

# **THE EFFECT OF BUDGET CONTROL ON NON PROFIT MAKING ORGANIZATION**

*(A CASE STUDY OF NATIONAL COMMISSION FOR  
COLLEGES OF EDUCATION)*

BY

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MBA/ADMIN/13075/97-98

OCTOBER 1999

**TITLE**

**THE EFFECT OF BUDGET CONTROL ON NON PROFIT MAKING  
ORGANIZATION: CASE STUDY OF NATIONAL COMMISSION FOR  
COLLEGES OF EDUCATION. Being a project submitted to the school of  
Post - Graduate Studies, Ahmadu Bello University, Zaria, in partial  
fulfillment of the requirement for the award of Degree of Masters in  
Business Administration (MBA).**

  
**BY**

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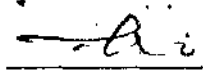
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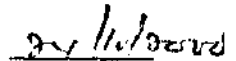
I hereby declare that this research project has been conducted solely by me under the guidance of Mallam A. M. Abu-Abdissamad, the Head of Department of Business Administration, Ahmadu Bello University, Zaria.

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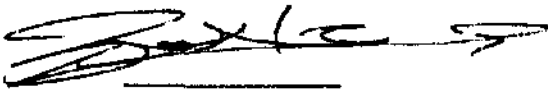
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## CERTIFICATION

This project entitled "The Effect of Budget Control on non Profit Making Organization by UKOH UKOH IROGBEREACHI meets the regulation governing the award of degree of Masters of Business Administration (MBA) of Ahmadu Bello University (ABU), Zaria, and is approved for its contribution to knowledge and litrary presentation.

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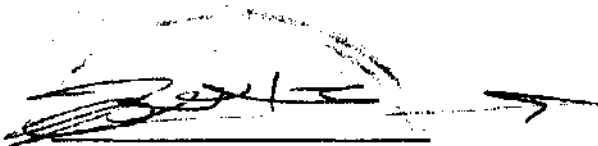
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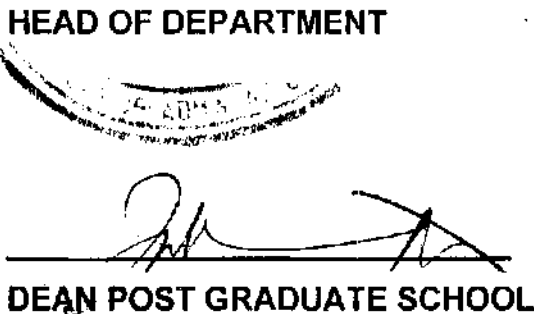
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## **DEDICATION**

This work is dedicated to my wife Ifeoma F. Ukoh and my son Chinedu Ukoh who were so much deprived in order to achieve this objective.

## ACKNOWLEDGEMENT

To have faith is to be sure of things we hope for, to be certain of things we cannot see. To God Almighty I give all the glory and honour – Amen.

I owe much to many for their help and encouragement throughout the duration of this course. It is difficult to single out some without slighting on others. But I shall always remain indebted to my supervisor, Mallam A. M. Abu-Abdissamad for taking the pain to go through this work and effect the necessary corrections.

My special thanks goes to the family of Dr. Charles M. Anikweze for their concern about my welfare and my career. My special thanks also goes to Mr. Echeme O. Ukpai who encouraged me to go for this programme and who was always handy to advice me on how to go about it.

My course mates who assisted me in no small measure can not be left out. They are Mr. S. Amalaha whose vehicle was our means of transportation always, Mrs. Ifeoma Maduka whose resilience gave me encouragement even at the point of despair, Mr. Virginus Ekwem whose note was always handy for me to make up my own note with, Mr. Calistus Eze who helped in no small measure to see me through in some of the hard subjects, and a host of others who were always around to assist.

## **ABSTRACT**

We live in an age which is full of uncertainty. It is the setting of this nature that planning is of importance in the management of any organization. Due to the pervasiveness and complexity of job, management needs all the assistance available for preparation and implementation.

A budget being a quantitative and monetary expression of the plan, serves as one of the tools for planning and control devices. Budget helps to control specific operation and also helps to prevent waste. It pinpoints the extent or lack of efficiency, in that actual performance will be compared with the budgeted figures at the end of the budget period. To keep track of deviations, report must be monitored periodically so that necessary adjustment would be made.

National Commission for Colleges of Education was used as a case study. Using review of the Commission's documents and questions answered by some key officers in comparison to the literature review, It was found out that the Commission uses incremental budgeting system. This system has helped the Commission to make savings. More so, as the Director and Deputy Director are chartered Accountants who are guarding their profession jealously. This has given room to adequate control measures to be put in place and monitored. The

dividend being the secretariat and management quarters at Abuja which the Commission will soon be going over to occupy.

## TABLE OF CONTENTS

	PAGE
TITLE	i
DECLARATION	ii
CEERTIFICATION	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
ABSTRACT	vii
TABLE OF CONTENTS	ix
<b>CHAPTER ONE</b>	<b>1</b>
1.0 INTRODUCTION	1
1.1 STATEMENT OF THE PROBLEM	2
1.2 AIMS AND OBJECTIVES	3
1.3 HYPOTHESIS	3
1.4 SIGNIFICANCE OF THE STUDY	4
1.5 DELIMITATION AND LIMITATION	4
1.6 RESEARCH METHODOLOGY	5
<b>CHAPTER TWO</b>	<b>7</b>
2.0 INTRODUCTION	7
2.1 OBJECTIVE OF BUDGETING	11
2.2 PROCEDURES AND PREPARATION OF BUDGETS	13
2.3 ESSENTIALS OF BUDGETING	16

2.4	KINDS OF BUDGET	18
2.5	TYPES OF BUDGETING	20
2.6	BUDGETARY CONTROL	29
2.7	BUDGETING IN TIME OF INFLATION	34
2.8	FACTORS AFFECTING THE IMPLEMENTATION OF BUDGETS	35
	REFERENCES	37
<b>CHAPTER THREE</b>		<b>41</b>
3.0	PRESENTATION AND ANALYSIS OF DATA	41
3.1	BUDGETING SYSTEM IN NCCE	44
3.2	BUDGET CONTROL IN NCCE	49
3.3	CONCLUSION	70
<b>CHAPTER FOUR</b>		<b>71</b>
4.0	SUMMARY, CONCLUSION AND RECOMMENDATION	71
4.1	SUMMARY	71
4.2	CONCLUSION	72
4.3	RECOMMENDATION	73
<b>BIBLIOGRAPHY</b>		<b>74</b>

## CHAPTER 1

### 1.0 INTRODUCTION

Budgeting and budgetary control system can be said to have formed part of the modern management information system. Their functions are wider, since they embodied forecasting, planning, organizing, coordinating, and controlling.

It is an established practice that for any organization to achieve its stated objectives, both at management and operational levels, budgets or estimates must be made. Plans can be made on the basis of what is expected to happen in the future both within and outside the organization's world. This means that likely events and conditions must be forecasted before plans for the attainments of objectives can be laid down.

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Closely related to plans is control. Without effective control, an organization will be at the mercy of all the internal and external forces that can disrupt its efficiency and the organization will be unaware of them and therefore unable to combat such forces. Effective control ensures that efforts produced at all levels are commensurate with those required to achieve the objective of management and of the sectional functions through out.

In public sector where emphasis is more pronounced on control and safeguard of public assets held in trust, budget and its control play an important role. Government budgets are estimates of income and expenditure over a period of time usually one year. However, government budgets are often a reflection of government political goals culminated in what it intends to do and set method for carrying out such proposal. The budget is therefore crystallization of government programmes and effective control must be in place to achieve the set goals.

#### **1.1 STATEMENT OF THE PROBLEM**

There are high expectations on parastatals of education. But the public is in most cases disenchanted with the performance of these institutions. One of the major reasons responsible for their poor performance could be lack of adequate management of their available human and material resources.

