | 1 |
| 3. | Stores Officers | 9 | 9 | - |
| 4. | Store Keepers | 6 | 6 | - |
| 5. | Administrative Officers | 10 | 10 | - |
| 6. | Area Managers | 5 | 4 | 1 |
| 7. | Medical Officers/Nurse | 5 | 1 | 4 |
| 8. | Social Development Officers | 5 | 1 | 4 |
| 9. | Tax Inspectors | 5 | 1 | 4 |
| 10. | Engineers/Tech. Officers | 10 | 10 | - |
| 11. | Clerical Officers | 2 | 2 | - |
| | TOTAL === | 82 | 65 | 17 |

The method adopted in administering this questionnaire is the stratified random sampling process. The population for this study was the public sector employees in the service of Bauchi State Government. In Public service (government) there was a

scheme of service in operation which determines an officer's responsibility according to the position held in the service. To be involved in the budgeting process one has to be at least on position not below grade Level 13. Any Officer below such a level is only restricted to the day to day budget operations and control. Therefore, questionnaire A was restricted to those not below grade level 13. The sub-population on which questionnaire B was administered was large. Therefore, questionnaires were distributed to 30 persons on simple random sample basis. 25 responded and 9 did not respond. In B category the population was further sub-divided according to Ministries and Boards. The respondents were then randomly chosen from their board or the relevant Ministry's staff list.

3.2 Administration of Questionnaires

The administration of these questionnaires began with staff of the Bauchi State Urban Utilities Board with the Chief Executive of the board coming first, and Assistant General Managers and Area Managers in that order. The board for administrative convenience is made up of headquarters and three area offices in Bauchi, Azare and Gombe that take care of Urban Centres of the state. Other members of staff down the hierarchy were then selected (at leaset one from each department stratum) for the administration of questionnaire.

In the administration of the questionnaire to the ministries and other boards, the following pattern was adopted. The Director-General and Chief Executives of these establishments were served questionnaires A. For questionnaires B all ministries and boards were listed; then the questionnaires administered were then divided on proportionate basis. From the staff list for each

ministry or department, simple random sampling was used in choosing the respondents from these establishment. Another factor taken into consideration in selecting respondents was the display of rudimentary knowledge of the day to day operations of the organisations selected. This was with the aim of limiting the use of guess-work or uniformed answers which would affect the quality of data or even render the study inreliable in the sence of not being able to establish our findings scientifically.

3.3 Methods of Questionnaire Administration

The questionnaire was drawn up with the sole intention of getting the opinion of many people over wide areas and from respondents of different status, positions, rank, sex and so forth.

This it is believed, would give a wider view and enable us to arrive at reliable results. There are at least three (3) ways of administering a questionnaire. They include the following:-

(1) Through mailing (posting)

(2) Through telephone

(3) Through direct contact

3.3.1 Mailing

Postal Services if efficient will help in reaching many people over scattered areas cheaply and faster. Questionnaires under this condition reach people faster but the response to them is very low. In Nigeria where the postal services are still far from being efficient, there is every likely-hood for the questionnaires not reaching their destination in reasonable time or even not reaching

at all. This study did not make use of the postal facility. Since the study is based on Bauchi Public sector, the sample population was adequately covered using personal contact.

3.3.2 Telephone

The use of telephone is also very important in reaching various respondents when time is very much a limiting factor. But this system of conducting interview is very difficult in developing countries such as Nigeria. For even metropolitan towns where these services (telephone) are available, there are problems of inefficient and in most cases faulty system. These are as a result of many factors which militate against efficiency. They include:-

(a) Lack of maintenance of these telephone lines,

(b) The attitude of these employees.

(c) Telephone lines are tempered with through theft of cable etc.

(d) High cost of telephone tarrifs and erratic telephone services.

These problems make the telephone call very difficult because getting a call through in Nigeria is not easy. But even on the assumption of being efficient, conducting an interview through telephone has various short comings like lack of establishment of necessary rapport between the interviewer and the respondent. Sensitive questions are avoided, the respondent may even refuse to answer questions at all. Therefore, due to problems above, this study did not make use of this facility also.

3.3.3. Direct Contact

Direct contact or personal call is the instance where the interviewer meets the respondents directly, (or personnaly). In this instances fewer biased responses or refusals occur. This makes it possible for the interviewer to explain the purpose and significance of the study, explain points, answers, questions and motivate respondents to answer questions fully and truthfully. Another advantages in 'direct contact' is that the questionnaires are responded to by the person directly meant for that matter than refering the questions to a junior officer under him like his secretary or clerk.

In conducting this research the direct call method of administering questionnaires although more expensive and time consuming was extensively used due to its superiority to the other two methods above. The author personnaly undertook the interview of the respondents directly. There he had the opportunity of meeting a variety of people with different dispositions, who in some cases were friendly while others were hard nuts to crack and therefore, diplomacy and persuasive skills were used in extracting the necessary information.

By undertaking direct calls, he had the opportunity of establishing the necessary rapport which is very invaluable in the conduct of the research and obtaining the information. Due to this relationship some respondents even gave more detailed explanations on issues raised. This greatly enriched the data collected for this study.

The research started with the civil servants (public servants) in the Headquarters that is Bauchi. This involved calling at the offices of the various respondents and explaining any problem that may arise in answering these questions and so forth. Those not in the state Capital were interviewed through personal calls. But others not interviewed personally were handed the forms through some reliable contact to fill in the questionnaires and return within the period they were asked to do so.

3.4 Method of Choice of Repondents

As mentioned earlier the method adopted in this study is stratified random sampling. This method is the process of dividing a population into strata or sub-populations sampling randomly within each stratum. In the choise of respondents some basic characteristics relevant to the validity of the research findings were taken into consideration. These were the level of responsibility of the person in the service. To us, level is relevant to the respondent's ability and exposure to practical aspects of budgeting and its operation (1). In this study the population is divided into two sub-populations and simple random sampling was applied to each stratum.

KASHIM IBRAHIM LIBRARY

The level of responsibility determines the persons ability to understand the budgeting process in the public sector. Although the common man in the street could talk of a budget but he can hardly say what precisely a budget is and how it operates.

The study consists of two sets of different but related questionnaires. Questionnaires A and B. The questions set

(1) Ndagi J. O. Op. cit. (see P.48)

were intended for different strata of the population. Therefore in choosing the respondents care is taken that the questionnaire meant for a stratum was restricted to that stratum concerned and mixing up of the two was as much as possible avoided.

Making choice of respondents for questionnaire 'A' did not pose much of a problem in that the person in A stratum were few due to the fact they were mostly in the executive and top managerial levels. Since they were few (Directors General and General Managers) they were directly interviewed whenever accessible.

The respondents for questionnaires B category involve all other staff not in top level management. The population here was fairly very large making random sampling of the respondents a necessity. The resources, time, other factors which would make it possible to interview all the employees of public service were not available. Therefore, respondents in this category were further sub-divided according to ministries and Boards. After this division, a proportionate number of copies of questionnaires were allocated to them, using the staff list.

# C H A P T E R 4

## DATA PRESENTATION AND ANALYSIS

### 4.1 INTRODUCTION:

This chapter deals with the presentation of data and analysis of the same. How questionnaires A and B were administered on the population in Bauchi State Public Sector was described in detail in chapter three above.

### 4.2 QUESTIONNAIRE A:

#### 4.2.1 BUDGET ESTIMATES:

PRESENTATION:

To find out how budget estimates are arrived at the following results were obtained as stated in the table given below:-

TABLE 4.1

| S/NO. | CRETERIA | NO. OF PERSONS | RESPONSES % |
|---|---|---|---|
| 1. | Past Performance | 6 | 24 |
| 2. | Past Estimates | 5 | 20 |
| 3. | Guess Work | 0 | 0 |
| 4. | Established Rules | 10 | 40 |
| 5. | All of the above | 6 | 24 |

ANALYSIS:

Chapter 5, section 0501 of Bauchi State financial instructions said that "capital estimates are prepared in accordance with the hand book on development plans and control estimates. The recurrent estimates are prepared as set out below.

The instructions given in this chapter may be modified, or added to by the annual call circular issued by the Ministry of Finance to initiate the preparation of budget estimates." This section is explicit as regards to the preparation of budget estimates. Estimates are not therefore based entirely on guesswork. That was why none of the respondents indicated guesswork as the only factor in budget preparation. Therefore the question scored zero percent (0%).

Going by the Financial Instructions quotation, budget estimate were based on established rules, which give clear guidelines on how the budget is prepared. That is why majority of the respondents (made of up to forty percent) believe that budget estimates were arrived at using only established standards.

Although there were established rules for preparing budget estimates room for personal initiatives exists as the budget is not a mechanical machinery whereby we only fit in the parts. So in arriving at the estimates, past performances was also taken into consideration, likewise past estimates serve as a pointer of what events the coming budget is likely to feature. And there are events which are beyond human prediction and in such instances guess work has to be applied.

This explains the reason for twenty four percent of the respondents believing that budget estimates are product of past performance, past estimates, guess work and established standards (all the factors included in the questions).

UTILITIES BOARD:

In Utilities Board estimates are arrived at using all of the above mentioned factores, that is, past performance, past estimates, guess work and established standard.

4.2.2 PREPARATION

TABLE 4.2

| S/NO | RESPONSIBILITY FOR PREPARATION OF BUDGET | NO. OF PERSONS | % |
|---|---|---|---|
| 1. | Accountants only | 0 | 0% |
| 2. | The departmental Head | 10 | 40 |
| 3. | Entire Organisation | 7 | 28 |
| 4. | All of the above | 6 | 24 |
| 5. | Undecided | 2 | 8 |

ANALYSIS:

In the public sector, budget preparation is the responsibility of various vote-book holders. This is in accordance with chapter 5.504 of the financial instructions which states that "Advance proposals and D raft estimates (Budget estimates) will be prepared by the Accounting Officers for Expenditure Head ....." This is interpreted to mean head of Departments (or Directors). This fact explains the forty per-cent vote for budget preparation as the responsibility of Heads of Departments.

