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Government budgetary control and the performance of public corporations in Nigeria : a case study of Nigerian coal corporation, Enugu

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TOPIC

GOVERNMENT BUDGETARY CONTROL AND THE PERFORMANCE OF PUBLIC CORPORATIONS IN NIGERIA:

A CASE STUDY OF NIGERIAN COAL CORPORATION, ENUGU

BY

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BEING A PROJECT ESSAY PRESENTED TO THE SCHOOL OF POST POST-GRADUATE STUDIES: DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL GOVERNMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS DEGREE IN PUBLIC ADMINISTRATION - MPA - OF THE UNIVERSITY OF NIGERIA, NSUKKA.

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PREFACE

The word 'budget' is derived from the old French word 'bougette", meaning a small bag or pouch; and it was first used in England to describe the white leather bag or pouch that held the seal of the medieval Court of the Exchequer. Later the minister's bag containing his proposals for financing government expenditure likewise became known as his 'budget'. When he presented his proposals to parliament he was therefore said to 'open his budget'. Gradually the word 'budget' came to be used for his proposals themselves, and hence for any statement of plans and expectations for a future period, whether of governments, public bodies, commercial organisations or private individuals.

Today, budgeting has come to be essentially a process of planning and control, and therefore has become an invaluable aid to efficiency in the administration of any organization. That is, it has become an invaluable tool of management. A well-prepared budget provides management with information on the entire organization, and aids complete co-ordination of the various functional areas of an organization.

However, budgeting alone, does not bring about realization of the plans. Control over operations is necessary in order that deviations from the plans may be noted and corrected so that business or operations may be kept on the planned course. Hence modern budgetary control comprises both a plan of operations and the means of checking and correcting operations within the scope of the plan.

It is not just a mere accounting procedure. Effective use of this tool of management requires sound information, organization, proper accounting classification and records, adequate research, and the enthusiastic support of all employees from top, down.

It is with this administrative and managerial aspects of budgeting as it applies to public corporations in Nigeria that this work is concerned. The Nigerian Coal Corporation Enugu, is used as a case study.

The work is made up of five chapters. The first deals with the general introduction, incorporating the research design. It comprises of the statement of problem, purpose, and significance of study the working hypotheses, conceptual frame work, scope and methodology, and finally, the review of some relerant literatures. Chapter two covers a brief survey of the case study, the Nigerian Coal Corporation, the impact of the coal industry on the nation's economy and the organizational structure of the corporation. The theme or central thrust of the subject was discussed in chapters three and four. While chapter three examines budgetary planning and preparation, chapter four examines the budget cycle and control measures (the administration of budgetary control) in the Coal Corporation. The last chapter summarises and concludes the work. It analyses the hypotheses within the scope of available informations and made some suggestive observations.

However, I accept responsibility for any error of judgement in the presentation of the information received.

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Same goes to those management and supervisory employees of the Nigerian Coal Corporation, Enugu who granted me interviews with them. My gratitude goes also to the public Relations Unit of the Corporation for granting me access to their documents and files. My colleagues also contributed immensely to the success of this work. I am grateful to them for sharing their views and ideas with me and for giving useful suggestions.

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CHAPTER ONE

GENERAL INTRODUCTION

> The expansion of the scope of governmental activities led to a situation in which central government ministries as conceived under certain governmental systems... were considered inappropriate for managing some of the new activities for which governments have assumed responsibility.
>
> Ladipo Adamolekun: 1983[1]

Some non-ministerial governmental organizations came into existence as a result of governments acting in the capacity of entrepreneurs. Such organizations are refered to as public enterprises. A special category of them is known as "statutory corporations". This means extraministerial authorities that are established by specific statutes with provisions relating to their management, finance, personnel and so on.

Public Corporations have been variously distinguished according to both the nature of the services they render and the objective behind their establishment. H. Fredman (1951)[2] classified them into three categories namely: Commercial enterprises, Social Service Corporations and Supervisory Public Corporations. The Onosode Presidential Commission on Parastatals (1981)[3] classified them into two:- Quasi - Commercial and dependent on government funding - e.g. N.E.P.A.; FRCN, and (2) essentially commercial or Industrial but dependent on government funding; e.g. Nigerian Airways, The Nigerian Airports Authority - N.A.A., and so on. These two classifications by Fredman and Onosode are so inclusive in their content and do not give a very lucid classification of Public Corporations that is desired here.

Therefore, a more exhaustive one borne out of Nigerian condition given by Ladipo Adamolekun (1983)[4] will be adopted for our purpose in this study. Prof. Adamolekun has distinguished public corporations into three major categories which include: (1) Public Utility Corporations such as the Nigerian Ports Authority (N.P.A.), Nigerian Coal Corporation (N.C.C.), National Electric Power Authority (N.E.P.A.), Nigerian National Petroleum Corporation (N.N.P.C.) and so on. (2) Social/Welfare Service Corporations such as The Federal Radio Corporation of Nigeria (F.R.C.N.), Nigerian Television Authority (N.T.A.), Federal Housing Authority (F.H.A.,), and so on, and (3) Development and Finance Corporation such as The Nigerian Industrial Development Bank (N.I.D.B.); The Central Bank of Nigeria (C.B.N.), National Insurance Corporation of Nigeria (N.I.C.O.N.), River Basin Development Authorities, and so on. It has to be noted that some corporations in Nigeria fall into one or more of these categories, and that generally most of them, like the Coal Corporation and N.N.P.C., have dual obligations - service to the nation and profit generating. However, this work is a study of the budgeting and budgetary control systems in Public Corporations with the Nigerian Coal Corporation - N.C.C. - as the case study.

Budgets have become special tools of management in the direction and control of the affairs of organizations. They are not only used by governments, where budgeting had its origin, but also in industry and commerce as well as in private activities. All have found that a budgetary system can be an invaluable aid in planning and formulating policies and in keeping check on their execution.

In the attempt to revamp the economies of Europe and America following the great depression of the 1930's attention was drawn to the hitherto unrecognized possibility of using fiscal measures to regulate the level of employment and economic activity of an economy. The role of the budget as an instrument of economic planning began to be emphasized from this time. Thus, Jesse Burkhead aptly opined that 'the study of government budgeting is a study in applied economics'[5].

Meanwhile, budgeting has acquired yet another dimension which is neither constitutional nor economic but administrative. This is associated with the rapid development of budgeting in private business over the past fifty years. They have become one of the recognized aids to management. Although private firms have largely taken the lead in this managerial aspect of budgeting, public authorities or corporations are by no means debarred from sharing in the benefits of this managerial tool that is budgeting.

Statement Of Problem: It is common knowledge that Public Corporations in Nigeria are not performing upto the expectations for which they are established. The fact that most of them are run with budget allocations from their sponsoring governments rather than out of the results of their performance has given rise to the problem of hiding inefficiency in these corporations. The other problems that arise from this dependency syndrome of public corporations on government subsidy include the problem of inadequate strategic and operational planning with the result that their budgets grow out of precedents (incremental budgeting).

Hence, management shy away from clearly defined goals or targets against which results or performance can be compared during the budget period.

In point of fact, the question is, how does this dependence of public corporations on their sponsoring governments enable their managements translate their plans or goals into financial plans without running into the problem of planning out of budget? The whole business of budgeting and budgetary control is that of setting of goals (planning) and directing the organization's operations towards the attainment of the set goals or tergets. This makes for efficiency and result oriented management. The question is, therefore, raised as to whether our public corporations, especially those that perform commercially related functions adopt this management approach and are still unable to perform?

Purpose Of Study: The present poor performance of public corporations in Nigeria, as we have already noted, makes a study of their operations very important. Public Corporations have been successfully used as effective government agencies (extraministerial agencies) for public policy implementation. No wonder the developing countries of Africa and Asia adopt this corporate devise as a tool for solving their socio-economic problems.

From the decade of intensive decolonization (1950-'60) the emerging Nationalist-led governments began to articulate a clear role for the extraministerial agencies - public corporations as instruments for promoting national development. This role was summed up in Nigeria's 1979 presidential constitution, which stated, inter-alia, that the state shall direct its policy towards ensuring that the material resources of the community are harnessed and distributed as best as possible to serve the common good[6].

But unfortunately Nigeria has not succeeded in the use of most of her public corporations for national development as did the developed nations like Britain and America from where the system is borrowed. Consequently public corporations in Nigeria have been subjected to very serious criticisms as most of them have been continuously found wanting in the achievement of the objectives for which they were established. Most of them do not break even. This situation has raised so much dust and speculations among Nigerians that researches on various aspects of these corporations have been conducted by various researchers and commissioned agencies. Some scholars have blamed the situation on government control and the consequent errosion of the autonomies of these corporations, some on the organizational structures, and yet others on the personnel matters and so on. Not much so far has dealt on the management issue of budgeting and budgetary control, which has been acclaimed as one of the most effective management tools for improving, by planning and controlling, the affairs of complex organizations.

It is the object of this study, therefore, to examine and analyze the budgeting and budgetary control system in the Nigerian Coal Corporation, Enugu, with a view to studying the flaws that may be in its system and suggesting recommendations. It is also the purpose of this study to examine the issue of financial dependence of the corporations on the governments for their operations, the effects of this dependence on the operational efficiency of the corporation vis-a-vis the attainment of its pre-conceived goals.

Significance Of Study: This work is significant because most of the previous ones on public corporations in Nigeria border on matters relating to conditions of service and incentives - motivation personnel matters, organizational - structures and prospects; government control and autonomy among others. Little or no attention has been given to the subject of budgeting and budgetary control which we consider very crucial to the success of any organization.

The significance of the study also lies in the fact that not only will the result of the study reveal the inherent strengths and weaknesses in the administration of budgetary control as a management tool in the N.C.C., and other public corporations in general, The elimination of such weaknesses, where they exist, will no doubt improve the performance of public corporations. This, we hope, will enable the country reap the benefits it envisaged in establishing these corporations.

Hypotheses: For the purpose of this study the following hypothetical statements have been formulated (1) Participation of management and supervisory employees in setting an organization's goals may lead to the attainment of those goals; (2) Pre-setting of targets in the face of total dependence on government grants and subsidies may impede the attainment of an organization's plans.

Conceptual Framework: It has been stated that a budget can serve, among other functions, that of management tool used for both planning and control.

It is a devise for ensuring a continuous monitoring procedure reviewing and evaluating performance with reference to previously established standards. In short, a budget is a management tool that enables management to anticipate change and adapt to it, and an overall method of improving operations[7]. There is also a close link between a plan, a programme and a budget. It is in view of these facts that we will begin by examining the "planning, Programming, Budgeting System", otherwise known as "P.P.B.S.".

This is a budgetary system which seeks to present purposes and objectives for which funds are required, the costs of programmes proposed for achieving objectives, and quantitative data measuring accomplishments and work programmes[8]. PPB-related notions had their origins in industry and commerce, but was later perfected in the U.S. Defence department by the then Defence Secretary, McNamara; using systems analysis as the central control of the military services, and the primary expression of this analysis was the PPB.[9]

By 1964 PPBS had become the standard operating procedure in the U.S. Defence Department. President Lyndon B. Johnson of the U.S.A., sufficiently impressed by the success of this new concept in the Defence Department, in 1965 ordered PPBS to be applied throughout the U.S. Federal Government, and by 1967 was in use in over twenty-one agencies[10]. Back home in Nigeria, the introduction of the PPBS is quite recent and have not been fully installed by most governments and their agencies.

Prior to PPBS, there were other budgetary concepts. These include the "Line-item Budgeting", and the "Programme performance Budgeting"[11]. The former (the traditional budgeting concept), as the name implies emphasised in the main the objects of expenditure needed to run or operate the affairs of an organization and the costs of such items Consequently, it emphasised incremental policy-making, and was used to control public or organizational fiscal accounts.