In a number of government establishments, budget has been perceived as license for incurring expenditures. This however should not be the case, budget should be a guide and not a rule of behaviour. The inadequacy of financial management in terms of financial planning and control is therefore the central problem which this study intends to address.

## **1.2 AIMS AND OBJECTIVES**

The objectives of this study are:

- To highlight the significance of budgeting in Parastatals.
- To examine various forms of budgeting.
- To find out and examine the form of budgeting specifically practiced by National Commission for Colleges of Education with the view of pin-pointing loopholes if any.
- To recommend a best system of budgeting to National Commission for Colleges of Education.

## **1.3 HYPOTHESIS**

Budgeting and budgetary control helps in evaluating the effectiveness of every operator's performance. It embraces effectiveness of managers by making the managers look ahead, coordinate activities of the organization and also communicate the objectives of the organization to other staff members. There is also the question of monitoring or control which is fundamental to the successful implementation of a budget.

On the above conviction, the hypotheses to be tested would be:

HA: Budget control enhances development.

HO: Budget control does not enhance development.

#### **1.4 SIGNIFICANCE OF THE STUDY**

The importance of the study lies in the following:-

- It is useful to those who might be involved in the preparation and operation of budgets in their organization.
- This piece of work is highly useful to those in position of authority in organization to reward or punish functional departmental heads who are normally charged with budget implementation.

#### **1.5 DELIMITATION AND LIMITATION**

The major limitation of a research such as this is the inability to lay one's hands on some useful information which are tagged 'SECRET'. The best that could be made available is verbal explanation rather than documented information.

It was not possible to travel to Abuja which is the Head Quarters of National Commission for Colleges of Education as a parastatal under Ministry of Education to collect detailed information for the purpose of the study. In addition, lack of adequate finance and time constraint were serious limitations. However, efforts have been made to ensure that most relevant data are obtained in order to meet the objective of this work.

## **1.6 RESEARCH METHODOLOGY**

There are two main sources of data collection methods, namely primary and secondary data collection methods. Primary data refers to data collected directly by the researcher through

- 1) Interviews
- 2) Questionnaires
- 3) Direct Observation
- 4) Direct Measurement
- 5) Study of documents for analysis and interpretation

While the secondary data refers to data from sources such as operating manuals, published final accounts, Accounting Journals, news papers, magazines and text books.

The researcher selected to use both the primary and secondary data collection methods for the purpose of this project.

## CHAPTER 2

### 2.0 INTRODUCTION

The concept of budgeting can have different meaning to different people depending on the use and nature of the person or organization. It is an exercise that goes with the event of each day. It therefore calls for continuous review and observation. As such, views and perceptions of learned authors and lectures are taken into consideration. Though mostly on manufacturing and trading organization. But it should be appreciated that the same techniques of forecasting and control is applicable to services, organizations and government.

Goals and objectives must degenerate into work, but in government those must degenerate into financial plan of operation which is the budget. Budget has long been the focal point of the financial procedure of public authorities. Pickles and Lafferty [1974] defined budget as a financial and or quantitative statement prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. Oshisami [1992] stated that a budget is a plan expressed in quantitative and usually monetary terms covering a specified period of time, normally one year. Fayemi [1993] defined budget as a quantitative expression of a plan for a given period of time. While

Horngren [1982] defined budget as a quantitative expression of a plan of action and an aid to coordination and implementation. Brown and Howard [1982] described a budget as a predetermined statement of management policy during a given period which provides a standard for comparison with the results actually achieved. Livingstone [1997] described budget as a comprehensive, formal plan, expressed in quantitative terms describing the expected operations of an organization over some future time period. While Weston and Brigham [1978], said that a budget is simply a financial plan.

A close look at the above definitions of budget reveals the following:

- Budget is an aid to making and coordinating short-range plans.
- A device for communicating these plans to various responsibility centers.
- A way of motivating managers to achieve goal.
- A bench mark for controlling on-going activities.
- A basis of evaluating performance; and
- A means of informing managers about the results and workings of their responsibility centers.

Thus a budget fixes a target against which the actual performance is measured. Budget is necessary to plan for the future, to motivate the staff associated to coordinate the activities of different departments and to control the performance of various persons operating at different levels.

While budget is a statement, budgeting is the act or process of building the budgets. Budgeting should not be regarded as a mistful thinking but rather as a description of an attainable objective, certainly it should be emphasized that budget reflect plans before budgets are prepared.

Two basic functions of budgeting are planning and control. Planning encompasses the entire process of preparing the budget. Planning is the process that most people think of when the term budgeting is mentioned. *The majority of the time and effort devoted to budgeting is expended in the planning stage.* Careful planning provides the framework for the second function of budgeting.

Control is the comparison of actual result with budgeted data, evaluation of the differences and taking corrective actions to adjust for differences when necessary. Horngren [1982] said that the systems and techniques for implementing internal control are aimed at improving the accountability for actions, the accuracy and reliability of records, the safeguarding of assets and the overall efficiency of operations.

The comparison of budget and actual data can occur only after the period is over and actual accounting data are available. The comparison of actual results with budget expectation is called performance reporting. The

budget acts as a gauge against which managers compare actual cost and revenue says Livingstone [1997].

Budgeting is a time consuming and costly process. Managers and employees are asked to contribute information and time in preparing the budget and responding to performance reports and other control-phase budgeting activities.

Virtually all organizations require some planning to ensure efficient and effective use of scarce resources. Some people are compulsive planners *who continuously update plans that have already been made and plan for new activities and functions*. At the other extreme are people who do not like to plan at all and therefore find little or no time to get involved in the planning process. The budgeting process closes the gap between these two extremes by creating a formal framework that provide specific, uniform periodic deadlines for each phase of the planning process. Planning by individual managers does not ensure an optimum plan for the entire organization. The budgeting process, however provide a vehicle for the exchange of ideas and objectives among people in the various organizational segments. The budget reviews process and other budget communication networks should minimize redundant and counter productive programs by the time the final budget is approved.

We live in a world of limited resources, virtually all individuals and organizations must ration their resources. The rationing process is easier for some than for others. Each person and each organization must compare the costs and benefits of each potential project or activity and choose those that result in the most appropriate resource allocation decisions.

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Measuring costs and benefits requires some degree of qualification. Profit oriented firms make dollar measurements for both costs and benefits. In not-for-profit organizations, such as government agencies quantification of benefits can be even more difficult.

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## 2.1 OBJECTIVE OF BUDGETING

Budgetary systems are more common in larger companies where formalized and sophisticated techniques are developed to serve management. Still the usefulness of budgeting to very small concerns should not be overlooked. Many deaths of small businesses could have been circumvented by an early attempt to quantify the dreams of headstrong but sloppy-thinking entrepreneurs who never directly faced uncertainties of their venture. The point is that managers must grapple with uncertainties, either with a budget or without one. The advocates of

26 APR 2005

budgeting maintain that the benefits from budgeting nearly always exceed the cost.

Budgets are major feature of most control systems. When administered intelligently budgets which formulate expected performance, also express managerial target according to Horngren [1982]. Without such targets operations lack directions, problems are not foreseen, result lack meaning, and the implications for future policies are dwarfed by the pressure of the present. The planning role of all levels of management should be accentuated and enlarged by a budgetary system. Managers will be compelled to look ahead and will be ready for changing conditions.

Another objective of budgeting is to provide performance criteria. Employees do not like to fumble along not really knowing what their supervisors anticipate. The budget helps meet this difficulty by letting employees know what is expected of them.

Communication and coordination is the next. Coordination is the meshing and balancing of all factors of production and of all the departments and functions of the organization so that its objectives are attained – that is, the interests of the individual managers are subordinated for the benefits of the organization as a whole. The concept of coordination implies that the purchasing officers integrate their plans with production requirements and

that production officers use the sales budget as a basis for planning personnel needs and utilization of machinery.