Although twenty eight per cent said the entire members of the organisation are responsible for budget preparation, this is not so in practice. The same chapter 5.04 paragraph 2 of the Financial Institution only stated that "..... Officers must arrange to collect such information (required for the budget) in time to submit their proposals when due ...."

This section does not place responsibility for preparation of budget on the entire organisation but supplying information that would only facilitate preparation of the same.

Budget preparation is not the responsibility of Accountants only since the Acccounting officer (chief executive) can delegate the budget responsibility to any officer deemed competent. So there is no consideration for formal training of the individual so assigned, because budgets are merely reproduction of the previous years with little or no modification. That is why the question scored zero percent.

UTILITIES BOARD:

Budget preparation is based on the guidelines contained in the financial Instructions chapter 5.504 as stated above.

4.2.3 BUDGET POLICIES

PRESENTATION:

In response to the question on the existence of policies in government budgets the over whelming majority of 23 persons or ninety two percent responded in the affirmative while 2 persons or eight percent were undecided.

ANALYSIS:

The public sector budgets were normally expressions of the policies of the party in power (whether civilian or military) in quantitative and monetary terms. Both civilian and military politicians have some specific policies they normally implement during their tenures.

Civilians' policies are largely derived from party manifestos while for military, their coup manifestos often contain intended policies. These policies for each year are stated in the annual call circular issued by Ministry of Finance to various Ministries and departments. This fact explains why an overwhelming majority ninety two percent of the respondents believe that there exist policies governing Budgets. The eight percent of the respondents who were undecided could be attributed to the fact that government policies are often not clearly stated in the budgets. They are only implied.

4.2.4 ORGANISATIONAL GOALS

| S/No. | NO OF GOALS | NUMBER OF PERSONS | RESPONSES |
|---|---|---|---|
| 1. | One specific goal | 5 | 20% |
| 2. | One goal with subgoals | 4 | 16 |
| 3. | Many goals | 15 | 52 |
| 4. | Undecided | 3 | 12 |

ANALYSIS

To properly implement policies, government is divided into ministries. These ministries are assigned goal/s for example, Works, Agriculture, Finance, Information and Culture. The goals assigned are further subdivided into subgoals some are of higher priority. Therefore their achievement is considered vital to the attainment of major governmental goals. These are separated from the direct control and supervision of the main ministries and set up as extra governmental bodies called parastatals with their different Boards and managements. The Bauchi state Urban Utilities Board, under the Ministry of Works the Hospital Management Board, under the ministry of Health are some examples.

The majority fifty two percent of the respondents are of the view that government has many goals. There are those who believe that the public sector has only one goal i.e. to serve people. These made up twenty percent of the respondents. The total of twelve percent had no opinion. This could be due to the fact that government goals and subgoals are not always clearly stated in budgets nor are they understood.

Goals are important for the survival of any organisation. They are cohesive factors which bind the organisation and prevent it from disintegrating. But also in the public sector depite the existence of many goals, the budget is in most cases not the entire reflection of these goals. This could be one of the causes of our political instability and social malaise called curruption. If budgets were based on goals for instance, the populace would be satisfied as their yearnings would be satiated to tolarable limits and the need for constant Military coups would not be present. Also the monster of corruption and abuse of office would be very minimal as the public officers must relate all expenditure to the goals and targets set by the organisations and reflected in budgets and not merely to exhaust voted figures.

UTILITIES BOARD:

Provision of portable water, planned environment and infrastructure are important subgoals, of Ministry of Works. Their achievement would greatly facilitate the achievement of the main goals of the ministry. Therefore to ensure the achievement of the sub-goals above, the Utilities Board was separated to ease the stiffling Bureaucratic Bottle necks of the Ministry.

4.2.5 TARGET SETTING

PRESENTATION

The response on question of setting targets to achieve goals was as follows: 23 persons or ninety two percent were of the opinion that targets are set, while zero percent said no targets are set, and 2 persons or eight percent were undecided

ANALYSIS

Targets are desired for performance. They are frequently used as a means for motivating individual managers and employees. In this sence, set targets induce active and possibly pressured organisational atmosphere which it is believed result in higher levels of performance within the organisation"[1] In the public sector budget, this situation of target setting to stimulate hard work hardly exist except on rare occassions. This is because the public service is concerned with maintenance of projects rather than execution of the same. Projects were awarded to contractors who undertake to do the job. It was on exceptional cases direct labour is employed.

Targets were not set apart from the budget itself which is supposed to operate within one year. Therefore responses here cannot be given valid interpretation.

UTILITIES BOARD

Targets except occassionally to meet some not so recurring emergencies like direct orders from the governor to complete certain projects are not set here.

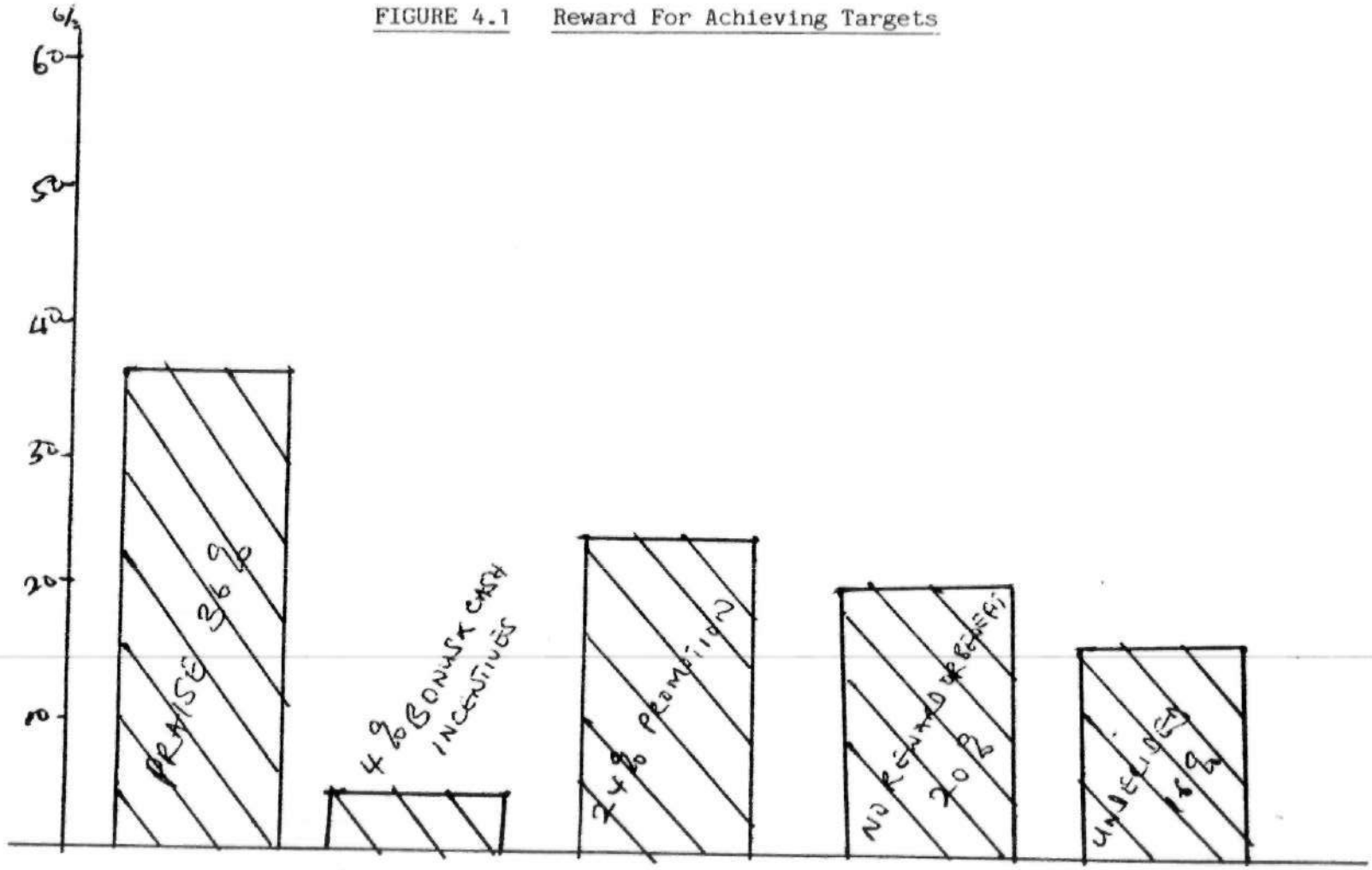
---

(1) Hopwood, Anthony. Accounting and Human Behaviour. Prantice Hall, Contemporary Topics in Account Series, Englewood Cliffs, New Jersey, U. S. of America 1976 p. 54.

KASHIM IBR...

PRESENTATION:

FIGURE 4.1 Reward For Achieving Targets




SOURCE: FIELD SURVEY

ANALYSIS:

Expenditure Head and sub-heads in public sector are no more than provisions fixing maximum amounts to be collected or expended on each Head and sub-head. They are not targets. Therefore spending within budgetary allocation does not necessarily mean achieving of targets. In this light, the responses above cannot be given valid interpretation.

UTILITIES BOARD:

Targets are not set here except for certain emergencies projects must be completed in stated periods of time. Even in these cases the Targets are set for contractors not the employees. In this light, the question of rewards does not arise.

PRESENTATION

TABLE 4.4

DISCIPLINARY ACTION FOR LAPSES

| S/NO | TYPE OF SANCTION | NO. OF PERSONS | GOALS % | NO. OF PERSONS | TARGET % |
|---|---|---|---|---|---|
| 1. | Warning | 13 | 52% | 13 | 52% |
| 2. | Reprimand | 6 | 24% | 7 | 28% |
| 3. | Demotion | 3 | 12% | 2 | 8% |
| 4. | Dismissal | 3 | 12% | 1 | 4% |
| 5. | None of the above | 7 | 28% | 3 | 12% |

KASHIM IBRAHIM LIBRARY

ANALYSIS

Failure to achieve goals and targets is a very serious lapse which can even lead organisations to premature death. But in public sector achievements of goals are not given the serious attention they deserve. The emphasis is not on how much organi-

sational goals are achieved but on financial accountability and value for money audit is not practiced. As a result accounting officers expend money within the Budgetary Allocation following government rules and regulations governing financial management. Conformity to these rules is regarded as an end in itself at the expense of organisational goals. Only failure to follow the laid down rules attract sanctions. That is why twenty eight percent said no any sanctions should be applied for lapses.

