

# Towards Ensuring Accountability and Control In Budgeting Process In Nigeria

DR.DAHIDA D. PHILIP

DEPARTMENT OF PUBLIC ADMINISTRATION

UNIVERSITY OF ABUJA, ABUJA-NIGERIA, P.M.B.117 ABUJA-NIGERIA

Email:dahida2008@yahoo.com

## Abstract

This paper examines accountability and control in budgeting system in Nigeria with emphasis being laid on the general principles that guide the process of making up a budget. In Nigeria, the budgetary process starts with the executive arm of government which initiates the idea with identification of goals and objectives that government seeks to attain with a specified period and in accordance with its overall socio-economic policy. The study made use of secondary source of data. Upon which information was gathered and analysed. Reasons for government making budget were advanced in the paper. The chief among them was that it provides the basis for legislative control, authorization and accountability to the legislature and provides a base for executive management within ministries and departments. The study revealed that budgeting is very central and critical to any nation that wants growth and development with accountability and control serving as a base for realizing and implementing a dependable budget. One strong recommendation that was made is that government should always be guided by the principles of accountability and control in order to have an effective and efficient budgetary system.

## 1.Introduction

Government budgeting is carried out within an established legal framework for the management of public finances as enshrined in the Nigerian Constitution. It is the constitution that stipulates how the Nigerian budgetary process is being carried. Although same times it has a lot of political undertake in the manner and way the process is being handled. In the Nigerian context, it is the executive arm of government that initiates the idea of budgetary process. The budgetary process starts with the identification of goals and objectives that the government seeks to attain with a specified period and in accordance with its overall socio-economic policy. The process involves the following four distinct activities; budget preparation, budget authorization, budget execution and budget monitoring (Ezeani, 2006).

In order to ensure transparency and fairness in budgetary preparation process, it is essential therefore, to introduce the principles of accountability and control so as to achieve the basic tenants of the process for budget preparation process. It is against this backdrop that this paper intends to look at budgetary process in Nigeria with strict application of the principles of accountability and control.

## 2.Conceptual treatment of budgeting, accountability and control

**Budgeting:** Budget in its literal sense means a leather bag or satchel to carry official papers in. From this association it came to mean those papers themselves, more specifically the papers containing the financial proposals for the year. In its contemporary sense, budget means the plan of the expenditure and revenue to balance that expenditure, of usually a public authority. There could be private budgets of individual's organizations that seek to examine the expected income and expenditure with a given time frame (Abba, 2008) **Accountability:** The concept of accountability according to Oxford Dictionary means "liable to be called to account, responsible (to, far) while the Webster's Dictionary defines it as "liable to be called on to render an account. Accountability therefore denotes the specific methods and procedures to enforce the public servant's responsibility. (Pfiffner: in Laximikanth, 2001). Accountability is a concept and process in which the people given responsibilities render account of their stewardship.

### The Concept of Control

Administrative accountability is enforced by means of various controls. In other words, it involves devising control mechanisms to keep the administration under a close watch and in check. Thus, the public servants are made accountable to different agencies which exercises control over them. The purpose of control is to ensure that the public servants exercise their powers and discretion in accordance with laws, formal rules and regulations, and established procedures and conventions (Laxmikanth, 2001). Control therefore, is being put in place to checkmate the excesses and boundaries of administrative officers. **2.1 Reasons for Budgeting**

Abba, (2008) advanced the following reasons for government budgeting: The first is that it indicates the direction of the economy and expresses intentions regarding the utilization of the community's resources. In operational terms; it leads to the determination of growth and investment goals.

Secondly, at the national level, the budget is concerned with the macroeconomic balance in the economy. The policy options in this regard include specification of the amount of growth that is compactable with factors such as employment and price stability. Another reason for government budgeting is that it provides the basis for legislative control, authorization and accountability to the legislative and provides a base for executive management within ministries and departments.

Apart from the above reasons: Adamolekun, (1983) noted that budget serves the following purposes.

- i. A short – term financial plan
- ii. A political document couched in figures
- iii. A management tool used for both planning and control
- iv. A device for ensuring a continuous monitoring procedure, and reviewing and evaluating performance with reference to previously established standards.
- v. An agent to enable management to anticipate change and adopt to it; and
- vi. An overall method for improving operations.

