



**Impact of Budgeting and Budgetary Controls on the Accountability of
Government Parastatals****Umar Abbas Ibrahim***Department of Business Administration
Nile University of Nigeria, Abuja
Bakundiumar@yahoo.com*

The drive of this research work is to tackle the issue on the Impact of budgeting on the accountability of government parastatals in Abuja Federal Housing Development Authority. It emphasizes on the helpfulness of budgeting and budgeting controls in government accountability. The focal problem is the incapability of organizations to draw out plan and accomplish goals, which can be outlined to their inability to apply controls and accountability in the budgeting system. The researcher uses both primary and secondary data but dependence was placed more on primary data because of its relative factual nature. They include personal observation, interviews, questionnaire, about 52 personnel of the organization were interviewed and their responses analyzed by simple percentage. The major findings reveal that there is a great degree of relationship between budgetary implementation and their actual performance. This lack or no implementation of the budget hinders the achievement of the organizational goal. Budgetary control also as a management tool which contributes to efficiency and effectiveness of management productivity. The researcher based on these findings proposes many recommendations. Which include educating the other levels of management on the importance of following strictly on the provisions of the budgets and implement it as such. The organization should adopt technique that is easy to implement which include flexible and zero based budgeting techniques. The researcher concluded that when budget are effectively implemented at all levels, it will become an essential standard in ensuring actual performance.

Key words: Budgeting, budgetary control, accountability and government

INTRODUCTION

The efficiency and effectiveness of the activities of a business depends solely on the control available to management in every business organization, there are a number of activities going on at the same time such as producing, purchasing, distributing, selling and financing a product. Therefore to achieve these objectives or goals, the organization must economize resources and discover the means of attaining these goals. These goals can only be realized when they properly plan the use of available resource are controlled and co-ordinate effectively. Thus a system of

managing a business by making forecasting the different activities and applying a financial to each forecast becomes imperative. Pandey (2010) defines "budgeting control as the establishment of departmental budget relating the responsibilities of the executive to the requirement of a policy, and the continuous comparison of actual budgeted result either to secure by individual actions".

Departmental functions such as sales and production, or for financial and resources items such as cash, capital expenditure, manpower, purchase. Etc. the procedure of preparing and agreeing budgets is a means of translating the overall value of the organization into detailed, feasible plans of action. It is therefore, relevant to say that the level of importance that is attached in this plan and exertion made in controlling the finance differ in organizations. Once the goals and objectives are set, which must be based on the thorough analysis of feasibility within the subject of the political and social value the strategies will enable it to strive towards its attachment.

Often than not when these strategies are put into process, conditions prevails which tends to cause divergence from the plan and corrective measures are always taken to handle the business back on the right track. The process already mentioned as it is applied consists of budget and its control. And to lend credibility to goal congruence suitable techniques should be applied to specific areas that need special attention hence measurement of budgeted with actual to arrive at the finance cannot be over emphasized. A business is said to be on the correct track if the result of the budgeted estimate is favorable as against the actual. The little that is said concerning this project has encompassed all avenues in which the subject can aid.

Osisoma, (2000) opined, "budgeting is a systematic and formalized approach for accomplishing the planning, coordination and control responsibilities of management". It is a process of organizing in advance of the period to which it correlates a summary statement of plans expressed in measurable terms, which if used with style and good judgment, would enhance the achievement of an organization's goals and objectives.

A budgetary control is described) as a "quantitative expression of a plan of action prepared in advance of the period to which it relates. Budget may be prepared for the business as a whole, for management decision; rather it should be seen as a guide for people business" (Clark and Lacey, 2002).

Budget is also seen as a monetary statement prepared and approved proceeding to a defined period for the course of attaining a given goal or objectives. It may include income, expenses and employment of capital (ICMA, 2008). Therefore in order to achieve these objectives, the organization must organize the economic resources and discover the means of achieving these goals. These goals can only be achieved or realized when they properly planned the use of available resources are controlled and coordinated effectively, thus the system of managing a business by making a forecast of different activities imperative.

STATEMENT OF THE PROBLEM

The development of the business hinges, or better put, rests squarely units budgetary control system or techniques hereafter they are considered as fundamental tools in any business

situation. This study then is aimed at assessing and evaluating the event to which budgetary control has been a tool for the growth and worldwide realization of any organization.

Lack of budgets in planning and control has required in the indiscriminate use of fund meant for more viable activities. Again the incapability of many companies to plan and complete budget goals is traceable to their inability to apply controls in their budget system.