Appointment to the position of chief executive in most cases is determined by vested interest, politics, sectionalism, with merit playing a secondary role. The officer so appointed therefore has some level of protection. He may fail in achieving the goals of his organisation but these interests may give him protection from serious disciplinary action. That's why fifty two percent of respondents said that failure to achieve organisational goals attracts only warnings while twelve in each case endorsed demotion and dismissal respectively.

Since the practice of setting targets is absent in public sector the responses on target cannot be adequately interpreted.

UTILITIES BOARD;

No any chief executive or lower officer of Utilities Board has ever been disciplined within the period of this study for failure to achieve set goals. But there were cases of detention for financial impropriety. For instance in

1984, two General Managers and many Principal officers were detained on the basis of financial impropriety.

4.2.6 PERFORMANCE BUDGET

PRESENTATION:

On the question of existence of budget performance budget in Ministries, the responses are in three categories. The first being the majority of eighty four percent said yes to performance budget while eight percent or 2 votes said 'no' and eight percent or 2 votes said 'no idea'.

ANALYSIS

Although the majority of eighty four percent said that performance budget exists, this is not so, because the practice here is traditional line-items expenditure system. Therefore these responses cannot be given valid interpretation.

UTILITIES BOARD

The Budget here is based on line-items of expenditure (traditional Budgeting) system. Therefore no performance budget is in operation in the budgetary system of the Bauchi State Urban Utilities Board.

BUDGET PERFORMANCE MEASUREMENT MACHINERY

PRESENTATION

The majority 15 persons or sixty percent said there was a budget performance measurement machinery. However, in this respect a High percentage of thirty two percent or 8 persons said there was no such machinery, while eight percent or 2 persons were undecided.

ANALYSIS

Performance budget is not in operation here. Therefore no budgetary performance measurement machinery can reasonably be said to exist. The sixty percent responses may be due to valuation certificates issued to contractors at various stages of their contract execution to determine what payment was due to them. Thirty two percent did understand the question, because performance measurement apart from the one above is absent from the public sector.

UTILITIES BOARD

There is no budget performance measurement machinery but rather measurement is directed to projects mainly to know what is due to the contractor for purpose of making payments.

4.2.7 FORMAL STANDARD

PRESENTATION

On responses to the question of formal standards the following results were recorded: 15 persons or 60% responded "Yes" to the establishment of formal standard, 5 persons or 20% said "No" while another 5 persons or 20% abstained.

ANALYSIS

Going by the definition of standards by Batty as "a predetermined measure relating to labour or Overhead".

There were hardly any standards since these were non existent in public sector budgets. Only what is to be expended and what to be received as revenue are stated. And no targets are established. Although sixty percent responded positively, the responses cannot be relied upon for scientific interpretation. This is because they don't know what standards are. This also explains why up to twenty were undecided; the remaining 20% respondent who said no are of course right. No standards exist except expenditure limits which are established in public sector budgeting systems.

KASHIM IBRAHIM LIBRA

RESPONSIBILITY FOR SETTING STANDARDS

PRESENTATION

Responsibility for setting standards according to the sampled population is as follows:-

| S/NO | RESPONSIBILITY FOR SETTING STANDARDS | NO OF PERSONS | PERCENTAGE % |
|---|---|---|---|
| a) | Board Members | 7 persons | 28% |
| b) | Chief Executive | 6 persons | 24% |
| c) | Standard set with the active participation of line Managers | 6 persons | 24% |

ANALYSIS

Both the Board and Management have responsibility for setting standards depending on the level of performance. But the responses here cannot be interpreted because standard setting is not practiced. And no any government guidelines to that effect exist. Personal initiatives are normally not welcome but conformity to laid down rules is emphasized.

UTILITIES BOARD

Since there is no formal standard and rules such practice is not there. No any person or group are assigned this responsibility of setting formal standards.

STANDARD SET REALISTIC OR UNREALISTIC

PRESENTATION

A total of 19 person or seventy six percent said standards set are realistic, while zero percent said the standards were unrealistic and 6 persons or 24% were undecided.

ANALYSIS

The responses of the majority seventy five percent that standards set are realistic was wrong. In this case, therefore, the seventy six percent response about realistic goals can only be explained by fear of being described as disloyal by top management.

The twenty four percent who abstained from voting did do with the full knowledge that there are no formal standards. Therefore the question of realistic or unrealistic standard does not arise.

473710

UTILITIES BOARD

No formal standards have been established.

BUDGET HOLDERS AUTHORISED TO SPEND THE VOTE FULLY

On the question of whether budget holders have powers of spending their vote fully, attracted the following results:- 19 persons or seventy six percent said budget holders are authorised to spend their vote fully, while 4 persons or sixteen percent said 'no' and 2 persons or eight percent did not respond.

ANALYSIS

The trend during the period of this study which was 1978 to 1987 fall into two distinct categories coinciding with 1978-83 and 1984-1987 periods. This was due to the major economic events which resulted in the army returning to power after the 1979 handing over of power to civilians. The return of the military in 1979 was due to civilian unrestricted expenditure and treating budget as a licence for irresponsible spending that between the period 1978 to

1983. This was the period when the necessary budget discipline was absent. Only the oil glut of early 1980s which seriously affected the Nigerian economy brought about some restraints on spending before the oil glut therefore votes assigned to budget holders were spent fully. There was even last minute rush to spend unfinished vote book allocations. This trend has continued in some cases to date. That explains the reason why the seventy six percent of respondents believe that votes are authorised to be wholly spent.

However, with the coming back to power of the Military, 1984 to 1987, with their "consulting Clinic" manifesto, they introduced one of the important elements of budgetary control. That is despite the approval of the estimates, expenditures to be incurred on these heads, have to be backed with funds allocation normally released by the state cash flow commitee. This has put a stop to the habit of treating estimates as a licence to spend. This was started in the Bauchi State Budget of 1985, by then the Military Governor, Brigadier (Now Major-General) Sani Sami. Persons aware of this limitation were not many in the public service now, that's why only 16% voted yes to this question.

Those 8% who refused to take a stand are of the belief that the question is restrictive and therefore difficult to answer. But the question is very plain, may be due to not having enough knowledge of budgeting techniques.

UTILITIES BOARD:

During the same period of 1978-1983, the budget estimates were regarded as a licence to spend up to the limit set in the estimate rather than just a guide to expenditure and as a planning tool. With the coming back of the Military, between 1984 to 1987, the trend was reversed by the limiting of expenditure to only what was approved and backed by fund allocation for that purpose.

WHETHER OVER-SPENDING BUDGET ATTRACTS SERIOUS SANCTION

PRESENTATION:

A large majority of 20 persons or eighty percent believe that over-spending budgeted amounts attract serious sanctions. While three persons or twelve and a half percent said no sanction are applied and two persons or eight percent were undecided.

ANALYSIS

According to chapter 4, section 1432 of the financial instructions, "any unauthorised excess on a sub-head must receive covering approval or be refunded by the officer responsible for incurring it, where the covering approval has not been given. An Accounting Officer should also, when appropriate, take disciplinary action, which includes a surcharge against the officer". Therefore over-spending budget attracts serious sanction that is why eighty percent of the respondents replied the question in the affirmative.

The twelve percent who responded negatively may be due to the fact that such occurances are remote and budgets are inflated beyond proportions making expenditures easily accommodated without breaching the upper limits set.

## 4.3 QUESTIONNAIRE 'B'

### 4.3.1 PROCUREMENT AND CONTROL OF MATERIALS

PRESENTATION:

| RESPONSIBLE OFFICERS | PURCHASE OF MATERIALS | | FORECAST OF MATERIAL REQUIREMENT | | CONTROL OF MATERIAL ISSUE | | MATERIAL USAGE CONTROL | |
|---|---|---|---|---|---|---|---|---|
| | PERSON | % | PERSONS | % | PERSONS | % | PERSONS | % |
| 1. Chief Executive | | 12% | 7 | 11% | 6 | 9% | 6 | 9% |
| 2. Chief Stores Officer | 16 | 25% | 22 | 34% | 50 | 77% | 16 | 25% |
| 3. Chief Accountant | 4 | 6% | 3 | 2% | 3 | 5% | 0 | 0% |
| 4. Departmental Heads | 39 | 58% | 28 | 43% | 8 | 12% | 33 | 51% |
| 5. Purchase Committee | 1 | 2% | 5 | 7% | - | - | - | - |
| 6. Issue Committee | | - | - | - | 1 | 2% | - | - |
| 7. Shop Floor Managers | - | - | - | - | - | - | 18 | 15% |

ANALYSIS:

A purchasing and an Issueing Committee for purchase, forecast, control of issue and usage for materials were normally non-existent in the public sector. That is why they attracted th least responses from the respondents. As indicated above, only two percent, seven percent and two percent for material purchase, forecast and issue represent positive responses.

Shop floor managers only control materials for immediate consumption, so only fifteen percent of the respondents voted yes that usage control were their responsibility.

According to chapter 31 section 3101 of financial regulations (Revised) of the Federal Republic of Nigeria 1976, store is defined to include ".....all movable properties purchased from public funds or otherwise acquired by the government." So among the responsibilities of the chief store officer are:-

(1) Checking, handling, and storage of stores received;

(2) Care of store;

(3) Issue of stores supported by authorizing vouchers and ensuring both issues are checked and properly packed;

(4) Progression of stores issue using FIFO method;

(5) Avoidance of waste of stores and irregular issues;

(6) Maintenance of stocks within the prescribed minimum and maximum limits; and

(7) Periodic verification of stocks balances [2].

In the light of these responsibilities mentioned above, the respondents voted twenty five percent that chief stores officer initiated purchase of materials, thirty four percent for requirement forcast, seventy seven percent for issue control and twenty five percent are done for the same, that is, the Chief Stores Officer.

---

(2) Federal Government of Nigeria, (Revised) Financial Regulations Federal Ministry of Information, Lagos, Nigeria 1976 p. 3301.