### The Budget Structure

The budget structure addresses the question of how the budget is or should be composed. Such a budget structure facilitates the accounting aspects of fiscal management while lending itself to central control over decentralized expenditure authority. Typically, budget has revenue and expenditure sides. In the public sector, such revenues refer to all monies accruing to the government which increase the funds over which the treasury has control without a comparable increase in debt obligations. However, since revenues are usually short of expenditures, loans become necessary. This gives rise to the present of public receipts in the budget. Such public receipts refer to government revenues and the borrowings. In other words, they comprise in addition to revenues of governments, the non-revenue aspects which increase the treasury's debt obligations. On the other hand, public expenditure side of the budget refers to the absorption of resources involving all the expenses which the public sector incurs for its maintenance for the benefit of the economy, external bodies and for other countries (Anyanwu, 1997).

### Advantages of Budgeting

According to Abba (2008) budgeting enjoys the following advantages:

**Action is based on study:** Owing to the fact that executives and operating heads make the plans which they are bound to execute when approved, careful study becomes imperative.

**Cooperation is secured in the entire organization:** Operating heads and all those who have something to do with operations are supposed to assist in the formulation of the best operating plans for the organization. As such, the result of their work represents the judgment of the entire organization

**Policies are established:** There are declarations of policies in the budget in that emphasis is given on the essentials of projects to be undertaken. A system of priorities is often established especially where there are limited resources.

**Programmes for activities are related to expected or available resources and economic conditions:** There is a wholistic consideration of the economy of the nation in budgeting of public expenditure. Government's spending may be contracted or expanded depending on the realities of the economy.

**Development of balanced programmes:** In addition to the advantages already enumerated, the priority and essentiality of projects are studied and related to the end in view before determining how money should be spent and what is to be expected in the prosecution of chosen projects or actions.

**Attainment of coordinated effort:** In the budgetary process, coordination of all departments, units, divisions or agencies is necessary for without that, concerted action cannot be attained

**Control of operations:** In a sound and efficient budgetary system, there is a control mechanism for expenditures. Expenditures are tied to projections and estimations that have already been done. This helps to determine deviations from predetermined goals.

**Revelation of organizational weaknesses:** In the execution of plans, responsibilities are delegated. Responsibility can only be accepted if authority is delineated. Where plans are developed and responsibilities for the accomplishments are delegated, weaknesses and lapses if any, in the organization will be revealed

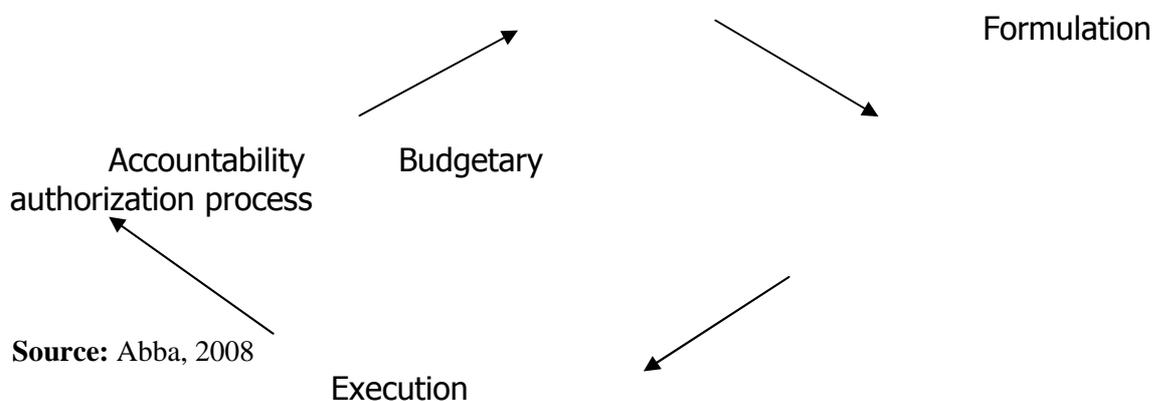
**Prevention of waste:** Owing to the fact that those budgeting analyses, reasons for proposed expenditures in advance, waste and embarking on white elephant projects are prevented. A good budgetary system does not allow for abandoning projects as enough studies would have been carried out before subsequent approvals.

### 3.The Budgetary Process

The processes of budget preparation and authorization have been described by Oshisanu and Dean in: Ezeani (2006) thus:

1. The president decides up on broad budget strategy on the basis of his own policies and a view of the macroeconomic environment. He provides the budget department with a plan of action for implementing the strategy
2. The budget department devices a more detailed version of the plan and issues a call circular to ministries requesting estimates to be prepared according to budget guidelines
3. The ministries submit their estimates to the budget department which reviews them and adjusts them where necessary
4. The budget department aggregates the budget in the form of a Consolidated Estimate of Revenue and Expenditure (CERE) which is passed to the president for his approval
5. The president lays the CERE before the National Assembly in form of an Appropriation Bill
6. The Houses of the National Assembly debate the bill and make modifications to it, before passing it. They return it to the president for his approval
7. The president gives his assent to the Appropriation Bill which becomes an Act
8. The Minister of Finance is now empowered to issue funds to the ministries. This is done by the issue of warrants.

