THE INFLUENCE OF BUDGETARY CONTROLS ON BUDGET PERFORMANCE IN LOCAL GOVERNMENT AUTHORITIES (LGAS) IN TANZANIA:

A SURVEY OF LGAs IN MTWARA REGION
THE INFLUENCE OF BUDGETARY CONTROLS ON BUDGET PERFORMANCE IN LOCAL GOVERNMENT AUTHORITIES (LGAS) IN TANZANIA:

A SURVEY OF LGAs IN MTWARA REGION

By

Karume Hasunga

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance of Mzumbe University 2014
CERTIFICATION

We, the undersigned, certify that I have read and hereby recommend for examination by the Mzumbe University, a dissertation entitled: The Influence of Budgetary Controls on the Budget Performance of Local Government Authorities (LGAs) in Tanzania: A Survey of LGAs in Mtwara Region, in partial/fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance of Mzumbe University.

Signature

_____________________
Major Supervisor

Signature

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Internal Examiner

Accepted for the Board of

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I, Karume Hasunga, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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DEDICATION

I dedicate this work to my beloved wife, Jeska John Kwanga.
# LIST OF ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Expansion</th>
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<tbody>
<tr>
<td>CMT</td>
<td>Council Management Team</td>
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<tr>
<td>CAG</td>
<td>Controller &amp; Auditor General</td>
</tr>
<tr>
<td>D-by-D</td>
<td>Decentralization by Devolution</td>
</tr>
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<td>IPFs</td>
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<tr>
<td>LAAC</td>
<td>Local Authorities Accounts Committee</td>
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<td>LGA</td>
<td>Local Government Authorities</td>
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<tr>
<td>MC</td>
<td>Mtaa Committee</td>
</tr>
<tr>
<td>MOFEA</td>
<td>Ministry of Finance and Economic Affairs</td>
</tr>
<tr>
<td>O&amp;OD</td>
<td>Opportunities and Obstacles to Development</td>
</tr>
<tr>
<td>MPs</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>PEDP</td>
<td>Primary Education Development Programme</td>
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<tr>
<td>REPOA</td>
<td>Research on Poverty Alleviation</td>
</tr>
<tr>
<td>RS</td>
<td>Regional Secretariat</td>
</tr>
<tr>
<td>RAS</td>
<td>Regional Administrative Secretary</td>
</tr>
<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
</tr>
<tr>
<td>VC</td>
<td>Village Council</td>
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<tr>
<td>WDC</td>
<td>Ward Development Committee</td>
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ABSTRACT

The purpose of this study was to examine the influence of budgetary controls on the budget performance at local government authority (LGAs) in Mtwara Region. The specific objectives were to examine the effectiveness of budgetary controls at the LGAs in Mtwara region, to assess the budget performance at the LGAs in Mtwara region and to determine the influence of budgetary controls on the budget performance in the LGAs in Mtwara region. Cross-sectional design was employed in which case that data were collected using closed ended and self-administered questionnaires using a five point Likert Scale. A total of 47 heads of departments were involved in the study. Data were analyzed using Likert scale.

The findings indicate that various heads of departments at LGAs in Mtwara region acknowledge that budgetary controls in their respective institutions were effective and adequate. On the contrary however, the findings indicate that budget performance at LGAs in Mtwara region was perceived ineffective. Among the reasons for that were identified as due to failure to receive all the funds budgeted for and some budget deviations influenced by political pressures. This implies that, the overall budget performance at LGAs in Mtwara region was not directly influenced by budgetary controls since the activities which received funds for execution were carried out as planned.

In light of the above, the study concludes that, the ineffectiveness of budget performance at LGAs in Mtwara were not caused by poor budgetary controls but rather, it was due to external influences from the intervening factors such as political interferences and failure to receive all the funds budgeted for on time. The study recommends therefore that, there should be serious measures aimed at eradicating the intervening factors that make LGAs fail to execute their budgets effectively as planned.
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CHAPTER ONE

INTRODUCTION

1.1 Chapter Overview

This Chapter presents preliminary information that describes the basic aspects of the study. It includes background information to the research problem, statement of the problem, general aim of the study, specific objectives, research questions, and significance of the study.

1.2 Background Information

According to McNally (2002), the term budget refers to a plan, quantified in monetary terms, prepared and approved by appropriate authorities prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective. In this way, budget is considered as a technique for setting the organization’s priorities by allocating scarce resources to those activities that are considered most important (Benlo, 1990). The budget is also viewed as a tool for directing activities and the efforts of the employees towards a common objective. Having such a fundamental role, various institutions use budget as a device intended to provide greater effectiveness in achieving organizational efficiency by limiting spending and preventing overspending by allocating resources and providing choices between potential items of expenditure (Izhar, 1990).