However, section 3302 of Financial Regulation states that "every Head of division acting under his accounting officer, and every Head of Department, is responsible for the general supervision and control of stores and stores accounts of his division or department and for the due performance by his staff of their duties".(3) They were also responsible for forecast of their requirements for materials.

Due to the responsibility of stores supervisors, control and accounts, Heads of department the result of the question posed in this regard was fifty eight percent agreed that they were responsible for initiation of purchase, forty three percent said material forecast was done by them while only twelve percent said they control issue of stores. This was due to that fact that only materials of special nature were controlled by them, otherwise the issue control was the responsibility of the Chief Stores Officer. In usage control fifty one percent said that Head of Department are responsible for usage control because they supervise direct usage.

UTILITIES BOARD

Initiation of purchase of allocated store was the responsibility of the Head of Department. The Chief Stores Officer was responsible for unallocated stores, likewise for stores requirement forecast, usage and issue control. Allocated stores means those materials directly chargeable to departments. While unallocated stores means materials which are used by more than one department.

---

(3) Ibid (see p. 77)

MODE OF MATERIAL PURCHASE

PRESENTATION:

The modes of material purchase according to the respondents were as follows; Cash purchase only attracted zero percent of the responses local pruchase order (LPO), five persons or seventy eight percent, while LPO and Cash purchases recorded twenty two percent or 14 votes.

ANALYSIS:

The stores regulations have made no provision for cash purchases. Purchases have to be through the LPO. Therefore, the purchases have to be awarded by tenders committee on contract depending on the amount of money whether above ₦5,000.00 was to be expended. That is why none of the respondents said purchases were carried out on cash basis only.

Any significant purchase (above ₦5,000.00) has to go through the tenders committee which sits to select the contractor they deem appropriate. The contractor is therefore issued LPO to supply the material quoted in his submission after such deliberation. That is the only purchase made recognised by the stores regulations and therefore the reason for the majority of seventy eight percent of the total of the respondents.

However, the recent economic down turn has made the LPO unattractive to contractors. Public establishments due to this new trend had to make cash purchase for urgently needed materials. Therefore organisations make use of both cash and LPO where feasible. That explains the twenty two percent response to the "cash and LPO purchase" question as a means of material purchase.

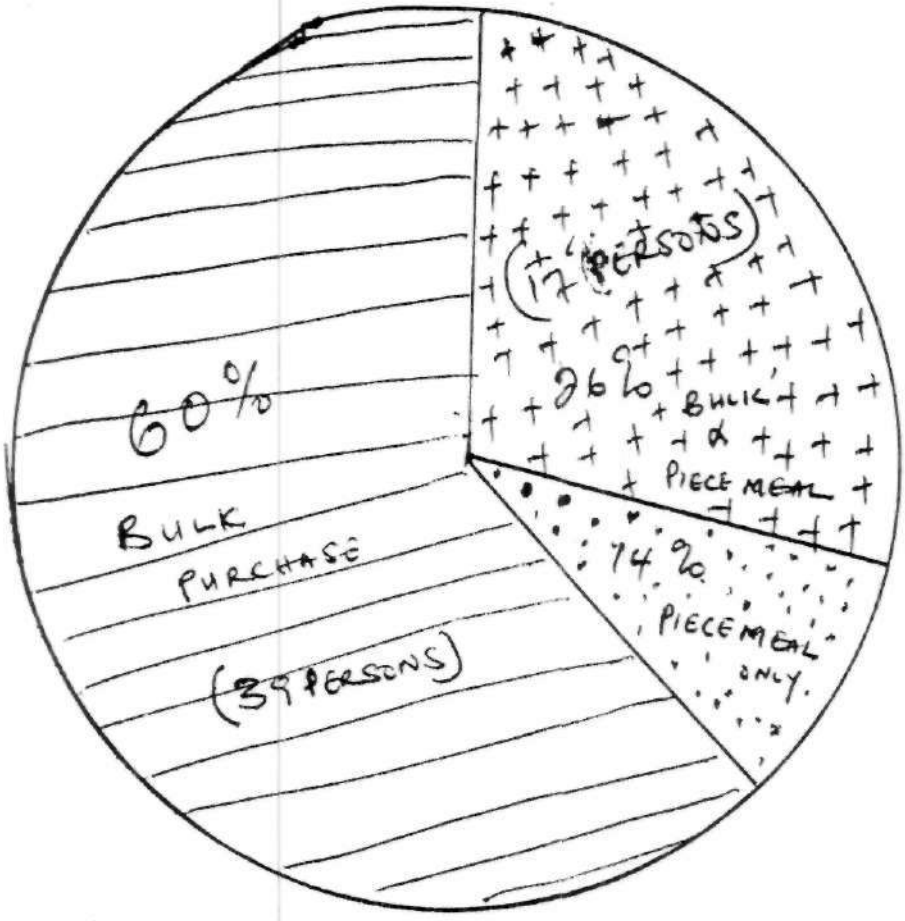
UTILITIES BOARD:

Purchases are normally done through LPOs but purchases which are minor and required for immediate use, are directly purchased on cash payment and these are normally for materials not more than ₦500.00.

VOLUME OF MATERIAL PURCHASES:

4.2 PRESENTATION:

PERCENTAGE RESPONSE ON VOLUME OF MATERIAL PURCHASES



ANALYSIS:

As the stores regulations made it mandatory for all purchases to be made through LPO after the approval of tenders committee, bulk purchase is also mandatory. That is why sixty percent of the respondents said materials are bought by bulk purchase only. But there may arise emergency cases where materials have to be bought piece meal. There practices are in existence in Bauchi State public service. That is why fourteen percent said both piece meal and purchases are practiced.

However, no any organisation that purchase on piece meal only or any regulation which made it mandatory for purchase on piece meal. The practice of piece meal purchases however, has no legal backing since the stores regulation of Bauchi State did not address this question. The twenty six percent respondent were for both Bulk and piece meal purchases. This is due to the fact that funds are not flowing as during the oil boom era. Therefore, most organisations buys on either bulk or piece meal depending on the availability of funds.

4.3.2 STANDARD QUANTITY

Those who responded "Yes" as to the existence of a standard for quantity of stores being fixed in the budget numbered 36 persons or fifty five percent while those who said no were 29 persons or forty five percent.

ANALYSIS:

There is no established standard for quantity of material purchases or stores in the public sector. Rather, purchase of materials were based on requirements submitted by respective departments or units. Moreover, purchase of materials depends on whether the expenditure heads will accommodate such purchases. That is why as high as forty five percent indicated that no established standard of quantity exists or is stipulated by budget documents. As standards were not set the response by fifty five percent of the respondents was wrong.

UTILITIES BOARD:

No established standards for materials purchased exists here. Purchases are based on the individual department's request and availability of funds.

STANDARD PRICES:

PRESENTATION:

The question on whether standard prices were established in public sector attracted these responses, forty two percent replied "Yes" to the existence of established standard price while fifty eight percent said there were no established standard price for purchases.

ANALYSIS:

The majority of fifty eight percent who said'no' to the existence of established standard prices for

materials pruchases are right. In that, for any purchase the suppliers are asked to quote the price for which they are willing to supply the required materials. The price agreed upon by the Tenders Board was not necessarily the most competitive.

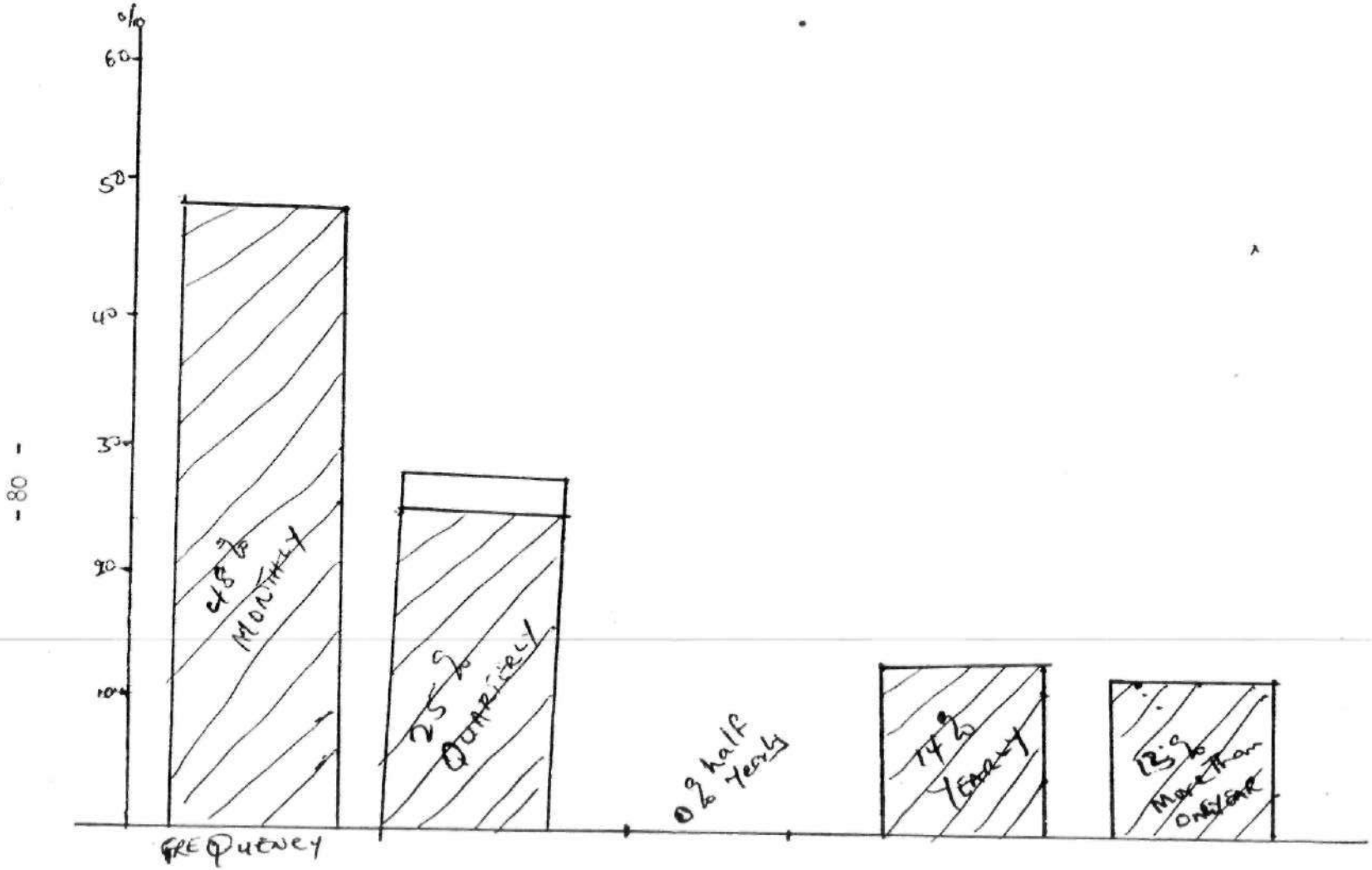
The forty two percent who voted yes on the existence of standard prices for material purchase may be doing so out of ignorance.

