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## **PUBLIC BUDGET AND BUDGETARY CONTROL IN NIGERIA**

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### **INTRODUCTION**

In many ways budget documents are the most important manifestation of public they record the outcome of the political process: winners and losers of the political competition. They delineate government total service effort. As political documents budget allocate scarce resources among competing social and economic needs. As managerial documents they specify the ways and means for providing for government services. By establishing the costs for various programs they set up the criteria by which government programs are to be reviewed and evaluated. Budget has become the main instrument by which government attempts to manage economic growth and development. Budgets become accounting instruments by which officials are held accountable for what government does and does not manage to accomplish. In Nigeria the basic requirement for the budgetary process in the public sector are provided for in the current constitution of the federal republic, financial regulations and financial memorandum (Abdullahi 2008). The budgeting exercise at the federal level is strictly governed by the provisions of the 1999 constitution. This involves the required process through the budget must undergo before it becomes an appropriation act of parliament which strictly speaking is a form of law binding on and guiding the executive in terms of the implementation of the budget Provisions and executing the intending projects and programmes.

At the state level budgeting is also governed to some extent by the constitution (1999) as well as the financial regulations. Nevertheless it is a different procedure at the local government level. The local councils in the country are strictly under the regulations of the state house of assembly which regulates their administrative and financial operations, besides the financial memorandum. This shows that the budgetary process at the local level is largely regulated by the executive as well as the state house of assembly.

### **MEANING OF THE BUDGET**

Ndan (2009) defines budget as a detailed financial statement that shows details of anticipated revenue and prepared expenditure. A budget is also a forecast of expenditures and revenue for a specific period of time; usually one year. As a planning document a budget enables business, government, private organizations and households to set the priorities and monitor progress toward selected goals. To meet the budgetary objections it is imperative to set aside savings or to borrow from outside sources (Ndan 2009). The personal or family budget is financial plan that helps individuals to balance income and expenditure. A business budget is generally used as a tool to formulate intelligent decisions on the management and growth of a business venture. The most difficult budgetary process involves a government budget which is a plan for the collection and expenditure of monies needed to carry out the

social, military and economic policies of an administration (Ndan 2009). A government budget in its entire ramifications is fragile with many definitions base on the views of scholars and administrators. Ujo etal (2001) asserted that the budget is a control device used by administrators to guide them in the allocation of resources. Furthermore, (Abdullahi 2008) seen that the budget as a control device of specific expenditure for projects. In a similar view, Robins (1980) observes that: budgets are control devices that are designed to guide the actions of a unit and to provide feedback if the budget is secured. They are the standards for comparing actual expenditure.

The procedure for preparing budget is called budgetary while the monitoring mechanism is budgetary control. The practice of government budgeting originates from Britain (Abdullahi 2008) where budget is used in reference to the statements, needs and resources as presented to the parliament for debate and approval for use in running government operations and meeting other needs. Therefore the budget statement as defined by dimock and fox (1983) is used to provide information on finances o f government, including the resources of revenue, items of expenses and purpose to which those items are put. A definition by omopariola (2003); shows that government budget is a plan for financing the activities of the government during a fixed period usually one year prepared and submitted by the executive to the legislature where approval is absolutely essential before the plan can be secured.

### **TYPES OF GOVERNMENT BUDGET**

The government budget can be branded in different forms depending on the choice of political office holders and in line with the policy thrust of a particular government in power. Some of the budgetary system in Nigeria as observed by (Ndan 2009) includes:

**Line Item or Traditional Budgeting:** This type of budget requires little data and analysis and relies heavily on opinion, judgment and historical precedent. Activities which are released in terms of objectives are budgeted for separately. Under this system, budgets are prepared without reference to goals. There is little attempt to link the budget with implementation and subsequent performance review. In a nut shell, traditional budgeting is the budgetary process which emphasized expenditure rather than performance, emphasized inputs rather than outputs.

**Performance Budgeting:** A second type of budget reform is performance budgeting. The Nigerian federal government in 1981 adopted a version of this system of government budgeting known as (PPB). Performance budgeting is an attempt to correct the anomalies of line item or traditional budgeting. Hence Ndan (2009) describe performance budgeting as a classification that emphasizes the things which government does; rather than the things which government buys. Elsewhere he defines performance budget as one which represents the purposes and objectives for which funds are requested, costs of the programmes proposed for achieving these objectives and quantitative data for measuring the accomplishments and work performed under each programme. One of the essential features

of this kind of budget is that classification of budget is done in terms of function, programme and activity.