The decision of what to spend the money for involves a process in which individuals or groups play a part in the decision making and the decisions are coordinated before the resources are allocated. The budgeting process shows who has power over the budget decisions, how the decision is made, how much information is provided, what kind of decision rules are used and the comparison between the proposed expenditure (Benlo, 1990).
However, planning for the sake of it is of no use. Plans should work to achieve the results planned under a well controlling mechanism. For it, budgetary control is needed. Mordi (2000) defines budgetary control as “the establishment of budgets relating to the responsibilities of executives of a policy and the continuous comparison of the actual budget with the budgeted results, either to secure by individual action the objectives of the policy or to provide a basis for its revision.” Therefore, Budgeting, Control and measuring and reporting, analyzing and feedback constitute elements of budgetary control (Chandan, 1998). According to Arora (1995), budgetary control is one of the very important tools of planning and control. Thus management is termed efficient, if maximum results are achieved with minimum costs and efforts. To achieve the anticipated targets, Planning, Coordination and Control are the important main tasks of management, achieved through budgeting and budgetary control (McGill, 2001).

(LGAs) in Tanzania are institutions which are charged with the main function of delivering services to the public. This broad responsibility is implemented through three stated basic functions which are: maintenance of law, order and good governance; promotion of economic and social welfare of the people within their areas of jurisdiction and ensuring effective and equitable services to the people (URT, 2006). There are other seven functions and duties of which LGAs are charged with in addition to the three basic functions stated above. One of those functions is to ensure the collection and proper utilization of the revenues in the councils (URT, 2006).

In ensuring proper utilization of the revenues, LGAs have to plan for the activities and then develop a result oriented budget depending on the revenue which comes from the government allocation and the one which is generated locally (Ngowi, 2005). This means that LGAs in Tanzania are required to forecast and plan ahead all operations under the budget guidelines issued by Prime Minister’s Office-Regional Administration and Local Government (PMO-RALG) before actual execution (Haki Elimu, 2008). Thereafter, the actual results have to be compared with the planned action by exercising budgetary control.
Evidence from the literature (i.e. REPOA, 2008; URT, 2009; Haki Elimu, 2008) indicates that there are departures in the budgetary implementation in many LGAs in Tanzania, hence failure to stick to the planned activities. This has resulted in failure to meet budgetary obligations in many of these authorities. Basing on this scenario, this study intends to seek some insights about budgetary controls in LGAs in Mtwara region by examining the influence of the existing budgetary controls on budget performance of their respective LGAs.

1.3 Statement of the Problem

(LGAs) in Tanzania draw budgets annually and use them as the basis for guiding their activities in delivering services to the public. However, there are a number of problems or challenges which have been observed regarding budget execution in most of LGAs in Tanzania. One among the challenges which has been noted is the existence of discrepancy in the budget implementation between the activities which are budgeted for and the activities which are implemented. Many LGAs fail to stick to the drawn budgets and this has resulted in failure to meet budgetary commitments in many of these authorities (REPOA, 2008; HakiElimu, 2008; URT, 2009). There have been for example, delays in payment of suppliers and activities in these LGAs have slowed down because of lack of funds despite the fact that most of these activities were budgeted for (URT, 2009).

It is evident from the reviewed literature that budget performance of any institution is greatly influenced by budgetary controls employed in that institution (Regents, 2006). However, a scan through literature on factors affecting budget performance in the LGAs in Tanzania reveals that a gap remains on the influence of budgetary controls on budget performance of LGAs in Tanzania. This means that little is known about the effectiveness of budgetary controls in LGAs in Tanzania and the manner in which budgetary controls influence budget performance at LGAs. It is essential therefore to conduct a study to examine the influence of budgetary controls on the budget performance of LGAs in Tanzania so as to reveal the nature of budgetary controls employed at LGAs and their influence on performance.
1.4 General Aim of the Study

The study’s general aim is to examine the influence of budgetary controls on the budget performance of LGAs in Mtwara Region.

1.4.1 Specific objectives

i. To examine the effectiveness of budgetary controls on budget execution at the LGAs in Mtwara region.

ii. To assess the effectiveness of budget performance on budget execution at the LGAs in Mtwara region.

iii. To examine the influence of budgetary controls on the budget performance at the LGAs in Mtwara region.