UTILITIES BOARD:

There are no established standard prices for materials purchased. Rather, purchase is done through the guidelines set in the stores regulations which direct purchases to be done through contract awards based on agreed prices quoted by the contractor.

4.4 REVIEW OF STANDARD

PRESENTATION



REVIEW OF STANDARDS:

ANALYSIS:

As there are no established standards for both materials and prices when making purchases, any price agreed upon on issue of LPO is relevant only for that particular order. Therefore the responses cannot be objectively interpreted.

UTILITIES BOARD:

There is nothing to be reviewed, since standard prices and quantities are not there in the first place.

PREPARATON OF MATERIAL USAGE REPORT

PRESENTATION:

473710

| S/NO. | FREQUENCY | NO OF PERSONS | RESPONSES |
|---|---|---|---|
| 1. | Weekly | 7 | 11% |
| 2. | Fortnightly | 0 | 0% |
| 3. | Monthly | 30 | 46% |
| 4. | Quarterly | 7 | 11% |
| 5. | Half yearly | 5 | 8% |
| 6. | Yearly | 0 | 0% |

4.5 MATERIAL USAGE REPORT:

KASHIM IBRAHIM LIBRARY

ANALYSIS:

All attention at the end of each year was geared towards the coming year's budget, and in most cases the previous budget was not reviewed. Therefore hardly was materials usage report prepared on a yearly basis. That was why none of the respondents (zero percent) said material usage reports were prepared on yearly basis.

In chapter 17 section 1741-43 of the stores regulations makes it mandatory for certain materials usage report to be submitted on monthly basis. That is why the majority of respondents, precisely forty six percent say such reports are made on monthly basis.

However, the emphasis of this chapter is restricted to the use of fuel and lubricants not extended to other materials which also need such control. On the whole, such materials usage reports are often not treated seriously. Therefore their preparation is not on a continuous basis. This is why twenty four percent of the respondents said no such reports are prepared at all.

UTILITIES BOARD

Materials usage reports are not prepared at all here.

BUDGET FOR TOTAL MATERIAL REQUIREMENTS:

PRESENTATION:

The views collected in response to the above subject matter were as follows: Budget for total quantity of material to be purchased 16 respondents twenty four percent, total amount to be expended for the purchase, twenty two percent, 14 respondents, both total quantity to be purchased and amount to be paid, fifty four percent or 35 respondents.

ANALYSIS:

Budgets in the public sector only give the type of materials to be purchased and total amounts allocated for such materials. That's why twenty two percent of the respondents said that the budget is concerned with the amount to be expended only. Quantity of materials and

amount to be paid are not considered in making budget proposals due to the inflation and other vested interests. Although total of seventy eight percent said this practice exists, it is not so in practice or in the regulatory books.

UTILITIES BOARD:

The material budgets are not made in terms of either amount or quantity or both but merely on financial allocation of that is expected to be expended during a given period of time. Therefore, purchases of material is limited to the availability of funds in respective expenditure heads.

CONSIDERATION FOR STOCK AVAILABLE BEFORE ISSUING PURCHASE ORDER:

In reply to the above subject, 59 persons or ninety one percent said "Yes", 4 persons or six percent said "No", while 2 persons or three percent were undecided.

ANALYSIS:

These days due to shortage of funds, consideration is given to the stock available before making purchases. This new trend is not attributable to desire for control of stock by management, neither is it explicable by desire of accounting officers to control use of funds. The ninety one percent of positive responses can only be explained by the scarcity of funds.

The purchase manual, that is the stores

regulations did not specify particular stock levels before purchases are made. The period between 1978-82 under this study, witnessed indiscriminate purchases. The only check against indiscriminate purchases were the expenditure ceilings which in most cases were well beyond proportion. That is why six percent still believe that consideration is not given to stock available. Due to problems of funding, materials are purchased only when they were completely out of stock and when they were considered very essential for running the organisation. Therefore, stock level is not considered in making purchases. As a result, the minority of three had no opinion on the question of stock levels as related to purchases.

UTILITIES BOARD

There is no rule for taking into consideration level of stock available before purchases. Purchases were undertaken during the period 1978 to 1983 irrespective of the stock available just so as to exhaust votes. In the period 1984 to 1987, purchases of materials were based on availability of funds rather than maintenance of stock level.

STANDARD QUANTITY REQUIREMENTS FOR OUTPUT PRESENTATION:

The establishment of standards for quantity requirements for output attracted the following

responses. Those who said such standard exists constitute 66%, 28% said that no standard exists and 6% are undecided.

ANALYSIS:

Public sector output is substantially made up of services which make quantification difficult. Establishing standard for output is not practiced in the public sector. Therefore, we can conclude that there is no established standard for output. That is why 28% said no standards of such nature exist.

The majority 66% of the respondents who said there are such standards are wrong. There is no government rule or regulation or circular which contains these standards. Therefore their responses are wrong

UTILITIES BOARD:

No such standards exist, rather any officer could submit what he deems appropriate as the required level and standard of output.

STANDARD REQUIREMENT FOR OUTPUT

PRESENTATION:

| RESPONSES | PERSONS | PERCENTAGES |
|---|---|---|
| Yes | 35 | 54% |
| No | 22 | 34% |
| Undecided | 8 | 12% |
| TOTAL | 65 | 100% |

ANALYSIS:

No required standards for output have been

established. Therefore the question of adhering to the rules does not arise. The response above cannot objectively be interpreted, no such standard is established.

UTILITIES BOARD:

Since there are no such standards the question of adherence does not arise.

REMUNERATION BASED ON BUDGETED AMOUNT

PRESENTATION

TABLE 4. 8 - BUDGET REMUNERATION

| RESPONDED | NO. OF PERSONS | PERCENTAGES |
|---|---|---|
| Yes | 44 | 68% |
| No | 21 | 32% |

ANALYSIS:

Remuneration payable to employees were budget based. Personal emoluments payable to employees was provided in detail. The detail is such that persons are mentioned by official title and the total amount payable to them during the budget period is specified. Any other additional charge has to be backed up by budgetary provisions. Persons are allowed to enjoy financial benefits of their promotions only when specific budgetary allocations are made for that purpose. Extra allowances are strictly based on budgeted amount.

Although the budgetary provisions may be there, instances exist these days where salaries or allowances reviewed amount to more than budgetary provisions. As a result of reviews of the existing salaries and allowances. Thirty two percent

of the respondents said remuneration is not necessarily based on budgeted amount.

UTILITIES BOARD

Payment of remuneration is based on budgeted amount. As the Board is also part of the public service, a change in government policy would affect the remuneration payable to employees. Any increase of pay outside the budgeted amount would normally be covered by special grants from the government.

CORRELATION BETWEEN PERFORMANCE AND REMUNERATION

PRESENTATION:

TABLE 4.9 - CORRELATION OF PERFORMANCE AND REMUNERATION

| RESPONSES (CORRELATION) | NO OF PERSONS | PERCENTAGE |
|---|---|---|
| Yes | 30 | 46% |
| No | 35 | 54% |

ANALYSIS

The remuneration payable to public sector employees are usually fixed and attached to the office the individual getting his income provided he can maintain visible appearance in his office. Even in the instances of wages and overtime payments, the emphasis is on time, rather than on output. That is, there was no correlation between budgeted performance and individual remuneration.

Forty six percent said that there was correlation between budgeted performance and remuneration. This

relationship was based on assumption that employees receive payments based on their grade levels or the relationship of budgeted remuneration in anticipation of the budgeted performance. This was wrong in that nobody asks how an employee has actually performed during the period to warrant more or less payments but what circular or order authorised such payments only.

UTILITIES BOARD:

The employees remunerations are fixed either on monthly, daily, or hourly basis. It is not based on performance, provided you can prove you have spent the stated time you are entitled to the stated amount.

EMPLOYEE PROMOTION:

PRESENTATION

Employees of public services enjoy promotions to higher level after following the laid down rules. However, the respondents have different views as to the most important creteria for promotions as given in the table below:

TABLE 4.10 - EMPLOYEES PROMOTION

| S/NO | CRETERIA | NO OF PEOPLE | PERCENTAGE |
|---|---|---|---|
| 1. | Experience | 14 | 22% |
| 2. | Exceptional performance | 24 | 37% |
| 3. | Budgeting Performance | 7 | 11% |
| 4. | Colleagues Syndrome | 21 | 32% |

ANALYSIS:

All of the above factors are valid in promoting employees to higher grades. However, budgeted performance is

given the least importance. Although public servants' performance may be considered for promotion, it is not really in the light of achieving budgeted performance. Although 11% said so, this is not usually the consideration. If you happen to start work on the same post with other individuals, those persons are your colleagues, neither of you will be promoted earlier than the other, despite the fact that one may perform better than the other. Unless a serious disciplinary case is established against the other, they must be promoted together. This is based on civil service rules. That is why thirty two percent said promotion is based on colleagues syndrome.

Recently, (early 1987) the military authority in Bauchi State put a stop to the colleagues syndrome practice for promotion. Exceptional performance is now rewarded through accelareated promotion. That means promotion before meeting the minimum number of years to qualify an individual for promotion to the next higher grade. That is why thirty seven percent said exceptional performance is rewarded.