## **2.2 PROCEDURE AND PREPARATION OF BUDGETS**

For effective operation every organization is supposed to have a sequence to follow in the preparation of its budget whether big or small, profit making or non-profit making. In organizing a system, it is essential to obtain the full co-operation of each member of the management team. Budget centers are created and each budget center prepares its own budget with the help of the head of department. Following the organizational chart the heads of each department in addition to the budget officer and the chief executive forms the budget committee.

### **THE BUDGET COMMITTEE**

The budget committee will coordinate all the budgets of individual departments as submitted by their heads, who are to defend it before the committee. The main functions of the committee are as stated by Brown and Howard [1982]:

- to provide historical information to help managers in forecasting;
- to issue instructions regarding budget requirements, deadline dates for receipt of budgets, etc;
- to define the general policy of management in relation to the budget;
- to advise in the preparation of budgets;
- to review budgets;
- to suggest revisions and amendments to budgets;
- to ensure that budgets are submitted in due time;
- to prepare budget summaries where necessary ;
- to prepare the master budget after functional budgets have been approved;
- to analyze comparison of budgeted and actual results, and to recommend corrective actions where necessary;
- to coordinate the budget programme.

After the committee, the budget manual is prepared. The budget manual is defined as a document which sets out standing instructions governing the responsibilities of persons and the procedures, forms and records relating to the preparation and use of budgets Brown and Howard [1982]. It is usually in loose- leaf form, so that alterations can easily be made as and when required. An index will be provided so that information can be located quickly.

The budget period is also looked into and it talks of duration of which there are differences in industries between one month and one year or short and long term. The short-term budget will be much more detailed than the long-term budget.

### **THE KEY FACTOR**

The next thing that takes front stage is the key factor. By the key factor reference is made to factor of whose influence must first be assessed in order to ensure that functional budgets are reasonably capable of fulfillment. It is known variously as the limiting or governing or principal budget factor. It may be:

[a] Material - availability of supply;

- restrictions imposed by licenses, quotas, etc;

[b] Labour – general shortage;

- shortage in certain key processes

[c] Plant – insufficient capacity due to lack of capital;

- lack of space;
- lack of market;
- bottlenecks in certain key processes;

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[d] Sales – low market demand;

- shortages of experienced salesmen;
- insufficient advertising due to lack of money;

[e] Management – lack of capital, restricting policy;

- lack of know-how;
- inefficient executives;
- inefficient research into product design and methods.

Similar steps are involved in the government circle with few exceptions or additions.

### **2.3 ESSENTIALS OF BUDGETS**

Budgets have several functions. Budgets are designed to carry out a variety of functions: planning, evaluating performance, coordinating activities, implementing plans, communicating, motivating and authorizing actions. The last named role seems to predominate in government budgeting and non-for-profit budgeting, where budget appropriations serve as authorizations and ceilings for management actions.

Planning is probably the most important feature of budgeting because it forces management to look ahead, set targets, anticipate problems and give the organization purpose and direction. Corporate planners would regard budgeting as an important technique whereby long-term strategies are converted into short-term action plans.

The ideas and plans are communicated to everyone affected by them. A formal system is necessary to ensure that each person is aware of what he or she is supposed to be doing. Communication might be one-way, that is the managers giving orders to subordinates; or there might be a two-way dialogue and exchange of ideas.

The activities of different departments or sub-units of the organization are coordinated. The concept of co-ordination implies, for example that the purchasing department should base its budget on production requirements and that the production budget should in turn be based on sales expectations. Although straightforward in concept, coordination is remarkably difficult to achieve, and there is often sub-optimality and conflict between departmental plans in the budget so that the efforts of each department are not fully integrated into a combined plan to achieve the company's best targets. A system of control is put in place, which is a plan against which actual results can be progressively compared.

Motivation is important in order to enhance employees' performance. The level of attainment usually incorporated in the budget is a realistic figure for the budget period; one that is reasonably attainable in the budget period, although there should be an element of incentive to be a challenge to management.

## **2.4 KINDS OF BUDGETS**

Mainly we have two kinds of budgets – Master budget and operating or functional budgets. The Master Budget is the one that projects the activities of the business during the budget period. It commonly takes the form of a budgeted Profit and Loss Account and Balance Sheet. It is compared by the budget officer, and incorporates the details shown in the subsidiary budgets. When it is completed, the budget committee will consider all the details and if approved, it will be submitted to the board of directors. It would be very unusual if the master budget were approved on the first presentation; amendments are invariably necessary.

## **[1] ADMINISTRATION BUDGET**

Administration cost budget represents the costs of all administration expenses such as managing director's salary, office lighting and cleaning. Most of the expenses will be fixed within defined limits, so should not be too difficult to prepare. Each department or budget centre will be responsible for the preparation of its own budget, which will then be incorporated into the administration cost budget.

## **[2] CAPITAL EXPENDITURE BUDGET**

The capital expenditure budget represents estimated expenditure on all fixed assets during the budget period. It should be noted, however that the budget period in the case of capital expenditure is frequently planned a number of years in advance, perhaps five or ten in which case for control purposes, it will have to be broken down into convenient periods like years or months. This budget is subject to strict management control because it may involve large amounts of expenditure which need top-management approval.

### **[3] CASH BUDGET**

Cash budget is one of the most important and one of the last to be prepared. It represents the cash requirements of the business during the budget period; in other words, it makes certain that the business has sufficient cash available to meet its needs as and when they arise. The cash budget should extend over the same period as the master budget, but it is essential for control purposes that it be analyzed to show monthly flow of cash.

## **2.5 TYPES OF BUDGETING**

There are many types of budgeting of which the under-mentioned are pronounced:

### **[[1] LINE ITEM BUDGETING**

The line-item-budgeting is the traditional approach to government allocation. It is the simplest of all. This method is oriented to expenditure, to a head of account for a Ministry or Department. It itemizes the detailed allocation as sub-heads of expenditure of the head of account according to

the "object" of expenditure, for example, personal emoluments, specific goods and services to be purchased and durable equipment to be acquired. Its main features include the following:

- Budgets relate to the organizations for which they are prepaid, not to the purpose for which money is spent.
- Sub-head allocations are expressed in terms of type of expenditure; salaries, power, etc.
- Such budgets are designed to achieve the twin objectives of accountability and control.
- The year's budget is determined by a routine, and incremental process.
- When finalized, the budget is expressed exclusively in financial terms.
- The year's budget sometimes neglects the development plan programme.

In addition, the traditional budget approach offers maximum opportunity for gamesmanship because current operations are seldom evaluated and

many discrete decisions are never explicitly identified as they get buried in the numbers.

The Line-Item-Budget has been severely criticized on the following grounds as stated by Oshisami [1992]:

1. Allocations are made on a routine and incremental manner;
2. There is no reference to objectives to be attained and achievements in relation to those objectives;
3. There is no consideration regarding the alternative means of attaining objectives of expenditure proposal
4. The relationship between Recurrent and Capital Expenditure is blurred;  
and
5. It is based on organizational structure rather than programmes.

### **TRADITIONAL OR INCREMENTAL BUDGETING**

This is a system by which the proposed year's budget depends on the previous year's budgets which are used as the base. The proposed year's budget will be calculated thus [the base year's budget inflation factor plus cost of new activities].

Advantages:

- It does not require skilled manpower.
- It does not need excellent statistical resource.
- 

Disadvantages:

- It concentrates on financial inputs and not on the service output which are to be financed.
- It treats financial years as watertight compartments and that it therefore cannot accommodate the reality of decision and plans whose effects spill over into several years.
- Arbitrary rate of inflation are used to determine the budget which have effect on the volume of resources available either to be too low or too much.
- It fails to fund new programmes of high priority on a sufficiently generous scale.
- This method funds programmes of low or expired usefulness.
- It fails to clarify the cost of alternative methods of achieving programme objectives.
- It examines the incremental changes from previous years budget in greater details than the budget as a whole.

