

The Nigerian Budgeting Process: The Challenging Role of the Legislature

Anthony Garuba¹ & Richard Iyere Oghuma²

¹ Department of Accounting and Finance, Western Delta University, Oghara, Delta State, Nigeria

² Department of Accounting, Ambrose Alli University, Ekpoma, Edo state, Nigeria

Correspondence: Anthony Garuba, Western Delta University, Nigeria.

E-mail: anthonygaruba@yahoo.com

Received: June 23, 2018

Accepted: November 12, 2018

Online Published: December 1, 2018

doi: 10.23918/ijsses.v5i2p282

Abstract: The study is focused on the challenging role of the legislature in the Nigerian budgeting process. The poor implementation of the budget provision and lack of accountability by the executive gave rise to the call for the involvement of the legislatures in the budget process. The aim of the study is to examine the challenging role of the legislative arm of government in the Nigerian budgeting process. The study spans a period of five years (2012-2016). The primary data were collected through structured questionnaires administered on selected officials of the National Assembly, Non-Government Organizations (NGOs), Budget Office and the Ministry of Finance. The secondary data were obtained from the work of other authors. The study reveals poor budget implementation and increased involvement of the legislatures in the budgeting process in spite of the daunting challenges. It therefore, recommended among others that the legislature should intensify its oversight functions and ensure that there is economic value to the nation for projects executed by the executive arm of government.

Keywords: Budget, Legislature, Executive, Role, Implementation, Process

1. Introduction

The importance of budget in the public sector cannot be over-emphasized in the present day world. Budget is used as a tool by governments in the world for planning and control of resources whether financial or otherwise. It is a means of matching the programmes of government and the resources needed to realise over a period of time usually one year. The word 'budget' originated from a French word "bougette" meaning little bag. Initially, in Britain, the word budget was used to describe the leather bag containing the statements of sources of revenue and needs of government the Chancellor of the Exchequer carried to the parliament. After several thoughts of consensus, budget is now refer to as the documents contained in the bag rather than the bag containing the documents which represent the programmes of government expressed in money and submitted to legislatures for approval. It should however be noted that in Britain, the power of the bag or purse evolved over time from the monarchy to the elected executive. The legislature was charged with the responsibility of exercising the "power of the purse" independently in the emerging governance process. The legislature's power to allocate resources among competing claims established its authority and legitimacy as representative of the people. With passage of time, the legislature's power to allocate resources formed the basis of public budgeting and accountability.

The major players in the budget process are the executive and the legislature. The roles and powers of the players in the budget process vary from one country to another. In almost all states, the executive has the responsibility of preparing and presenting the annual budget to the legislature. The legislature in turn is charged with the responsibility of reviewing, amending, approving or rejecting the proposed budget of the executive. However, the legislature does not have the power to prepare a budget of its own or substitute the one submitted to it by the executive. In Nigeria, the provisions of the 1999 constitution guide the budgeting process. At the federal level, the process involves the executive preparing and sending the draft budget to the National Assembly for appropriation. Therefore, the Appropriation Act when passed by the National Assembly and assented to by the President becomes a law binding on the executive in terms of budget implementation and appraising performance. Over the years with the involvement of more people in the political affairs of their countries, government became more complex and with globalization the focus has shifted to international issues and conflicts. This new trend has given the executive more influence in budgeting in most countries of the world. However, in recent times the executive role in budgeting is being challenged by the legislature as a means of checks and balances. It has been observed in most countries that the legislature has asserted new roles and responsibilities in budgeting such as oversight functions. This trend is as a result of different factors such as increased political awareness, fiscal policy, composition and cohesiveness of political parties, etc. For instance, in the 1990s new measures were introduced in the United Kingdom (U.K.), a core Westminster parliamentary system; to support the parliament in its efforts to control public expenditure effectively. In order to address the current fiscal challenges and budget reforms, there is the need for the executive and legislative officials to strengthen and adapt their roles in the budgeting process. There is no doubt that as budgeting becomes more relevant in terms of allocating scarce resources to competing claims, both the executive and the legislature will increasingly focus on how they can influence these choices in the process of budget formulation, execution and oversight.

Some schools of thought are of the opinion that in budgeting, the legislature only has the power of appropriation according to the constitution. Therefore, any incursion by the legislature in terms of input in the process means that they are usurping the power of the executive which ultra vires the power of the legislature. While, other schools of thought believe that, legislature as the representatives of the people has a greater stake in the budgeting process by ensuring that the available resources are optimally utilized for the benefit of the citizenry. The objective of this paper, therefore, is to critically examine the challenging role of the legislature in the Nigerian budgeting process. The paper is structured into five parts namely: introduction, literature review, methodology, results and discussion; and conclusion. The focus of the paper is on budgeting at the Federal level in Nigeria.