UTILITIES BOARD:

The consideration for employees promotion includes at least two year's experience on the present post. It is on rare occasions that serious attention is given to individual output for promotion.

4.3.4 OVERHEAD EXPENSES:

PRESENTATION:

Control of overhead expenses according to sixty

three percent of the respondents is with the chief executive, while two percent said that control is exercised by budget (vote) holders. Eighteen percent said that such control is exercised by the chief accountant and seventeen percent said it is controlled by cash flow committee.

ANALYSIS

The control of overhead expenditures rests with the chief executive. These expenses cannot easily and economically be allocated to departments. These expenses include, rents, electricity light bills, water rates and so forth, and the possibility of their abuse is very high. Therefore to exercise greater control and reduce the level of abuse such expenditures receive direct approval from the chief executive. That is why eighty three percent of the respondents believe that overhead expenditure is controlled by chief executive.

Since the overhead cannot be conveniently apportioned to various budget (vote) holders in an organisation, the control of such expenses is naturally centralised. That is why only two percent of the respondents said such votes are controlled by them.

The cash flow committee, although it helps in apportioning fund to various expenditure heads, it was only to advise the chief executive on allocation of funds. The seventeen percent respondents also in respect of the rule of the fund allocation committee missed the point.

UTILITIES BOARD:

In the Utilities Board, overhead expenses are controlled by the chief executive. at times powers to make recommendations and some limited approval powers are granted to the area managers, of the three divisions of Azare, Gombe and Bauchi.

DEVIATION FROM BUDGETED AMOUNT

PRESENTATION:

According to sixty nine percent of the respondents, deviation from budgeted amount is often investigated. While twenty eight percent said such deviations are not investigated and three percent had no opinion.

ANALYSIS:

In the instances where the chief executive has devolved some of his responsibilites to a lesser executive, such officers are expected to make returns on such responsibility given. In case he fails to achieve the objective of such assignment, the chief executive may institute investigation into such happenings. That explains why sixty nine percent of the respondents believe that such deviations are investigated.

Since this expenditure is controlled mostly by chief executives who are normally not investigated or asked to account from their tenure, twenty eight percent of the respondents are of the belief that such deviations are not investigated at all. The three percent who had no opinion may be due to lack of understanding of the questions.

UTILITIES BOARD

Deviations from the budgets were not investigated since these expenses were mostly under the control of the chief

executive. However, when such responsibility is devolved in part to area managers due to long distance from the headquarters they are investigated if the deviations are serious.

PENALTY FOR OVERSPENDING OVERHEAD EXPENSES

PRESENTATION

The penalty for overspending overhead expenses depend on the degree of such offence. Reaction to type of sanctions to be imposed are given below:-

TABLE 4.11 PENALTY FOR OVERSPENDING OVERHEAD

| S/NO. | PENALTY | NO OF PERSONS | RESPONDENTS % |
|---|---|---|---|
| 1. | Warning | 29 | 45% |
| 2. | Reprimand | 5 | 8% |
| 3. | Surcharge | 11 | 17% |
| 4. | Demotion | 2 | 3% |
| 5. | Dismissal | 2 | 3% |
| 6. | None of the above | 17 | 26% |

KASHIM IBRAHIM LIBRARY

ANALYSIS

It is on rare occasions that serious disciplinary action is taken against such irregularity. This happend when a serious case of fraud or misappropriation is established. The officer affected may have no powerful backers both in and outside the organisation to protect him against such disciplinary action. That is why only 3% said they attracted dismissal.

According to the financial regulations chapter 4, section 0432, the officer may be surcharged for over spending votes. Over-expenditures are sometimes not the fault of the officer. There government policies and circulars which keep changing anytime with the least notice or anticipation e.g. NEPA tariffs. The Officer

is not to be punished for those problems that are beyond his control because of this 26% of the respondents said no any form of punishment for over-spending votes occurs. If it happens that such officers committed the offence due to negligence, they might be warned, and charged to be extra-vigilant. And this is the usual practice. That was why 45% of the respondents were of the opinion that only warnings are given for over-spending budgeted over-head.

The total number of responses added to one hundred and two percent. This was due to the fact that punishments were given due to gravity and frequency of the offence that was why some interviewees gave more than one answer.

UTILITIES BOARD

473710

No instance of punishment for over-spending of over-head expenses has been recorded in the period under study.

# C H A P T E R  F I V E

## RECOMMENDATIONS AND CONCLUSION

### 5.1 BUDGETARY ACCOUNTING

Generally and in Bauchi State Urban Utilities Board, Traditional budgeting has been in operation for a long time despite its deficiencies because of its simplicity. This lays emphasis on the Accounting for expenditure on each item, and performance of the public officers are not measured for the fund allocated. Because of the inherent inadequacies of this system, it is recommended here that it be replaced with a performance based budget.

### 5.2 FINDINGS

This study was guided by three (3) Hypothesis stated earlier in the introductory chapter. The first two were on what is good budgetary accounting. The last hypothesis was the assumption that present Budgetary Accounting in Bauchi State Public service in general and Utilities Board in particular were inadequate for sound budgetary control.

#### 5.2.1 HYPOTHESIS I

'A good Budgetary Accounting system permits communication of timely and relevant information for making informed decision, responsibility Accounting and control'.

Test of Hypothesis I

Elements of good Budgetary Accounting as described in Chapter two (see pp 12-19) include the following:

(1) Continuous measuring of actual expenditure and relevant output and comparing the same with budgeted.

(2) Detecting and Analyzing variances promptly.

(3) Prompt corrective action being taken to correct any lapse.

The above could only be achieved when there is an efficient data collection machinery which include comprehensive and elaborate Accounting systems with trained and well motivated personnel etc.

As this is a study of Bauchi State Utilities Board, with particular reference to its Budgetary Accounting, the available data was examined and analysed. The Research findings show the following results:-

(1) Budget Estimates are not well scrutinized (pp.59/60)

(2) It has been observed that often the work involved in budget preparation is given to someone who may not necessarily have a good knowledge of budgeting/ finance/accounting etc. (pp. 60/61)

(3) No budgetary performance measurement is in operation as stated in page 69. Therefore no review of Budgeted output is carried out by the executives.

(4) Variances arising from comparision of estimates and actual are not detected and analysed (p. 69)

(5) Variance between actual and budgeted items are not therefore detected. No corrective action is taken to forestall future occurence. (pp. 66-70)

CONCLUSION

In Bauchi State Public Service in general and Bauchi State Urban Utilities Board in particular, methods of collecting data are far from satisfactory. This is due to the fact that emphasis is made on cash basis of Accounting and line item of expenditure Budget. The organisation is unable to retain qualified personnel to handle such task efficiently and skillfully. There is a high

mobility of staff due to poor pay and other unattractive conditions of service.

This hypothesis (HP.I) is not in agreement with what exists in the organisation. Therefore the researcher is of the opinion that a good budgetary accounting is not being operated in Bauchi Public Service and Utilities Board.

HYPOTHESIS II

'A good Budgetary Accounting shows propriety of transactions and conformity with established rules to give evidence of Accountability for stewardship'

Test of Hypotheses II

In the literature review (see pp 12-19) attributes of good budgetary Accounting discussed indicate that they include the following:-

(1) In preparing budgets, the items should be classified as far as possible with relevant details e.g stationery to be bought should indicate the item (e.g. duplicating paper), quantity and amount.

(2) Monitoring budgeted cost and budgeted output against the actual output.

(3) Up-to-date comprehensive and elaborate data collection and dessemination.

Findings from the research show the following:-

(1) Rules and Regulations governing financial resources Management do exist in public service. The existing rules and regulations include principally the:-

   (a) Financial Instructions

   (b) Stores Regulations and

   (c) Handbook on Development plans.

(2) No efforts are made towards proper monitoring of Budget

performance. There is no performance measuring machinery (see pp.69)

(3) Shortage of well-trained and qualified personnel: This is due to poor conditions of service. Normally, individual's promotions and other incentives are not based on individual effort (see pp 91-93)

Although Rules and Regulations for Accountability do exist, they are inadequate for rendering required Accountability for stewardship. The Rules and Regulations are based on Cash basis. The Budget followed is the simple line item of expenditure system and is operated as such. The emphasis is on what is expended; not on what is achieved. These render the public Accountability as if they are non-existent. This is because no body would ask you what you achieved while in office. No effort is made to ask how much was collected; but you may only account for the money expended. If you are unlucky your regime is cut short by corrective a regime, like that of Buhari.

CONCLUSION

The conformity to the Rules and Regulations of budget is maintained all right by the Bauchi State Public Service and Utilities Board.

But the propriety of transaction and accountability for stewardship are not given the emphasis that is expected. No Chief executive (civilian or military) reviews performance of previous budget. They always present the legislature or public with what is to be received and expended for the coming year. (see pp. 72-75)

The hypothesis is largely proved to be not true in case of Bauchi Public Service and Utilities Board.

HYPOTHESIS III

'The present budgetary accounting system in Bauchi Public Service in general and Urban Utilities Board in particular is not sufficiently adequate and efficient to permit prompt communication of relevant and reliable accounting information for sound budgetary control'.

Test of Hypothesis III

1. In Bauchi public service, budget holders are not authorised to spend their vote without financial allocation by cash flow committee to back such expenditure (see p 72)
2. Budget policies are mostly implied; not expressly stated (see pp. 61 & 62).
3. Budgets in most cases are not a reflection of the entire goals of the public service (see p. 62-63).
4. Targets-setting is absent in public service and performance of individuals is not reviewed (pp 64-67)
5. No budgeted performance is studied - but only budgeted income and expenditure are the concern of the chief executive (see pp. 67).
6. No standard-setting is practised in public service. Only expenditure limits are stated in budget, What is to be received (revenue) and what is to be expended (expenditure) are not necessarily standards that are set. (pp. 69 & 70)
7. Budgets are not reviewed. This is due to the fact that the Accounting officers are not under any serious obligation to the public or legislative bodies to review their performance before any new allocation is approved. (see pp. 72-75).