#### Planning, Programming Budgeting System

According to Ndan planning programming budgeting system has six major elements, which include:

- i. Identification and examination of goals and objectives in each major area of government activity.
- ii. Analysis of the output of a given programme in terms of its objectives.
- iii. Measurement of total programme cost not just for one year but for several years ahead.
- iv. Formulation of objectives and programmes extending beyond the single year in the annual budget.
- v. Analysis of alternatives to find the cost effective means of reaching basic programme objectives.
- vi. Establishment of these analytical procedures as a systematic part of budget review.

The idea behind PPBS is that the objectives of government policy must be identified and stated. Then the activities which contribute to common goal should be identified as a programme. Within an overall goal, there is a sub-goal and the activities which contribute to this are entitled sub-programmes.

**Zero Base Budgeting (ZBB):** Zero based budgeting (ZBB) has been described as the justification of budgets from base zero to the scratch. This constitutes with routine budgeting which advocates of ZBB described as being incremented. That is to say the emphasis in routine short term budgeting is on the change in costs between the current and next year's budget. Zero base budgets is proposed as a means of correcting some anomalies particularly in non-profit organization like government. It attempts to shift the traditional approach to budgeting in public sectors towards a new mode of thinking and operation. It subjects existing or current programmes and activities to the same kind analysis and justification usually reserved for new programmes. Although the idea of budgeting from zero has been a long historical one it was only in the 1960, the idea was successfully translated into technique by peter phyr, when Jimmy carter as governor applied the budget for the state of Georgia in 1973. In 1977 President Jimmy carter of USA asked each federal agency to develop its fiscal year on the basis of ZBB.

#### **BUDGETING AT THE FEDERAL STATE AND LOCAL GOVERNMENT LEVEL IN NIGERIA**

The Federal Government Budgetary Process: The constitution of Nigeria succinctly provides the legal requirement of the budgetary process that should be followed in the making of federal government budget and indeed any other budget of the state level. There are other requirements as encapsulated in other laws, the financial regulations and the instructions from the accountant-general of the federation. According to Abdullah (2008) the frequent analysis of public finance in annual cycles results from the usual passing annual votes for

expenditure authority by the national assembly. In terms of the annual budget 4 phases can be identified. These are highlighted as follows:

**Budget formulation:** this is the first phase of the budget process in good budgeting and implementation. The phase covers the estimation of government revenue, the determination of the budgeting priorities as activities within the constantly arising from the available revenue and borrowing limits and the translation of applied priorities and activities into expenditure levels.

**Budget authorization:** this consist the legislative approval which constitutes the second phase of the budgeting process. The national assembly has the constitutional authority to review, modify and give the final approval after scrutinizing the appropriation bill. There exists a special legislative advisory body in the national assembly, the joined finance committee made up of some members from both clusters which closely scrutinizes the provisions of the budget before legislative approval.

**Budget execution:** this is the third phase of the budget process in the government sector. This phase covers the various operational aspects of budget implementation such as the establishment obligatory ceiling the evaluation of work and financial plans for individual operations. The continuing review of government fiscal position, the regulation of funds release, the implementation of each payment schedules and other related matters. The national assembly has onerous responsibility in ensuring appropriate implementation of the budget provision. Hence, the legislature carries out this responsibility called oversight function through its various committees.

**Budget accountability:** the effectiveness of this phase is predicated on the operation of the office of the auditor-general of the federation. Therefore, it stays with an audit of the accounts produced during the execution phase by both the government auditors and independent auditors.

### **BUDGETING AT STATE GOVERNMENT LEVEL**

Abdullahi (2008) observed that there are bond adequate provisions in the country's constitution meant for the regulation of the budgeting process at the state level. In essence, the country's 1999 constitution has some sections which relate to the process a state government budget shall go through before it becomes an appropriation law for instance section 12(1) of the constitution provides that: the governors shall cause to be prepared and laid before the house of assembly any time before the commencement of each financial year, estimates of the revenue and expenditures of the state for the next following financial year. The above provision of the constitution clearly portrays the strategic position of the state house of assembly in respect of budget and budgeting at the state level.