1.4.2 Research questions

i. What is the effectiveness of budgetary controls on budget execution at LGAs in Mtwara region?

ii. What is the effectiveness of budget performance on budget execution at LGAs in Mtwara region?

iii. What is the influence of budgetary controls on budget performance at LGAs in Mtwara region?

1.5 Significance of the Study

This study is necessitated by the need to examine the influence of the existing budgetary controls on budget performance of LGAs in Mtwara region as to gauge the insights on the influence of the existing budgetary control systems on the budget performance of the respective LGAs. Furthermore, recently, literatures are limited with regards to budgetary control practices and procedures in the LGAs in Tanzania. It is evident from the literature that whenever budgets are formulated, planned, prepared and presented, the control mechanisms have not been effectively adhered to thus resulting in budget implementation failures in the LGAs.
This study was intended to unveil the views of the accounting managers in the LGAs in Mtwara region about the effectiveness of budgetary controls and their influence on the budget performance while also highlighting the control mechanisms required for a successful budget implementation. It is therefore the opinion of the author that the findings of this study will translate to a good reference material for academics, financial institutions, Parastatals, governments and the public in general in budgetary controls in the LGAs, their practices and influence on budget performance in LGAs in Tanzania.

1.6 Scope of the study
This study covers only six (6) Local Government Authorities (LGAs) in Mtwara. The LGAs are Mtwara-Mikindani Municipal Council, Mtwara Rural, Newala, Tandahimba, Masasi and Nanyumbu District Councils. It was not possible to extend the span of the study to include other LGAs in Tanzania due to inadequate resources and the demand of the study. The focus was therefore on LGAs in Mtwara Region because it was conceived that the findings drawn from these LGAs will be inferred to other LGAs in Tanzania as many of them share the same nature and characteristics.

1.7 Limitation of study
There were some few limitations faced in undertaking this study. The period when data were collected was the busy period as many targeted respondents were engaged in preparing budget preliminaries as it was the end of the financial year. However, efforts were exerted to seek their willingness to participate in the study, and thanks to God that the majority participated as required. In the field, it was somehow difficult to access certain financial information as matters regarding finance were considered to be confidential. More efforts were employed to seek such information and eventually everything came to the line, especially, after giving respondents clear elaboration of the purpose of the study and assurance of keeping the information undisclosed. In collecting questionnaires, some respondents delayed to return them on time and deliberate initiatives were taken to follow them from respondents.
CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

This Chapter reviews relevant literature from various studies carried out in developing countries, regarding budgetary controls by other scholars and writers that contribute to our understanding of budgetary control mechanism. It also highlights budget process executed in the LGAs in Tanzania, the need for the study and the conceptual framework.

2.2 Concepts and Components of Budgetary Controls

Budgetary Control is the process of comparing actual results with planned results and reporting on the variations (McGill, 2001). Control compares actual performance and budgeted and helps expenditure to be kept within agreed limits. The most important managerial problem in Budgetary Control is the interpretation of budget variance. Deviations should be noted and corrective action taken. Budgetary Control is constituted of Budgeting, monitoring and control, analyzing and feedback (Mwabilu, 2004).

2.2.1 Budgeting and planning

2.2.1.1 Budgeting

Budgeting is the process of preparing and using budgets to achieve management objectives. A budget represents management’s plans of action for future periods of an organization (Mordi, 2000). Extensive use of budgeting has been documented in studies of Scarborough et al., (1991). They have largely highlighted the significant emphasis, which diverse types of organizations in various countries, put on budgeting systems, as key elements of management control. Increasingly, however, there appears to be a paradigm shift in the management accounting literature, while there are still advocates of budgeting, critics argue that the traditional budget is no
longer appropriate given changes in technology and the rapidly changing business environment (Kaplan, 1990).

Proponents of budgeting argue that budgets have several important roles. Blocher (2002), for instance argues that budgets help to allocate resources, coordinate operations and provide a means for performance measurement. Hilton (2000) agrees with this view and claim that the budget is most widely used technique for planning and control purposes. Budget is described as a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain given objectives (Mordi, 2000). Budgeting involves the preparation of an itemized financial statement showing what the expenditures are going to be over a given period, usually a year. The budget may also show what income the institution is likely to generate during the same period.