Budgetary goals are not realized due to low level of understanding of the budget system by middle and low level of management staff. Other problems are scarcity of stocks and shut down. Lack of budgeting system in planning and controlling has resulted in random spending of scarce funds meant for use in viable projects and activities. The results in many problems for many organizations which include; Inability of the company to plan and accomplish goals which can be traced to their inability to apply controls and accountability in the budgeting system, budgeting goals are not fully realized due to low level of understanding of middle and low level managements, improper accountability of past jobs performed has resulted in management not being able to use past information to make proper and accurate budget for the future which leads to ineffectiveness and inefficiency, improper coordination of various cost centers and information on job progress are delayed and this results in delay of prompt management decisions.

OBJECTIVES OF THE STUDY

The main objective of the study will be to examine the impact of budgeting and budgetary controls on the accountability of government parastatals. However, the specific objectives are to:

- i. To find out the impact of budgeting and budgetary control in government parastatals.
- ii. To determine whether budgetary control as a management tool contribute to efficiency and effectiveness of management productivity.

RESEARCH HYPOTHESES

The following hypotheses was formulated in the alternate form and tested with the aid of proper statistical tools and well-structured questionnaires that were effectively administered so as to achieve stated research objectives. The hypotheses are as follows:

H1: Budgeting plays a vital role in government organization/corporations

H2: Budgetary control does enhance management productivity.

LITERATURE REVIEW

Conceptual Framework on Budgetary Control

Moa (1970) states that "when all the planning and control topics are frustra positioned a very dynamic budgeting and performance evaluation cycle appears. The assumption of the cycle starts with the present budget and as the budget period elapses, the actual operational achievements and results are gathered and matched with the present budget in the form of feedback control and performance report". The next steps based on these reports managers takes steps to guarantee that future plans or budget are enhanced.

Budget is an essential managerial model which will no doubt benefit the organization if properly and effectively packaged and operationalized. Budget is defined as a measurable analysis prior to a defined period of time of a policy to be followed for the period to reach a given objectives. "A budget is also defined as a complete and coordinate plan expressed in monetary terms for the operations and resources of an enterprises for some specific periods in the future" (Fremgem 1973).

Budgetary Control

According to Eneje (2005) "Budgetary control highlights the control of plans by likening actual results against plans by comparing actual results against plans to identify variance upon which corrective action can be placed". Budgetary control can be referred to the principles, procedures and practices of accomplishing a given objectives through budget and budgets reports.

According to Ikpe and Obah (2004) Budgeting control is a system of regulating cost through the preparation of Budget, coordinating the departments, instituting responsibilities, relating, and the responsibilities of the executives to the requirement of the policy. (ICMA, 1975), defines "budgetary control as the setting up of departmental budgets relating the duties of the executives to the requirement of the policy and continuously associating actual with budgeted results either to secure by individual action the objectives of that policy or to provide the basis for its revision".

Budgeting and Budgetary Controls in Government

Unlike the private sector, the budgeting and budgetary control systems in government is governed a whole lot of controlling framework, some of which has instruments of controls as systems of authorization of expenditure by warrant, vehement, supplementary estimates, authority to incur expenditure, auditing, budget implementation and monitoring process, all of which are aimed at ensuring conformity with budget efficiency, effectiveness and economy. Ikpe and Obah (2003) highlighted the following budgetary control systems in government.

a. Due Process Certification

This is a budgetary control measures aimed at the following:

- i) To ensure that "due process" is followed in the award of capital projects contracts.
- ii) To reduce cost by scrutinizing every project awarded by the government.
- iii) To ensure that funds are no longer diverted to private pockets.
- iv) To severely monitor the capital expenditure.
- v) To rationalize the approval limits in the award of capital projects.

b. Standardization of Government Accounting

This is a restructured effort the federal government aimed at standardizing all government accounts at all levels through budgeting standards and reporting procedures.

The Impact of Government Budget for Accountability

In order to really appreciate the important impact of government budget in enhancing economic activities and accountability in the country, these major functions must be looked into:

i. Forecasting

A budget is an express distribution of the government to generate revenue and apply the same income on its economic activities in the coming financial year.