2. Literature Review

2.1 The Meaning of Budget

It has become an annual ritual for the executive arm of government at every level to prepare and submit a planned expected revenue and intended expenditure called budget for the next government fiscal year to the legislature for approval. Once, the budget is approved by the legislature, it is then signed by the executive and becomes an Appropriation Act. This process is backed by legal provision such as constitution and financial regulations. Budget is the main instrument with which government manages

its economic growth and development. Also, with the aid of budget the public assess the performance of government in terms of budget implementation. Studies by Lucey (2002), Adams (2004), Lewis (2007) and Babalola (2008) indicated that budget is a fundamental tool of capturing the overall goals and objectives of an organization whether in the public or private sector by determining the potential sources of funds, the activities the fund will be channeled into, and allow performance evaluation of people who are entrusted with the resources.

A budget is a detailed plan of expected expenditure and revenue for a given period of time, usually one year. Horngren, Sundem and Stratton (2007) define a budget as a proposed plan of action by management for a specified period expressed in the quantitative terms; and it helps to coordinate the actions towards implementing such plan. Walter and Skousen (2009) posit that a budget is a detailed financial plan that quantifies future expectations and actions relative to acquiring and using resources. While Okoye (2011) defines budgets as financial and/or quantitative statement prepared and approved prior to a defined period of time, of the policy to be prepared during that period for the purpose of achieving a given objective. Akpa (2008) defines a budget as a statement of government intention for the society in the future period expressed in terms of estimated expenditures and indication of sources of financing these plans. Dandago (2006) asserts that budget by government is borne of economic fact of life and that no matter how wealthy a government, the wealth is scarce relative to the competing needs, thus a need for planning is imperative. On the other hand, Augusto (2005) states that budget serve as instrument of economic policy prescription, financial planning, accountability, control, and motivator for the achievement of plans in public governance. Therefore, a budget could be seen as a financial or non-financial plan that outlines how government seek to achieve its set goals and it is prepared and approved before use.

From the foregoing, it is implies that citizenry can hold government accountable for allocating, custody and use of state resources. In spite of the potential benefits accruable from budgeting, there is a general skepticism on the performance of budget in Nigeria because the implementation of government budget over the years has been very poor. Hence the legislature is now more interested in participating in the budgeting process. It is on record that the 7th members of the National Assembly took their oversight functions more seriously to ensure that the citizens got maximum benefits from public spending. The present 8th National Assembly passed the 2016 budget (Appropriation bill) on the 23rd March 2016 but for over a month the President did not assent to the bill. This is because the presidency claimed that the 'capital projects' budgeted for was replaced by 'constituency projects' by the legislatures. The delay in assenting to the 2016 no doubt had adverse effect on the economy. However, in resolving the impasse a meeting was held between the executive and the legislature. The President finally assented to the appropriation bill on the 6th May 2016. It should however be noted that in a presidential system of government there is room for lobby if the executive wants its budget passed as desired. It will be wrong for the presidency to see the legislature as an extension of the executive arm of government. The fact remains that the initiation of the budget is that of the executive function while the approval of the budget is the legislative function. It is pertinent at this juncture to examine some of the budget theories.

2.2 Theoretical Framework of Budgeting

2.2.1 Principal-Agent Theory

Leruth and Paul (2007) posit that there are various manners in which the 'Principal-Agent theory' of budget occurs in the public sector. This can be noticed by observing the contract between the principal and the agent. For example, the former President of the Federal Republic of Nigeria, Dr. Goodluck Jonathan made his ministers sign a contract of performance. Under such circumstances, the President is regarded as the 'principal' while the Ministers are the 'agents'. While in turn, the Ministers made their Permanent Secretaries/Directors (civil servants) also sign a contract of performance. At that level, the Ministers are seen as the 'principal' while the Permanent Secretaries/Directors are the 'agents'. The whole essence is to ensure that the agents implement the social contract the President signed with the electorates. This can only be achieved if the agents are held accountable by ensuring that they meet the set targets. It could also be seen as the relationship between the legislature (principal) and executive (agents) whereby the legislatures ensure that government agents implement the budget provision for a given period. This happens when the legislature is carrying out its oversight function.

2.2.2 Bottom-Up Theory

Different theoretical frameworks have been developed over the years on public sector budgeting. Bottom theory is a normative theory of budgeting propounded, according to Tucker (1987), by the early studies of Phyrri in the early 1970s. This theory involves the collation by the central authority of all the needs or requests of the different units of an organization presented in the form of estimates of fund required for their proposed activities for the coming fiscal year. This approach adopted in bottom up budgeting is best explained by the Zero-Based Budgeting Method which starts with base of zero and the cost of running each program is calculated from the scratch. In using this approach in budgeting, each program must be extensively reviewed to justify its inclusion in the budget. A distinguishing feature of this theory is its applicability in times of prosperity. Bottom up theory permits extensive review of costs and benefits of programs so as to prevent divisional heads from proposing weaker programs and operating inefficiencies to the central authority. In some cases, units of the organization may be asking for what is actually not needed or more money than required. The Zero-based budgeting is currently adopted by the present government.