Havens (2000) notes that fundamental to the success of any organization, is drawing a budget plan and putting it in operation. Further, notes that creating a budget is important as it enforces an organization to carefully consider the expected demand for its products, services and the resources required to meet that demand. It also translates the higher priorities for the organization into the appropriate resources required to achieve those priorities, as it would be difficult to allocate resources due to scarcity without a budget plan. It creates the baseline against which actual results can be compared. Budgets act as a basis for measuring performance in organizations and help in directing the activities of the organization hence giving earlier signals on variances in sufficient time to take corrective actions.

Budgeting serves functions of financial and management control. Financial control results to the control of financial resources while management control ensures that the activities of the parts of the organization are co-coordinated (Otley, 1987). Budgets coordinate the activities of the parts of the organization and through this; the objectives of the organization are harmonized with the objectives of the parts or departments. Budgets facilitate coordination through communication of information
about plans to managers and employees (Sebbi, 1994). Budgets perform the function of control, which is the art of comparing where you are (actual performance) to where you are supposed to be (Budgeted) so that corrective action can be taken. Therefore, through control, organizational activities are monitored and performance is evaluated (Simons, 1995).

Budgeting at the local level is intended to improve service delivery by shifting responsibility from policy implementation to the beneficiaries and promotion of local skills. This is intended to place emphasis on transparency and accountability in the management of public affairs (Dannilo, 2002). On the other hand, if the budget is insufficient to compete a piece of work, additional funds should be availed so that the project is completed. Additional funds in form of supplementary estimates should be availed so long as satisfactory reasons are given, this will facilitate completion of projects on time. It will also reduce wastage of resources on uncompleted projects. There is need to plan for changing business conditions in order to appropriately take action that can deal with changes that occur should any of the plans be affected by such changes (McNally, 2002).

2.2.1.2 Planning

Planning as part of the Budgeting system involves a long range planning, strategic planning and short term planning (Briston, 1987). Further, emphasizes that short term budgeting must accept the environment of today, and the physical human and financial resources at present available to the organization. Planning involves selecting objectives and action to achieve them. It is looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This comes from the information system (Lewis, 1996).

Good planning is characterized by clear objectives and goals. It must be simple and comprehensive. The plan should be well balanced and flexible so as to incorporate changes in the resources and should be time bound. Properly covered plans tell what,
when and how something is to be done (Chandan, 1995; Bhatia, 1996). Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it’s imperative that they are listed in order of preference.

Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the long term planning process (Alesina and Perotti (1996). Benefits of budgeting accrue to the whole organization if both the short and long term consequences of the budgets are considered (Otley, 1987). However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Briston, 1987). The planning process ensures that managers do plan for future operations, and consider how conditions in the next year might change and what steps they should take to respond to these conditions.

2.2.2 Monitoring and Control

2.2.2.1 Monitoring

Budgetary Monitoring and Control is a deterrent process against misappropriation of funds in terms of procedures and rules that establish the boundaries of financial behaviour. According to Havens (2000), budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages:

- Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance.
- Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day.
• Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers.

This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action. The “bottom-top” approach of budgeting allows participation of all levels of management in the decision-making process. Negotiations then begin between the corporate office and department heads to finalize budgetary figures. The budgetary process then shifts to a "tops-down" approach, where the corporate office has ultimate control to set the final budget. Through this process of monitoring, analysis and control, the problem of "ratcheting" is generally avoided (Hilton, 2000).

A budgetary monitoring and control process assumes that expenditure must agree with the budgeted plans and maintains information about expenditure. Financial control is also one of the most important aspects of budgeting. By means of budgetary control, which means comparing actual results with planned results and reporting on the variations, a control frame is set for management.

This frame points to managers to track flow of resources accurately and consistently. This calls for continuous control process through the year, and not just at the end of a budget period. The objectives of control are to plan the policy of an organization, to coordinate the activities of the organization so as to achieve the targets set. According to Havens (2000), financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work programmes.

2.2.2.2 Control

Control basically provides the ex-ante motivation to achieving the budget and the ex-post reinforcements necessary to ensure future motivation (Chandan, 1995). Hence
the perception of variances as extremely important and valid measures of performance is upheld. The evaluation of budget performance should be based on a comparison of actual performance with an adjusted budget to reflect the current circumstances of the environment under which managers are actually operating. It therefore assists managers in monitoring and controlling the activities for which they are responsible. By comparing the actual results against the budgeted amounts for different categories of expenses, managers can ascertain which costs don’t conform to the original plan requires their attention (Dannilo, 2000). This process enables management to operate a system of management by exception, which means that a manager’s attention and effort can be concentrated on significant deviations from the expected results. Thus enabling managers to identify inefficiencies and appreciate control action thought to remedy the situation.