The Programme Performance Budgeting, on the other hand, was an improvement on the 'control' orientation of the traditional line-item budgeting. It emphasised management function of budgeting in addition to control. Under this concept, budget was seen as a means by which the appropriate managemerial roles expressed in the operational efficiency of an organization's budget could be measured. Unlike the line-item budgeting, it covered more administrative activities. For it considered outputs as well as imput related issues. However, performance budgeting did not delve into the deeper levels of management. For this among other shortcomings associated with it, and in the quest to improve on this concept, the Planning, Programming Budgeting System - PPBS options gradually began to emerge. And it was perfected in 1964 in the Defence Department of the U.S.A. as we have noted above.

Unlike the above two budgetary concepts, the PPBS lays more emphasis on what government does rather than on what it buys and how they were utilized. The main thrust of the PPBS concept is the end result of governmental and organizational activities rather than just the means of achieving these results. This is arrived at after several policy options have been carefully considered and the advantages of each option discussed. Hence PPBS is concerned with concrete and realistic programmes and actual accomplishments of the same. What is central to its result-oriented system is the formulation of feasible programmes and matching them with the available funds.

Now what precisely is PPBS, one may ask? Taking each of its component concepts one by one; planning is the defining and choice of operational goals of the organization and the choice of methods and means to be used to achieve these goals over a specified time period; programming is the scheduling and implementation of the particular projects designed to fulfill an organization's goals in the most optimal, efficient, and effective way possible; and Budgeting is the price estimates attached to each goal, plan, programme and project[12].

Thus, PPBS represents, beyond simple definition, a systemization of an organization's choice in the form of budget formulation. Finally, it focusses attention on performance; that is, the question of efficiency and cost, and the extended time span of PPBS will mean that big investment and/or operational decisions will be made for a number of years, with each year being a partial installment of the plan.

Now our study can easily be approached and analysed with the above budget framework.

Scope And Methodology: The Scope of this study covers only the budgeting and budgetary control system of the Nigerian Coal Corporation, Enugu. Even though generalization may be made occasionally, it is under the premise that what obtains in the N.C.C. may be applicable to other public Corporations of its kind. Hence informations or data for this work are those on the Nigerian Coal Corporation.

Library research in the University Library, and the public relations unit of the N.C.C., Enugu, is extensively made use of. Information and data are also collected through personal interviews with top and middle level management and supervisory employees of the Corporation, and also with a random sample of the operative staff on the basis of which the subject is analysed and conclusions drawn.

Statistical data for analysis was greatly hindered by very poor responses got from the questionaires administered to the various categories of the corporation's employees. The poor responses were borne out of the general frustrations and demoralization of the employees brought about by the non-payment of their salaries and allowances for roughly one calendar year during which period (1986) this study/investigation was conducted. This explains why intensive oral interviews of all the top managers and random samples of the supervisory and operative employees along with participatory observation technique were employed in collecting information for the study.

Literature Review:

There have been several attempts in recent times by theorists and practitioners in financial circles to define and explain the term, budget. A Study Group Of the Royal Institute of Public Administration (1959)[13] had noted that there was no precise, generally accepted terminology of budgeting, It had also noted that the word, 'budget', is used of many kinds of statements of future plans, and expectations varying enormously in their forms and contents, the uses to which they are put, and even their very names. Hence while some organizations talk of "programmes", or "forecasts", others talk of "budgets" or "estimates".

Horgren (1977)[14] for instance, defined budget as a quantitative expression of plans of actions and an aid to cordination and implementation. Paundy (1973)[15] defined it as a comprehensive and cordinated plan expressed in financial terms for the operations of an enterprise for some specific period in the future.

A key note that emerges from the various efforts to define the concept is that a budget is a quantitative expression of a plan of an organization. And this is embodied in a broader definition given by the Institute Of Cost and Works Accountants (in W.W. Bigg: 1972)[16] that a budget is "a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective". This may include income, and expenditure, and the employment of capital.

Though this definition is framed primarily for use in private business organizations, it has also come to cover most of the budgets used by public organizations, and the government and its agencies. It should be noted, however, that the given objective of a public authority can seldom be defined as clearly as that of a private business concern.

An insight into the purposes a budget may serve and the features of a budgetary system holds the key to the understanding of any attempt to explain the concept, "budgetary control". Budgets may be classified according to the purposes they are intended to serve. Here the definitions are not mutually exclusive as a single budget can fulfil several different objectives.

The Royal Institute Of Public Administration (1959)[17] has distinguished four main concepts any or all of which may be reflected in any one budget. First, a budget may be a plan setting out the proposals and decisions of the organization's management. Alternatively, a budget may be regarded as a forecast of the results expected, rather than the expression of deliberate intentions. Thirdly, a budget may be an authorization - the instrument with which the supreme governing body of an organization sanctions the raising of revenue or the incurring of expenditure. Fourthly, a budget may be treated as a yardstick of what expenditure and/or revenue ought to be if the organization is working efficiently. It has aptly been stated that it is any or all of these applications of budgeting that are commonly referred to as 'budgetary control' - a phrase often loosely applied to any use of budgets to direct and control the activities of an organization.

This is embodied in the broader operational definition for our purpose here which is that given by the Institute of Cost and Works Accountants, that budgetary Control is "the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a basis for its revision".[18] Batty, J. (1973; 46 and 1970; 42-43)[19] further explained the concept as a system which uses budgets are a means of planning and controlling all aspects of producing and/or selling commodities or services. Scott, J. A. (1970; 14)[20] said the concept is applied to the system of management control and accounting in which all operations are forecast and so far as possible planned ahead, and actual results compared with the forecast and planned ones.

Hence budgetary control or control can only take effect where there is a plan, because no one can be said to be in control of a situation if he does not know where he is going. Therefore, control, from the starting point of a plan, takes effect by measuring the results of an activity and comparing the actual results against budget. And where there are significant divergences from budget, management can take action to correct them.

Having examined some definitions of, and thereby clarified the key topical variables in this work, it becomes pertinent to review some other relevant literature on the topic in order to highlight the views of scholars, writers and researchers on some of the vital issues of the subject. In doing this, it is worthy to note that even though much have been written on the subject, research studies on the particular area of study - public corporations have been very much limited. It is also worthy to note that a great deal of what is available covered mainly manufacturing industrial organizations.

In his article, "Zero Base Budgeting: Tool For Public Sector Budgeting" (1980; 6-17)[21], Olumhense Imoisili, revealed that the public sector budgeting is traditionally based on incrementalism - that is, on increasing previous year's budget allocations for the current year; and that because there was no deliberate attempt to critically examine the budgets most public agencies always accumulate surpluses in their budget allocations at the end of the budget periods. But because of shortfalls in oil revenue in recent times most government agencies have been making an across-the-board cutting in their budgets. He also noted that emphasis was on spending/

expenditure. As a result of the flaws inherent in public sector budgeting he advocated 'Zero-base budgeting' as a tool for public sector budgeting.

But this budgeting concept has been greatly criticised on the premise that a great deal of time is spent in evaluating all the programmes, and there is also a great deal of paper work involved. It is however argued by Peter Pyhrr (1977)[22] that the process may only be time consuming in the first year of implementation because of training lag, but that with time as employees or its operators get used to it, it may, in fact, save time. And how this is to be achieved he did not specify.

On budgetary procedures many writers agree that many aspects of the budgeting process are the same in non-profit organizations as in profit-oriented ones - (Welch; 1969)[23], (Batty, J., 1970), and (Anthony and Hershinger; 1978). These authors, in their respective works, assert that the process generally begins with the formulation of guidelines and the communication of those guidelines to the operating managers, Peirce (1954)[24] noted that although budgeting can be seperately applied to any unit of an organization, it is far more effective when it rests on a foundation of integrated planning for the entire operation. According to him the presence or absence of intelligent planning is reflected to a surprising degree in the effectiveness of

the people who operate with a budget system; and this includes all the people from the top executives down to production or line workers. He further observed that organization's members are usually more intuitive and responsive when a budget is built on sound planning. To this end Lewis (1974)[25] advised that successful planning must be both quantitative and qualitative, and according to Hofstede (1968)[26], must be based on actual expectations.

Planning is one of the primary functions of management on the carrying on of a business. Decisions should be made as to objectives as well as to the ways and means of arriving at those objectives. This makes it necessary for management to attempt to determine what may happen in future and what may be the effects of such happenings on a particular business. It follows from this that practically every managerial decision is predicated on some forecast of the trend of business in the future. This is necessary because eventhough the future is largely unknown, work in the present takes on added significance when it is performed in contemplation of future results (Thompson; 1962)[27].

Forecasting, therefore, is a necessary preliminary step in the planning of an organization's future operations, and is essential to the success of a budgetary system. Wixon (1977)[28] recognized it as a pre-requisite to satisfactory planning and the right kind of budgeting. Eventhough absolute accuracy in forecasting is not possible, a reasonable amount of it that is necessary for shaping the future business of an organization demands familiarity with certain factors without knowledge of which important aspects may be left out thus vitiating the forecast.

Wixon (P.52)[29] categorized these factors into two(a) external factors, that cannot usually be controlled by management, and,

(b) internal factors that can, to a great extent, be controlled by management. In the first case management can do little to control such factors, but it can study and estimate the probable effects of such factors on the operations, of the organization. It is, therefore, important for management to be familiar with such external phenomena before attempting to make satisfactory forecast of its own business operations. And in the second case (internal factors), consideration of the following items are typical - quantity of the product that is to be produced by the organization, quality of distribution methods employed, extent of the enterprise's promotional activities, costs of production and so on. Wixon (P.53)[30] had noted that even though almost all organisations depend more on the use of internal data in making their forecasts, in no case, however is it likely that any one source will exactly fill the needs of a particular organization. Trial and error method should therefore, be used to a large extent, but careful selection, interpretation and integration of information from several sources provide a sound basis for worthwhile forecasts. Finally, although the degree of utilization may differ between the private and public organizations, the fact that the latter needs forecasting for accurate planning process cannot be ruled out.

On budget pressure and abuses, Chris Argyris (1953)[31] has noted that management exerts pressure on the workforce in many ways, and budgets are but one way, because being concrete, budgets seem to serve as a medium through which the total effects of management pressure are best expressed. On the other hand, operative employees tend to believe that pressure from above is due to manzgement's assumption that most workers are basically or inherently lazy, or do not have enough motivation of their own to do the best possible job. According to Argyris this state of affairs leads to tension as both management and operative employees become uneasy and suspicious of one another.

The relationship between a lack of upward communication and a feeling of pressure has been empirically found by Bass (1964)[32], and Revans (1964)[33]. In their respective opinions upward communication appears to prevent feelings of injustice in appraisal. Hofstede observed that the condition for the use of budgetary results in performance appraisal appears to be a climate of upward communication so that the results - the organization's point of view - can be translated back into the efforts - the subordinats point of view. Otherwise, it becomes difficult to appraise realistically because it is easy to base an appraisal on the departments, and therefore, out of proportion to the real difficulties.

It is evident from Argysis' findings that the ways in which people express their interests in budgets, and the ways in which they describe and use them are directly related to the pattern of leadership they use in their industrial life[34]. Therefore, although it is accurate to state that budgets are composed of figures, it is equally so to state that once human beings use these figures they project onto them all the emotions and feelings at their command. Hence budgets, one would say, become a medium of personality and leadership expression.

This led to Argyris tentative conclusion that budgets and budgoting can be related to at least four important human relations problems, among which are (1) Budget pressure tends to unite employees against management, and places the factory supervisor under tension. This may lead to inefficiency, aggression, and perhaps, a complete breakdown on the part of the supervisor (2) that supervisors can use budgets as a way of expressing their pattern of leadership, and when this results in workmen getting hurt, the budget is often blamed. (3) The use of budgets tends to make each factory supervisor see only the problems within his own department, and so on.