2.2.3 Top down Theory

In response to fiscal challenges encountered in budget formulation in the 1990s this theory emerged. The top down theory arose mainly to address the inefficiency in the formulation of budget arising from game playing between budget office and MDAs and the quest to attain effective fiscal consolidation of government programs. Under this theory, a ceiling is placed on the resources to be available to the units by the central authority. However, in ensuring a better performance of operations of the units, efforts are made by the central authority to meet their shortfall. Some of the pre-requisites of top down budget are enthusiasm to defend fiscal rules, effective monitoring by the budget office, ability to prioritize programs

by Ministries, Departments and Agencies (MDA) and legislature adherence to rules and ceiling. Among the benefits of this theory are; ease of development, challenging the accounting officers of units to formulate efficient budget by setting optimal priorities, providing early guidance to budget planner thereby reducing or eliminating the need to cut budget.

2.2.4 Incrementalism Theory

This is a budget approach that begins with the use of previous year's budget figures as a base for next year's budget. Factors such as inflation, growth, changing condition and other information gathered from forecast of upcoming year are taken into consideration. The working papers for upcoming year are drastically reduced and simplified but the inefficiencies and inadequacies of the previous year are built into the budget of the coming year. The advocates of this theory argue that both experts and non-expert accounting officers can develop budget on incremental basis. Bammeke (2008) states that incremental budget is the order of the day in developing countries. However, the drawback of this theory includes the transfer of inefficiency to the future, lack of accurate information and the failure to evaluate other alternatives. Other demerits according to Bammeke are that it encourages 'spend or lose it' syndrome, in-built budgetary slack is rarely reviewed, wrong assumption that operations will remain the same and failure to finance new projects of high priority sufficiently.

2.3 The Budget Process

In the budget process we have two major players which are the legislature and the executive. However, their respective role vary from country to country which are traceable to historical perspective, political and constitutional developments, structures, processes, legal and procedural aspects of the budget process, etc. The division of power between the executive and the legislature is based on the constitution and the system of government operated by the country. The system of government ranges from the presidential systems (separation of powers) such as the United States of America (USA), where the legislature plays a strong role in terms of checks and balances to Westminster parliamentary systems, where the executive asserts much power and dominates generally. We have in between modified forms or systems such as semi-presidential systems and non-Westminster parliamentary system. In Nigeria the basic requirements for the budgetary process in the public sector are provided for in the Constitution of the Federal Republic, Financial regulation and Financial memorandum (Abdullahi, 2008).

Budget preparation in the public sector lies with the Ministry of Finance, Budget Office and recently the Ministry of Budget and National Planning. The stages of budget preparation according to Oshisami (1994) and Akpa (2008) include: policy review and development strategic planning, budget preparation and execution and budget accountability.

(i) **Policy Review and Development Strategic Planning**

This process involves the establishment of performance objectives within specified limit. It is at this stage that the government takes into account the macroeconomic fundamentals of the economy with the participation of the relevant stakeholders in order to evolve policy directives. The policy review is the pre-budget report or budget message. This message according to Lewis (2007) intends to describe significant changes in priorities from one year to another and gives

details of factors that account for those changes. The outcome of the consultations with the relevant stakeholders forms the basis of the policy thrust or plan of the government for the coming fiscal year which is then forwarded to the Budget Office.

(ii) Budget Preparation and Execution

According to Akpa (2008), this stage comprises call circular, advance proposal, budget hearing and presentation to the executive, legislative examination, hearing and passage and assent to the appropriation bill. Bammeke (2008) states that call circulars emanate from the budget office (now Ministry of Budget and National Planning) as a directive to all Ministries, Departments and Agencies (MDAs) to forward their advance proposal within a specified deadline for the coming fiscal year. An advance proposal is a proposed list of estimates from MDAs, for the coming fiscal year on personnel emoluments and other expenditures needed to enable ministries and the relevant agencies to carry out their duties. All ministries are expected to forward their proposals to the Ministry of Budget and National Planning, Minister of Finance and Head of Service. Thereafter, the Accounting Officers are summoned to appear before the Estimate Committee to justify their proposals. The approving officers (Minister of Budget and Planning, Minister of Finance and Head of Service) have to make rational allocation to the MDAs based on needs and the ability to justify their various budgets. The allocation is then communicated to the respective ministries so that a draft estimates could be prepared based on approved items on their proposals.

Based on the data from the various MDAs, the Budget Office prepares the draft budget. The budget having being reviewed by the executive is sent to the National Assembly by the President for consideration and approval. This stage involves legislative examination, hearing and passage of the Appropriation bill. The National Assembly when scrutinizing the appropriation bill has the constitutional power to review, modify and seek clarification before finally passing the appropriation bill. In the National Assembly there exists a special legislative advisory body known as the Joint Finance Committee made up of some members from both chambers (i.e. the Senate and the House of Representatives) which is charged with the responsibility of scrutinizing the relevant provisions of the budget before the Appropriation bill is passed. The appropriation bill is sent to the President for his assent. The President has the right to disagree with certain amendments made by the legislature where it is material. It should however, be noted where there is disagreement between the executive and the legislature as regards material items omitted from the budget, the President has the option to either assent to bill and send an amendment bill to the National Assembly to take care of those items omitted or may refuse to sign the bill into law. This was what we recently experienced in Nigeria as regards the 2016 budget. Where such disagreement cannot not be resolved amicably between the executive and the legislature, the National Assembly after 30 days of the refusal of the President to assent to the bill, can over-ride the president by passing the bill with two thirds (2/3) majority in line with the 1999 constitution. Once the appropriation bill is passed it becomes a law (known as Appropriation Act) and the budget for the government in the coming fiscal year.

