

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The efficiency and effectiveness of the operation of any public or private enterprise depends on the control available to management in almost every organization.

Therefore the number of activities going on must be recorded for attainment of the organization goals.

The role of budget and budgetary control has become a very vital financial control and accountability device in the public sector and provide a formal basis for monitoring the progress of the entire economy. The organization must economize resources and discover the means of achieving a specific plan.

The Institution of Cost and Management Accounting (CIMA) defined budget as a financial or quantitative statement prepared and approved prior to defined period of time of the policy to be pursued during the period for the purpose of attaining a given objectives. It may include income, expenditure and the employment capital.

Often than not when these plans are put into operation, conditions prevail which tends to cause deviation from the plan and corrective measures are always taken to steer the organization back on the right track.

On the other hand, budgetary control is the establishment of policies and the periodic preview or comparison of the actual result with the budgeted performance either to secure approval for individual actions or serve as a remedial course of action.

Budget and budgetary control deals with the issue of making good potential plan based on the revenues, expenditure, assets, liabilities and cash flow for a defined period of time which is necessary in governmental unit at every level to make financial plan in order to carry out routine operations which will help in making financial decision.

The Ministry of Finance as a full-fledged ministerial agency of the state was established in 1987 when Akwa Ibom State was created. The ministry performs its

various functions through the various departments, unit and parastatals which are listed below:

DEPARTMENTS:

- Economic Research and Policy Management
- Finance and Accounts
- Human Resource Management
- International Economic Relations.

UNITS:

- Anticorruption unit
- Information and Communication Technology
- Legal Unit
- Internal Audit Unit
- Procurement
- Servicom
- Stock Verification
- Information and Protocol

PARASTATALS:

- Budget Office
- Debt Management Office
- Federal Inland Revenue Service
- Fiscal Policy in Nigeria
- Investment and Security Tribunal
- National Insurance Commission
- Nigeria Custom Service
- Security and Exchange Commission
- Office of Accountant-General of Federation.

The Ministry of Finance as the case study is located at Uyo, the capital city of the state with over 500,000 inhabitants. Akwa Ibom State is located in the south of Nigeria with

a population of over five million (5,000 000) people and more than in diaspora currently is among the state that produce the highest oil and gas.

The ministry is headed by the honourable commissioner who is supported by the permanent secretary, the main function of the ministry is to manage the finance of the state government, controlling and monitoring state revenue and expenditures also supervise the office of Accountant-General of the state as well the board of internal revenue.

STATEMENT OF THE PROBLEM

The success of any government establishment based on the role of budget and budgetary control which is considered as a very important tool for financial control and other wise.

The challenges faced by public sector of the economic in Akwa Ibom State is lack of budget discipline, non compliance with the budget, poor budget forecast and poor control which result in indiscriminate use of fund meant for more viable activities, again the inability of any government parastatals to plan and accomplished budget goals is traceable to their inability to apply control in their budget.

Lack of important instrument for sound financial planning, control and coordination for high performance, efficiency of government parastatal and private organization as the whole.

The objective are not clearly stated in the budget, difficulties in the interpretation and implementation of detailed to promote operational efficiency and other reasonable result to meet the estimated or planned objectives.

Therefore, the research shall empirically evaluate the role of budget and budgetary control in the public sector and operational efficiency in terms of recurrent estimates and actual collection of both revenue and expenditure in the period of 2005 – 2013.

OBJECTIVE OF THE STUDY

The primary purpose of this study is in five fold.

They include the following:

To empirically evaluate the significant effect on budget and budgetary control in the public sector and operational efficiency in terms of recurrent estimate and actual collection of both a revenue and expenditure.

To know the impact of budget and budgetary control on operational efficiency in the Ministry of Finance.

To examine the problems that negatively affected the preparation, implementation and control of budget in the public sector.

To identify the importance of budget and budgetary technique in the public sector.

To identify the way forward in solving the problems affected the budget implementation in the public sector.

STATEMENT OF HYPOTHESIS

H₀: Budget and budgetary control in the public sector has no significant effect on operational efficiency in terms of recurrent estimates and actual collection of both revenue and expenditure in the period of 2005-2014

H₁: Budget and budgetary control in the public sector has significant effect on operational efficiency in terms of recurrent estimates and actual collection of both revenue and expenditure in the period of 2005-2014

RESEARCH QUESTIONS

Is there any significant effect on budget and budgetary control in the public sector and its operational efficiency in terms of recurrent estimate and actual collection of both revenue and expenditure?

What are the impact of budget and budgetary control on operational efficiency in the Ministry of Finance?

What are those problems that negatively affected the preparation, implementation and control in public sector?

What are the ways forward in solving the problems affected the budget implementation in the public sector?

What are the importance of budget and budgetary control technique in public sector?

SIGNIFICANCE OF THE STUDY

Budget and budgetary control is very important and of great significance to any government parastatal. It is not peculiar to only government parastatals but also necessary to manufacturing organization and private sector.

The study will contribute towards enhancing importance of budget and budgetary control in public sector.

It will also be useful to general public in order to enlighten and educate them on the role of budget and budgetary control.

Finally, this study will be guide to scholars, researchers or writer who may wish to carry further study on budget and budgetary control.

SCOPE AND LIMITATION OF THE STUDY

The study is aimed at finding out the role of budget and budgetary control in Akwa Ibom State Ministry of Finance, Uyo.

The limiting factors are that availability of data which might be difficult to obtain following the trend of the attitude of civil servant with regards to giving out information.

Time constraints are also limiting factor in undertaking this study, the availability of time and short period of the study made it difficult for the researcher to carry out a wider and more thorough work on the issue at the same time to carry out academic activities.

ROLE OF BUDGET AND BUDGETARY CONTROL IN PUBLIC SECTOR

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