In the light of these findings, the importance of effective communication, human relations, and participatory management in the planning and implementation of budgets and budgetary systems have been emphasized by Arsyris and several other authors - hegel (1962)[35]; and House (1965). The essence of good budgeting therefore, is co-operation (Torey: 1963)[36], and the decisive factor in creating the same spirit in budgetary control is the attitude of the boss. The most important characteristic for the manager is trust which creates the atmosphere of safety in which the team spirit can operate.

Planning alone does not provide the full complement of a good budgetary system. It is the control phase that tests the fibre of men at the management seats of organizations even more than planning. Control is the phase that teleguides the operations of the organization towards the realization or attainment of the goals or targets set at the planning phase as contained in the final budget document.

On the control phase, Peirce (1954)[37] has observed that it is here that most of the collossal mistakes of budgeting are made. In his words, "it is here that the amateurs have censured their subordinates for exceeding budgets without realizing that they themselves were to blame for inadequate training".[38] According to Peirce too, it is here that men have become so frustrated under the maladministered budgets that they have resorted to all sorts of tricks to conceal the actual results and have padded their budgets to give themselves breathing room. The list of abuses could be prolonged indefinitely. It is therefore, important that managers should have a clear understanding of this concept, because, a manager who does not understand management control cannot be expected to exercise it in the most efficient and effective manner.

Thus Sherwin (1956)[39] asserts that management employs budgetary control to determine whether plans are being observed and suitable progress towards the objectives are being made, and necessary actions being taken to correct any deviations.

Emch (1954)[40] has noted that planning is the basis of control. Almost as important as the budget itself is the planning of the operations that is finally translated into the budget. It is planning that determines the actions that need to be taken and stimulates thinking ahead about those actions. It is the most effective basis for control. Plans as contained in the budget or together with the budget provide a picture in common related terms of what is intended and expected, and the means by which the goals are to be achieved.

They provide a means of reporting back the progress made against the goals, and a general framework for more decisions, and actions in an integrated pattern of development. Properly conceived and used such plans and budgets become important elements in implementing effective control.

Furthermore, Emch's work has also revealed that delegation is the key to control: that merely discovering out - of - line conditions, or having detailed information about a situation does not achieve control. Control is exercised by taking action, and action must be taken within the authority delegated. He also emphasized information as a guide to control. According to him, control requires a system of information tailored to the specific management needs of every key executive - information that is adequate and timely.

While information as such does not control, it is needed by executives as a guide to actions which control. Anthony and Herzlinger (1975)[41] as well as Emch hold the view that the controllers office should be responsible for the flow of programmed information for it should be responsible for all information systems. Otherwise (that is when they overlook this) they (controllers) miss the mark in being of real service to the operating personnel. A system of control should require no more than is absolutely necessary in the way of reports, data, and statistics. For according to Hofstede[43], managers do not want to know everything. However, the effect of swamping line executives in facts and figures is likely to be almost as bad as too little, too late or inaccurate information.

Another essential pre-requisite to a good budgetary control systems is a good organizational structure. Wixon (1953)[44], Cosh and French (1948)[45], Peirce (1953)[46], Likert (1961)[47], and Drucker (1972)[48], all agree that good budgetary control systems rest on clear-cut organization lines and the disposition to delegate authority along with responsibility.

Finally, one would add that the accounting principles used must be well rested or developed, and the accounting administration of high Calibre. It is imperative for a company or an enterprise to have a well - devised and complete accounting system if the control function of budgeting is to be exprcised succeesfully. It is equally important that a satisfactory working relationship should exist between the Supervisors and their immediate superiors. Lastly, an understanding of the make-up of the budget is necessary. Flexible budget especially can be complicated and subject to dispute. Therefore, the factors used must be clearly explained, with full recognition of their weaknesses (Peirce; 1953)[49]. If all concerned have a clear understanding of the function of the budget and a reasonable attitude towards each other in the frame-work of modern organization such disputes will not occur.

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CHAPTER TWO

NIGERIAN COAL CORPORATION: A BRIEF SURVEY

In 1950, an Ordinance establishing the Nigerian Coal Corporation was enacted, and it solely charged the corporation with the responsibility of exploring, developing and selling the coal resources of Nigeria.[1] The history of the coal industry can be traced back to 1909 when coal deposits were first discovered in the Enugu area, precisely in the River Ofam at Udi - hence the original name, of the 'Udi coal field'. The discovery was made by Messrs Kitson and Teale of the Mineral Survey of the then Southern Nigeria. There was no prospecting of the mineral in that year until the period 1910-1914, during which a large coal field was proved and at once recognised as an asset of considerable economic value to the country.

Actual coal mining began in 1916 with a drift mine opened at an outcrop on the spur between the Obwetti and Aria Rivers near Enugu. This was geared towards providing coal for the expanding rail transportation system in the West African colonies, and to meet the general shortage of coal that hit the British 'empire' during the first world war and afterwards. As trade in general developed, considerable extentions were made to the port facilities at Port Harcourt including a four-berth quay and transit sheds for general cargo.[2] A wagon tip and a belt-conveyor were installed at the water side for shipping the coal. The railway was finally extended nortwards from Enugu crossing the River Benue at Makurdi and was continued to join the north-western mainline at Kaduna, with a branch line to the tin mines from Kafanchan to Jos.[3]

These extensions were made to fascilitate the distribution of coal both within and outside the country.

With the increased usage and demand for coal both at home and abroad production rose. Consequently more mines were opened among which were Iva Valley, Ribadu, Ekulu (now Onyeama) and Haryes (now Okpara). Production rose further between the world wars and immediately afterwards to well over 600,000 tons per annum, and major consummers were the Nigerian Railways for her locomotive engines, the Electricity Corporation of Nigeria - E.C.N. for thermal power generation. Other consummers include the British Navy operating in the West African Coasts, the big shipping concerns of the time, as well as sundry users such as the United African Company - U.A.C. During this period too, "exports were running at about 12% to 18% of the total annual output with sales to the French, and Belgium African governments, and the Sierra Leone government".[4] Coal output rose to almost one million tons in 1958 with a total labour force of 8,304.[5]

This upcoming boom in the coal industry was cut short with the advent of petroleum and the increased pace in technological development it brought about the world over. This saw machineries hitherto designed to use coal being displaced by new ones designed to use petroleum fuel, thus dampening the consumption and demand for coal. The coal corporation, as a result, gradually began to loose two of its major customers - the Nigerian Railway Corporation and the Electricity Corporation of Nigeria - E.C.N. following the diesselization of the locomotive engines and the switching over to gas and hydro power for electricity generation by the Electricity Corporation of Nigeria - E.C.N. This resulted in a gradual

.. in coal requirements before the Nigerian Civil war and immediately
.. r-wards. Consequent upon this, production began to be reduced to match
.. decreasing demand.

Coal was not mined in the country in 1968 due to the closure of Enugu
.. that year as a result of the Nigerian civil war. But in 1969, also
.. time, the federal government, in order to keep up coal supply to her
..ncies using coal for their operations, commissioned the New Nigerian
..lopment Corporation - N.N.D.C. - to mine coal from the Okaba field in
.. State. Thus the Okaba open coal mine was opened in 1969 and 16,000
.. of coal produced from it.[6] The field was however, merged with the
..rian Coal Corporation in 1972, when the Enugu Mines were rehabilitated.
..wing the rehabilitation of Enugu mines and the new mines in the Benue
..'s, output was raised to about 323, 001 tons in 1972/73 mainly to meet
.. demand of the then East Central State owned Nigerian Cement Company,
..ugu, near Enugu which had come to be the greatest consumer of Nigerian
.. till date.

The global energy crisis of the mid'70s which saw the price of oil
..-rocketing, and the new wave of industrialization that opened to indus-
..lists the by-products of coal, among other new developments, began to
..rn to coal its lost glories. And the demand for Nigerian coal both
..lly and internationally (export demand) rose to well over a million
1979, and since 1982 domestic demand alone has been estimated to rise to
.. than 3.8 million tons annually by 1986[7], if the various projects that
.. contained in the Fourth National Development Plan under the Electricity
Steel Industries had gone into operation.

On the other hand, further prospecting for the mineral over the
.. have proved vast quantities of varying qualities of the mineral
.. all over the country. The coal resources so far discovered occur

ithin geological units known as coal measures, which out crop along he Enugu escarpment right through Nsukka, Ezimo to Okaba, Koton-Karifi, ekena and Idah.[8] Coal deposits are also located in Lafia - Obi (Plateau state), Lanya, Gombe (Bauchi), Afikpo (Imo) and so on. Initial coal eserve calculations showed the following potentials:-

able 1 - Nigerian Coal Reserves.

oal Locations	Indicated Reserves (Proven) Millions tons	Inferred Reserves Million tons.
nugu Area	54	200
zimo	56	60
nkpa	57	75
kaba	73	250
gboyoga	107	320
nyi	20	-
saba (Lignite)	250	-
afia-Obi	22	-

ource: N.C.C., Information on the Nigerian Coal Industry, Enugu; Johnny Harmony Press; 1982. P.1.

The Lafia-Obi coal is a particularly important field, because so far it is the only known coking coal occurence in the country, and it is now nown to have a proven coal reserve of over twenty-two million tons, and ore work is in progress to determine the extent of this deposit.

In addition to the bituminous coals - the group to which the Enugu rea deposits belong, numerous lignite seams of miocene age (26 million age years) occur in the Southern parts of the country extending from Umuahia (Imo state) through Nnewi, Onitsha (Anambra), Asaba to Benin city (Bendel).[9]

The best studied locations are at Ogwashi, Asaba, Nnewi and Ihioma where total reserve of over 250 million tons are in place.[10]

The quality of Nigerian lignites makes them particularly attractive. For they have high calorific values (about 5,000k cals/kg) making them particularly suitable for power generation and heat raising. The lignites are also exceptionally rich in hydrocarbons, waxes and resins, and are very suitable for the production of liquid fuels and chemicals. (see appendix I). These abundant coal resources of the country cannot be exploited or developed and made to contribute to the industrialization of the country unless a bold step is taken to formulate a comprehensive energy policy for the nation giving every natural resource its rightful recognition and place.

Impact of the Coal Industry On Nigerian Economy: The impact of coal on the railway and electricity industries before the advent of petroleum and subsequent diesselization of the railway system, and the use of gas and switch over to hydro power generation by the E.C.N, have been noted.

The general position of the coal industry within the economic structure of Nigeria can best be illustrated by its contribution to the Gross Domestic Product (GDP) of the country. Luding Schatzls' work (1969)[11] has shown that in 1958/59, when coal production reached a maximum, the value added by the coal industry to the GDP of the country was £1.7 million and that from then the value had continued to decline until in 1966/67 when it was £0.9 million.

Very significant of the impact of the coal industry was its contribution to the development of Enugu. We have noted the extension of the railways from Enugu to the North Western mainline for the transportation of coal to the Northern parts of the country. This line brought closer economic ties between the North and the East.

The coal industry - the Nigerian Coal Corporation was (and still is to some extent) by far the largest industrial enterprise at Enugu. For instance, in 1965 the corporation had about 4,500 employees whereas the total number of employees in all manufacturing establishments (with more than 10 employees) was only 2,300.[12] Again, the salaries and wages paid by the corporation in 1964/65 amounted to about ₦0.8 million as against ₦0.6 million of all the other industrial establishments in the area, within the same period. According to Ludwig Schatzl, since the quota of savings was low in Nigeria and most of the employees and their dependants were residents in the Enugu area the largest part of these amounts were spent in the area, thus boosting other economic activities in the area. Besides, there was also the requirements of the corporation in goods and services for its operations which created more economic activities in the town. Indeed, Enugu owes its development and prosperity to a great extent on the coal industry.

Prior to the enactment of the coal corporation Ordinance, the coal industry and the Nigerian Railways were jointly managed. But following the reorganization of April 1937, the Colliery no longer came under the jurisdiction of the General Manager of the Railway Corporation. It took its place as a seperate department of government known as Government Colliery reporting direct to the government through the Director of Transport. However, the Railway corporation continued to act as the sales agent for the Colliery. The accounting and storekeeping functions of the colliery also continued to be performed by the Chief Accountant and Stores Superintendent of the Railways until the 1950 Ordinance was enacted

This Ordinance gave the coal corporation full autonomy with its organizational structure as it is found today.