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## **PLANNING PROGRAMMING BUDGET SYSTEM [PPBS]**

This is a system for an organization as a whole, providing regular procedures for reviewing goals in terms of output related both to objectives and to resources necessary to achieve them for allocating resources between programmes and for controlling their implementation.

Therefore the key characteristic of PPBS is that objective and programme costs are formulated over a period of years within the context of a medium-term plan, thus permitting a longer financial perspective than traditional budgeting would allow. In such a plan, the continuity of projects, the extent of commitments, and the future financial consequences of current expenditures can be recognized. It must be noted that those who formulate plans are forced to consider the full financial implications of their policies.

Planning Programming Budget System has the features of identifying and examining goals and objectives in each major area of governmental activity. It also analyzes the output of a given programme in terms of the objectives. Also programmes extending beyond the single year of the annual budget; analysis of alternative to find the most effective means of

reaching basic programme objective and establishing of these analytical procedures as a systematic part of budget review.

- It provides information on the objectives of the organization.
- It cuts across conventional lines of responsibility and departmental structures by drawing together the activities that are directed toward a particular objective.
- It exposes programmes that are overlapping or contradictory in terms of achieving objectives.
- It concentrates on long term effects.
- It provides information on the impact that the existing and alternative programmes will have on objectives, and the associated programme costs.
- It enables resource allocation choice to be made on the basis of benefit/cost relationships.

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While the disadvantages are:

- Skill manpower that is not readily available in the developing countries is required.
- Excellent statistical sources and data storage that is not available in developing countries is needed.
- Many activities are of a multi-purpose nature and the cost of allocation of such always difficult.

## **PROGRAMME AND PERFORMANCE BUDGETING SYSTEM (PPBS)**

Programme and Performance Budgeting System (PPBS), was adopted by the Federal Government of Nigeria in 1981. PPBS is one that represents the purpose and objectives for which funds are requested. The costs of the purposes for achieving those objectives, and quantitative data measuring the accomplishments and work performed under each programme. It emphasizes the things government does, rather than the things which government buys.

It has the following features:

- Classification of budgets in terms of function, programme and activity.
- Measurement of work or out - put, provided by each activity.
- Expression of the budget in a way which allows a direct comparison between cost of funding and work to be performed for each programme or activity.
- Monitoring of actual against budgeted cost and performance.

Advantages:

- Monitoring of projects is possible by the National Assembly members.

- Funds allocated will always be spent on what it was meant for since measurement of work done is possible.
- Double allocation on a project will not be possible.
- It increases efficiency of work performed.

**Disadvantages:**

- It requires much paper work and is time consuming.
- It requires skilled manpower.

**ZERO BASE BUDGETING [ZBB]**

Zero Base Budgeting implies starting a budget from zero situation rather than merely addition to or subtracting from historical budgets or actuals on differential basis. It is a system by which management undertakes the careful examination of the basis for allocating resources in conjunction with the formation of budget requests and programme planning. This is a budget process which requires a manager to justify his entire budget from the scratch. The manager must state the reasons and significance of spending any money which should be taken as justification of the activity performed which will be used as a yard stick of allocating the resources. The aim is to expose the present activities to the same intensive study.

#### Advantages:

- Low priority programme can be eliminated or reduced.
- High impact programmes can obtain increased funding during the allocation of funds.
- Useful information are made available for those who make budget decisions in particular, making it clear how much extra services or output is to be produced.
- It is the most detailed and complete budget analysis.
- Programme effectiveness can be dramatically improved.

#### Disadvantages:

- The definition of decision unit and the criteria used for ranking them are conceptually weak.
- The cost of operating ZBB is much as it involves so many members of staff since it is an annual event.
- All budget decisions are still incremental in nature and as such, managers and supervisors will subvert the budgetary process for their own selfish ends.

- The volume of paper which is consumed when all the decision packages are separately produced through this, may be alleviated to some extent by the greater use of computer systems.

## **2.6 BUDGETARY CONTROL**

A control system is a system built to maintain a desired state. Hence it follows that the system can only take over after the desired state has been determined. And control system should possess a minimum of four elements according to Oshisami [1992]:

1. It will have a measuring device that captures what is happening or the actual performance of the thing which is being controlled. This is called detector.
2. It is a comparative device which compares what is happening {actual} with what should be happening {standard or benchmark or desired state}. This is called selector.
3. A corrective device for altering behaviour or performance if need be. This is an effector.
4. It is an information device, which sends information to and from these devices. This is the information system or the informer.

These four elements should always be present in whatever system.

The essence of having a budget centre is for the comparison of the actual results against plans to be made easily. The selection of budget centres in an organization is therefore a key first step in setting up a control system. In a well organized system of control, according to Mayo Associates Limited and BPP Publishing Limited [1990] there should be:

1. A hierarchy of budget centres if the organization is quite large.
2. Individual managers should be made responsible for achieving the budget targets of a particular centre.

Responsible accounting is a system of accounting that segregates revenues and costs into areas of personal responsibility in order to assess the performance attained by persons to whom authority has been assigned. While responsibility centre is a unit or function of an organization headed by a manager having direct responsibility for its performance. Responsibility centres should also be budget centres.

Budgetary control is a system of controlling cost which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with that budgeted and acting upon results to achieve maximum profit.

- Budgetary control has the following objectives:

- Combining the ideas of all levels of management in the preparation of the budget.
- Coordinating all the activities of the business centralizing control.
- Decentralizing responsibility on each manager involved.
- Acting as a guide for management decision when unforeseeable conditions affect the budget
- To plan control income and expenditure so that maximum profitability is achieved.
- Directing capital expenditure in the most profitable direction.
- Ensuring that sufficient working capital is available for the efficient operation of the business.
- Providing a yardstick against which actual result can be compared.

And to show management where action is needed to remedy situation.

Budgetary control could be achieved through preparation of annual and supplementary budgets, internal control and external control.

The very essence of preparing and approving an annual estimate of income and expenditure provide a check on the arbitrariness of the spendings on an establishment's functionaries. The expenditure is not supposed to be more than the approved. By the, the authority of the establishment is to in our legitimate expenditure that originates from a legally approved budget.

Internal control talks of monitoring the expenses through adherence to the laid down procedure. The essence of internal control lies in the separation of the three functions of authorization, custody and recording according to Johnson [1992] page 66. It is the responsibility of the management to devise and establish the plan of the organisation and to supervise its day to day operation.

Johnson [1992] stated that chartered institute of Public Finance and Accounts [CIPFA] defines internal audit as "an independent appraisal function within an organisation for the review of activities as a service to all levels of management. It is a control which measures, evaluates and reports upon the effectiveness of internal controls, financial and other as a contribution to the efficient use of resources within the organisation."

The establishment of Internal Audit Unit is stipulated in Financial Regulation 2201 and re-emphasized in the Civil Service [Re-Organisation] Decree of 1988. And it should directly be responsible to the Accounting Officer. The functions of internal auditor are:- reporting on the soundness, adequacy and application of management controls; the extent of compliance with policies, plans and procedures; the extent to which the organization's assets and interest are safe guarded from losses due to

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waste, inefficiency or fraud; the suitability and reliability of financial and management information.

The Internal Auditor shall submit to his Accounting Officer detailed audit programme and thereafter shall report monthly to the Accounting Officer on the true progress of the audit. He shall also issue special reports, if necessary, or have in his opinion, the attention of the Head of the Accounting Department [Director, Finance and Supplies] should be drawn to any irregularity or departure from earlier internal audit reports/recommendation.