The budget execution involves the different operational aspects of budget implementation such as financial plans, ceilings and evaluation of work of a variety of individual operations. This involves the government's continuous review of the fiscal policy, release of funds, payment

schedules and other related matters. The National Assembly has arduous responsibility in ensuring appropriate implementation of the budget provision. The legislature achieves this goal through its oversight function carried out by its various committees.

(iii) **Budget Accountability**

This is the stage at which the budget performance is assessed by both the executive and the legislature. Santiso (2005) identifies two prominent stages at this point of budgetary process as budget tracking, reporting and auditing. For most government establishments, tracking and implementation of budget commence simultaneously. Budget tracking is concerned with analyzing revenues and expenditures so as to ensure that government's policy goals are attained. The aim is to determine the extent to which the strategic objectives of the budget have been communicated and understood by the various Ministries of government. Poor budget implementation has been the bane of the Nigerian budgeting system. Hence concerted efforts are being made in most countries the world over, Nigeria inclusive towards maximizing the benefits accruable in ensuring accountability in public spending via monumental budget reforms in the public sector. This reform is especially in the areas of legislature to enable them carryout their oversight functions and to serve as a check on the executive. The need for reforms is necessitated by the perceived unsatisfactory performance in the implementation of the budget when compared with the expectations of the budget provisions. It is important to highlight the fact that budgets in the public sector arise from the need to demonstrate accountability with the attendant goal of general improvement in the life of the people. It is line with promoting accountability in the public budgeting process that the International Federation of Accountants (IFAC, 1991) rightly captures the place of budget in the public sector; as a means of evaluating whether resources were obtained and utilized in accordance with the legal requirements and provides adequate information for evaluating the government or unit's performance in terms of costs, efficiency and accomplishments. However, these are hardly attained by most governments the world over.

2.4 The Role of the Legislature in the Budgeting Process

The preparation of the nation's budget is one of most important activities of the government in a given year. The budget is so important in governance because the allocation of resources amongst competing claims is through the budget. In fact, it determines who gets what and when from the 'national cake'. The executive has always had an upper hand in the budget process in most countries because over the years it has been charged with the responsibility of preparing the budget. However, with changes across the globe there has been pressure on the legislature to play an important role instead of being docile. In most of the countries there is clamor for increased participation of the legislature in the budget process by establishing legislative role in a transparent and participatory process in order to ensure that the resources of the nation are well distributed. In recent time, the call for strengthening legislature' role in the budget process has become evident worldwide especially in the African countries. Most countries are amending their constitutions towards empowering and increasing the legislature or parliament role in the budget process and as a check on the executive.

The executive exerts more power and influence over budget preparation. The executive arm of government sees the budget as an opportunity to state its economic and fiscal policies. Due to the complex nature of budget preparation, the legislature does not have the capacity to undertake such efforts unlike the executive. The executive is at advantage because they have the data base from which they prepare the budget. However, it is worthy of note that some members in the legislature are beginning to play a more active role in shaping the outlines of the budget submitted to them by the government. The role of legislatures in budgeting differs from country to country and, within each country, the issue of who commands influence in the budget process between the legislature and executive may diminish with passage of time. It is important to stress that modern democracies have given the legislature the opportunity to actively participate in the budget process. This is the trend in several developing democratic countries.

The legislature plays three major roles in the budget process: budget preparation, budget allocation, and budget approval. The national budget is a detail financial estimate of public expenditure and revenue in a given year. However, the budget serves as a document for allocating available resources among competing demands. As such, it serves as a benchmark for assessing the executive and legislature's relative priorities and the single most robust tool for accomplishing public goals. It is no wonder therefore, that the executive try as much as possible to exert their influence on the budget process and that legislature seeks to play an active role. In developed democracy there is always tussle between the executive and legislative arms on equitable balance of power over financial matters. In Nigeria for instance, the constitution advocates judicial financial autonomy and the court recently pronounced judgment that the executive should obey the constitutional provisions. But most state governments are dragging their feet because they do not want to let go or part with such power. One of the ways to curtail the influence of the executive is to ensure financial autonomy for the executive, legislature and the judiciary. The tussle continues today as executive and legislature seek to exercise their budgetary prerogatives in terms of allocation of competing resources, constituency projects and oversights. In the past, developing democracies witnessed less legislative involvement in the budget process but all that is changing. The legislatures wield more influence in presidential systems over the budget and funding allocations than in the parliamentary systems.

The legislature currently play array of roles in the budget process which include broader political, institutions and legal frameworks beyond their control. They also play a major role in the internal legislative structures and processes in terms of reforms to cope with the changing world. The constitutional separation of responsibilities between the executive and the legislature has a major impact on legislative-executive roles in budgeting. In a presidential system of government where there is separation of powers like in the United States, the legislature has a significant role in policy formulation and in budgeting, partly owing to its independent election by constituencies that are different from those of the president. While in the Westminster system where the executive leadership is drawn from the parliament, legislative powers are arguably regarded as the weakest because the legislature is politically obligated to support the government. Lienert (2005) states that in between are modified forms including the semi-presidential system (France, Korea), the parliamentary republic (Germany, Italy) and the non-Westminster parliamentary monarchy (Netherlands, Sweden).