Organizational Structure:

> Every large scale or complicated enterprise requires many men to carry it forward. Whenever many men are thus working together the best results are secured when there is a division of work among these men. The theory of organization, therefore, has to do with the structure of co-ordination imposed upon the work-division units of an enterprise .... Work division is the foundation of organization; indeed, the reason for organization. 13
>
> - Luther Gulick; 1937.[13]

Organizational structure here can be defined as that structure which establishes a formal system of roles that people performs in order to help achieve the over all objectives of an organization. This implies the division of tasks into departmental responsibilities, which contributes to organisational efficiency by ensuring that responsibilities and authorities are classified; facilitating the carrying out of managerial functions of planning, organizing, directing and controlling; and clearly differentiating activities so as not to leave the job incumbent in doubt of the extent of his responsibilities.

It has been noted that an organization can either have a flat structure or a tall structure; and that a flat organizational structure is that with a wide span of control, while a tall organizational structure has a multi-level organization with a very narrow span of supervision.[14]

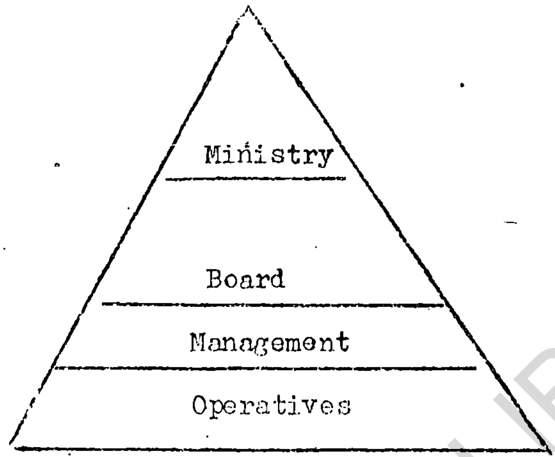
The Nigerian Coal Corporation has this latter structure. The choice of an appropriate organizational design requires the identification of strategic, technological and environmental conditions of the organization. Technologically, for instance, the coal corporation employs mass production to some extent which goes further to justify its tall organizational structure.

Structurally, the Nigerian Coal Corporation is functionally organized. Thus the duties of the corporation are divided into units such that each unit has dissimilar functions. There are four of these units - viz: Administration; Finance, Production and Commercial/Marketing. The structure is such that the number of subordinates reporting directly to the chief executive - the General Manager, is four; and these include the Assistant General Managers (AGM) in charge of the various departments named above. In these departments are various other managerial positions subordinated to, and, therefore, reporting to the AGMs as can be seen in the organizational chart. (Appendix II)

As a federal government owned corporation, the coal corporation has a centralized structure with the federal Ministry of Mines and Power, the supervising ministry, at the apex. The Ministry appoints the Board of Directors, the policy making body of the corporation, and then the management led or headed by the chief executive - the General Manager - responsible to the Board for the day to day running of the corporation. It is worthy to note that the AGM (Administration) is also the secretary of the corporation and is sometimes refered to as the administrator of the corporation.

The Board of the NCC, like those of all other Government corporations in this country is a policy one, in which the members (there are nine of them in NCC), save the General Manager, hold no executive responsibilities. This is contrasted with the other type of Board otherwise known as functional or executive board, where most members take executive responsibilities of some departments of a corporation. In this case a very high premium is placed on ability, experience and skill in appointing board fig 1:

Decision-making
Pyramid of the
coal corporation



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CHAPTER THREE

BUDGETARY PLANNING AND PREPARATION

Planning of all aspects of a business is an integral part of the management of any organization. The element of planning as a feature of the management process is almost always present in any organizational set up. Indeed, as John Sizer (1979)[1] has aptly opined "planning is the basis for control".

Public corporations in Nigeria operate two types of plans, the long term and the short term plans. The long term plan has been described as "a systematic and formalized process for purposely directing and controlling future operations of an organization towards desired objectives for periods extending beyond one year."[2] It covers a time period which is long enough to provide management with an opportunity to anticipate future problems, and thus to have greater freedom of action to resolve them gradually through the annual budgeting. Long term planning is essentially a formalized programme of interrelated actions to achieve desired results, and therefore, it rests upon the implicit assumption that some planning is better than no planning at all. Indeed, the imposition or use of a predetermined programme of action upon the future development of an organization's business will favourably influence the outcome of its future operations. After establishing its long range objectives, management decides its strategy for achieving them. This stage of long term planning has become known as strategic planning. This, according to Robert Anthony (1965),[3] is the process of deciding on the objectives of the organization, on changes in these objectives and on the policies that are to govern the acquisition, use and disposition of these resources.

Our investigation shows that the long range plans of a public corporation in Nigeria are integrated into the broader National 5-year Development plans. Before the end of a current National Development Plan period the various corporations and ministerial agencies are expected to present their long range plans to the Federal Government for incorporation into a forth coming Development Plan. As a result most public corporations' long term plans have a five year duration as the National Development plans.

In the Nigerian Coal Corporation long range planning is the joint responsibility of both the management and the board, with the latter playing only supervisory role, while the former develops the actual plan. There is a planning officer, who also is the chief surveyor of the corporation. He co-ordinates the long term planning process. This begins by projecting the total demand for the plan period and developing strategies for meeting them. Therefore, demand is the principal planning factor in relation to the long term plan. Table 2, shows the projected demand 1987 - 1996 on which the current planning is based. When eventually, a comprehensive plan is developed, it is presented to the Federal Government through the Ministry of Mines and Power, the supervisory Ministry. When the National Development Plan has been completed and enacted the final plan is sent to the corporation backed with the appropriate national policies and objectives. The long term plan is then executed in piece-meal through the instrumentation of the short term plans otherwise known as the annual budgets of the corporation.

Short term planning on the other hand, being the annual reflection of a part of the long range plan, accepts the environment of today, and the physical, human, and financial resources at present available or expected to be available to the corporation within the one year plan period.

TABLE TWO

PROJECTED COAL DEMAND 1987 - 1996 IN 000'S OF TONNES

	1987	1987 1988	1988 1989	1989 1990	1990 1991	1991 1992	1992 1993	1993 - 1994	1994 1995	1996
Nigerian, Nkalagu	120	160	260	300	300	300	300	300	300	300
N.R.C.	10	20	20	20	20	20	20	20	20	20
N.E.P.A.	10	10	10	10	10	10	120	500	500	500
Ajaokuta Steel	-	-	-	-	-	500	500	500	1000	1000
Coal Carbonization	-	-	-	-	300	300	300	300	300	300
Domestic Consummers	10	10	20	50	50	50	50	50	50	50
Other Industries	10	15	20	20	30	50	50	50	50	50
Export	160	260	500	500	500	1000	1000	1500	2000	300
(Totals)	320	475	530	900	1,210	1,230	2,340	3,220	4,220	5,220

Source: Draft long term estimates prepared by the Chief Planning Officer for presentation to the Management Committee.

Short term plan is expressed in financial terms, and hence financial planning should be (and is) an integral part of the short term planning process. The entire process of planning and preparing the budget is known as budgeting.

The Royal Institute of Public Administration (1959)[4] has stated that since budgets are usually expressed in financial terms, they can most conveniently be classified according to the normal accountancy distinctions between different types of financial transactions. Subsequently, four types of budgets have thus been classified generally as follows:

First, there is the revenue budgets, which include the expenditures to be incured, and income accruing on the revenue account. Capital expenditure budgets are devoted to the proposed acquisitions and disposals of fixed assets. There are also the finance, and Cash budgets. While finance budgets cover the resources required either for the acquisition of fixed assets or by way of working Capital, Cash budgets is that of Cash receipts and disbursements during a period.

All these are not of equal importance. The first two-revenue, and capital expenditure budgets constitute the main statements of intentions and expectations, and consequently claim most attention in the accounting practice of most organizations, and so also in any general survey of the subject. The last two-the finance, and cash budgets, on the other hand, are largely a reflection of the first two-the revenue and capital expenditure budgets.

Generally, the four are grouped under two broad categories - the Capital budgets, and the operating or recurrent budgets - in most organizations.

The Nigerian Coal Corporation operates its budgets under these two classifications - the capital, and recurrent or operating budgets. Capital budget relates to the capital structure of the Corporation. It usually involves (i) budgeted working capital, (ii) budgeted fixed assets, (iii) budgeted loan (equity) capital, and (iv) long term cash budget. Capital budgets in public corporations usually, but not always, relate to periods of time in excess of one year. For machine tools and equipments or vehicles acquired in the current budget period, for instance, need not necessarily be replaced next year. Rather their maintainance or upkeep are budgeted for in the immediate years under maintainance overhead charges and depreciation untill their life spans expire and a repair or replacement decisions taken on them.

Recurrent or operating budget, on the other hand relates to the day to day operations of the Corporation. It involves (i) budgeted income and expenditure figures, (ii) budgeted profit and loss statements as in a business organization, and (iii) Cash budgets which may be monthly or bi-monthly. Operating budgets run for one year duration. Appendix three shows the operating budget of the Nigerian Coal Corporation, Enugu. It shows the estimated expenditure and income figures for the year 1983. The figures are placed against those of 1982.

<u>Budget Procedures</u> The budgetary process generally begins with the formulation of guidelines and the communication of those guidelines, to the operating managers. Based on these guidelines, decisions are made as to objectives as well as to the ways and means of attaining those objectives. This makes it necessary for management to attempt to determine what may happen in future and what may be the effects of such happenings on a particular business. It follows from this that practically every managerial decision is predicated on some forecast of the trend of business in the future. This is necessary because, according to Thompson (1962),[5] eventhough the future is largely unknown, work in the present takes on added significance when it is performed in contemplation of future results. Forecasting, therefore, is a necessary preliminary step in the planning of an organization's future operations, and is essential to the success of a budgetary system. Wixon (1977)[6] recognized it as a pre-requisite to satisfactory planning and the right kind of budgeting.

Eventhough absolute accuracy in forecasting is not possible, a reasonable amount of it that is necessary in shapping the future business of an organization demands familiarity with certain factors without knowledge of which important aspects may be left out, thus vitiating the forecast.

These factors are the external factors, that cannot usually be controlled by management, and the internal factors that can, to a great extent, be controlled by management. In the first case management can do little to control such factors, but it can study and estimate the probable effects of such factors on the operations of the organization. It is therefore, important for management to be familiar with such external phenomena before attempting to make satisfactory forecast of its own business operations. In the Nigerian Coal Corporation such external factors include the Federal Government's policy and budget contents, the business environment of the corporation's major customers such as the Nigerian Cement Company, Nkalagu, and the Steel and Electricity Industries. And in the case of the internal factors, as we have already noted elsewhere, consideration of the following items are typical:- quantity of the product that is to be produced, quality of distribution methods employed, extent of the corporation's promotional activities, costs of production and so on.

In their approach to budgeting, public corporations, especially the utility corporations that perform commercial or commerically - related functions, have more in common with private profit-oriented industry and commerce than with non-trading ministerial agencies. In their budgeting, they tend to give less prominence than other public executive authorities to the rationing of limited resources, but more to planning activities to meet demand. As they are somewhat trading undertakings for whom demand is the ultimate limiting factor, their budgeting begins by forecasting demand, deciding how far it can be met with the resources available, and so determining the level of output for which to budget; and making allowance for all the factors likely to affect the aggregate demand for the product or the supplies of manpower and other productive resources.