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The duties performed by the internal auditor should be seen to be complementary to the work performed by external auditor. The external auditor who reviews the work of the internal audit staff to determine their effectiveness in assisting management to improve the quality of information that is necessary if they are satisfactory to monitor the efficiency and effectiveness of the programme under their charge. External auditors are appointed to independently examine, certify and report upon the accounts of the organisation to those people to whom the organisation is accountable, normally those who have contributed to the funds of the organisation. This is an aspect of external control. The approval limit is also another factor that controls the expenditure.

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## **2.7 BUDGETING IN TIME OF INFLATION**

A time of inflation is a time of uncertainty. It is a time when it is difficult to know the exact rate of increase in price. When it is difficult to forecast the rate of inflation with accuracy, because it is expected to be very high, or because it is expected to increase or fall by a large amount during the course of the year, management may decide to introduce a system of rolling budgets. This is also called continuous budgets.

A rolling budget is defined by the CIMA official Terminology as the continuous updating of a short term budget by adding say a further month or quarter so that the budget can reflect current conditions.

Rolling budgets are an attempt to prepare targets and plans that are more realistic and certain, particularly with a regard to price levels, by shortening the period between preparing budgets. Instead of preparing a budget annually, there would be budgets every one, two, three or four months. Each of these budgets would plan for the next twelve months so that the current budget is extended by an extra period as the current period ends. This is what was echoed by Alhaji during the budget break down of 1990 by A. L. Buhari [1993], when he said "The economic crisis that has faced the nation since 1983, has revealed that fixed five year plans were not the

best suited to cope with the attendant problems of economic management and adjustment under conditions characterized by numerous uncertainties, fairly rapid changes as well as pressing issues that called for urgent solutions.”

## **2.8 FACTORS AFFECTING THE IMPLEMENTATION OF BUDGETS**

Budgeting and budgetary control is beset with many problems, namely operational, environmental and human. Operational problems arise from shortcomings inherent in the processes and procedures adopted in planning. This is summed up to an estimate not being realistic. Another point is the issue of documentation. Most financial information are either too small or much to the effective implementation of budget. Also the information might not come on time to be useful for the budget implementation.

The environment might also contribute to the budget not being implemented. Inadequate facilities like office accommodation working tools, stationaries etc.

The greatest problem militating against effective implementation of budget and its control is the human factor. Where nonqualified hands are engaged, officer will perform below expectations for reasons of low

education, limited exposure to training and poor motivation. Even where qualified hands are employed, the executive might want to bulldoze his way in order to get what he wants. By so doing not adhering to the control systems in place.

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## **CHAPTER THREE**

### **3.0 PRESENTATION AND ANALYSIS OF DAT A**

The National Commission for Colleges of Education (NCCE) which the researcher has chosen as a case study was established by decree No.03 of January 1989 and the amended Decree No.12 of January 1993, to supervise all aspects of non-degree teacher education and teacher professionalism in Nigeria.

#### **OBJECTIVES**

The commission has the following objectives as stated by the decree establishing it, to among other things:

- a) Make recommendation on the National Policy necessary for the full development of teachers' education and training of teachers.
- b) Lay down minimum standards for all programmes of teacher education and accredit their certificates and other academic awards.
- c) Approve guidelines setting out criteria for accreditation of all colleges of education in Nigeria.

- d) Determine the qualified teacher needs of the Country for the purpose of planning training facilities and in particular, prepare periodic master plans for the balanced co-ordinated development of Colleges of Education.
- e) Advise on, and take steps to harmonize entry requirements and duration of courses at the Colleges of Education.
- f) Inquire into and advise the Federal Government on the financial needs of the colleges and receive block grants from the Government and allocate to the Colleges based on approved formula.
- g) Collate, analyze and publish information relating to teacher education in the country.
- h) Undertake periodic reviews of terms and conditions of service of personnel in the Colleges of Education and make recommendations thereon to the Government.
- i) Make recommendations on the development of pre-Vocational, Technical, Agricultural, Business and Home Economics Education in the primary and secondary schools. The Commission to advise as to necessary facilities for them, the course requirements, the relative contribution of Government and Industry and how to ensure that our women take full part in these.
- j) Recommend to the visitor of the College that a visitation be made to the colleges and when it considers it necessary.

- k) Consider any matter pertaining to teacher education as may be referred to it from time to time by the Minister.

The commission has five departments and they are:

- i) Academic Programmes Department
- ii) Planning, Research and Statistics Department
- iii) Physical Planning and Development Department
- iv) Personnel Management Department
- v) Finance and Supplies Department

While the last two departments along with the Executive Secretary's Office are located at No 6A Ahmadu bello Way (Akilu House), the first three are located at 3 Warf Road, by Ahmadu Bello Way (Savannah Bank Building), Kaduna. All the departments are headed by a Director or an Acting Director who reports to the Executive Secretary. The Executive Secretary is the Accounting Officer of the Commission.

The office of the Executive Secretary control Public Relations, Legal Matters and the Internal Audit.

Presently the construction of the Commission's secretariat in Abuja is in the progress, some of the management staff residential quarters have been completed.

## **SOURCES OF FUND**

The commission has two sources of income

- (a) Internally generated fund
- (b) Externally generated fund.

Internally generated of the commission is so meager that it could be disregarded, and it comes from sales of printed materials to the Colleges, organisation of seminars and return on investments made out of savings.

The Externally generated fund is from the Federal Government. And for the Federal Government to release any fund to the Commission, there must be approval. This approval will come in the Federal Government budgets for the period, which is sum total of different organisation and ministries.

### **3.1 BUDGETING SYSTEM IN NCCE**

Budgeting in NCCE is solely the responsibility of the Finance and Supplies Departments. Formerly the department has two sections Financial Accounting and Funds management and Control. By then the budget was handled by all the senior staff of the commission solely supervised by the head of department. The budget unit presently handles the budget of the commission.

The Accounting year of the commission starts from 1<sup>st</sup> January of each year and ends 31<sup>st</sup> December. The budget preparation usually starts by the month of April of the preceding year. This usually follows the receipt of call circular from the Ministry of Education requesting for the submission of budget estimates. The circular usually specifies time frame or period in which the budget estimates must be prepared and submitted to the ministry. The time period is usually three months. The Director of Finance and Supplies on receipt of the call circular from the Ministry of Education through the Executive Secretary, initiates the budget process. The budget process commences by sending out call circular to the colleges. The call circular is for the submission of the next year's budget estimate by the Director of Finance and Supplies. He sends the call circular along with the budget formula from Ministry of Education. He also writes to the Directors of the different departments to submit their departments budget estimate.

The Directors now request the units in their department to do the same. With the submission of the units estimate collation is done and the Director goes through them and streamline them. In consultation with the Executive Secretary, moreover on the capital items input is made to produce the budget estimate of the Commission. The estimate is now discussed at the management meeting where all the Directors are in

attendance and it is ratified. With the ratification, the budget estimate of the Commission is ready.

The colleges submit their budget at the stipulated time, normally six to eight weeks after the call circular has been sent out. The colleges budget estimates are thoroughly checked by the budget section and amendments made where necessary. After the submission one week is used for the budget estimates defence by the colleges. In attendance in the colleges budget defence are:-

- (1) The Executive Secretary of the Commission
- (2) All the Directors
- (3) Deputy Directors of Physical Planning and Development Department
- (4) The desk officers of the Colleges in Physical Planning and Development Department
- (5) All the senior staff in Budget unit of Finance and Supplies Department
- (6) College Provosts
- (7) College Bursars

After the defence of the colleges budget estimate, if there are corrections to be made, the colleges bursars who are the fund managers of the colleges are requested to do the corrections and

submit to the Director of Finance and Supplies Department of National Commission for Colleges of Education.

A master budget proposal or estimate for the Commission is now produced which is a summary of the Colleges budget estimate and National Commission for Colleges of Education budget estimate. The budget estimate is now forwarded to the Ministry, that is Ministry of Education within the stipulated time of three months. The Ministry now fixes date for the budget defence.

