

# PPA 303 Final Paper Report.docx

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Proposed Expenditure Report for City Budget

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PPA303 FINANCE FOR PUBLIC ADMINISTRATORS

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## A Report on the Proposed Expenditure Plan

### Introduction

As an elected public official in the city, the reporter intends to appropriately allocate the US \$10 million funds available according to the federal standards and by the financial and accounting principles in an attempt to meet the diverse needs of the 250,000 city residents. To accomplish this objective, the reporter has sought the assistance of the committee members in the identification of the most current and urgent needs of the city residents. It should also be noted that the budget on which this report is based runs for one year. The city is faced with some challenges which must be eventually addressed in the next five years, but due to inadequacy and limitedness of resources, only a few priority needs will be dealt with in the first one year. The reporter believes that the funds allocated will be sufficient to prepare a budget that will build a firm foundation for the successful implementation of the city's agenda for the next five years. The city's population growth rate over the last decade is alarming and, therefore, a proper plan must be put in place to avoid an uncontrollable situation associated with a fast-growing population in a small city. In most growing cities everyday challenges are encountered, for example, congestion, air and water pollution, poor sanitation, insecurity, traffic jams, scarcity of clean and safe water for consumption, poor housing among others. Addressing these problems is always a costly affair since it requires a properly executed financial plan. Otherwise, serious and dangerous repercussions always follow. Family planning is not always the best way to handle an alarming population growth, but proper urban planning is the way to go (Jessica, 2017).

US\$10 million budget will be sufficient to support the needs of the city at least for one year.

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A report on the survey conducted by both the reporter and the committee members on the most urgent needs of the city where even the city residents participated revealed the following:

- ✓ Provision of safe water and sanitation for the residents remained the most priority need.
- ✓ Security improvement in the city.
- ✓ Improvement of urban mobility.
- ✓ Improvement of the health services and air and water pollution control.
- ✓ Affordable urban housing.

Some of these needs are unique to particular sections of the city since the city residents will have different needs. Obviously, addressing these needs would require even bigger budgets, but the reporter believes that once a good foundation is built, the implementation of the five-year agenda will be made even simpler.

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Public and private sectors differ in their goals and objectives and, therefore, follow different principles and practices of accounting. Whereas private organizations aim to satisfy the concerns of their shareholders and owners, public agencies aim at satisfying the interests of bureaucrats and politicians with the oversight of their operations and their constituents where they are elected officials (Patton, 2013). Both sectors, apply budgets for planning, however, a public budget must be balanced whereas, for private sectors, a budget is applied for projecting operating results such as revenues, expenses, and profits. The public sector must cut services, raise taxes or fees (receipts) if the budget fails to balance. Furthermore, the main aim of private sector businesses is to maximize profit by reducing costs and raising revenue while public agencies aim at maximizing service delivery to the constituents and other stakeholders by

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spending the authorized amount in the budget. Additionally, public sector agencies undertake bookkeeping and accounting functions as required by the governing legislation while private sector organizations abide by the GAAP (Generally Accepted Accounting Principles) which govern the way liabilities and an asset is displayed on the balance sheet. Lastly, while public-sector audits ascertain that expenses portrayed are accurate, private sector audits to determine that financial stability and profitability of a company are correctly presented (Markgraf, 2017).

The US\$ 10 million budget is prepared as shown in the table below. The figures are in a million dollars.

Program	Previous Fiscal Year:	Current Fiscal Year:	Percentage increase
	Actual	Budgeted	
Water and Sanitation	0.7	1.7	142.9
Security	0.5	1.0	100.0
Urban Mobility	1.2	2.7	125.0
Health Services	1.0	1.4	40.0
Urban Housing	2.5	2.7	8.0
Fund for Emergencies	0.1	0.5	400
<b>TOTAL</b>	<b>6.0</b>	<b>10.0</b>	<b>66.7</b>

Table 1.1

From the budget above provision of safe water and sanitation will cost US\$ 1.7 million. This amount is budgeted for some activities including repairing damaged sewerage system, payment of labor, drilling boreholes, garbage collection and installation of a modern integrated solid waste management system. Through the accomplishment of these activities, the city is

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expected to be a safe and better place for the dwellers. Some of the waterborne diseases brought about by poor sanitation will be avoided and, thereby, reducing unnecessary health-related costs.

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The US \$1 million allocated for security will finance the following activities: recruitment of more safety officials, equipping the city police departments with more facilities, payment of the staff members and training. This will be in an attempt to reduce violence, theft and burglary, drugs and human trafficking and all sorts of crime prevailing in the city especially in the most affected areas. Strong security will ensure the safety of the residents which will eventually more investments in the city ensuring the city's economic prosperity.

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Urban mobility is a requirement for the success of any city. The proposed budget of US \$2.7 million will be allocated in the accomplishment of the following activities: reducing road bumps and rumble strips along the major roads serving the city to ease traffic jams, eliminating bus stages operating inside the city and relocating them outside the city center to avoid unnecessary congestion, construction of more footbridges and repairing damaged roads.

Improvement of health services has been allocated US \$1.4 million which will be used to finance the following: recruitment of more medical staff, remuneration, equipping the health facilities with more drugs and other necessary items and creating more public awareness campaigns on the importance of healthy living. The aim is to ensure there is a reasonable doctor-patient ratio and that the medical staffs are properly motivated in the performance of their jobs. A healthy worker is always more productive than a malnourished one (Lewis, 2015).