But in the Nigerian Coal Corporation, the reverse is the case: the ultimate limiting factor is production, and so budgeting in the Coal Corporation, rather than begin by forecasting demand, begins by forecasting production. In any case the total estimated output is apportioned among the various departments and other spending units. Each of these departments and units has to be told the level of activity for which to budget before it can be asked to estimate the resources or expenditures required, and where appropriate, the probable income as well. The initial estimates are brought together at the budget committee level, and reversed, if necessary, to form a consolidated budget.

Hence three principal stages in budget preparation can generally be distinguished. First, initial estimates are drawn for each part of the corporation. Second, these are brought together and where necessary revised to produce a complete draft master budget for the whole corporation. Lastly, the draft master budget is submitted or presented to the board, if constituted, to give it final approval.

In the Nigerian Coal Corporation, budgeting is supervised by the budget unit otherwise called the cost accounts unit of the finance department. The unit teleguides the whole process of budgeting and budgetary control. It starts by calling up the departmental budgets from the various departments and other spending or functional units from about the second quarter of a current budget period or year. When these departmental draft budgets are assembled, the unit prepares a draft master budget seperating the various units' estimates into their respective functional areas - i.e. into the functions of production, marketing or sales and so on. Therefore, as Batty, J., (1982)[7] has aptly asserted the departmental budgets are naturally integral parts of the functional budgets. The budget for, say, the machine shop is clearly a departmental budget, but yet, because this budget relates to production, the figures are also summarized in the functional budget for production. So also is the public relations budget and the function of administration.

However, the departments of the Coal Corporation are functionally organized. So this makes the preparation and arrangement of the budgets by departments automatically functional. In any case, all the budgets from the different cost or budget centres now assembled according to their functional areas have to be co-ordinated and harmonized.

According to Walter Bigg (1972),[8] it is at this juncture that a co-ordinating authority becomes necessary to resolve difficulties and disputes which arise between the departmental heads in relation to the budgets they are submitting, and also to take decisions involving increases or decreases in production, price changes and the like. Although decisions of this nature are the functions of the chief executive, the General Manager, he normally constitutes a committee of departmental heads, called the budget committee, to advise him. If, however, vital matters of policy are involved the decisions are to be made by the board of the Corporation or with its consent.

By the use of this committee, a greater co-operation is secured by making the preparation and subsequent administration of budgetary control a democratic process in which all who share responsibility are given a part in the development of a comprehensive organization-wide plan. And in this way there is greater interest in seeing that the emergent budget is so administrated as to achieve the planned results.

However, the co-ordination of the budgets, and of the points of view of the departmental heads is not an easy task, and so the budget officer gives the maximum assistance both to the individual departmental heads when they are preparing their budgets, and to the committee as

a

a whole. When the necessary harmonizations and decisions have been made the budget officer compiles the draft master budget which is presented to the board for final deliberations and approval.

The master budget will disclose the anticipated targets and the consequent changes in the financial position of the corporation. These matters will receive careful considerations from the board in the light of the corporation's long term objectives and plans and other such matters. In the event of the board being disatisfied with the state of affairs shown by the budget, it may be referred back to the committee, in which case the sectional budgets must be recast. When finally, the budget or revised budget is accepted and approved by the board, it becomes the operating plan of the Corporation for the next one year or budget period; acting as authority or executive order for the departmental heads to take the necessary steps to implement it.

Thus, this predetermined plan, otherwise known as the budget, once adopted, becomes the basis for control - directing the operations of the corporation towards its targeted end. In otherwords, it provides the standard by which performance will be judged. Eventhough the act of budgeting, which we have been examining in this chapter constitutes control in its own capacity, it is this last aspect of control that uses not the preparation process, but the final document which is such an important feature of the system, that we shall examine in the next chapter.

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CHAPTER FOUR

BUDGET CYCLE AND THE CONTROL MEASURES.

Having examined how budgets are prepared, we shall next look at the last phase of the budget cycle which is the administration of budgetary control - comparing actual results with budgets, and how this can assist in controlling the execution of policy or providing a basis for its revision. Control, in this sense, serves management purpose. And in another sense, it serves accountability function. Accountability, here, has been described as legal liability to incure an expenditure.[1] That is the establishment of a pattern of control over receipts and expenditures that permits a determination either by the chief executive or by the board or its agent that monies voted for the various functions - programmes and projects, have been put to such projects for which they are meant. These two functions of budetary control are examined here under.

The cardinal feature of budgetary control is pre-planning, and representing the overall plan in the master budget. It has been noted that each segment (the units' budgets) of the master budget is covered by a functional budget. There is, therefore, series of budgets all co-ordinated together under the master plan of action - the master budget. Behind each budget are the actions of people, their performances and the costs they incure. All these are measured in financial terms, but the physical efforts and quantities should not be overlooked. These plans for, and the results expected are expressed in terms of human responsibilities, and not as abstract concepts because, according to John Sizer (1979)[2], people rather than analysis or reports control operations. And for these individuals that control operations to do their jobs efficiently they need facts. Therefore, the supply of the factual basis for control is an important function of accounting. The areas of human responsibility represent the various control centres within an enterprise. This system of accounting which produces information by responsibility centres is known as responsibility accounting system. And budetary control employs this concept in its administration: for responsibility accounting is one of the most useful management tools for planning, co-ordinating and controlling the activities of an enterprise.

Management Contool Measures And Its Procedure.

Mention has been made of the use of a budget committee by the chief executives of corporations in the preparation and co-ordination of budgets. The co-ordinating or harmonizing functions or duties of the budget committee extends beyond the preparatory phase of the budget cycle into the control phase. Co-ordination means viewing the systems as a whole and dovetailing all parts together. This in itself is one of the greatest advantages of budetary control. For harmony is sought from the very beginning, and an effort is made to ensure that this harmony continues throughout the budget period- the period covered by the budget. In this respect it would not be out of place to describe the budget committee as a management committee.

According to the budget officer of the Nigerian Coal Corporation, Enugu, the principal functions of the committee in his corporation include

) Receiving and reviewing various departmental budget estimates.

) Suggesting revisions of budgets

) Deciding on general policies affecting more than one primary department

d) Approving budgets and latter revisions as tho needs arise.

e) Receiving reviewing or considering budget reports showing actual results compared with budgets.

f). Recommending actions when and where necessary.

Functioning in this way the budget committee has become, indeed a management committee for the corporation, and is a powerful force in uniting together the various activities of the corporation, and enforcing real control of operations.

The Budget Officer: The budget officer is usually the secretary of the budget committee chaired by the chief executive, the General Manager. In the Nigerian Coal Corporation, the budget officer is the Senior Accountant (Costs). He is responsible for supervising the budgeting activities of the corporation and co-ordinating the affairs of the budget committee.

In addition to his secretarial duties to the committee, the budget officer is responsible for the development of complete budgetary control procedure for the corporation. This includes writing of instructions relating to the procedure and responsibility for the preparation of the preliminary estimates; procedure relating to the final approval of the various budgets; the standardization of the information to be supplied to each department or functional budget execution supervisor, the preparation of a standard statistical monitoring report formats used for the budgetary control purposes, collecting data and opinions for consideration by the committee, and keeping managers and supervisors to the budget time table. He also forecasts and prepares the tentative balance sheet and profit and loss accounts from the departmental or functional budgets. Finally, he ensures that all the policies contained in or implied by the budget are roperly authorized and followed.

At this juncture it becomes pertinent to note that the budget fficer is a staff officer and as such should exercise no line authority, xcept over his own staff. It should further be noted that the development f budgets is not a job delegated to the budget officer solely, but ather one that is surpervised and co-ordinated by him. It is a basic enet of budgetary control that executives develop and accept responsibiities for their budgets. The budgets are the product of the efforts of ll levels of management with the budget officer co-ordinating and superising the efforts.

It is necessary to ensure that all involved in budgeting and using ontrol reports understand what is required of them. To assist such nagers and supervisors a budget manual is issued by the budget officer or this purpose. It is a manual that sets out and schedules the responibilities of managers and supervisors in relation to their respective dgets in order to enable them carry out effective control of their erations. In the Nigerian Coal Corporation, the manual is issued after e corporation's master plan or budget had been approved and adopted. cording to the budget officer of the corporation, his corporation's dget manual sets out such informations as:the statement of objectives d procedures; cost codes, cost and budget centre codes, the budget time ble, control report time table, format of reports and expenditure authizations. The manual serves as a guide for the preparation and control budgets.

Practical control follows the establishment of budgets covering the dget period and issuing budget manuals to the operating managers and pervisors. It consists of monitoring performance - comparing the stimates of revenues and expenditures with the actual revenues received nd actual expenditures incurred or comparing the actual putput (production) th the budgeted output, for examples.

In the Nigerian Coal Corporation, comparison is done quarterly. The rious budget or responsibility centres of the functional areas are pected to make quarterly returns to the cost accounts unit that is also ie budget unit of the finance department. With the returns so received ie budget unit compiles the performance monitoring report in which the ctual results of the respective budget centres are compared against their idgets - expected figures. In this way deviations from the predetermined lans are brought to light. Subsequently, the differences between the ctual and budgeted figures (the variances) are analysed by the budget fficer. If the comparisons show significant variations some comments s to their definite or probable causes are included in the accounts eport to be prepared in order to assist the recipient - the affected anager or supervisor, in taking corrective action, or in explaining the ctual cause of the deviation. The accountant's reports also highlight he essentials and point out significant budget deviations and possibili- ies for improvement.

The action taken on the variances is the most important aspect of the ontrol mechanism. Batty, J. (1982)[3] has aptly asserted that unless this ction is taken quickly at the right time and in the right place, it will e of little or no significance. Our investigation shows that it is in his respect that the use of budgetary control in the Coal Corporation has one of its greatest weaknesses in its administration. For not only do the quarterly returns from the various cost centres come late, when the variances are analysed by the accounts unit the budget committee finds it increasingly difficult to sit promptly to discuss the accounts reports for a quarter. The result is that actions are normally delayed to a point that they might be of less or no value when taken. Appendix 4 shows the budget performance monitoring format of the Nigerian Coal Corporation.

The Performance Monitoring Report: John Sizer (1979),[4] has asserted that the chief value of the budget as a management control device can be only realized through the effective use of budget performance reports and meetings to discuss the budget performance reports issued by the budget officer.

Such reports should be compiled showing the periodical budgets for a budget period - monthly, quarterly, bi-annually; the actual and budgeted figures - revenue and or expenditure, and the variance between actual and budgets. Reports to top management should indicate the overall efficiency of the organisation compared with the budgeted performance. They should also indicate which department or functions of the organization require attention, praise or otherwise on account of the success or failure of their efforts.

It is therefore, essential, according to Walter Bigg (1972),[5] for management to receive regular periodical statements or budget control or monitoring reports from the accountant to show in respect of each department, how events are keeping pace with budget. It is already noted that is is done quarterly in the Nigerian Coal Corporation. Some basic inciples that should be applied in a typical budget control report include the following:

a) The report should be clearly headed and the period covered shown - the unit, cash, tons, quantity and so on should be indicated.

b) Like must be compared with like, and there should be no misunderstanding between the accountant and the receipient as to the nature of the figures in the peport.

c) Irrelevant informations to the purpose of control report should be avoiddd so that conclusions from the report can be drawn quickly and with certainty. It should not attempt to portray so much information that clarity is lost.

d) Simplicity should be aimed at, and the use of technical accounting terms avoided.

e) The information included should be limited to the sphere of the officer to whom it is furnished.

f) Promptness in the preparation of the control statements is to be prefered to absolute accuracy, as their purpose is not merely to convey information, but to convey it promptly, and to the officer who has necessary authority and responsibility to take appropriate corrective action.

g) All returns should be reviewed periodically to ensure that they are still useful and to ascertain whether they should be expanded, contracted or discontinued.

her Control Measures: The Budget is regarded as firm once it is iopted. But as it is not humanly possible to estimate or forecast ecisely for every eventuality there is every need for operators of a idgetary system to be flexible in its execution rather than adhere gidly to the budget provisions even when the underlying assumptions change. Flexibility implies modifications in the iginal plan, and this is authorized by the governing board of rporations. Modification in the budget is effected by presenting pplementary estimates, applying for virements and submitting vised budgets.