The budget defence is usually attended the Executive Secretary, Director of Finance and Supplies, Head of the budget unit in Finance and Supplies Department and the Director of Physical Planning and Development Department in company of his two Deputy Directors.

#### **TYPES OF BUDGET PREPARED BY NATIONAL COMMISSION FOR COLLEGES OF EDUCATION**

National Commission for Colleges of Education prepares three types of budget each year. They are:-

- Recurrent budget
- Capital budget
- Revenue budget

## RECURENT BUDGET

This includes personnel and overhead costs. Personnel costs talks of what will be spent on salaries and allowances to the work force. While the overhead cost refer to cost to be incurred on expenses outside the staff, but for the smooth running of the Commission, and they include among others:-

- Electricity bill
- Water rate
- Building maintenance
- Transport and travelling

## CAPITAL BUDGET

This budget is for items that last for more than one accounting period.

The items included under this heading are:-

- Land and building
- Furniture and Fitting
- Equipment
- Tools
- Motor Vehicles

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## **REVENUE BUDGET**

This is a budget prepared in respect of internally generated fund such as:-

- Interest on loan to staff
- Sale of boarded items
- Sale of Certificates
- Sale of publications

From every indication the Commission and the Federal Colleges of Education operate incremental budget. The implication is, it is expected that the budget of the next year will be higher than that of this year. The budget estimates of the Commission, from inception to date confirms same.

## **3.2 BUDGET CONTROL IN NATIONAL COMMISSION FOR COLLEGES OF EDUCATION**

For the fund that comes to the Commission to be properly accounted for the following steps are taken:-

### **LIMIT OF AUTHORITY TO INCUR EXPENDITURE**

<b>Authority officer or body</b>	<b>Individual Approval Limit</b>	<b>Aggregate Annual Limit</b>
----------------------------------	----------------------------------	-------------------------------

Executive Secretary	N1-N100,000.00
N1,200,000.00	
Management Committee	N100,001-500,000
6,000,000.00	
Finance and General Purpose Committee	N500,001-5,000,000
60,000,000.00	
Board	N5,000,000 and above

This limits are subject to review by the Commission governing board or by Federal Government Circulars.

From the organizational chart of Finance and Supplies Department it could be seen that the Director of Finance and Supplies is directly responsible to the Executive Secretary for the day to day administration of his department and on matters concerning finance and supplies. He ensures that the accounts of the Commission are properly kept and that no payment is made without authorization of the Executive secretary. He will advise the Executive Secretary on the proper financial management of the Commission and in enforcing current Federal Government Financial Institutions and Treasury Circulars. It is the responsibility of the Director of Finance and Supplies department to ensure that the allocation of funds under the various heads at the

beginning of the financial year are realistic and he will advise the Executive secretary and Finance and General Purpose Committee on this. He should keep the Executive secretary informed of the Finances of the Commission regularly. All security documents including Local Purchase Order booklets, receipts booklets, Meal Tickets, Contract and Payment Agreements are kept under proper security by the Director of Finance and Supplies. And any authorized officer requiring to use the above should apply to the Director of Finance and Supplies. Regularly he discusses with the Deputy Director, the Chief Accountants and the unit heads the functions of each and ensures satisfactory performance of their duties. He ensures the maintenance of adequate internal control system within the units and the accurate and timely production of financial information for other departments and the Commission.

The above translates into one thing – internal control. Therefore what are the internal control measures in place in National Commission for Colleges of Education?

As every organization needs labour (manpower) to be functional, the internal control in National Commission for Colleges of Education starts from the recruitment of staff. On the employment of a new staff, the Director of Personnel Management Department will furnish the Director of Finance and Supplies with copies of letters of appointments.

Subsequent letters of promotion, increments, deductions, termination, dismissals, interdictions and conditions thereof, withholding of pay, etc must be copied to the Director of Finance and Supplies. This enables the Director of Finance and Supplies to give formal authority to the payroll section to open Personal Emolument Card for the new employee. A payroll number is allocated and an Individual Pay Record Card (IPRC) is raised with the above the payroll section will add the employee's name to the master copy of the departmental employees return. If direct payment to a bank is requested, the employee's name and account details are added to the master copy of the Bank Payment Authority (BPA) and the bank payment authority reference number noted on the individual pay record card.

On the dates given in the schedule, the payroll section clerks will calculate the payroll. The Employee Pay advise (Pay slip) is completed at the point of payroll preparation using carbonized sheets. The pay slip should in no wise be written from the individual pay record separately. This approach is adopted to check fraud.

Also as a check, payment by cash is restricted to new employees, as all employees are advised to open bank accounts and have their salaries paid directly into it. Once the payroll calculation is done and the pay-slips are prepared, the Bank Payment Advise (BPA) is made. The

Bank Payment Advise is held as master sheet for each bank branch. Each Bank Payment Advise Master sheet is kept up to date as regards names of employees and their payroll and account numbers. The master sheet is photocopied and the pay details entered against each employee (on the photocopied master sheet). Any employee not receiving pay in a particular month must have his name struck out on the copy of the Bank Payment Advise. Each page of the Bank Payment advice is totaled and one copy passed on to the cheque payments office. Those receiving their pay in cash are paid using payroll where they sign and the original given to him while the duplicate copy is kept as evidence of the payment.

#### **ORDERING AND PURCHASING PROCEDURES**

The purchases, invoices and supplies section is charged with the responsibility of purchasing goods and services on behalf of the Commission. In order to minimize the cost of purchase and ensure efficiency, purchasing administration and purchases are centralized. The overall responsibility for ordering and purchasing is vested in the Director of Finance and Supplies after the approval of the executive Secretary and or Finance and General Purpose Committee.

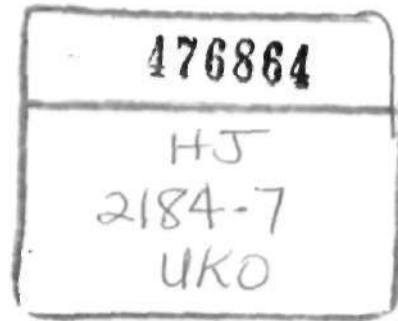
Purchase requisition should ordinarily be initiated by the Store Officer. This is after reference to the back order releases, and inventory re-order level, to determine the type quality and quantity of items required. The purchase requisition from the store officer is sent to the store supervisor who goes through the list and approves of their purchase after referring to the reorder level and bin card. This is passed to the Director of Finance and Supplies, on whose approval the requisition now goes to the Executive Secretary, who as the Chief Accounting Officer must approve every expense incurred by the Commission. And after his approval, makes a copy of the requisition and files it. Generally any document from the office of the Executive Secretary to any department or anybody will have a copy of it kept in the Executive Secretary's office. With the approval and return of the purchase requisition to the Director of Finance and Supplies, the requisition is now passed over to the purchasing officer.

The actual purchasing is handled by the Purchasing Officer. This is after the approval of Director of Finance and Supplies and the Executive Secretary. The initiation for the purchase of an item or items could come from a user department and goes to the Executive Secretary for approval and passed to the Director of Finance and Supplies who passes it down to the Purchasing Officer.

The purchase could be done through:-

1. Direct purchase
2. Issuing of Local Purchase Order

### DIRECT PURCHASE



If the items are to be acquired by direct purchase, the purchasing officer is requested by the Director of Finance and Supplies to go for a market survey and come with at least three quotations from different people. When this is done, the least price is used. And on this basis the purchasing officer is requested to apply for cash. Purchase advance form is filled. This form is in duplicate. The original is used in processing the payment, while the duplicate copy goes to the file of the purchasing officer. The same is applicable to any staff member who has need to request for cash for the Commission's business. The form has provision for

- The name of the officer
- The rank of the officer (as rank is used in placing spending limit of a staff)
- The purpose of the advance
- The signature of the applicant
- The date of application
- The signature of the head of department
- The date of his signing
- The signature of the Executive Secretary



- The date of his signing

After the approval of the expenditure by the Executive Secretary, the form gets back to the Director of Finance and Supplies who passes it to the officer in charge of advances for entry into advance register. The officer in charge of the advances registers now passes same to the officer in charge of payments to initiate the process of raising voucher for the payment. When the voucher is raised, the payment officer goes through it, gives accounting code to it and endorses if all is correct. The payment voucher is now passed on to Internal Audit Unit where checking is done for:-

- Authorization/Approval
- Three quotations from different people
- Whether it was the least price that was chosen
- Whether the amount in words agree with the amount in figure
- Whether the appropriate officers have authorized or approved
- Whether the expenditure limit of the officer or body is maintained or exceeded.