By means of budgetary control that is, comparing actual results with planned results and reporting on the variations, a control frame is set for management. It helps expenditure to be kept within the planned limits (Alesina and Perotti, 1996). Glautier (1997) argues that in order to achieve the expected output results, monitoring and evaluation is necessary. Monitoring and evaluation maintains stability under many competing forces, hence important to lower local government effectiveness (Husselid, 1995).

2.2.3 Analyzing, feedback and performance

2.2.3.1 Budgetary analysis

Analysis is the process of examining variances by sub-dividing the total variance into smaller parts in such a way that management can assign responsibility for any off budget performance. An aspect of variance analysis is the need to separate controllable from uncontrollable variances. A detailed analysis of controllable variances will help the management to identify the persons responsible for its occurrence so that corrective action can be taken. Through variance analysis it is established whether over expenditure is caused by deliberate actions or inadequate controls by management (Arora, 1995).
It is imperative that staff learns that their adverse variances are be analyzed, that unjustified expenditure will not pass without punishment. This will increase staff care as to the use of resources in performance of tasks and in so doing control costs and the associated variances. According to Glautier (1997), a budget variance requires analysis, investigation and correction. The analysis of the budget variance necessitates splitting up the variance into two components of standard costs (i.e. quality standard and the price standard).

The variances could be corrected through strict enforcement of use of the budget whenever expenditure is incurred. This is preventive control. This means that previous over expenditure attributed to the use of resources without particular reference to the budget as a control tool, are eliminated. Items on which money is spent are budgeted for and any expenditure incurred is only after reference to the budget (Guthrie and Petty, 2001).

The primary function of evaluation-reward aspect of budgetary control is to provide the ex-ante motivation to achieve the budget and the ex-post reinforcement necessary to ensure future motivation (Kerr, 1979). This is what makes variances to be perceived as extremely important and valid measures of performance. Performance evaluation of budgets should be based on comparison of actual performance with an adjusted budget to reflect the circumstances of the environment under which managers actually operate. A budget assists managers in managing and controlling the activities for which they are responsible by comparing the actual results against the budgeted amounts for different categories of expenses, managers can ascertain which costs do not conform to the original plan and thus require their attention (Havens, 2000).

According to Hilton (2000) corrective action is necessary when the final results deviate from plans. The gaps are addressed through punishment of those staff that spends more than the budget without good reason. In situations where gaps were not anticipated and they occurred, it is necessary to redraw the budget so as to have the objectives match the cost incurred and this is feedback control.
2.2.3.2 Feedback

Feedback is an important role of budgeting for attaining the expected quality and standards in planning, control and leadership and staffing. According to Mordi (2000), feedback is generally positively associated with budget performance. It focuses on the extent to which employees have achieved expected levels of work during a specified time period. The reports should be simple and suitable for the level of understanding for the user. They should be presented promptly to enable timely actions to take place. Reports should be accurate to enable the making of corrective decisions based on the reports. However, the extreme accuracy should not be at the cost of promptness. It has to be noted that the principle of exception should be utilized where possible.

Budgetary Control is not effective unless there is continuous flow of budget reports. These reports should be prepared at regular intervals (say monthly) to show comparison of actual performance with that budgeted. Such reports may be presented to heads of budget centers, showing favorable or unfavorable variances from budget figures. These heads of budget centers should explain these variances to the top management so that necessary corrective action may be taken (Arora, 1995). According to Havens (2000), a good budget system should be integrated with the standard cost system. Where standard costing system is used it should be integrated with the budget programme in both budget preparation and variance analysis. Unfavorable variances are mostly scrutinized which take the form of over expenditure or expenditure incurred on non-budgeted items.

2.2.3.3 Budget performance

Budget performance is a management initiative to upgrade the accuracy and timeliness of financial information. Areas of emphasis include reducing erroneous payments and strengthening the management of government held assets (Havens, 2000). Performance budgeting is an integrated annual performance plan and annual budgeting that shows the relationship between program funding levels and expected results. It shows that a goal or set of goals should be achieved at a given level of
spending. Performance budgeting identifies the relationships between money and results, as well as explaining how those relationships are created. A program performance budget defines all activities, direct and indirect required by a program for support in addition to estimating activity costs (McGill, 2001).