### **PROCEDURE FOR STATE GOVERNMENT BUDGET PREPARATION**

The procedure for the preparation of the state budget is similar to the procedure enhanced by the constitution for the preparation of the federal government budget. The commencement of the budget requires any government department makes projection for its service incorporating the capital and recurrent estimates for the next financial year. The capital expenditure estimates are for expenditure on capital projects such as construction of roads, dams etc. the recurrent expenditure estimates are meant for government operational services personnel emolument, maintenance costs, repairs of machinery etc. Next is the transfer of budgets of various departments to the ministry of finance for their perusal, where the department heads have to appear to defend the estimates. The defended estimates prepared by the departments, titled Appropriation bill are sent to the state house of assembly. The appropriation bill is then published in the gazette for public comments and debate. The governor is then expected to go and formally present the budget speech to the house of assembly after the appropriation bill would have been introduced in the house. The budget proposal goes through the readings, committee stage and debate in the course of the normal process of legislative law making before it is pass into law i.e. become appropriation act.

### **CONTROL MECHANISM OVER STATE GOVERNMENT BUDGET**

The control mechanism over the state government budget is established in the preparation of the budget to the implementation and approval of the budget estimates. Such area of control includes;

- i. Approval of departmental budget estimates.
- ii. Publication in the gazette for public scrutiny.
- iii. Budget scrutiny and authorization
- iv. Power of legislature on appropriation without governor's assent.
- v. Legislative oversights function during budget implementation.
- vi. Auditing of government expenditure.

### **BUDGETING AT LOCAL GOVERNMENT LEVEL**

Fundamentally budgeting procedure is a different matter entirely at the local government level in Nigeria (Abdullahi 2008). This is in views of the fact the local government councils are more or less like appendages to their respective state governments. Hence the whims are caprices of the state government. Furthermore the local councils are guided in the preparation of the budgets by the financial memoranda.

According to financial memoranda in chapter two for the budget estimates:

- i. Every department of the local government should in each year prepare a defended estimate of its revenue and expenditure for the ensuring financial year on behalf of the executive committee.
- ii. Submit the estimate to the executive committee which shall consider it in order that is not inconsistent with the general budgeting measures adopted by the local government and the state for the succeeding financial year.

- iii. The executive committee shall submit the estimate to the local government council which shall consider and approved.

### **PROCEDURE FOR PREPARATION AND APPROVAL OF LOCAL GOVERNMENT BUDGET**

The procedure for the preparation of the annual local government (budget) estimate is exposed in chapter 3 of the financial memoranda. Especially 3.2 provide that the local government executive committee is to issue a circular calling for the preparation by local government departments estimates for the coming financial year. The financial memoranda also states that the call circular for the preparation of budgetary estimates be issued out by June 1<sup>st</sup> of every year, so as to reach each local government department in good time for the commencement of the budgetary process. The treasurer, as provided by section 3.4 of the financial memoranda, upon the receipt of the executive committees call circular and not less than 10<sup>th</sup> of June shall issue an estimate call circular to heads of department. Heads of department will prepare the estimates of the circular supported by full explanation notes and shall be forwarded to the treasurer by July 10<sup>th</sup>. The treasurer will then consolidate everything and submit to the executive committee through the secretary. The treasurer shall also prepare a report on general financial applications of the estimates, Proposals and the effect they have on the financial position of the local government, to accompany the estimate proposals.

### **CONTROL MECHANISMS OF LOCAL GOVERNMENT BUDGET**

A budget as a policy statement and a financial plan has an in-built mechanism that serves as a control device to circumscribe the operations officers who are the administrators in charge of the various departments of the local government. Hence Abdullahi et.al. (2001) observed that local government estimates can be taken as policy document. This Is in view of the fact that a policy is a definite course of action selected from among alternatives to guide and determine present and future decisions. The budget serves as a control mechanism because the financial plan, as it were clearly indicates the necessary direction to which all the government operations are tailored. Furthermore local government budget are use in controlling the operations at the grass roots level.

### **CONCLUTION**

A government budget in Nigeria in its nature is a control device itself which specifies expenditures for projects and expressed in monetary estimates: Types of government budgetary system. The government budget can rely on the use of any budgetary systems. Also the function of government budget clearly shows its control posture of government at all levels. If properly adhered to government budgets are the most effective tools for curbing corruption and inculcating discipline in Nigerian society.

## **RECOMMENDATION**

- i. Governments budgets at all levels should be regarded as an effective means of controlling public sector.
- ii. Implementation of budgets should be strictly observed.
- iii. One of the lingering issues between executive and legislative arms of government is the non-implementation of government budgets. There is need to burry this issue so as to create a conducive working environment.
- iv. Government budgets should replace people's needs not elites want.
- v. Budgets are the easiest means of portraying government policy thrusts.
- vi. Public policies can be easily identified and implemented through public budgets.
- vii. Public budgets and budgetary control should serve as a tool for inter-governmental relations.

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