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Proper and affordable housing for the residents will be another priority on the one-year city agenda. This is a gradual process which is not expected to be accomplished with one year, but a preliminary stage will ensure the city council has improved the housing standards of more

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than 20,000 city residents within the first one year. The US \$2.7 million budget will be allocated for temporary relocation of certain residents who will be the first beneficiaries of the urban affordable housing development scheme and for the initial setup of the project. This will again reduce congestion and improve the living conditions of the residents thereby preventing unnecessary costs associated with prevention and treatment of waterborne and other communicable diseases.

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Emergency funding will account for US \$0.5 million which will be set aside for any unforeseen expenditures not captured by the budget and which might arise within the year. If all or part of this fund is not used it will be carried forward for the next fiscal year. Any amount withdrawn from this fund must be authorized and fully accounted for before and after it has been expended.

Preparation of the budget is not the end but a means to the end. Having prepared a budget, the budget needs to be checked closely to ascertain whether or not it complies with the acceptable rules and regulations governing the preparation and execution of a public budget. The control or proper management of finances remains a vital issue to ensure accountability, transparency, fairness, comprehensiveness, and effectiveness of the budget. There are different approaches that can be applied in order to ensure that public resources are not wasted, there is no fraud and proper and accurate financial reporting is done according to the governing regulations.

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Some of these approaches are:

- ✓ Internal (management) control systems, internal audits.
- ✓ External controls/audits.

Here, internal control systems are the procedures and policies set by the city manager to ensure that the city's programs achieve the desired results; that the programs are prevented from fraud/errors, waste, and mismanagement, that the technical, human and financial resources employed for the achievement of these programs are consistent with the objectives and goals of the budget and that timely and reliable information is acquired, reported and maintained for the making of decisions. Internal financial control must first of all start with the management/leadership of the city. Therefore, for an effective internal control, the management ought to be fully committed to the successful management of the entity by demonstrating individual professionalism and integrity. There also must be adequate management policies to monitor, prevent and respond to unlawful acts. Ineffective financial control will lead to corruption and fraud, financial loss, inappropriate/inaccurate reporting etc. After all, precautions are considered, internal audit will ensue after the fiscal year. This is done internally by officials in the audit department to check if there are anomalies and then report such anomalies. On the other hand, external audit or control is done from outside the concerned federal agency. In this case, the federal government may appoint an external auditing firm to audit the public accounts of the city council (Bradley, 2013).

The reporter believes that the benefits of an internal control/ audit outweigh the benefits of an external audit and therefore this report recommends proper internal management control systems and thus external audit would come as a measure of the last result.

International Finance Reporting Standards (IFRS) recognizes the following financial statements:

- ✓ Statement of financial position(balance sheet),

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- ✓ Statement of comprehensive income,
- ✓ Statement of changes in equity
- ✓ Statement of cash flows, and
- ✓ Notes, with summarized significant policies of accounting.

The following are the public financial reporting requirements:

First of all, the information contained in the statement must be relevant to the needs of the stakeholders. This implies that reporting or failure to report such information will or misrepresentation could influence the stakeholders' decisions. Secondly, the information should be understandable by the stakeholders through clear presentation and with supporting footnotes for more clarification. Thirdly, the financial information should be reliable, accurate and verifiable to avoid misleading the public. It must, therefore, be unbiased, error-free and faithful such that it represents uncertainties and estimates prudently through full disclosure. Again, the information should be comparable to the previous information presented and, finally, the information should be presented in a timely manner (George, 2014).

The reporter uses horizontal and vertical analysis methods to assess the success of the city's programs for the current fiscal year (White, 2012). This analysis will be used to inform future decisions in the implementation of the city's five-year plan. From table 1.1 above, the allocation for the provision of clean water and sanitation increased by 142.9%, being the highest rise of the five programs. This shows that it is the most urgent need that needs to be addressed before the others. It also shows that it was previously neglected since bearing in mind that it is even as costly as the others. Allocation on urban mobility, on the other hand, rises by 125% implying that it is the second challenge that must address during this particular fiscal year. The

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need for that rise is necessitated by the increase in the traffic congestion in the city. The budgetary allocation on security rises by 100% from the previous fiscal period due to the reported increase in crime rates in the city particularly in the more congested areas. Allocation of urban housing, increased by 8% suggesting that it is not an urgent but a necessary need that must be addressed in order to solve the associated challenges in the long-run. Finally, there is an overall increase in the budgetary allocation by 66.7% which strongly suggest that the city needs are dominant and should be addressed immediately if the city has to flourish economically.

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### Conclusion

From the US \$10 million allocated and the budget prepared it clearly implies that the funds are sufficient to support the urgent needs identified for that particular fiscal year. Most importantly, the financed programs will build a firm foundation for the implementation of the city's five-year plan for the remaining four years.

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The reserved or emergency funds allocated will ensure a continuous flow of activities in the event the city government runs short of finances within the year as a result of uncertainties that might arise. Again, the city government needs to raise more funds in terms of taxes and other fees in order to reduce debts from external borrowing. This is to raise more revenue which will be required to finance the budget for the next fiscal year which is expected to rise further by more than 66.7%.

The city government will be expected to allocate even more funds for development expenditure. Allocation for urban mobility is expected to increase more than the rest because of the need to construct a subway system in the city which will eradicate traffic congestion once and for all. Another project expected to receive more funds is the improvement of urban housing

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since this is the master plan of the city which will reduce almost all the major problems that the city is facing.

Finally, the city executives should lead by example by instilling confidence to the investors so that the city could become a business and investment destination for investors in order create more jobs to the high number of unemployed youths in the city. They can simply achieve this end by demonstrating accountability, transparency, reliability, and fairness in all their endeavors.

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