This preventive nature of budget makes it a crucial tool of forecasting. The budget is prepared prior to the year; it will be implemented based on the anticipated revenues from various services. In Nigeria shares from oil account and other local taxes, it is a useful tool for forecasting future trends in the economy which is usually for anticipated revenues and expenditures for the coming year.

ii. Planning

Budget is also an instrument for government to plan its strategies and programmes and its implementation. Government utilizes the budget to plan how to create revenues and the important projects to be embarked upon in the year with the aim of engineering the economic happenings of the country. It is therefore the requirement of government proposed plans in financial terms for the following accounting of year.

iii. Authorization

The endorsement of the yearly adoption bill is by the national assembly or state assembly is an authorization to the executives to sign and use public fund as contained in the budget documents and also for a particular project. It is therefore a formal authorization the hands of the executive to obtain resources and assume a specified activities for the accomplishment of governmental aims and objectives in a given period.

iv. Performance and Measurement

A budget is an absolute consideration for evaluating the performance of government with respect to the accomplishment of stated objectives. It serves as a foundation for making contrast between the budgeted and the actual for the period. The alteration helps to prepare and implement a better budget in the next fiscal year. This is the more important function of the budget which formulates a guide to making better choices on plans and priorities in the next fiscal year.

v. Communication

Since the budget covers all policies and programmes which the government plans to perform the following year, it serves as a communication tool between the government through its agencies and the society. It gives a clear picture of the economy in next one year and what to be expected at the end of its implementation. This is why the budget elixirs a lot of interest in the people. The lack of accountability by the government its agencies and parastatals in the past has led to some degree of apathy in the budget and budgetary process in Nigeria.

Administration of Budgetary Control

The administration of budgetary control is the responsibility of the budget committee through the budget officer. It is also a common principle that the executive of the organization each have a responsibility for the budget of the particular activity which they control. The purpose of the budget officer being rather to understand the guiding decisions of the budget committee and to advise the answerable executive with a view to securing a budget which is compatible with the other sections.

It is important to guarantee that the scheme budgetary control is properly clarified to each person concerned with its operation in the manner more appropriate to defining what is required of that person. During the operation of the scheme, a full liaison should be maintained between the budget committee and the executive and persons responsible for the implementation of the departmental policies. The budget committee must ensure that through its officer or liaison that periodic statement should be prepared, comparing the budget with the actual expenditure and showing the variances between them. Budget and actual comparison statement are more effective when prepared frequently and promptly and the accounting statement should be organized with this in view.

The frequency of this statement as suggested with respect to the period of the budget should be mainly determined by the requirement of the person exercising the control. Consideration should also be given to the point at which the cost of frequency of the statement becomes excessive. Normally it is a subject of routine to check that all items of expenses charged against a person's budget outcome from the action taken by the person.

According to Adeneji (2011) "budgetary control is part of the overall system of responsibility accounting within an organization. It is a system of accounting in which cost and revenues are analyzed in accordance with areas of personal responsibilities so that the performance of the budget holders can be monitored in financial terms".

Hence, budget plays an accountability role in governmental and organization and circle. For budgets to have impact as a tool on government parastatal accountability, there must be an active participation and involvement acceptance and commitment of top level management and line management who are responsible for budget implementation.

RESEARCH METHOD

This research therefore covers the selected First Bank of Nigeria branch in Abuja. Secondary data were obtained through books, journals, and internet. Empirical works of other scholars were consulted. A sample size of 52 was obtained from the population of 60 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula $52(100\%)$ of the questionnaires distributed $52(100\%)$ were returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. Therefore, a sample T-test analysis was used to test the hypotheses.

TEST OF HYPOTHESES

The two hypotheses postulated for this research were tested with various test statistics aided by computer applied Statistical Package for Social Sciences (SPSS: 20.00s version) of Microsoft environment. Specifically, hypotheses one and hypotheses two were tested using A one sample Test Analysis.

Hypothesis 1:

H0: Budgeting does not play a vital role in government organization/corporations.

H1: Budgeting plays a vital role in government organization/corporations.

Table I: Descriptive Table

One-Sample Statistics

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|----|------|----------------|-----------------|
| Budgeting plays a vital role in government organization/corporations. | 52 | 1.82 | .994 | .139 |

Source: Authors computation using SPSS

The output above tells us that there are 52 observations (N), the mean number of Budgeting on government organisations is 1.82 and the standard deviation of number is 0.994. Also the standard error of the mean (i.e. the standard deviation of the sampling distribution of means) is 0.139 ($0.994 / \text{square root of } 51 = 0.139$).