The approved budget not only provides management with basic data for licy making but also lays down the results which each part of an ganization is expected to attain. It defines the responsibilities subordinates and provides criteria against which their actual results in be judged. Its value depends on its being regarded as a firm plan, recast, authorization or yardstick which cannot normally be altered ice it has been approved by the board of any corporation.

However, it has been recognized that in practice even the ost highly efficient estimating cannot guarantee that the right provision is made for every eventuality. Some unforeseen new developments ay necessitate alterations in the scale of operations undertaken or ie cost of goods and services employed. It is not always possible or propriate in these circumstances to make offsetting adjustments in ending plans so as to adhere to the main totals in the budget. ie extent of these unavoidable changes is generally small in relation the main budget.

Supplementary budgeting is therefore, a means of authorizing those departures from the budget which at times are unavoidable in order to give effect to changes in policy or to adhere to the same policies when costs or demands on the products or services al' during the currency of the budget. Supplementary budget is especially vital where the budget is, as in the Coal Corporation, a fixed authorization to spend, and also where the estimates are based on current wages, and prices, and do not provide for contingencies to meet charges expected during the year. In the Nigerian Coal Corporation, the supplementary budget is not sought unless the expenditures involved are absolutely unavoidable, and could not be incurred untill the supplementary estimates or budgets have been approved by the board or management.

Virement is another form of control measure. The term, virement, is derived from the old French word, virer', meaning to transfer or to turn. Virement is therefore, a budgetary device for allowing managers or other spenders to transfer sums from one subhead or item to another within the same heading of their approved budget. This gives an additional measure of flexibility to adjust spending plans to meet new developments during the budget period. Since it does not affect total spending, it is usually authorized by the General Manager or whoever he delegates to do so. And it is mostly the budget officer, who also is the cost accountant of the corporation.

The nedd for virement, according to The Royal Institute Of Public Administration (1959)[5], depends on the details in which the budget is approved by the board of a corporation, and the extent to which the board would otherwise have to be asked for large numbers of supplementary estimates. The device can be viable for relieving the management and the board of considering minor modifications; for simpler and speedier authorizations of such modifications, and in providing an incentive to economize through the knowledge that savings achieved by genuine economics may be retained to finance additional projects that could not otherwise have been afforded. The General Manager, or whoever that is authorizing virement should ensure that the device is not used to perpetuate sharp acts or fraud by concealing them from the auditors and the board.

General revisions of all the estimates in a budget are sometimes used as a means of increasing or curtailing authorizations to spend, and sometimes as a basis for reviewing performances or revising policy without imposing or altering any restrictions on expenditure. They show how far actual result are likely to differ from budget, allowing not only for changes authorized by supplementary estimates or virements, but also for any probable underspendings and any changes in the estimated revenue. This provides more up-to-date information on which to base the next year's estimates, and a check on compliance with the budget for the current year as well as a basis for determining future policies.

Accounting and auditing in the corporation also serve as devices of keeping check on the budget, and comparing actual results with budgets. They are therefore control measures in both accountability and management perspectives.

Jesse Burkhead (1967)[7] has asserted that accounting is a part of fiscal management, with objectives that are in some cases very close to budgeting, and in other cases, independent. Corporate accounts are used to record transactions as the budget is carried out. The techniques of central control over budget execution depends, for their implementation, on the accounts which record appropriations and obligations against those obligations. Allotment systems are likewise established in accounting terms, and specified persons are held responsible for financial transactions as recorded in the accounts. As accounting is also linked with work planning and reporting, the accounts of public corporations are therefore, used for the current administrative control of operations and also serve for measuring past performance. This, in turn, is the basis from which future budgets are to be planned and prepared.

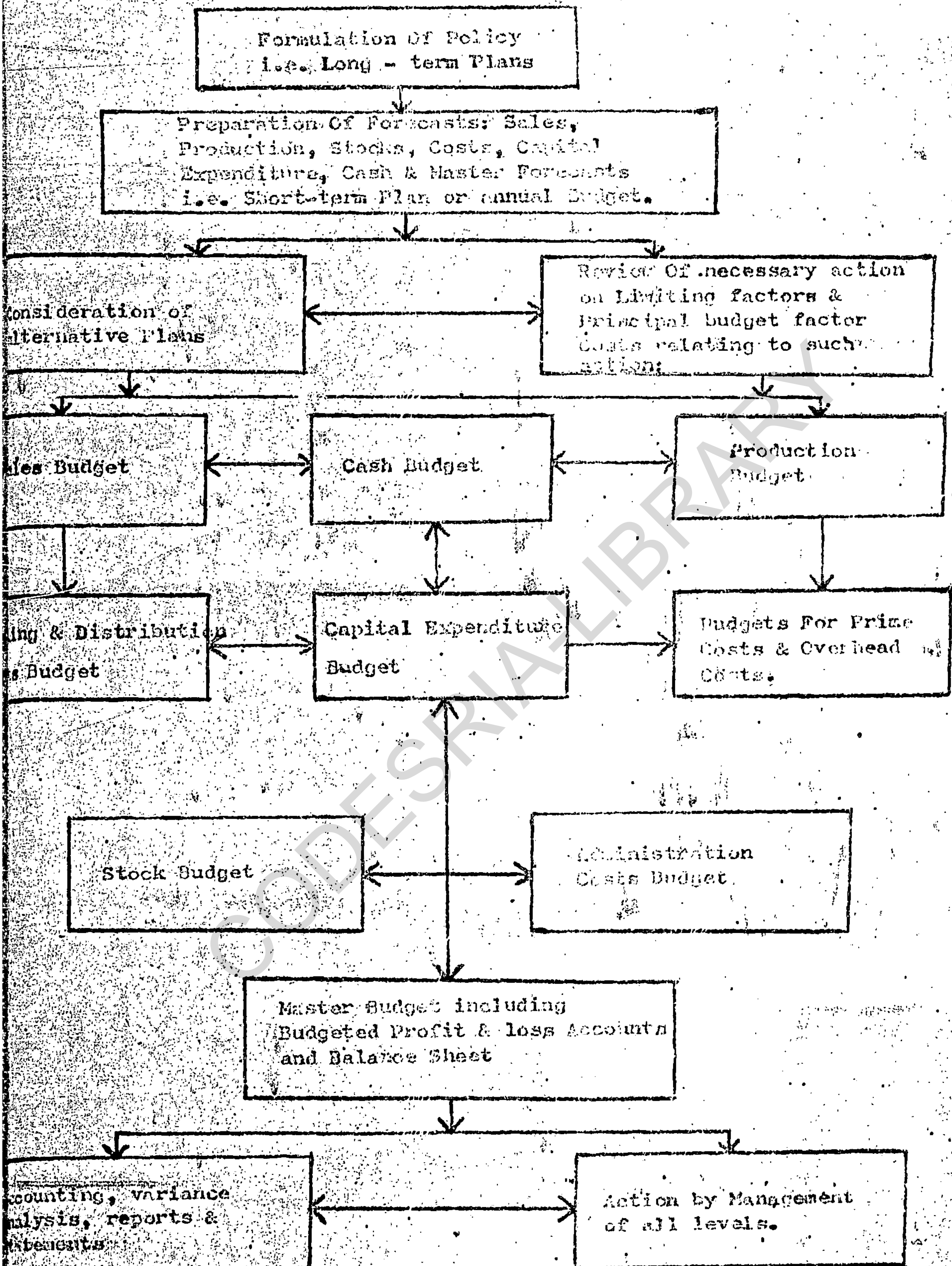
The audit of the corporation's transactions, while a phase of budgeting, is organizationally seperate in many of its aspects, from the other phases of the budget cycle. The Nigerian Coal Corporation Ordinance, No. 29 of 1950, stipulates that the accounts of the corporation shall be audited by auditors to be appointed annually by the corporation with the approval of the minister.

The role of auditing as a budgetary control measure can be appreciated in the definition of the term. According ~~the~~ to the Encyclopaedia of the Social Sciences, auditing is "the examination or investigation of accounting books and records by one who has had no part in their preparation".

It is also defined as a process of examining an organization's financial statements and records by an authorized person for the purpose of expressing authoritative opinion on the accuracy and orderliness of accounts books and reporting on the true and fair financial position of the organization within a defined period.[8]

The Coal Corporation makes use of pre-audit as an integral part of its accounting functions, but uses the post-audit to determine the true position of its operations after the close of accounts for the year. The auditors' reports reveal the truthfulness or otherwise of the budgetary transactions as recorded in the Corporation's books of accounts and Balance Sheet. It therefore helps management to assess the performance of a period's budgets.

Figure 2: Budgetary Control: Diagram Of Procedure



Source: Batty, J. Management Accountancy P. 50

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7. Jesse Burkhead; Op. Cit. P. 146

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

We have noted that budgetary control is a system that uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities or services. The Nigerian Coal Corporation uses this system in planning its operations i.e. prospecting, mining and selling of coal.

Preplanning is the cardinal feature of budgetary control. The overall plan of the corporation is co-ordinated and represented in the master budget, each segment of which is covered by a functional budget. There is, therefore, a series of budgets, all co-ordinated into the master plan of action. Behind each budget are the actions of managers and supervisors and their operative staff their performances and the costs they incure. All those are expressed in financial terms.

The plans cover broad policy issues as well as day to day activities, which are scheduled and they go to make up the weekly, quarterly and yearly budgets on the basis of which comparisons are made between budgets and actual results. This is done by monitoring the performances of the budgets through 'variance analysis', and management meetings that deliberate on the variances, and taking appropriate actions to rectify unfavourable variations. This is where, according to the budget officer of the Coal Corporation, budgetary control in the Coal Corporation suffers one of its greatest drawbacks. This is due to the fact that budget/management committee meetings in which the variances are supposed to be discussed and analysed and corrective actions recommended for the responsible manager or supervisor do not hold as and when due, and sometimes do not hold. The result is that corrective actions are not either taken at all or are not prompt enough to be of much significance; and this adversely affects the operational efficiency of the corporation which in turn inpairs the attainment of budget targets and objectives.

Our conceptual framework of analysis is the Planning, Programming, Budgeting System - PPBS. This budgetary concept, we have already noted, seeks to present purposes and objectives for which funds are required, the costs of programmes proposed for attaining the objectives, and quantitative data measuring accomplishments and work programmes. The system has been in use in the Coal Corporation for over a decade now, eventhough it has not quite been differentiated in its application from the traditional "Line-item' budgeting, which is incremental in its approach.

However, it is in relation to the first two component concepts - planning and programming - of PPBS that we formulated our hypotheses: (1) That participation of management and sypervisory employees in setting the organization's goals may lead to the attainment of those goals; and (2) that pressetting of goals in the face of dependence on government subsidies and grants may impede the attainment of an organization's plans.

Batty, J. (1982)' had aptly noted that even though the budget is financially oriented, its preparation and execution is not the exclusive function of the finance department of an organization. Recognition must be given to the fact that participation in budgeting by both top and supervisory levels of management is essential for some obvious behavioural reasons as we shall see latter.

Our study of the Coal Corporation revealed that there is no significant difference in the levels of participation of line and staff managers in formulating the Corporation's plans or budgets. For a hundred percent of a random sample of management employees in both categories admitted participating directly, or indirectly by delegating a subordinate, in formulating the Corporation's budgets. Participation is both at the departmental level and at the budget/management committee level. Based on this finding, a conclusion can be made that management at all levels in the Coal Corporation participate in setting the Corporation's goals. But one question that arises from this conclusion is how far has this full participation enhanced the operational efficiency of the Corporation and the attainment of goals and objectives set in the various budgets of the corporation over the years.

