

THE ROLE OF BUDGETING IN UNIVERSITY ADMINISTRATION IN NIGERIA

Rev. S. Aide' Ojeifo

Abstract

Every organization has its own objectives or goals, which determine the process and outcome of its budget. In a business enterprise, for example., the objective might be to increase by a certain percentage the return on investment or to be the leader in the business cycle. The budget of the organization will therefore be geared towards achieving the goal of the organization. The budgeting process and budget implementation are crucial tools for effective financial management in the University system. The budget provides mechanism for ensuring that adequate controls are maintained over expenditure and revenue. It also serves as a legal authority to collect revenue as well as incur expenditure. The budget establishes the financial position of a university. It is an action plan for the immediate future, representing the operational and technical end of the planning chain. Budgeting is an important vehicle for effective mobilization, allocation and management of resources.

Introduction

Different people have different definitions of what a budget is. Some definitions are general, while some are restrictive. While some may cover all aspects of what a budget is, some may just cover a part of it.

The Oxford Advanced Learner's Dictionary (6th edition) defines a budget as "the money that is available to a person or an organization and a plan of how it will be spent over a period of time". For governments, the dictionary says, "a budget is an official statement by government of the country's income from taxes, etc., and how it will be spent".

Horngren (1977) defines a budget as "a statement showing the expected income and planned expenditures of an organization during a given budget period".

The above definitions concentrated on defining the budget only in terms of funds. But a Manager does not budget for finances alone. He budgets for space, physical facilities, time, finance and human resources etc. In other words, budgets are not limited to organization and control of funds alone, it covers all "resources". According to Bankole (2004:2) "a budget is the official statement of all the resources available to an organization over a period of time, and the utilization of the resources in a manner that achieves the organization's long term objectives - its mission and vision". A budget therefore is a statement, usually expressed in financial terms of the desired performance of an organization in the pursuit of its objectives in the short term (i.e. one year).

Revenue Estimates

These are based mainly on forecasts and previous performance of various sources of revenue available to the government. There are two categories of revenue estimates: current revenue and capital receipts.

Expenditure Estimates

These are classified into two broad groups, recurrent expenditure and capital expenditure. **Recurrent Expenditure**

The Recurrent Expenditure consists of the following:

- i. The consolidated revenue charges are specifically classified recurrent expenditure that must be met before any other charges. They include interest payments on loans, pensions and gratuities and provisions for certain statutory offices;
- ii. Personnel emoluments, which include salaries and wages of public officials. There are two basic salary structures used for the computation of the personnel cost of the various Universities in Nigeria:
 - UASS for Academic Staff, which is from level 1-7; and

- HAT1SS structure for non-teaching staff from 1-15.

iii Overhead costs, which are classified into categories for uniformity are usually items of expenditure related to the day-to-day running of the institution, e.g. Transport and Travelling. Utility Services, Stationery. Maintenance of furniture and Equipment. Training and Staff Development, Hospitality and Entertainment. Motor Vehicle Running Expenses, etc.

Capital Expenditure

The capital budget is based mainly on the recurrent surplus that is, the excess of current revenue over the recurrent expenditure, plus the capital receipts. It is an instrument for implementing public investment programmes and projects. Thus, it is more linked with the development plans. Capital budgeting involves two approaches:

- Capital expenditure budget (expenditure on acquisition of newly produced assets);
- Finance budget (comprising depreciation allowances).

Most projects have current costs, which need to be taken into consideration during the budgeting process. Capital projects in sectors like Education and Health and other non-liquidating projects may have adverse cumulative effects on the recurrent budget if they are planned for. Because of the close link between the recurrent and capital expenditure, there is need for effective coordination between the two sides of the budget- capital and recurrent.

The Budgetary Process in a University

The budgetary process in a University, sometimes called budgetary cycle, is the process of formulating the budgets, implementing and controlling them, reviewing and re-planning the budgets. It follows this sequence:

- Identify the objective/strategy direction/target of the budget for the period.
- Evaluate the resources available.
- Obtain other data relevant to the budget.
- Draw up the draft budget.
- Review the Budget through a Committee (Estimate Committee/or Development Committee.
- Finance and General Purpose Committee (F&GPC).
- Finalize the Budget and chart ways of implementation.
- Disseminate the budget direction, challenges/requirements to the key operators.
- Implement the budget.
- Accumulate data on actual performance as the budget period wears on.
- Review the budget periodically during the period.
- Re-direct the operations in a manner that the organization still maintains the focus of the budget.
- Accumulate data, assess constraints, determine areas of achievements and prepare for the next plan period.

Start the Process All Over for the Next Budget Year

Budgeting starts with the definition of the overall goals of an organization and what it intends to achieve (towards the overall goals) in a particular budget period. The Bursar or the Director of Budget in a University must therefore first identify the objectives of preparing the budget for each year/period. For example, the procedure for budgeting in a totally government-supported plan period will be different from the direction of a budget prepared under an autonomous situation. The objective, therefore, takes up the survival strategy for the organization given the environmental, sociopolitical and other economic constraints impacting on the operations of the organization during the plan period.