Table II: Summary of One Sample Test

| | t | Df | Sig. (2-tailed) |
|---|-------|----|-----------------|
| Budgeting plays a vital role in government organization/corporations. | 5.916 | 50 | .000 |

Source: Author's Computation using SPSS, 2018

Note: $\alpha = 0.05$ (5% level of sig)

From the t-table the second column of the output gives us the t-test value (5.916). The third column tells us that the t test has 50 degrees of freedom ($51 - 1 = 50$). The fourth column tells us the two-tailed significance (the 2-tailed p value).

Decision:

If $t_{\text{calculated}} \leq t_{\text{observed}}$: reject null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant

$t_{\text{calculated}} \geq t_{\text{observed}}$: accept null hypothesis, meaning there is sufficient evidence to conclude that the mean number of the test is statistically significant.

From the result t observed is 5.916 while t calculated = 2.423. This means t calculated is less than t observed ($2.423 < 5.916$); hence we reject the null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant.

Conclusion:

Since t calculated is below t observed we reject the null hypothesis and conclude Budgeting plays a vital role in government organization/corporations.

Hypothesis 2:

H_0 : Budgetary control does not enhance management productivity.

H_1 : Budgetary control does enhance management productivity.

Table III: Descriptive Table

One-Sample Statistics

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|----|------|----------------|-----------------|
| Budgetary control does enhance management productivity. | 52 | 3.73 | 1.674 | .234 |

Source: Authors computation using SPSS

From the above output there are 52 observations (N), the mean number of budgetary control on management productivity is 3.73 and the standard deviation of number is 1.674. The standard error of the mean (i.e. the standard deviation of the sampling distribution of means) is 0.234 ($1.674 / \text{square root of } 51 = 0.234$).

Table IV: Summary of One Sample Test

| | t | Df | Sig. (2-tailed) |
|--|--------|----|-----------------|
| Budgetary control does enhance management productivity | 11.625 | 50 | .000 |

Source: Author's Computation using SPSS, 2018

Note: $\alpha = 0.05$ (5% level of sig)

From the t-table the second column of the output gives us the t-test value (11.625). The third column tells us that the t test has 50 degrees of freedom ($51 - 1 = 50$). The fourth column tells us the two-tailed significance (the 2-tailed p value).

Decision:

If $t_{\text{calculated}} \leq t_{\text{observed}}$: reject null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant
 If $t_{\text{calculated}} \geq t_{\text{observed}}$: accept null hypothesis, meaning there is sufficient evidence to conclude that the mean number of the test is statistically significant.

From the result t_{observed} is 11.625 while $t_{\text{calculated}} = 2.423$. This means $t_{\text{calculated}}$ is less than t_{observed} ($2.423 < 11.625$); hence we reject the null hypothesis, meaning there is insufficient evidence to conclude that the mean number of the test is statistically significant.

Conclusion:

Since $t_{\text{calculated}}$ is below t_{observed} we reject the null hypothesis and conclude budgetary control does enhance management productivity.

CONCLUSION

Having examined in details the uses and importance of budgeting and budgetary controls in the organization and the impact they make towards regulating the corporate objectives (profit making) one could rightly bring to conclusion that it is indispensable to any business organization.

If budget are cautiously planned and implemented by the management, it could lead to decrease in cost and an increase in revenue. Though budgeting and budgetary controls enhance the efficiency of the organization performance, it will become an essential standard in measuring actual performance. This in above all makes budget an essential tool for management accountability.

1.9 RECOMMENDATIONS

On the whole the findings of this study support the conclusion that the purpose of budgeting and budgetary controls contributes in no small way to the overall performance of the organizational accountability.

In the light of the findings made earlier, the following recommendations were made:-

- i. For budgeting to impact on government parastatals accountability. Top level managers should train other level managers on the importance of adhering strictly to the budget provisions and implementations. When every staff understands the provisions of the budget its implementation will lead to proper accountability.
- ii. For actual performance the organization should adopt the techniques that are easy to understand by their managers and staff such as flexible and zero based budgeting techniques. This will make it easy for implementation and reduces cost for actual performance.
- iii. Since budgetary controls leads to efficiency and effectiveness of management productivity, the top level management should allow inputs from all levels of management in its budgeting decisions to ensure its decisive implementation.

- iv. Since budgetary control is used to assess management accountability, constant and periodic review should be introduced in the budgeting process to ensure that corrective action are taken.

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