The works* of management scientists have shown that it is only participation in financial standard setting (budgeting) that has direct effects on motivation to fulfil the budget of all quantified aspects of a budget. One of such direct effects as revealed in our study is that it aids management control of the operations of the corporation, and decreases the possibility of distorting information and other undesirable alternate actions subordinates sometimes resort to in the face of non-participatarily set standards. Participation in standard setting also leads to improved communication, and makes the standard setting system a continuous learning system, and also increases motivation to fulfil the standards or targets set in the budget. Thus participation satisfies autonomy needs, affiliation nedds in the case of a group participation, and ego needs of achievement.

But the one major factor militating against the operational efficiency and the attainment of goals or standards set in the corporation's budgets over the years are external and can hardly be controlled internally. This factor borders on finance and autonomy of public corporations in the country. The fact that the Nigerian Coal Corporation is not one hundred percent autonomous, and the fact also that it is highly subvented by the Federal Government does not give the management of the Corporation a free hand to decide on when to take on a project contained in its long-term plan. And of course, this, it cannot do without the Government, through the supervisory ministry, being capable and ready to finance such projects. The result is that no matter the degree of participation in setting the corporations goals, and the amount of the attendant zeal and motivation it might bring about, the operational efficiency and attainment of budget objectives and targets or standards will be dependent on the final decisions and actions of the government through the ministry. And the decisions and actions of the government in this respect, on the other hand, will be dependent on the GNP and the general state of the national economy and the prevailing national policies in relation to the various sectors of the economy.

This fact proves our first hypothesis that participation of management and supervisory staff in setting the organization's goals may lead to the attainment of those goals.

For much as it is true that participation can bring to the managers and supervisors the awareness of what is to be done and also provide the much needed motivation and zeal to attain the budget targets, the managers can equally be handicapped to get along with the tasks before them by the autonomy limitations and the financial dependence on the government. Indeed, a situation where the corporation is so financially handicapped that it cannot shoulder its running or operating costs makes the whole idea of budgeting and budgetary control in the corporation a mere paper work, and makes nonsense of the most expected motivation and commitment towards goal attainment through participation.

For our second hypothesis, it has been noted that pre-planning or pre-setting of standards or budgets is the cardinal feature of budgetary control. Besides, all mining concerns such as the Coal Corporation, the Nigerian National Petrolum Corporation (NNPC), and the Nigerian Mining Corporation (NMC) are all futuristic in their undertakings because their operations involve prospecting and mining of minerals. This further makes pre-planning in these corporations more inveVitable. The problem arises when this is done without a corresponding budgetary allocation to achieve the set targets as a result of near total dependence on government grants and subsidies.

For instance, the Coal Corporation planned to carry out massive development, expansion, and mechanization programmes in both her Enugu underground mines and the Benue open cast mines under the Fourth National Development Plan. These programmes are aimed at increasing Coal production to meet the fast growing local and export demands for Coal. The Corporation also planned a carbonization plant under the same plan period to enable the industry to, among other objectives, obtain the vast by-products of Coal such as tar, fertilizers and other industrial raw materials currently being imported. But because of this total dependence on government financing, non of these programmes has been carried out.

The result is that the attainment of the targets or objectives based on these plans had remained an illusion which proves our second hypothesis that pre-setting of goas or pre-planning in the face of total dependence on government subsidies and grants may impede the attainment of an organization's plans.

This problem arising from the dependence on government subsidies and grants is also adversely affecting the operational efficiency of the Corporation with the result that the Corporation had, for the past decade, not been able to break even in the face of the dwindling government subventions or grants. This drop in government subvention is brought about by the drastic downtowns in the global oil market coupled with the battered state of the national economy by the various governments' mismanagement and squandering of the nation's wealth. The effect of all these in the Coal Corporation is that it has been on the sinking course because of non-availability of a comprehensive national energy policy that will enable the Corporation stand on the proceeds from the sale of its products.

The Corporation had been finding it increasingly difficult to shoulder her operating cost alone, Hence the declining trend in coal output as projected in the annual budgets and the shameful and sympartnetic case of non - payment of employees' salaries and allowances. For instance, in 1984, out of the budgeted or projected Coal output of 323,000 tonnes the actual production was 83,461 tonnes[2]. Cases of this nature have been largely attributed to lack of funds to main maintain the machineries and acquire spare parts. All these have further attested to our hypothesis that pre-setting of goals/ targets in the face of total dependence on government subsidies may impede the attainment of such targets.

We shall therefore, conclude this work by summarily making the following suggestive observations. That the greatest problem facing the Coal Corporation is that of dependence on government financing - in the form of grants and subsidies. This results in limitations on the abilities of the corporation's Management to take certain decisions and actions to carry out its operations as contained in the budgets. Added to this, is the constraint arising from the fact that these allocations are made in piecemeals, (see appendix v) and they hardly get to the corporation at the required key time, because of administrative delays.

These situations force the corporation to seek for loans from commercial banks in order to keep up its operations and carry out some capital projects. By the time the money voted by the government actually arrives, the loans earlier procurred will have attracted huge interests, which could deplete the votes of the subsequent quarters. This state of affairs impairs the operational efficiency of the Corporation giving rise to projects embarked upon being stopped half-way.

In view of the above observations and conclusions the following suggestions are recommended to improve the administration of budgetary control in the corporation.

1. The corporation should intensify its efforts in generating sufficient revenue from her alternative sources for its operational costs so as to be able to channel whatever capital grants it gets from the Federal Government to capital projects.

2. The corporation's management should endeavour to improve its forecasting mechanisms, and set realistic plans and goals so as to be able to effectively control its plans and programmes in order to attain its budget targets and objectives.

3. The corporation should find a way of entering into joint ventures with the private sector to finance some of its very commericially viable projects like the carbonization plant project, which has been in the waiting list since the Fourth National Development Plan. Such a move would bring about some degree of commercialization of the corporation, thus enabling it serve the dual role of profit generating and service to the nation.

4. The Federal Government should endeavour to formulate, in the nation's economic interest, a comprehensive envery policy that would encourage full utilization of coal (both domestic and commercial/industrial) as an energy resource just like the petroleum, which is currently so highly favoured at the detriment or utter neglect of other energy resources. Such a policy should be made to compel

some industries such as steel, electricity, cement, among others, to use coal energy for their operations. This will enable the country to conserve her petroleum crude and thereby extending the span of our crude oil.

Lastly, the Federal Government should ensure that the capital grants or subventions for the corporation are released to it at the onset of the corporation's budget period. And whereby it is unable to do this it should encourage the corporation to procure loans for her capital projects, and offset for the corporation whatever interests such loans might generate. This would solve the problem of the corporation using an incoming grant to service loans.

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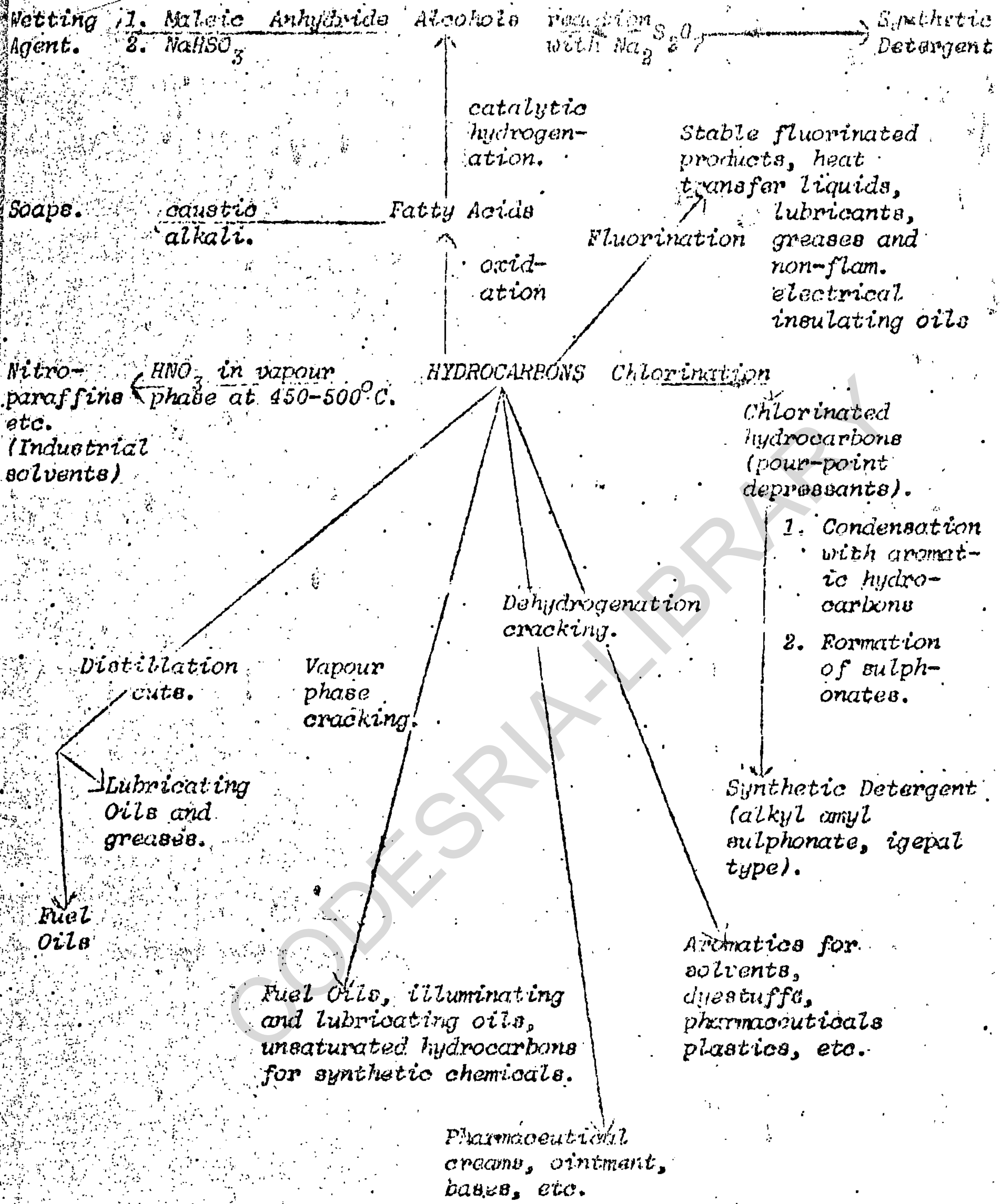