The Bursar/Budget Director must then assess the resources available to work with during the plan period. This is done to establish areas of surplus/deficit resources so that he can plan for the utilization of the surplus or source for extras needed to meet the deficits. It is not always true that the Bursar will have all the resources needed at all times. Hence, a Budget Operator/Manager must now allocate resources in the manner that guarantees optimal utilization of the resources available.

At this stage, the Bursar needs to obtain other non-quantitative data that are relevant to the budget. The constraints to the budget must now be defined and their impact assessed. There will also be the need to examine the maximum and minimum performance levels possible during the budget period. Communication is crucial in budget formulation and implementation. This is defined as an interchange of thought or bringing about mutual understanding, collaboration, start from ideation (ideas) encoding (ways).

The budget in draft form as submitted by the various Heads of Departments, Heads of Units, Deans and Directors can now be collated and a Committee (estimates Committee) comprising Deans of Faculties, Principal Officers and the Vice-Chancellor as Chairman, looks at the budget and make additional inputs. The corrected draft budget will now be properly packaged for consideration by the Finance and General Purpose Committee (F&GPC). This is a Council Committee with the Chairman of Council as Chairman. Once the budget is approved by this Committee, it is sure to be passed for approval by the entire Council. The F&GPC may make additional inputs before presenting the budget to Council to finalize. Ways of implementing the budget and milestones are then established for the University management.

Once the budget is approved, it needs to be communicated to the Budgetary Units - the Departments, Units, Faculties, Directorates, etc. This will first inform them of the new directions during the ensuing period. It will also enlist their support and commitment. The new targets are known and each budget operator can identify where the contribution from his budget center will be needed and against what standards he will be evaluated at the end of the plan period (budget period).

Communication is crucial in budget formulation and implementation. Defined as an interchange of thought or bringing about mutual understanding, it is related to leadership quality in ensuring gainful collaboration. Starts from ideation (ideas)—Encoding (ways)—► transmission Means) —► reception —► decoding (for understanding) (Adedipe, N.O).

Ideally, all the processes leading to the finalization of the budget need to have been concluded before the beginning of the budget period. The budget implementation process will now use the available resources earlier identified, to pursue the business of the University in the manner that best achieve its mission and vision.

As activities progresses data or actual performance must be collated and reported periodically. This will help the University management/Council to know whether the system is doing well or not.

The Bursar must now establish a review process that ensures that variances from the budget are easily identified and corrective actions taken. All controllable factors must be checked regularly and the uncontrollable ones managed in the best manner possible. The Bursar, in reviewing the budget, assesses achievements and failures, which must now form the basis for the preparation of the next budget.

However, while proper budgeting, in terms of input collation and coordination, and the expenditure control are functional professional responsibilities of the University Bursary, the control was not, until recent times that of the Bursary, but of the Budgetary Units. The role of the Bursary is normally to protect the budget in regard to its judicious implementation (Argyrius, 1953; Brownell, 1982).

The Problems in the Budgeting Process

Professional Technical (sub-profession) competencies are sine qua non to proper budgeting and budgetary control (Bankole, 2001). It must never be assumed that the budgetary process is always smooth, foolproof and rosy. Many problems are encountered and the speed, extent and success in handling or managing the problems will to a large extent determine the success or otherwise of the budget. Below is a list of some of the problems usually encountered in the budgetary process in the University.

1. All the relevant data required may not be available so, sometimes, estimates, the reliability of which cannot be predicted, are used.

2. Where budget controllers, Heads of Budget Centres, believe that the budget will affect their

Centres adversely, they may not cooperate and may even attempt to frustrate the process.

3. Sometimes, too much attention is given to some ingredients while some others don't get

- enough attention.
4. Uncontrollable factors may make nonsense of all the forecasts in the budget.
 5. Since the only thing certain about the future is that the future is uncertain/unknown. many events that will determine the success or otherwise of the budget, may not be known at the preparation period.

Whatever the problems are. University still need budget. Not only must University Administration prepare budgets for their guide to operations, they must manage the problems and other challenges to realize the goals of their systems. This is where lies their responsibility.

Oftentimes, at Council levels, external members, including the chairman, utilize political considerations and exert undue influence in the implementation of the budget. In the University community and the external communities, (industrial and commercial sectors of the economy), the University Administration must, by conscious efforts, mobilize political and social will in order to engender mutual confidence for the build-up of resource - rich partnerships (Adedipe, 1997: Aluko. 1993; Cana. 1998:129).