There are so many discussions about budget preparation in Nigeria. In fact, so many Nigerian scholars have over the years put forward their positions and argument on how budget is being prepared. Although the language appear to be different from one author to another but the contents remains the same. The above clearly show the budgetary process as presented by Ezeani, but it seems not to be very comprehensive. On this note, our analysis in budget preparation in Nigeria in this paper was drawn based on Abba's presentation or rather we have adopted his view on this matter. Abba, maintain that the 1999 Constitution in Nigeria firmly established the fundamental requirements of the budgetary process. The specifics are contained in the various laws, regulations and instructions. The budget is a complete set of events occurring in the same sequence every year and culminating in the approved budgets. The president-in-council articulates the government objectives in terms of economic, social and other welfare parameters, and the budget and planning ministry sends a call circular inviting all ministries and parastatals to submit advance proposals of their estimates for the forthcoming financial year, beginning in the following January according to budget guidelines. The Annual Budget Cycle can be represented pictorially thus:



**The budget formulation:** According to Abba, (2008) this is the first phase of the budgetary process and covers the estimation of government revenues, the determination of budgetary priorities and activities within the constraints imposed by available revenues and by borrowing limits, and the translation of approved priorities and activities into expenditure levels. Estimates is prepared by the various administrative units and other agencies of government, collated and reviewed, and finalized by the president and then submitted to the Legislature as a basis for the preparation of the annual Appropriation Act. The budgetary submission made to the national Assembly by Mr. President is in the form of a budget speech supplement by analyses and statements containing details of revenue, expenditure and debt as well as an assessment of the anticipated impact of the budget on the country as a whole. Details of government operations for the budget year and for past and current years are also included in the statement.

**Budget authorization (legislative approval):** The budget authorization constitutes the second phase of the budgetary process. The legislature reviews and modifies the budget proposals of the president and formulates an

Appropriation Bill following the process established by the constitution, which specifies that no money may be paid from the Treasury except in accordance with an appropriation made by law. There is a special legislative advisory body, the joint finance committee which closely scrutinizes the budget proposals before legislative approval. Appropriations are approved by the legislative body in the form of:

- i. A General Appropriation law which covers most of the expenditures of the government
- ii. Supplemental appropriation laws that are passed from time to time and
- iii. Certain specific purposes. As in other laws passed by the legislature, the constitution provides for an approval of the Appropriations Act by the President

**Budget execution:** This is the third phase of the budgetary process and is distinctly different from the earlier two stages because during this phase, the results which are the reasons for the entire cycle are achieved. Specifically, it covers the various operational aspects of budgeting such as the establishment of obligational authority ceilings, the evaluation of work and financial plans for individual activities, the continuing review of government fiscal position, the regulation of funds release, the implementation of each payment schedules and other related activities.

**Budget accountability:** This phase of the budgetary process begins with an audit of the accounts produced during the execution phase, preferably, by an auditor independent of the administration. If the categories in place in the budget relate specifically to incomes and expenditures, which is the case when a traditional budget is in operation as it is in most of the states in Nigeria at present, the audit can lead only to judicial proceedings against officials suspected of dishonest spending. However, if the budget also includes quantified programme budgets, then the audit can respectively judge efficiency and effectiveness. Judgments of efficiency and effectiveness are highly relevant to formulation of the budget for the following year (Abba, 2008)

However, if the budget also includes quantified programme budgets, then the audit can respectively judge efficiency and effectiveness. Judgments of efficiency and effectiveness are highly relevant to formulation of the budget for the following year (Ezeani, 2006).

From the foregoing, one can carefully see how the process of budgeting is being carried out in Nigeria. Although the process is very cumbersome but strict application of the processes are always followed in order to allow transparency, probity and accountability in the making of budget.

### 3.3 Budgetary process in terms of release of Funds

According to Kiragu in: Ezeani (2006) the budgetary process for release of funds has the following characteristics:

- i. The paymaster general appoints specific (usually the Chief Executives) in the spending agencies as "accounting officers and receivers of revenue" to collect and account for specific public monies according to the budget approval by the parliament.
- ii. The paymaster general sends out exchequer issue warrants to the Central Bank, authorizing the bank to credit the accounts of the spending agencies with funds from the exchequer (the main government account at the Central Bank)
- iii. The paymaster general sends exchequer issue notification (authority to incur expenditure) to all the accounting officers
- iv. The accounting officers in turn issue warrants of funds (departmental authority to incur expenditure) to their respective departments. These warrants of funds usually specify the authorized limits of expenditure by line item (e.g. salaries, training, office equipment, etc).
- v. The Central Bank and its agencies in the regions and districts (usually a commercial bank) receive copies of the relevant warrants of funds to enable them exercise control so that the spending agencies do not withdraw funds in excess of the limits authorized by the paymaster general and the accounting officers
- vi. For the funds to start flowing from the consolidated fund, the paymaster general applies to the controller or auditor general for grant of credit to the accounting officers.