CONCLUSION

From the above findings, only the finding No. 1, shows a

positive point for Budgetary Accounting and Control. The other six (6) findings on the above list show that the important elements of budgetary accounting are absent. This is due to adoption of cash basis Accounting system and line item of expenditure budget. Although simple and earsier to operate, the current level of corruption and misuse of public funds call for review of the existing system. This will reduce the misdeeds to a tolarable limit, if not completely eliminated.

The above findings prove hypothesis III to be true. Therefore it shows that the budgetary Accounting in Bauchi State Public Service and Utilities Board in operation is not adequate for sound budgetary control.

5.2.2 MORE RELEVANT FINDINGS

(i) Budget estimates were not rigorously reviewed. Emphasis is made on allocation side of the budget. accountability was not linked with performance.

(ii) Uninterested chief executives on the operation of the budget. Unqualified staff handling budget matters, 'financial instructions, stores Regulations and Hand-Book of Capital Expenditure not reviewed since the time Northern Regional Government.

(iii) Previous budgets are used as a spring board for the preparation of subsequent budgets. Emphasis is only placed on the allocation side of the budget. No much effort is put in drawing a new budget unless in some special cases where new projects are incorporated or old ones dropped.

(iv) Appointment to chief executive and top management levels are not normally purely on merit, but more on political

considerations and some influence or connection to the powerful individuals. These at times make the officers more loyal to the outside powers than the organisation. These types of persons would even break the organisation rules and regulations with impunity and go unscatched due to the above connection. These make the chief executive uninterested in budgetary control as their failing is never questioned.

v) The staff handling accounting data are not adequately trained for such task. They are mostly, by qualification and training, school leavers with one or two years training in polytechnics and Universities. The only professional accounting body "Institute of Chartered Accountants Nigeria (ICAN)" does not help matters as its training is mostly geared towards private sector of the economy.

In the light of the above findings, the following recommendations are made for the improvement of the existing systems.

## 5.3 RECOMMENDATIONS

### 5.3.1 BUDGET PREPARATION AND CONTROL

There is need for the creation of budget department/ unit headed by budget director in all the ministries or extra-ministerial departments to take charge of budgetary operations. The person so appointed must have a minimum of first degree in Accounting or related discipline plus considerable working experience in Budgetary matters. He should take charge of budget preparation and control.

Chief executives and other management staff should be made to appreciate the importance of budget as a tool for sound financial management. This can be done through seminars, workshops and so forth.

In preparation of estimates, views of junior managers and foremen should be incorporated in Budgets to make them feel that the budget is not an imposition from the top.

### 5.3.2 BUDGET POLICIES

The Accounting Officers must expressly state current government policies in preparation and submission of estimates for approval by respective authorities.

Goals should be stated in the light of these policies for each budget year for which public funds were allocated to these establishments. The accounting officers must account for their achievements in terms of goals set in addition to accounting for the money spent. In this light, value for money (management) Audit shall be institutionalized. Financial Instructions to be reviewed on regular basis to meet changing situations.

TARGET

Public officers should evolve practice of target setting for each level of performance for which the public money is allocated.

STANDARD

To achieve targets the practice of establishing standards for each level of performance should be introduced in public sector. Once established, these standards should be treated with seriousness, Any deviation must immediately be redressed. Appropriate rewards or punishment should be applied promptly without fear or favour. These include promotion, demotion, warning and so forth.

5.3.3 CONTROL OF MATERIAL USAGE

Material usage report should be prepared either on daily basis or at very short intervals at the most on weekly basis. These reports should be deliberated upon and be the basis for making further purchase orders.

There should be an established standard where possible for any given level of output, unlike the current practice where the user puts up his request without regard to what is to be achieved.

Budget for materials should be made in unit quantity and unit cost as well as total quantity and total cost; unlike the existing practive where the materials are mentioned by name or type and the amount to be expended for the same.

To avoid running out of stock and to buy cheaply,

the standard stores management should be incorporated into the existing stores rules. These should include maintenance of minimum stock level, maximum stock level, and economic order quantity.

Standard materials should be established for any given level of output. This is to reduce wastage and pilferage of the same.

5.3.4 LABOUR IMPROVEMENT TO ACHIEVE DESIRED GOALS

Appointment to a position which demands high level of skills, dedication and honesty should be based on merit and not desire for the post. These include apart from basic qualification, adequate experience, fear of God, transparent honesty and selflessness.

Public officers must adequately be rewarded, not only to take care of their basic needs but at least be within the average of the general public's economic well being. Job security, improved retirement benefits and other fringe benefits must be guaranteed as a right not as privilage.

5.3.5 OVERHEAD CONTROL

Overhead expenses should be properly monitored with a view to cutting unnecessary and wasteful expenditures. Standards should be established for any given level of output whenever possible.

## 5.4 C O N C L U S I O N

Budgetary Accounting in operation in Bauchi State public Service in general and Bauchi State Public Utilities Board in particular is far from being satisfactory for modern day management of scarce public financial resources. The Accounting and budgetary systems are the one inherited from former Northern Regional Government with no modification. The system although easy and simple to operate, the level of corruption, misappropriation and out-right embezzelment of Public Funds, show that it is far from being ideal. There is urgent need to improve upon the existing system or even totally discard and replaced by more comprehensive and elaborate system like Acrual basis of Accounting method and performance budgeting.

Relegation of performance to the background in Budgeting has resulted in colossal waste and pilferage of not only public financial resources, but material as well through inflated contracts, fraud and outright theft of public resources. These can only be reversed when public officers are made to account for the performance together with financial resources allocated to them. A machinery must be set in motion to gauge officers' performance for the funds allocated.

473710

As a policy, the legislature and Public Officers should review the budgeted performance of the previous budget before approving the next year's budget. Any established unfavourable variance should be explained and where necessary sanctions should be imposed according to the degree of offence committed.

KASHIM IB

The necessity for sound budgetary Accounting cannot be over emphasised for the successful implementation of any budgetary system in any organisation if sound financial management is to be achieved.

# B I B L I O G R A P H Y

## TEXT BOOKS


1. Adetoro, S. A. (1986). Research Techniques for Projects. Proposal, Report and Dissertations. Gaskiya, Gaskiya Corporation Ltd., Zaria, Nigeria pp. 6-48
2. Alpine, T. S. Mock (1976). The Basic Art of Budgeting. Business Book Ltd., London, Great Britain
3. Batty J, (1978) Accountancy for Managers; Heinmann, London, Great Britain, pp. 18-30
4. Batty J., (1975). Standard Costing. Mcdonald and Evans. London, England, pp. 1-69
5. Bukhead, A. (1956). Government Budgeting. John Wiley and Sons Inc. New York, U. S. America. pp 83-210.
6. Dickey R. I. (1964). Accountnats Cost Handbook. John Wiley and Sons Inc. New York, U. S. Ameria. pp 20.3-53
7. Dobson, R. W. (1958). An Introduction to cost accounting Gee and Company, London, Great Britain. pp. 75-183
8. Drucker, P. F. (1968). The Practice of Management. Pan Books London, Great Britain pp. 188-190.
9. Fisher, L. (1975). Presidential Spending Power. Priceton University Press, U. S. America pp 24-75
10. Griesmer, J. R. (1983). Accountant's and Administrator's Guide: Budgeting for results in Government. John Wiley and Sons Inc. New York. United States of America pp. 11-52
11. Hopwood, Anthony (1978). Accounting and Human Behaviour. Printice Hall Inc. Englewood Cliffs, New York, U. S. A. pp. 1-27
12. Horngren, C. T. (1984). Cost Accounting: A managerial Emphasis. Printice Hall Englewood Hall Englewood Cliffs, U. S. A. pp. 153-155.

13. Jones R. and Pendlebury M. (1988). Public Sector Accounting. Pitman Publishing, London, Great Britain. 125-182.

14. Keller, I. W. (1966), Management Accounting for Profit Control. Megraw Accounting Series. pp 170-174.

15. Livingstone, J. M. (1977). A Management Guide to Market Research. Macmillan Press Ltd., London, Great Britain pp. 9-28

16. Lucey T. (1989) Costing, D. P. Publications Ltd., London, Great Britain pp. 346-353

17. Ndagi, J. O. (1984). Essentials of Research Methodology for Nigerian Educators. University Press Ltd., Ibadan, Nigeria pp 1-132.

18. Ologboseiye R. I and Abifaring F. P. (1986). A guide to research work for students. Gbabeks publishers Ltd, Kaduna, Nigeria pp 1-78.

19. Oshisami K. and Dean P. N. (1984). Financial Management in Nigerian Public Sector. Administrative staff college of Nigeria (ASCON), Lagos, Nigeria pp. 74-138.

20. Osoula, E. C. (1987), Introduction to Research Methodology. Africa Feb Publishers Ltd., Onitsha, Nigeria pp. 59-91.

21. Owler, L. W. J. and Brwon J. L. (1984) Wheldon's cost Accounting Macdonald and Evans, London, England pp. 482-532

22. Pissey, A. (1987). Principles of Cost Accountancy. Cesel Seducation Limited., London, Great Britain, pp. 215-230

23. Public. (1962). Modernizing Government Budget, Public Administration Service, Chicago, U. S. A. pp. 1-101

24. Schick A (1971). Budget Innovation in States, Washington DC., U. S. A. pp 14-85

25. Vacil (1973). Budgetary Planning and Control Systems. In Sizer J (Ed) Reading in Management Accounting. Penguin Books Ltd. Hardmondsworth Middlesex, England. 304-309.

26. Wiscon, Dufus (1977). Modern Business Series, Budgetary Control. Alexander Institute, New York, U. S. America pp. 1-27.