The institutional structure and role of the legislature have an influence on the legislature's ability to act. In general, bicameral legislature may exert more influence, particularly if one house or both houses have

a political standing that is different from that of the executive arm of government. Thus, for instance, the 2014 mid-term election outcome in the United States of America, resulted in both the lower house (House of Representatives) and the Senate (legislative arm) being controlled by the Republican Party while the President (executive arm) belongs to the Democratic Party, which is a different party. The implication is that the executive must be diplomatic and shrewd in having the legislature to pass its bills.

According to the International Parliamentary Union, the legislatures' involvement in the budget process is categorized into three:

- i. The budget-making legislature: Under this category, the legislature has the ability to either amend or reject the budget proposal sent in by the executive, and has the power to substitute (part of) a budget of its own conviction. It should however be noted that only few legislatures fall into this category. For instance, the United States Congress has the power to determine its own budget policy while the National Assembly of Nigeria, is another. It would be recalled that when the Nigerian National Assembly passed the 2008 Appropriation Act, it added some clauses which triggered controversy with the executive. This has again played out in the 2016 budget.
- ii. The budget-influencing legislature: The legislature under this category has the power to amend or reject the budget proposal of the executive. However, it lacks the capacity to formulate and substitute a budget of its own.
- iii. The budget non-influencing legislature: In this category, the legislature lacks the power to wield influence on the budget. That is, it cannot amend or reject the budget proposal of the executive; nor can it formulate and substitute a budget of its own. The legislatures can only approve the draft proposal as submitted to them by the executive.

It is important to note that for all these categories, the budget would have been prepared by the executive and the draft submitted to the legislature for debate before it is passed as an appropriation bill. It is also pertinent to ask if the legislature cannot play any role in the other three stages of the budget process, like budget preparation, execution and review.

The most significant and crucial aspect of the budget cycle is the preparatory stage. It is at this stage that all the ideas, basic research, trade-offs, determination of government policy and actual drafting of the budget is done, usually by the budget office. The budget preparation normally involves few people in the Ministry of Finance and Budget office, now Ministry of Budget and planning, who set the thinking of every other reader of the document in specific direction. These few people have the capacity of thinking outside its set parameters. They guard jealously their position by protecting the inviolable right of the executive. This is because the involvement of any group of persons breaks the monopoly and throws the process open as against the previous system where only persons with influence on this group determine budget input.

Section 4(2) of the Nigerian constitution gave the National Assembly the power to make laws for the peace, order and good governance of the Federation or any part thereof with respect to any matter included in the Exclusive Legislative List. To be able to discharge this function, the legislature should not only restrict itself to making laws but participate in the budgeting process in order to ensure the equitable distribution of the nation's resources. This can be achieved through the instrumentality of the Appropriation Act. By so doing, the legislature will be fulfilling the injunction of section 4(2) which is ensuring peace, order and good governance.

It is a matter of fact that the resources of any nation are limited while the social and economic needs of its citizens cannot all be met. It is even more challenging for a country like Nigeria with the crash of the oil price in the world market, high rate of unemployment, high level of poverty, and a weak federal system. It therefore, means that the government must ration these scarce resources, compromise where necessary and trade-offs through negotiations. Government must continuously be fixated in making choices and allocating scarce resources to meet competing demands in the economy, while aware of the financial constraints. The budget provides the avenue with which the plan is carried out and to ensure a smooth process it is advisable that the executive should collaborate and carry the legislatures along from the beginning. Legislature tries as much as possible to ensure that their constituencies benefit from the national resources. According to Evans (2005), recent research suggests that as part of bargains, legislature in the United States appropriate and earmarks to reach decision on complex and difficult national policy choices. It should however, be noted that the collective action by the legislatures may at times be stymied by a different party, ideology or constituency. Meyers (1999) states that legislatures are perennially challenged to produce simultaneously high levels of constituencies' responsiveness while taking action on behalf of the entire country.

Assigning legislature this new role in participating fully in the budgeting process is part of a broader movement toward good governance which entails openness and transparency in government. Accountability and due process have become the guiding principle in governance and reforms. Most of the reforms give a greater role to the legislature as checks and balances. Therefore, it is wrong to believe that the function of the legislature is only to make laws. In Nigeria, the constitution did not intend a passive role for the legislature or else there would have been no need for section 81 in which demands that any budgetary proposal must be laid before the National Assembly for its consideration and approval. Moreover, section 84 of the Nigerian constitution made it clear that "no moneys shall be withdrawn from the Consolidated Revenue Fund or any other public fund of the Federation, except in the manner prescribed by the National Assembly". It is therefore absurd that an institution that has the power to approve money to be spent cannot influence how the money is spent nor has an input in it. Hence, the clamor for reform in the budgeting process that will give room for more effective participation by all stakeholders. The legislature is one of the most important stakeholders being the representatives of the people. The people cannot be shut out from the scheme of things which may impact on their livelihood and welfare for at least a whole year. At the stage of implementation or execution, the legislature is expected to perform an oversight function so as to make the executive accountable and deliver efficient public service.