The third and fourth stages of the budgetary process are budget execution and budget monitoring is closely connected with the execution and monitoring of government projects to which they relate (Ezeani, 2006).

### 4. How Accountability and Control Sustains the Budgeting Process

In fact, accountability and control helps a lot in sustaining and maintaining the process of budgeting in Nigeria in the following ways:

- a) Accountability and control is a strong mechanism used by the government to ensure fiscal audit dispensation of budgetary regulation
- b) Accountability and control is used to ensure probity, accountability and transparency in the management of budget processes and procedures.

- c) Also accountability and control is an instrument used to ensuring strict compliance with the norms and tradition of modern budgeting.
- d) Finally, accountability and control systems is always used as agents of dictating and directing the full formulation and implementation of budget

### **5. Conclusion and Recommendation**

Budget today has become one of the primary tools of managing financial administration. Thus, it is often referred to as the master plan of government. It brings together estimates of anticipated revenues and proposed expenditures implying the schedule of activities to be undertaken and the means of financing these activities. We have earlier discovered in our study that one of the cardinal objectives of the budget in the contemporary world should be to implement democratic dividends and provide a tool which will be helpful in the efficient execution of the functions and services of government.

Our conclusion is highly factored on the analysis put forward by Vishnoo and Bhushan where they emphatically argued that the budget is a device for consolidating the various interests, objectives, desires, and needs of our citizens into a programme whereby they may jointly provide for their safety, convenience and comfort. It is the most important single current document relating to the social and economic affairs of the people. It lays emphasis on the need for state programmes to be executed as efficiently as possible so that maximum results are obtained for the money spent on them. They further conclude that in one sense, the entire budgetary process can be said to have a single objective to attainment of economy and efficiency, the determination of how the country's scarce resources, through taxation and other methods from private to public use and by the allocation of these resources among various government uses. Such a determination covers both the questions what programmes should be undertaken and how they should be executed (Vishnoo, B. and V. Bhushan, 2008).

It is therefore, important to conclude here that no matter how well articulated a budgetary process looks like, if the spirit of accountability and control is lacking, the budget will fail to meet the stated targets and objectives. Accountability and control are therefore, good mechanism for the survival and sustenance of budget.

Arising from the above discussion and conclusion, one strong major recommendation made here is that government should always be guided by the principles of accountability and budgetary control in order to ensure efficiency and service delivery as contained in annual budget.

### **References**

- Abba, E. (2008). *Modern public administration*. Onitsha: Abbot Books Ltd
- Abba, E. (2007). *Public finance and government budgeting in Nigeria*. Onitsha: Abbot Books Ltd Anyanwu,
- C. (1997). *Nigeria public finance*. Onitsha: Joonee Educational Publishers Ltd
- Bedeian, A. (1986). *Management*. Chicago
- Dunsire, A. (1975). *Administration: The world and science*. London
- Etzioni, A. (1964). *Modern organization*. Englewood Cliffs: New Jersey Princeton Hall Inc.
- Ezeani, O. (2006). *Fundamentals of public administration*. Enugu: Snaap Press Ltd
- Laxmikanth, M. (2006). *Public administration*. New Delhi: McGraw Hill Company Limited
- Oshisami, K. and Dean, P. (1984). *Financial management in Nigerian public sector*. London: Pitman Publishing
- Pandey, I. (2005). *Financial management*. New Delhi: Vickas Publishing House
- Plesnn, C. (1929). *Introduction to public finance*. New York: Macmillan Company
- Pffner J. et.al. (1979). *Public administration*. New York: The Ronald Press
- Schick, A. (1966). *The road to PPB: the stages of budget reform*. *Public Administration Review*. December
- Schick, A. (1979). *Zero-base, the status of the National Association of State Budget Officers and the Urban Institute*. December
- The Croft, L. (1996). *Management and organization*. London: Bankers Books Limited
- Uduma, O. (2003). *Contemporary public administration: The Nigerian perspective*. Enugu: Agmasun Publishers
- Vishnoo, B. and Vidya, B. (2008). *Public administration*. New Delhi: S. Chand and Company Ltd