Managerial Responsibilities in a Budgetary Process

As mentioned earlier, the budgetary process and budget implementation are crucial tools for effective financial management in the university systems. Every budget operator in the University system is regarded as a manager. The budget therefore is an important tool of financial management. Budgets have come to be central instruments of modern financial and economic management in both the private and public sectors. The seriousness accorded the budget exercise in both sectors underscores its importance. To achieve the best results, the Managers in our Universities need to prepare for the following responsibilities:

a) Creation of Organizational Vision and Mission Statements

These are the statements that will drive employees in whatever they do. Such statements have often encouraged best practices and compliance with regulations. This is because any errant conduct or practice can easily be measured, reported and dealt with. It is with a view to securing compliance with the vision and mission statements that budgeting and other activities of the organizations are developed.

b) Ensure Participation in the Budget Process

It has been established that people are more likely to buy into an idea when they have been part of its creation. The Managers of the University should therefore involve other line Managers, Deans, Heads of Departments, Directors in the formulation of budgets - when these categories of Officers are briefed and involved in the development and implementation of a budget, the system is likely to operate crisis free. It is the responsibility of top management in our Universities, as in any organization, to ensure active participation of key officers in the budget preparation, implementation, review and evaluation process.

c) Setting Hard but Achievable Targets

It is the responsibility of the University Management to set goals or targets for the entire system. The goals must not be too low or too high. It must be reasonable and attainable. It must encourage commitment, honesty, hard-work and the drive to excel and operate efficiently. The targets must be communicated to the Officers for whom they are set and who would be evaluated by the targets at the period. In setting targets, the circumstances of the Unit must be properly evaluated and the target must be realistic and challenging.

d) Establishment of Budget Review Procedures

Having prepared a budget and commenced its implementation, management must institute periodic reporting and review strategies for monitoring purposes. This will ensure that operations are moving according to plans and discordant areas can be noticed and attended to immediately.

e) Enthronement of Openness and Fairness

The Management of Universities need to be open in the formulation and implementation process of the budget. A good motivation for employees and line Managers is the encouragement they get when the system is transparent and fair to all. Employees are

encouraged to put in their best when they know that the system is also transparent.

f) Understanding the Environment and Focus of the Organization

Part of the responsibilities of a Manager is to first understand the environment in which it operates - the political, social and economic relevance of certain decisions and the effects of such decisions on the long term existence of the organization. The Bursar must understand the new policy direction of the University and be able to drive other employees in that direction to keep the University in good competitive position with its peers.

g) Establishment of Rewards System for Budget Performance

University administration should institute a reward system that will not only motivate employees to comply with regulations, but which will reward good performance. The reward could be Certificate of excellence, Plaques, Monetary gains and so on. It is not the monetary value of the reward that matters, but the recognition that has been given to the Officers concerned. The criteria for assessing the Officers must be fairly applied and known to everybody.

Conclusion

Budgeting is basically planning and controlling. Thus, in budgeting, there is the need for proper articulation of programmes and objectives to ensure that effective machinery is put in place for the collection of revenue to execute these programmes. The basic objective is to ensure that all the figures in the budget are as realistic as possible.

For a budget to perform its functions effectively, the Bursary Department/Budget Unit must be carefully staffed with people who are experienced and knowledgeable not only to the budgetary process but also on the procedures for making essential modification during the course of the year based on the evaluation reports arising from project monitoring.

References

- Adedipe, N.O. (2001). Managing the Nigerian University System. The Antecedents and their Ripple. In *The Nigerian Universities and the Management of Change*. Proceedings of the Third National Training Programme for Senior University Managers (NATPSUMA III), National Universities Commission. Abuja: Nigeria.
- Adedipe, N.O. (2004). Institutional Policy Issues and Social Political Considerations in Budgeting in the Nigerian University System. In *Proceedings of the 5th National Training Programme for Senior University Managers (NATPSUMA V)*, National Universities Commission (NUC) Abuja: Nigeria.
- Aluko, S. (1988). Generating and Mobilizing Funds for Science and Technological Education. 107- 116. In *Proceedings of the 1st CVC Annual Seminar on Mobilizing Nigeria's Education Towards Technological Self-Reliance*. Federal University of Technology. Akure: Nigeria.
- Argyris, C. (1953). Human Problems in Budgets. *Harvard Business Rev.* 97-100.
- Bankole, J.A. (2004). Budgetary Process and Managerial Responsibilities. In *Proceedings of the 1st National Training Programme for Senior University Managers (NATPSUMA V)*, National Universities Commission (NUC). Abuja: Nigeria.
- Brownell, P. (1982). Participation in the Budgeting Process: When it Works and When it Doesn't. *Journal of Accounting Literature* 1:124-152.
- Gana, J. (1988). Mobilizing the Political and Social Will for Science and Technology Development. 74-81. In *Proceedings of the 1st CVC Annual Seminar on Mobilizing Nigeria's Education Towards Technological Self-Reliance*. Federal University of Technology. Akure: Nigeria.
- Hornigren, C. (1977). *Cost Accounting: A Managerial Emphasis*. London: Prentice/Hall International Inc.

Obadan, M.I.; and Dike, (1994). Conceptual Framework and Overview, 1-28. In M.I. Obadan and G. Ogiogio, Eds. 1994. *Planning and Budgeting in Nigeria*. 288 Pp. National Center for Economic Management and Administration. Ibadan: Nigeria.

Obadan, M.I. and G. Ogiogio, (Eds) (1994). *Planning and Budgeting in Nigeria*. 288 Pp. National Center for Economic Management and Administration. Ibadan: Nigeria.