2.5 Legislative Oversight

Though the legislature is not directly involved in the implementation of the budget, yet many constitutions provide for legislative oversight. This is to ensure due process, transparency, accountability, and orderly implementation of the Appropriation Act. However, the degree of legislative oversight function varies in the different systems based on the constitutional provision. For instance, the US Congress exercises a strong oversight function over budget implementation and more stringent over defense appropriations. The US president cannot enter any defense commitment without the approval of the Congress. The constitution also made it mandatory for the executive to publish at regular intervals statement of income and expenditure so as to ensure transparency.

In Nigeria, the 7th National Assembly whose tenure ended in May 2015 played a greater role in legislative oversight functions unlike in the past where the executive got away on non-implementation of budget. They carried out on the spot assessment and in the process identified the challenges faced by the MDAs. For instance, during the last quarter oversight for 2013 budget the legislature discovered that the MDAs performed below 50% of the budget while most ministries performance was between 50% and 56% of the budget. That of the Defense was worst off because it was 40% of the budget. The legislature was also able to identify that procurement process was a major challenge which in most cases delay the release of fund to the various MDAs. Another challenge is that most of the MDAs do not have the required training on how to access their funds which lead to delays and in most cases no release of fund for the financial year. The public is able to know through the legislative oversight the performance of government in terms of its budget provisions. It also serves as a moral check on the executive (ministries, departments and government agencies) that at a given period the legislatures will come around to check the implementation of the budget. The legislature do this through ex post reviews and oversight. It is hoped that the current 8th National Assembly will sustain and intensify their oversight function. However, they should be ready to face challenges because the executive will always want to wield more influence in the budget process.

2.5.1 Ex post Reviews and Oversight

Legislature wields influence over the executive (ministries, departments and government agencies) through their oversight functions in implementation of the budget. It has been observed over the years that legislature with relatively weak ex ante roles in budget formulation tend to play stronger roles in ex post oversight. The information provided by the executive to the general public about budget implementation and the active use of analysis, audit and investigations by legislature help in its oversight functions. In some countries, the executive is required to furnish the legislature on the degree of implementation of the budget during the fiscal year in line with the budget system laws. For instance, in Mexico, it is mandatory for the Congress to be informed by the Executive periodically during the fiscal year about certain activities. Every month basis information about transfers to states and public debt evolution, every two months reports on performance evaluation and on every quarter report on evolution of public finances including information on revenue, expenditure, debts and any other information required by Congress.

No doubt the Legislature is intensifying its roles and influence in diverse areas in the budgeting process based on the variation of legislative activities in budgeting. These recent reforms are aimed at strengthening traditional legislative controls over executive powers and projecting new legislative roles in setting overall fiscal policy targets and government performance. The issue of oil bench mark for the 2014 budget is a case in point. The executive projected \$75/barrel while the Senate and the House of Representatives gave a higher figure. However, both Houses had to harmonize their figures at \$77.5/barrel which was higher than that of the Executive. In the past the Legislatures accept 'hook, line and sinker' the figures projected by the Executive. It goes to show that the Legislatures are taking the necessary steps to equip themselves in terms of capacity building and information to carry out these new responsibilities. Although the current trend is towards expanding legislative involvement, it has been observed that the reforms are evolving on a very low level of involvement.

The legislature, therefore, have a greater role to play in terms of fiscal responsibility. In the process of performing fiscal responsibility, there could be disagreement between the executive and the legislature. Such challenges are bound to come but they should be focused and allow national interest to guide the actions. Some researchers have suggested that countries with weak legislative controls have better fiscal outcomes. Schick (2002) posits that, although this finding is controversial, the legislature' feeble faith in its own institution that made it to delegate its responsibility to the executive. On the other hand, others suggest that the outcomes are not clear. Joyce (2005) suggests that more powerful the legislature is, the more it exercises its fiscal responsibility. Wehner (2001) points out in his finding of the research carried out in Germany, that in exercising its fiscal responsibility, the parliament succeeded in reducing deficits in recent years.

2.6 Challenges of the Legislature in Participating in the Budgeting Process

The increasing legislative participation in the budget process no doubt presents significant institutional challenges. Budgets are highly technical financial and policy tools. Some members of the legislature mostly in the developing countries lack the parliamentary capacity to effectively play their role in the budget process. Schick (2002), states that legislatures do not have the expertise to cope with the growing sophistication and complexities of modern budgets; when compared with the knowledge possessed by the executive bureaucrats. The executive has highly skilled staff and they bring their experience and expertise to bear in taking budget decisions and implementation. Legislature on the other hand, due to their long absence of most members in governance during the military era in Nigeria are not as experienced and have very little capacity for meaningful budgetary scrutiny. Therefore, the legislative role in the budget process is aimed at improving budgetary outcomes. To achieve this, it must have the requisite capacity building. To help the legislature improve its capacity most parliaments have opened budget offices with permanent, dedicated research staff (a good example is Uganda). It was in 2013 that the Federal Executive Council approved the sum of N40 billion for the expansion and renovation of the National Assembly Complex, to include a budget office and dedicated library.