After the confirmation of the above, the voucher now comes to the cheque writer who writes the cheque with the appropriate cheque (for there are different cheque book for different purpose, e.g. revenue items and capital items) and enter same in the cheque register. It is also the cheque writer who gives numbers to the payment vouchers, enter the cheque numbers and the date of the cheque which will be same as that on the cheque.

Every cheque is crossed and to open such the Chief Executive, the Executive Secretary and Director of Finance and Supplies have to sign to open it after signing as the authorized signatories to the account. If the amount is above fifty thousand naira (N50,000.00) the Director of Finance and Supplies has to go to the bank for confirmation. And the cashier will go to the bank with the bank schedule where all the cheques that have been written which the bank is to pay are entered. A copy of the bank schedule is kept in a file. And the opened cheques are cashed.

In the cash office two registers are opened – cash register and cheque register. The cash register is used in keeping record of every cash paid out with the recipient acknowledging receipt by signing the signature column along with the date, name and amount collected after signing the voucher. The cheque register contains:-

1. The date on the cheque
2. The name of the recipient
3. The cheque number
4. The amount and
5. The signature

The above measures are taken to be sure that the money was used for the purpose for which it was paid.

The purchasing officer going to buy an item, goes in the company of a member of the Internal Audit unit and Physical Planning and Development, if such an item is technical in nature. After the purchase, the item comes to the store. The store officer will request for document that authorizes the buying of the item and the receipt of the item. Armed with the above, the store officer will now raise Store Receipt Voucher (SRV) and attach the certificate of verification by the Physical Planning and Development Department to certify it has been checked and they are returned to the purchasing officer. The purchasing officer now uses the papers to retire the advance he took.

To retire the advance, he collects the purchase advance form from the filing officer. In the form he writes:-

1. His name
2. Personal file number
3. Unit in the Commission
4. Date when the advance was taken
5. The cheque number
6. The item or items bought
7. Total amount collected
8. Particulars of the receipt or receipts
9. Balance to be collected or paid back if any
10. Signature and date of retirement and

#### 11. Signature of the supervisor and date of his signing

The purpose of the supervisor coming into it is to be sure he knows what was done with the money and agrees that it was done.

The retirement form is returned to the Director of Finance and Supplies who passes it to the officer in charge of advances for the person's name to be cleared on the advances register and passed to the Journal Officer. The Journal Officer now raises a journal after cross checking every record including the payment voucher raised. If all is okay, the retirement form is now attached to the payment voucher and passed to the audit unit for checking. After checking and all is correct, return same to the officer in charge of journals who now passes it to the officer who mans the journal register for posting. After the posting, the document is filed in the payment voucher file. The pink copy of the voucher is passed to the officer in charge of cash- book for posting into the cash-book and forwarded to be filed in the individual's file. The files are kept month by month. In some months two or three files can be opened depending on the volume of transactions for that month.

## **PURCHASE THROUGH LOCAL PURCHASE ORDER**

The purchases through Local Purchase Order begins as that of cash purchase but differs at the point when it is given to the purchasing officer to now give out to contractors instead of applying for cash.

## **PROCESS OF ISSUING LOCAL PURCHASE ORDER**

Before giving Local Purchase Orders out, the purchasing officer will go for a market survey. Then each batch of job or supplies to be made is bided for by not less than three contractors that are registered with the Commission. Normally the supplies is given to the lowest quoted price which is expected not to be more than 30% above the market price. The analysis is done and submitted to the Director of Finance and Supplies who recommends to the Executive Secretary for approval. On the approval by the two (Director of Finance and Supplies and the Executive Secretary), it is now minuted back to the purchasing officer for the issuance of Local Purchase Order.

The Local Purchase Order form which is in four copies, is prepared. The approved analysis attached and forwarded to the Director of Finance and Supplies Department. He signs his portion and forward same to the Executive Secretary for his approval. Once the due process has been

completed, the purchasing officer enters it into the local purchase order register stating:-

1. The date of issue
2. The local purchase order number
3. The name of the contractor
4. The item or items to be supplied
5. The amount on the local purchase order
6. The signature of the person collecting

Any alteration on the local purchase order renders it in - valid. The original and second copies are given to the contractor. The third copy goes to the contractor's file, and the fourth copy is kept by the Purchasing Officer in a separate file for reference purpose.

The contractor delivers the items purchased to the store. Before the items are taken into the store, the internal audit unit will be invited to witness receipt of the goods supplied whether it is in agreement with what was ordered for on the local purchase order. If the item is a technical one, the Physical Planning and Development Department will issue a certificate that certifies the genuineness of the goods while the audit stamps the local purchase order 'checked'.

With the stamping, the store officer signs received and gives back the second copy to the supplier. The supplier gives the invoice which the store

officer attaches to the local purchase order and writes a store receipt voucher (SRV). He sends the documents to the Director of Finance and Supplies Department who authorizes the process of payment to be commenced.

The officer in charge of payment now instructs the officer who raises voucher to do so. The officer who raises voucher uses creditors voucher for none staff and staff voucher for any staff payment. The voucher is raised in three copies. On raising the voucher, it is returned to the officer in charge of payment who goes through it thoroughly and approves the payment on behalf of Director of Finance and Supplies. From there it goes to the Internal Audit Unit for vetting to be sure that what was ordered was given and what was given was what is being paid for. Internal Audit Unit reviews the document for specification, quantity, price, authorization and approval. And if all is correct returns same to Finance and Supplies Department and in particular to the cheque writer. If not satisfied, state precisely what is wrong. The cheque writer after writing the cheque, numbers the vouchers, enter the cheque number on the payment voucher and the date, then enters it into the cheque register, takes same to the Director of Finance and Supplies Department. The Director of Finance and Supplies Department checks the voucher, the cheque, the bank schedule and the cheque register. The cheque, the cheque register and bank schedule are passed to the Executive Secretary who also signs. The

cheques are passed to the cashier who enters them into cash office cheque register and a copy of the bank schedule dropped in the bank.

The contractor signs the voucher and the cheque register in addition to issuing receipt covering the amount he is collecting. The receipt the contractor issues must have the check number of the check he is collecting. The voucher at this point is separated, the original copy with supporting documents goes to the payment voucher file, the second copy goes to the officer keeping the cash books for posting and the third copy goes to the officer keeping the vote card. The cash book is specially printed for the Commission. It has many columns and is used to classify accounts according to codes. It has the following:-

- Date
- Voucher number in reference column
- Payee name
- Check number
- Total payment
- Payment analysis according to expense code

The vote card is used to enter the approved amount to be incurred for each code of account and the expenses incurred recorded and a balance extracted. The card is a very good control which shows when a particular expenditure is exceeding the budgeted amount.

## **CASH CONTROL**

For check to be cashed by the cashier, a cash schedule is drawn up. The original copy is dropped with the bank and the second copy with the cashier. The cashier uses it in making entries into the cash register. After the person has signed the payment voucher and cash register, the cashier pays him. The cash withdrawn if not totally disbursed is taken to the safe. The safe has two keys which two senior officers keep. The two senior officers might be the Director and the Deputy or Chief Accountant. They come in the morning in the presence of all that have any item in the safe and open the safe for them to collect their items. Any by the close of the day repeat the same for those concerned to keep their items safe.