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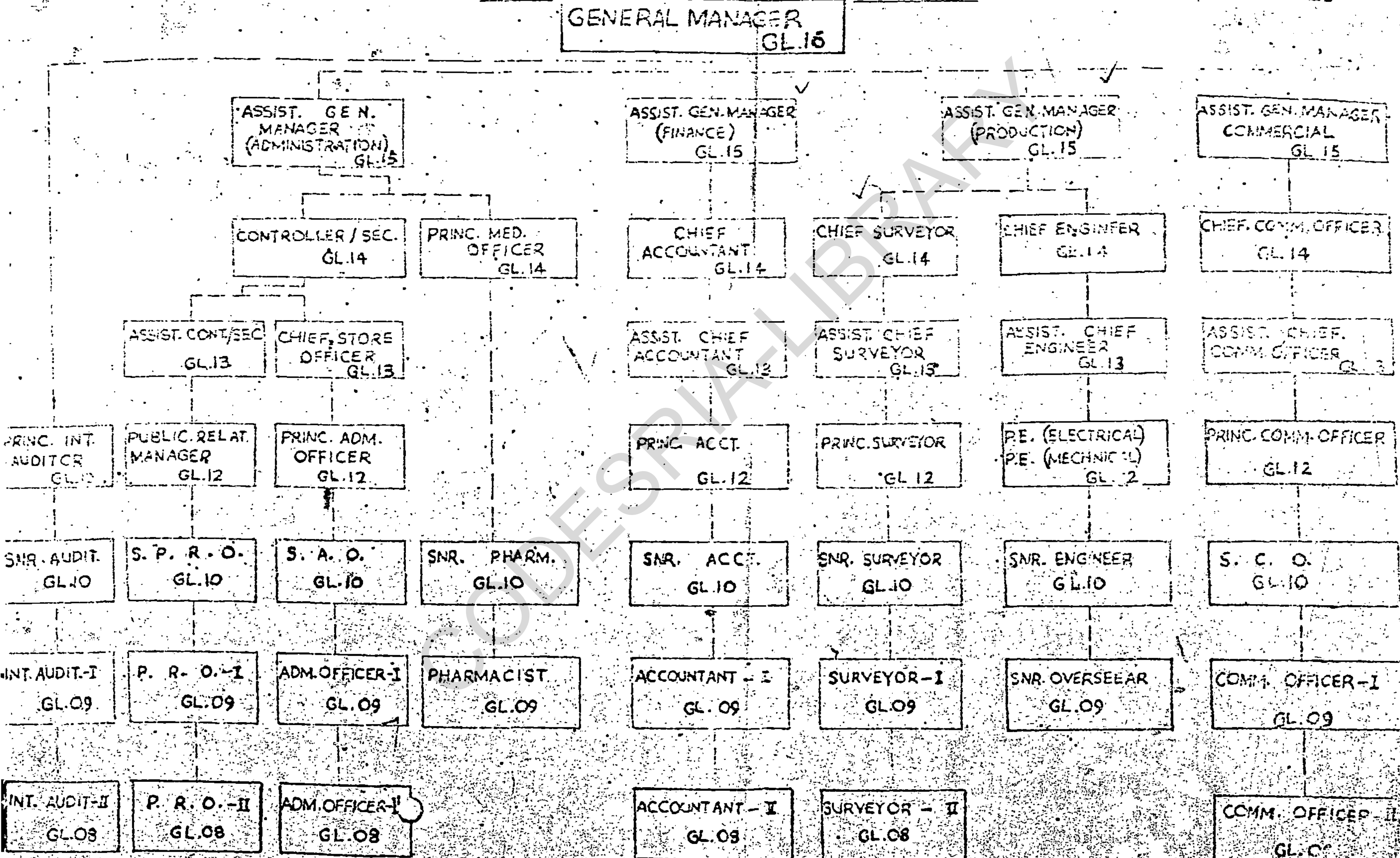
APPENDIX II

ORGANISATION CHART - W.E.F. 1/4/79



Appendix III

NIGERIAN COAL CORPORATION
1983 RECURRENT ESTIMATES
ANALYSIS BY BUDGET CENTRE

BUDGET CENTRE:	1982	1983	
Onyeama Mine	3,902,910	4,753,230.00	
Okpara Mine	3,952,860	4,655,520.00	
Coal preparation Plant	846,970	1,043,600.00	
Okaba/Orukpa/Ogboyoya Mines	860,290	1,144,900.00	
	9,563,030		11,597,250
PRODUCTION OVERHEAD			
A.G.M. (Production)	118,500	136,350.00	
Engineering	1,452,210	2,923,710.00	
Mining School & Training	75,210	324,130.00	
Survey	111,100	176,160.00	
	1,757,370		3,560,350
GENERAL MANAGER			
General Manager	25,940	47,060.00	
Internal Audit	69,630	97,970.00	
			145,030
PLANNING SERVICES			
Planning Services	135,920	164,930.00	
Pitwood Plantation	251,200	344,780.00	
	387,120		509,710
Commercial Department	137,690		505,100
ADMINISTRATION DEPARTMENT			
A.G.M. (Administration)	21,350	33,350.00	
Controller of Administration	196,000	289,940.00	
Hospital	473,630	595,920.00	
Personnel	133,510	179,780.00	
Guest Houses	52,780	57,510.00	
Security	523,900	805,140.00	
Public Relations	82,290	213,230.00	
Estate Management	40,060	153,790.00	2,328,660
FINANCE DEPARTMENT			
A.G.M. (Finance)	19,710	23,110.00	
Chief Accountant's Office	100,000	276,600.00	
Cost and Stores & Budgets Section	63,700	105,760.00	
Physical Stores	180,800	220,880.00	
Final & Sales Accounts Section	83,310	94,380.00	
Personal Emoluments Section	99,190	164,940.00	885,670
	14,331,010		19,531,850

	1982 April.	1983 Est.	1983
BALANCE BROUGHT FORWARD	14,331,010		19,531,850
GENERAL EXPENSES			
Electricity Charges	45,000	3,678,674	
Rents and Rates	90,000	100,000	
Audit Fees	10,000	10,000	
Depreciation	1,000,000	1,000,000	
Expenses of the Board	100,000	150,000	
Contingency Expenses	50,000	500,000	
Licensing and Insurance	40,000	40,000	
Incidental Exp. Allow	25,000	25,000	
Uniforms	20,000	30,000	
Tele. and Postal Charges	15,000	30,000	
Printings and Stationary	100,000	100,000	
Staff Vehicle Loan	-	500,000	
Sports and Recreation	25,000	25,000	
Accident Compensation	50,000	50,000	
Legal Expenses	25,000	50,000	
Research/Coal Utilization	-	200,000	
Maintenance of Office	10,000	20,000	6,508,670
Machines	15,936,010		26,040,520

NIGERIAN COAL CORPORATION
SUMMARY OF RECURRENT ESTIMATES 1983
ANALYSIS BY EXPENDITURE ITEMS

S/NO:	DETAILS	AMOUNT APP. 1982 ₦	AMOUNT PROP. 1983 ₦
1.	Salaries	6,952,120	9,648,550
2.	Overtime	371,500	510,000
3.	Superannuation	1,729,020	2,402,730
4.	Motor Kilometer Allowance	37,900	46,300
5.	Transport Allowance	390,780	467,680
6.	Leave Transport Grant	453,690	492,540
7.	Rents and Rates	90,000	100,000
8.	Audit Fees	10,000	10,000
9.	Licensing and Insurance	40,000	40,000
10.	Depreciation	1,000.000	1,000,000
11.	Roof Supports	1,000,000	1,000,000
12.	Electricity Charges	952,000	4,685,674
13.	Explosives	40,000	50,000
14.	Maintenance of Plants and Equipments	125,000	195,000
15.	Other Consumable Matterials	730,000	431,200
16.	Fuel and Oil	135,000	141,000
17.	Maintenance of Office Machines	10,000	20,000
18.	Maintenance of Office and Roads	50,000	250,000
19.	Maintenance of Senior and Junior Quarters		1,000,000
20.	Senitation	100,000	100,000
21.	Bank Charges	50,000	200,000

21.	Bank Charges	50,000	200,000
22.	Telephone, Telegrams and Postages	15,000	30,000
23.	Newspapers and Periodicals	25,000	15,000
24.	Printing and Stationery	100,000	100,000
25.	Maintenance of Vehicles	50,000	60,000
26.	Board Expenses	100,000	150,000
27.	Manpower Development	50,000	200,000
28.	Rent Sypplement	333,000	350,350
29.	Advertising and Publicity	10,000	120,000
30.	Drugs and Dressings	120,000	120,000
31.	Handling and Freight Charges	250,000	250,000
32.	Uniforms	20,000	30,000
33.	Contingency Expenses	50,000	5000,000
34.	Underground Allowances	200,000	252,500
35.	Accident Compensation	50,000	50,000
36.	Incidental Expenses Allowance	25,000	25,000
37.	Legal Expenses	25,000	50,000
38.	Research/Coal Utilization	-	200,000
39.	Medical Expenses	10,000	10,000
40.	Security Systems and Equipment	-	150,000
41.	Sports and Recreation	25,000	25,000
42.	Security Safes	-	50,000
43.	Guest House Expenses	10,000	10,000
44.	Police Services	1,000	2,000
45.	Staff Vehicle Loan	-	500,000
		15,936,010	26,040,520

NIGERIAN COAL CORPORATION
ESTIMATED REVENUE 1983
COAL SALES

CODE NO.	PARTICULARS	AMOUNT ACT. INCOME 1982	AMOUNT EST. INCOME 1983
200	Nkalagu 300,000 @ ₦18.00 per tonne	-	5,400,000
201	NEPA 120,000 @ ₦18.00 Per tonne	191,373	2,160,000
202	NRC 5,000 @ ₦18.00 Per tonne	40,126	90,000
203	Domestic 20,000 @ ₦18.00 Per tonne	159,422	360,000
204	Exports 40,000 @ ₦20.00 Per tonne	-	800,000
		390,921	8,810,000
	OTHER INCOME	1982 ACTUAL INCOME	1983 EXPECTED
210	Rent and Leases	61,072	50,000
211	Fire Clay Sales	1,188	5,000
212	Forest Prod. Sales	81,922	74,000
213	Sale of Scraps	420	5,000
214	Interest Receivable	3,223	5,000
215	Guest Houses	13,320	30,000
216	Sale of Explosives	5,560	5,000
217	Hire of Equipment	4,048	50,000
222	Miscellaneous Receipts	10,566	20,000
		₦181,319	044,000
	Total Estimated Revenue	₦572,240	₦9,054,000

*See Notes on Page 2A.

NIGERIAN COAL CORPORATION

ESTIMATED REVENUE 1982

COAL SALES

CODE					AMOUNT
200	Nkalagu	150,000 tonnes	@	₦15.00	₦2,250,000
201	N.E.P.A.	20,000 tonnes	@	₦20,000	₦ 400,000
202	N.R.C.	10,000 "		₦20,000	200,000
203	Others	50,000 "	@	₦20,00	₦1,000,000
204	Exports	300 "	@	₦ 5,00	₦1,500,000
		530,000			₦5,350,000

OTHER INCOME

210	Rent and Leases	₦50,000	
211	Fire Clay Sales	5,000	
212	Forest Product Sales	5,000	
213	Sales of Scraps	5,000	
214	Interest Receivable	5,000	
215	Guest Houses	30,000	
216	Sale of Explosives	5,000	
217.	Hire of Equipment	100,000	
218	Sale of Cement	2,000	
222	Miscallanous Receipts	20,000	227,000
			₦5,577,000

NIGERIAN COAL CORPORATION
PERFORMANCE MONITORING REPORT

APPENDIX 4

CODE NO. ____________________ PERIOD: ________________ 19______

BUDGET CENTRE ____________________

ESTIMATED OUT-PUT ____________ TONNES ACTUAL OUT-PUT ________ TONNES

Items of Expenditure	Actual Expenditure	Estimated Expenditure	Variance Favourable	Variance Adverse
DIRECT LABOUR COST				
Salaries				
Underground Allowance				
Rent Supplement				
Superanuation				
Transport Allowance				
Motor Kilometre				
Leave Transport Grant				
Travelling Expenses				
Over-time				
DIRECT MATERIAL COST				
Licensing & Insurance				
Consumables				
Fuel and Oil				
DIRECT EXPENSES				
Maintenance of Pumps & Fans				
Bank Charges				
Entertainment Allowance				
Handling & Freight Charges				
Maintenance of Machines				
Office Electric Charges				
Maintenance of plants, Machines and Vehicles				
CAPITAL EXPENDITURES				
Explosives				
Roof Supports/Steel Arches				
Mines Dev. Salaries				
Electricity Charges (Mines)				

Estimated Cost per tonne ₦ ____________

Actual Cost per tonne ₦ ____________

Asst. General Manager (Finance)

Date: ________________ 19______

Federal Government Allocation as Loan for Capital projects are as follows:-

	1984	1985	1986
	₦	₦	₦₦
1st Quater	400,000.00	1,795,47 .75	2,499,999.00
2nd "	190,000.00	1,436,37 .00	1,840,710.00
3rd "	1,834,037.00	2,154,566.00	2,535,806.86
4th "	1,575,973.00	1,795,471.00	6,326,604.28
Sub-total	4,000,000.00	7,181,886.50	13,203,120.14
	2,294,613.00	2,210,547.00	-
Total Receipts	6,294,613.00	9,392,433.50	13,203,120.14