Others have set up systems, often in collaboration with budget offices to facilitate the specialization of members in specific areas. While in other Parliaments, certain members of the budget committee become "rapporteurs" on sectors, thereby deepening their understanding of sector issues over the years. In order to grow its capacity, most parliaments have trained their members especially its budget committee in areas of internal organization and its relationship with other committees. Therefore, to enable the legislatures contribute meaningfully to the budget process, it is important that the committee membership remains relatively stable over a given period. This may not be the case when there is change in leadership in the legislature as a result of election. The new leadership would want to put its loyalist in key position which might invariably affect stable membership of the committee.

There is also the issue of constituency projects whereby legislatures want projects not only cited in their constituencies but want to be involved in executing the projects. This, in most cases cause controversy between the legislature and the executive. It is not the function of the legislature to execute projects; therefore, for transparency and integrity they should avoid such functions. There is also the issue of corruption whereby the executive influence some members of the legislatures to support its policy by given such legislatures contracts. This should not be the case. On the other hand, some legislatures call

for probe by making a lot of noise but in most cases they are bribed and such probes never see the light of the day. For instance, in Nigeria, the power sector and oil subsidy probes in the past never saw the light of the day.

3. Methodology

In view of the non-experimental nature of the study, we adopted a survey/descriptive design and simple percentages to analyze data obtained through the questionnaires administered to the respondents. Structured questionnaires were used for data collection. The population of the study consists of the National Assembly, Non-Government Organizations (NGOs), Budget Office and the Ministry of Finance. Two hundred and fifty (250) copies of structured questionnaires were randomly administered as follows: Senate-50, House of Representatives-100, NGOs-30, Budget Office-10 and Ministry of Finance-60. Out of the 250 questionnaires, 182 were returned representing an overall response rate of 72%. The completed and returned questionnaires were as follows: Senate- 20, House of Representatives- 80, Budget Office-15, and Ministry for Finance-45 and NGO-22. The structured questionnaire is important because it gave an ample view of the whole process of budgeting in the country. The questionnaire was divided into two sections. Section A of the questionnaire dwells on questions largely in the following areas:

- (a) The process of considering the specific committee budget proposal;
- (b) The time spent in the review of the draft budget;
- (c) The importance of the budget
- (d) The adequacy of resources for the parliamentary role in the budgetary process;
- (e) The adequacy of the timing of the submission of the audit report and the associated problems;
- (f) The process of parliamentary oversight functions and its adequacy under the democratic system.

Section B looked at areas of possible conflict between the legislature and the executive. The section examines:

- (i) The timing of submission of budget and approval by the legislatures;
- (ii) Amendment of the budget by legislatures;
- (iii) Controversy over the role of the legislatures in constituency project;
- (iv) Agreement on benchmark of the oil price for the budget;
- (v) Sectoral allocation and the allocation between current and capital expenditure;
- (vi) The budget for the legislatures'.

4. Results and Discussions

122(67%) of the respondents agreed that the Legislature should play more role in the budget process. This will help to instill checks and balances in the budget process. 50(27%) insist that budgeting should be the exclusive preserve of the executive. While 108(59%) state that the role of the legislature should be clearly stated in the constitution to avoid conflicts. 99(54%) agree that the legislatures need training to build their capacity in order to contribute meaningfully to the budget process. 162(89%) stressed the need to address corruption in the budget process and implementation. It was also agreed by 117(64%)

that there should be appropriate sanctions for non-implementation of the budget. 101(55%) of the respondents said there should be increase in allocation to the legislature to take care of budget office and staffing to enable the legislatures play effective role in the budget process. Finally, 150 (82%) of the respondents are of the view that the role of the legislature in constituency projects should be clearly stated in the constitution.

5. Conclusion and Recommendations

5.1 Conclusion

The budgeting process needs to be strengthened due of the complexity in the society arising globalization. Globalization has made the world a global village, where governments interact with each other and are exposed to the actions of organisations within. Also, governments is increasingly providing a variety of complex financial guarantees such as public-private partnerships, all this make budgeting not to get any easier. One of the ways to strengthen the budget process is by involving the legislature.

The increasing difficulty in the budgeting process sometimes promotes efforts by executives to diminish accountability. It has been observed that most often executives do not improve accountability on their own without some external pressure encouraging them to do so. It is on this note that the OECD (2007) observed that the success recorded by some countries in increasing the involvement of legislature in the budget process was as a result of external influence.

There is now changing role of the legislatures in the budget process. Unlike in the past when they were only restricted to the passing of laws, now the role of legislatures in budgeting process as extended from formulation to the monitoring of budget execution.