Apart from the main cashier, there is a petty cashier who keeps the imprest. The imprest had initial limit of five hundred Nara (N500.00), but has been raised to five thousand Nara (N5000.00) presently for payment of expenses not exceeding five hundred Nara (N500.00) cash.

The Director of Finance and Supplies keeps an imprest to the tune of one hundred thousand Naira (N100,000.00). This money is on standby in case there is an urgent need of money beyond the available cash with the main

cashier, he now gives out from this as a loan to the main cashier. The main cashier returns the money immediately he gets his money from the bank.

Any money that comes in, whether cash or check goes straight to the cashier whom in turn gives a receipt which is in four copies. The first and second copies go to the person paying the money, the third copy for recording into the revenue cash book, and filed. It is used to reconcile the bank statement, while the fourth copy remains in the receipt booklet. Reference is made to it in case there is need for such. The money is not supposed to spend more than twenty-four hours in the hands of the cashier who lodges it intact into the bank.

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Every grant from the government goes into the clearing account of the Commission from where withdrawal is made into the respective accounts like recurrent account or capital account.

It is the Commission that receives the Colleges grants, and disburses the same accordingly. Before the Colleges grant are disbursed, the colleges capital budget is checked and the projects ranked. These projects are monitored by staff of National Commission for Colleges of Education to make sure that the money given was used for the purpose for which it was meant.

Before lodging any money it is entered into the cash receipt register with date and receipt numbers. This is used in checking the bank statement for bank reconciliation. And the register shows how much is lodged in a day, which will also appear in the bank teller.

## **ADVANCES AND LOAN CONTROL**

Every advance must be approved by the Executive Secretary. And after that the Director of Finance and Supplies. The advance is then passed to the advances officer who enters the advance into the advances register and passes it on for processing. After transacting the business for which the advance was collected for, the officer has to retire the money and what it was for (give account of how the money was spent). The officer does that and his Director has to sign the retirement form. This retirement form is sent to Director of Finance and Supplies who now passes it back to the officer in charge of advances. The officer in charge of advances now traces the retired advance to when it was requested for and clears the name. Before doing that, he has to check whether the expenses agrees with the amount collected. If less was spent, has the officer paid in the balance and if he spent more why did he do so? This is done before passing the retired advance to the Journal Officer who in turn send same to the Internal Audit Unit for their vetting.

The purpose of passing the advances to the advances officer on retirement is to check those who has not complied with the retirement duration. The person is informed in writing that he has an advance standing against his name which he is expected to retire within a given period.

Failure to comply, the individual's salary is withheld pending when he retires the advance or the salary is now used to retire the advance for him and receipts issued until the entire sum of the advance is recovered.

For loans to be approved, the officer's request is passed to Director of Finance and Supplies. He also details the salary section to ascertain the take home pay of the officer and whether if the loan deduction is carried out the officer will still go home with at least two-third of his pay. If the take home pay is small, the loan may not be granted, but if the salary could comfortably accommodate it, the loan is granted and deduction is done at source by the salary section.

Everyone who takes advance or loan has a ledger opened where all information about his advances or loans are entered. At the end of every month the schedule for the advances are prepared and forwarded to the Director of Finance and Supplies Department. The Director of Finance and Supplies uses this to keep track of Commission's money outside.

## **STOCK CONTROL**

When items are brought into the store, after passing the due process and accepted, the item is entered into the bin card. For the item to leave the store, the due process of requisition is used. The process of requesting is like this:-

1. Using the store requisition booklet that has four copies and entering the items needed.
2. The Director of the department has to approve of the requisition.
3. The store supervisor goes through it comparing the request with what should be and how frequent the request from that department has been.
4. The store supervisor has the right to cut down on the request, cancel the request or query the request based on the information available to him from the stock register and the bin card.
5. The store supervisor approves the requisition and the officer issues out as per the approval of the store supervisor.
6. The store officer ensures that the officer requesting endorses for items collected.
7. The store officer signs for issuing.

The store officer collects the first and second copies. The first copy is used by the Store Officer for recording into bin card. And the second copy passed to the officer keeping the stock register. The stock register acts as a check on the bin card.

## **BUDGET CONTROL**

After the preparation of the annual budget and its defence, the Federal Government do communicate in writing the approved estimate to the Commission. Based on the approval, a working budget is prepared. With the preparation of working budget goes allocation of total estimate for the expenditure. Every expenditure has a code, and is entered into a vote card. Any expenditure that is newly created without a code will be given a code and entered into a vote card. All the expenses are entered into the vote card through the third copy of the payment voucher. And a balance is extracted. This card is the watchdog on the actual cost incurred on a particular expenditure item. Adequate monitoring of this card is vital as any expenditure beyond the allocation, calls for virement which the Commission rarely does. Therefore it is the Director of Finance and Supplies who checks it mainly before approval for the purchase of new items are given.

### 3.3 CONCLUSION

From the data gathered, the controls put in place has enabled the Commission to meet its financial obligations out of the allocation given by the Federal Government. The staff members are paid on or before 22<sup>nd</sup> of every month. At the end of the year, both senior and junior staff has something to go home with. To crown it all, in every short time, the Commission will be going over to Abuja to occupy its own secretariat and staff quarters. These secretariat and staff quarters had been targets for takeover by Federal Ministry of Education. The structures were able to be put in place due to the strict financial management that resulted into the savings.

The Director of Finance and Supplies Department stated that the feat has been achieved because of the standard set from the beginning or inception of the Commission. Added to that were the competent hands that were recruited.

KASHIM IBRAHIM LIBRARY

## CHAPTER FOUR

### 4.1 SUMMARY

This study whose discourse is on the effect of budget control, used National Commission for Colleges of Education as a case study.

The Commission has five departments in addition to the office of the Executive Secretary. One of the departments is Finance and Supplies. There is budget unit in the Finance and Supplies Department. The budget unit mans the budget of the Commission.

The study shows that the budget unit in the Finance and Supplies Department handles the preparation of the budget. The execution is centrally carried out by the Executive Secretary of the Commission.

The Commission operates incremental budgetary system. This system has helped them to make savings. This is because it concentrates on financial inputs and not on the service outputs which are to be financed.

This system creates problem of relevance for the approving authority. Another shortcoming of the system is that it is pre-occupied with detailed object

accountability and oblivious of the need for the result oriented management as it is highly restrictive and discourages innovation. This is particularly true in the case of the recurrent expenditure, except when some kind of relief is given through the cumbersome process of virement.

On the other hand, capital budgeting under the traditional budgetary system receives unnecessary attention at the expense of recurrent budgeting. The reason for this could be that most Administrators want to be identified with projects and more importantly, the percentage kick back could be another plausible reason.

This system treats financial years as watertight compartment and by that cannot accommodate the reality of decisions and plans whose effect spill over into several years.

#### **4.2 CONCLUSION**

The National Commission for Colleges of Education is about ten (10) years old. It has a staff strength of about four hundred (400). The composition of the staff shows that the Federal character is maintained and it is based on merit. This made it possible for the Finance and Supplies Department which has the Director and Deputy Director who are chartered Accountants, guarding

their profession jealously, to see to it that the control systems installed are followed to the letter. This has yielded immense result. In any moment from now, the Commission will be going to Abuja to occupy its own secretariat.

#### **4.3 RECOMMENDATION**

Though the Commission has been able to achieve some measure of success both in the colleges and secretariat, there is still room for improvement. The expenditure limit is no more being adhered to, especially at the top. The Executive Secretary does approve certain things that are beyond his limit and only take such to the management for ratification. This makes the management committee and the Finance and General Purpose Committee to serve as rubber - stamp. Though it is expected that the governing council members of the Commission will soon be constituted, it is recommended that the control be observed. Where it becomes necessary to exceed his limit, approval to that effect should be sought and obtained from the Federal Ministry of Education.

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