GOVERNMENT PUBLICATIONS

27. Bauchi State Development Board. Approved Budgets Estimates 1979-1986 Unpublished.

28. Bauchi State Development Board. Audited Annual Accounts 1980-1986 Unpublished.

29. Bauchi State Development Board (1979) Government Edict No. 2, 1976. Unpublished pp. 1-12

30. Bauchi State Government. Approved Budgets 1978-1987. Government Printer, Bauchi Nigeria.

31. Bauchi State Government. Civil Service Rules. Government Printer, Bauchi, Nigeria.

32. Bauchi State Government (1968) Financial Instructions, Bauchi, Nigeria, Ministry of Finance.

33. Bauchi State Government (1968) Stores Regulations, Bauchi, Nigeria, Ministry of Finance.

34. Bauchi State Planning and Urban Utilities Board (1986) Government Edict No. 21, 1986. Unpublished pp. 1-41.

35. Bauchi State Urban Utilities Board. approved Budget Estimates 1987. Unpublished.

36. Bauchi State Water Board. Audited Accounts 1978-1982. Unpublished.

37. Bauchi State Water Board. Government Edict No. 2, 1976 pp. 3-33

38. Bauchi State Water Board. Approved Budgets Estimates, 1978-1986. Unpublished.

39. Bauchi State Water Board. Progress Report for the Period October 1979 - December 1981 Unpublished.

40. Central Bank of Nigeria. Annual Report and Statement of Accounts for the Year Ended 31/11/84

41. Central Bank of Nigeria (1986); Economic and Financial Review Vol. 24, No. 3 Central Bank of Nigeria, Lagos.

42. Federal Government of Nigeria. Approved Budgets, 1958/59-1966. Government Printer, Lagos, Nigeria.

43. Federal Government of Nigeria. Revised Financial Regulations 1976. Federal Ministry of Information, Lagos, Nigeria.

44. Ministry of Economic Planning, First Progress Report of Bauchi State Programme in the 4th National Development Plan 1981-1985 (October 1979 - December, 1981). Bauchi State Government, Bauchi, Nigeria.

46. Ministry of Economic Planning. Handbook on Government Development Planning and Capital Estimates Procedures.

J O U R N A L S

47. Blocker J. G. (1936) Budgeting in Relation to standard cost. Accounting Review Vol.14 pp 52-57.

48. Browell, P. (1981) participation in Budgeting, Locus of control and organisation effectiveness. Accounting Review Vo. 56 pp.44-850.

49. Chalters H. C. (1939), Present and Future of Government Accounting. Accounting Review. Vol. 14 pp. 48-51

50. Demski S. S. and Feltham G. A. (1978), Economic Incentives in Budgetary Control Systems. Accounting Review Vol. 53 pp. 336-357.

51. Dogo I. (1986), Deficiencies of the 1986 Budget. New Nigerian January, 1986. p. 5.

52. Gailey George D (1939) Practical Problems in Government Accounting Review. Vol. 14, pp. 52-57.

53. Galway, A. (1986). Standard Costing and Control by variance analysis. The Nigerian Accountant Vol.XIX No. 2 pp. 27-31

54. Ghartey, J. B. (1986), Rhetoric and Accountability; The case of Africa. The Nigerian Accountant, Vol. XIX No. 2, pp 11-13

55. Hanson, E. I. (1960). The Budgetary Control Function. Accounting Review Vol. 41. pp. 239-243.

56. James, R. M. (1950). Three major concepts in Government Accounting Theory. Accounting Review Vol. 25, pp. 307-314.

57. Jones, J. W. (1942). The execution of the Federal Budget Accounting Review Vol. 17 pp. 88-94.

58. Millian Paul M (1947) Profit Planning and Budgetary Control. Accounting Review Vol. 22 pp. 65-68

59. Naylor E. E. (1940). Budgetary and Propriety Accounts of the Federal Government. Accounting Review Vo. 15 pp. 485-494.

60. Oshisami, K. and Fadile E. O. (1983). Importance of Government Accounting Data to economic planning. The Nigerian Accountant Vol. XVI No. 2: pp. 8-10

61. Peter Brownell (1982). A Field Study Examination of Budgetary Participation and Locus of Control. Accounting Review Vol. 57 pp. 766-776.

62. Pogue, G. (1989). Understanding Budgets and Budgetary Control. The Nigerian Accountant Vol. XXII No. 2: pp. 33-35.

63. Pogue, G. (1989). Understanding Budgets and Budgetary Control Part (2). The Nigerian Accountant Vol. XXII No. 3. pp. 33-37.

64. Simasathein, P. (1960). The Budgetary Control of Federal Expenditure. Accounting Review Vol. 35: pp. 314-315.

65. Thesis, E. L. (1932). Budgetary Procedure as a means of Administrative Control. Accounting Review Vol. 7: pp. 11-21.

P A P E R S

66. Okpechi, S. O. (1986). Financial Management and reporting. Paper presented at National Accounting Teachers' Association (NATA) Conference, University of Lagos, Nigeria.

67. Olowokure, T. O. (1986). Value for Money: As a method of Performance appraisal in public sector. A paper presented at National Accounting Teachers' Association (NATA) Conference, University of Lagos, Nigeria.

# APPENIDIX I

QUESTIONNAIRE A

BOARD/MINISTRY/DEPARTMENT/SECTION/OTHERS (Specify)

POSITION/RANK:

Please tick (✓)/delete as appropriate the answers below:

1. How do you arrive at the budget estimates?

   (1) Based on past performance
   (2) Based on past estiamtes
   (3) Based on guess work
   (4) Based on soem established standards
   (5) All of the above

(2) Who is responsible for preparing budget?

   (1) The Accountant only
   (2) The Head Of Departments are involved
   (3) The entire organisation are involved
   (4) All of the above.

(3) Does the roganisation base their budget on some specific policy/(ies)? Yes/No.

(4) Does the organisation have

   (1) One specific goal to be achieved?
   (2) One goal with different sub-goals?
   (3) Many goals to be achieved?

(5) Does the organisation set up some target to achieve such goals? Yes/No.

(6) Do failure to achieve such goals attract disciplinary action in terms of:

   (1) Warning
   (2) Reprimand
   (3) Demotion
   (4) Demotion
   (5) Dismissal
   (6) None.

KASHIM IBRAHIM LIBRARY

(7) Does the organisation set up a budgeted performance.

Yes/No.

(8) Does the organisation have budgeted performance measurement machinery? YES/NO.

(9) If yes, how frequently is budget performance measured against the actual?

(1) On routine basis
(2) On weekly basis
(3) On fort-nightly basis
(4) On monthly basis
(5) On quarterly basis
(6) On half yearly basis
(7) On yearly basis.

10. Are actions taken when such measurements take place?

YES/NO.

11. Does the achievement of budgeted target attract immediate reward;

YES/NO.

12. Does such reward or benefit come in the form of

(1) Praise
(2) Bonus/other cash incentives
(3) Promotion
(4) No any reward or benefit.

13. When budgeted targets are not achieved what sort of action is/are taken to forestall future occurances?

(1) Warning
(2) Reprimand
(3) Demotion
(4) Dismissal
(5) None at all.

14. Do over spending budgeted amount attract any serious sanciton?

YES/NO

15. Does the organisation establish formal standard?

YES/NO.

(16) If yes, who set the standards?

(1) The Board Members.
(2) The Chief Executive
(3) The standard were set with the participation of live managers.

(17) Are the standards set?

(1) Realistic
(2) Unrealistic?

(18) Are the budget holders authorised to spend their vote fully?

YES/NO.

Thank you.

# A P P E N D I X II

QUESTIONNAIRE B

BOARD/MINISTRY/DEPARTMENT/SECTION/OTHERS (specify)

POSITION/RANK:

Please tick ( ✓ )/delete as appropriate the answers given below:

Material

(1) Who initiate purchase orders of materials for the organisation.

(1) The Chief Executive
(2) The Chief Stores Officer
(3) The Chief Accountant
(4) The Departmental Heads
(5) The Purchase Committee

(2) Who forecast for material requirements of the organisation?

(1) The Chief Executive
(2) The Chief Stores Officer
(3) The Chief Accountant
(4) The Departmental Heads
(5) The Purchase Committee
(6) None.

(3) Who control material issue in the organisation?

(1) The Chief Executive
(2) The Chief Stores Officer
(3) The Chief Accountant
(4) The Departmental Heads
(5) The Issue Committee

(4) Who control the usage?

(1) The Chief Executive
(2) The Chief Stores Officer
(3) The Chief Accountant
(4) The Departmental Heads
(5) The Shop floor Managers (Foreman)

(5) How does your organisation purchase materials

(1) Cash purchase only
(2) LPO Only
(3) LPO and cash

(6) Does your organisation purchase material

(1) On bulk purchase
(2) On piece meal?

(7) Does your organisation charge its books of account immediately when the purchase on credit is made?

YES/NO

(8) Do you have established standards for quantity stated in the budget to be purchased?

YES/NO

(9) Do you have standard prices for the material purchases?

YES/NO.

(10) How often are such standards reviewed?

(1) Monthly
(2) Quarterly
(3) Half yearly
(4) Yearly
(5) More than one year.

(11) In setting standards are present market conditions taken into consideration?

YES/NO.

(12) How often do you prepare material usage report?

(1) Weekly
(2) Fort-nightly
(3) Monthly
(4) Quarterly
(5) Half yearly
(6) Yearly
(7) No any report is prepared at all.

(13) Do you budget for the total materials requirements in terms of:

(1) Total quantity to be purchased
(2) Total amount to be paid;
(3) Total quantity purchased and total amount to be paid?

(14) Do you take into consideration the stock available in making purchase orders?

YES/NO

15. Do you have a standard material requirement for any output at the organisation?

YES/NO

16. Are such standard material requirement being adhereed to?

YES/NO

17. If no, is any disciplinary action taken against such lapses?

YES/NO

18. Does your organisation base remuneration on budgeted amount?

YES/NO

19 Is there any correlation between the budgeted performance and remuneration paid to the employees?

YES/NO

20. Are the employees promotion based on:

(1) Experience
(2) Exceptional performance
(3) Budgeted performance or
(4) Colleagues syndrome?

473710
KASHIM IBRAHIM LIB

OVERHEAD

21. Who control the overhead expenses?

(1) The Chief Executive
(2) The Budget holders
(3) The Chief Accountant
(4) Cash Flow Committee

22. Is any deviation from the budgeted amount investigated?

YES/NO

23. Any penalty for over-spending in over-head expenses in terms of:

(1) Warning
(2) Repremand
(3) Surcharge
(4) Demotion
(5) Dismissal
(6) None of the above

THANK YOU.