5.2 Recommendations

It is our hope that the following recommendations will help to strengthen the legislative participation in the budget process:

- i. The executive and the legislature should share information so as to have a common framework during the budget process. In this vein, there should be collaboration between the technical staff of both arms of government. Moreover, the executive should liaise with the legislature prior to the release of the budget as a way of encouraging early political agreement and identifying political fallout.
- ii The legislature should continuously update their capacity building to enhance the capacity of members in debating budget proposal; and producing reliable and credible estimates.
- iii The legislative arm should be more financial autonomous to enable it carry out its constitutional functions. To ease the budget approving process, the parliament should source independent information and have its own independent 'Budget Office', charged with responsibilities of providing research services. This will only be feasible if the legislature has financial autonomy and it does not depend on the executive for funding.

- iv Corruption should be given zero tolerance by both the executive and the legislature. We have seen in the past where the legislature carried out investigation e.g. the oil subsidy scam and they got compromised. Such should not be tolerated in the present dispensation.
- v The legislature should ensure that all unspent moneys at the end of the financial year by the MDAs are paid into the Treasury Single Account at the Central Bank of Nigeria. The account should be closely monitored. If not for the scrutiny of the account by the 8th Senate nobody would have known that the Consultant was collecting 1% of the amount swept from the MDAs to the account.
- vi The Bureau of Public Procurement must enlighten and train staff of the MDAs on how to assess the funds budgeted for them to avoid delay in implementation.

References

- Abdullahi, Y.S. (2008). *Public financial management in Nigeria: Principles, practices; and issues*. Abuja: Primer Education Institute.
- Adams, R.A. (2004). *Public sector accounting and finance made simple*. Lagos: Corporate Publishers Venture.
- Agusto, O. M. (2005). The new budgeting system as a strategy for empowering and development in Nigeria. *The Nigerian Accountant*, January/March 37(1), 46-47
- Akpa, A. (2008). *Government accounting and public finance management. Nigerian concepts and application*. Ibadan: Spectrum Book Limited.
- Babalola, R. (2008). Restructuring of national budget. Being a keynote address for retreat of Appropriation, Finance and Public Account Committee of Senate and House of Representatives held in Kaduna.
- Bammeke, S.A. (2008). *Public sector accounting and finance for decision making*. Lagos: SAB and Associate.
- Churchill, N.C. (1984). Budget choice: Planning V Control. Harvard Business Review Article.
- Dandago, K.I. (2006). Budget in social science research. In Adamu, Y.M.; Mohammed, H & Dandago, K.I. (eds) In: *Reading in social science research*. Faculty of social and management sciences, Bayero University, 240-246.
- Evans, D. (2005). *Greasing the wheels: Using pork barrel projects to build majority coalitions in the Congress*. New York, United States: Cambridge University Press.
- Horngen, C.T., Sundem, G.I. & Stratton, W.O. (2007). *Introduction to management accounting a managerial emphasis* (13th ed.). Pearson International Edition.
- IFAC (1991). Study 1: Financial Reporting by National Government.
- Joyce, P. (2005). Linking performance and budgeting under the separation of powers: The three greatest obstacles created by independent legislatures. Paper presented at the International Monetary Fund seminar on Performance Budgeting, December, Washington DC.
- Leruth, I., & Paul, E. (2007). A Principal-agent approach to public expenditure management in developing countries. *OECD Journal on Budgeting*, 17(3), 1-30.
- Lewis, C.W. (2007). How to read a local budget and assess performance. In Anwar, S. (ed).
- Lienert, I. (2005). Who controls the budget: The legislature or the executive?, IMF working paper No. 05/115, June, International Monetary Fund, Washington DC.
- Lucey, T. (2002). *Costing*. TJ International. Padstow: Cornwall.

- Meyers, R.T. (1999). Legislatures and budgeting. In Roy T. Meyers (ed.), *Handbook of government budgeting*, Jossey-Bass, San Francisco, California, United States.
- Ndan J. D. (2007). *Public finance a Nigerian perspective*. Zaria: Faith printers. Nigeria: Constitution of the Federal Republic of Nigeria (1999). Lagos: Federal Government Press.
- OECD (2007). *OECD 2007 Survey on Budget Practices and Procedures*. Paris. Retrieved from www.oecd.org/gov/budget/database.
- Okoye, A. E. (2011). *Cost accountancy: Management operational applications*. Benin City: Mindex Publishing.
- Oshishami, K. (1994). *Government accounting and financial control*. Lagos: Spectrum Books
- Santiso, C. (2005). Budget institutions and fiscal responsibility: Parliaments and the political economy of the budget process prepared for the 17th Regional Seminar on Fiscal Policy, United Nations Economic Commission for Latin America and the Caribbean, Santiago, 24-27 January, www.eclac.cl.
- Schick, A. (2002). Can national legislatures regain an effective voice in budget policy? *OECD Journal on Budgeting*, 1(3), 22-28.
- The International Federation of Accountants (IFAC, 1991).
- Tucker, H. J. (1987). Incremental budgeting: Myths or reality model? *The Western Political Quarterly*, 35(3), 327-328.
- Walther, L. M., & Skousen, C.J. (2009). *Budgeting and decision making*. Christopher J. Skousen and Ventus Publishing ApS. Download Free Textbooks at BookBoon.com
- Wehner, J. (2001). Reconciling accountability and fiscal prudence? A Case study of the budgetary role and impact of the German parliament. *Journal of Legislative Studies*, 7(2), 57-78.