Improving the performance of an organization is a central concern of management researchers, and speculation about the factors related to organizational effectiveness is abundant in the literature and elsewhere. Unfortunately, little effort has been made to verify these factors empirically. One reason is that organizational performance is a difficult concept to define and measure. Stakeholders often disagree about which elements of performance are most important and some elements are difficult to measure because they are preventive in nature (Mordi, 2000).

Performance as defined by McGill (2001) is the agency outputs, with an agency’s program structure linking outputs to long-term objectives, which then creates a performance budget. This process helps to annually track and report programme results and provide reasons for performance not meeting expectations (Mordi, 2000).

2.2.4 Performance measures

Havens (2000) describes performance measurement as a process of assessing progress towards achieving pre-determined goals including information on the efficiency with which resources are transformed into goals and services, the quality of those outputs and outcomes, and the effectiveness of the organizational operations in terms of their specific contributions to organizational objectives.

Research made by several scholars has indicated that in this modern world where there is relentless technological change, changing customer tastes, demand and uncertainties in the market, on financial indicators have become essential for characterizing an organization future performance (Guthrie, 2001). Non financial measures reflect activities an organization performs in order to execute its strategy and as such serve as predictors of future smooth operations of an organization.
According to Melkers and Willoughby (2000), sustainable shareholder value is driven by non-financial factors such as employee satisfaction, internal processes and organizational innovation. This study defines performance in respect to internal business processes like new innovations, quality of service provided, expansion of infrastructure and timely payments to suppliers and service providers.

Performance of any institution is often evaluated by measuring success in meeting the budgets. This view is shared by Mordi (2000), who says that when the budget management is successful bonuses are awarded on the basis of an employee’s ability to achieve the targets specified in the periodic budgets, or promotion may be partly dependent upon a successful budget record.

The development of a performance budget is a simultaneous top-down and bottom-up process. Senior planners and policy officials must articulate program goals and objectives. They also must outline the levels of resources that they anticipate allocating to support those goals and objectives. These same officials should identify outcome measures that determine whether goals, objectives, resource levels and outcome measures must be developed and validated by lower level managers.

2.3 Relationship between Budgetary Controls and Performance

Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved (McNally, 2002).

Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done (Arora, 1995). The basic objectives of
budgetary control are planning, coordination and control. It’s difficult to discuss one without mentioning the other (Havens, 2000).

A budget provides a detailed plan of action for an organization over a specified period of time. By planning, problems are anticipated and solutions thought. This helps to reduce on costs and achievement of goals is enhanced (Sebbi, 1994). By budgeting, managers coordinate their efforts so that objectives of the organization harmonize with the objectives of its parts.

Control ensures that objectives as laid down in the budgets are achieved. Management is able to know about this through information availed to it by subordinates (Mordi, 2000). Control ensures that objectives are being achieved. A comparison is therefore made between plans and actual performance, the difference between the two is reported to management for taking corrective action. This control process is not possible without planning (Lewis, 1996).

An effective control system helps accomplish the purpose for which it is designed. Effective control systems rely on good information, are well communicated, well coordinated, timely and economical to the organization (Arora, 1995).

Budgets reflect estimates of future events, and what is considered acceptable performance. Comparing actual with budgeted results provides meaningful information and indicates the need to analyze and investigate over and under spending. The action taken on over and under spending is one of the most important aspects of a budgetary control system. Budgetary Control aims to achieve four things:

i. To define and evaluate short-term plans, this is seen in the process of developing a budget within the given structure of the organization.

ii. To identify responsibilities and delegate authority to Budget Managers for the achievement of those plans, Budgets are devolved as a means of empowering middle Managers because Managers can make the best use of resources and savings can be deployed for investment in other areas under their control. The
Managers cease to be bidders for resources and instead become a Manager of resources, which gives more opportunity to focus on outcomes, the students experience and achievement rather than struggle with senior Managers over resource allocation that many managers engage in.

iii. To allocate resources between various Budget Managers up to the limit imposed by the available funds in order to control activities, unless the Institutions own resource allocation mechanisms parallel the devolution of responsibilities to teams explicit in Total Quality Management programs in reality that devolution will be little more than a cosmetic exercise. Real delegation of authority, which is the essence of empowerment, requires a real and effective control over resources (Lucy, 1996).

iv. To motivate Budget Managers, as a motivating tool, the freedom to take decisions and make mistakes may be empowering or it may be viewed as a control mechanism by which managers’ performance will be judged, apparently on impartial grounds. If rewards do not accompany the additional responsibility, Managers may feel that they are being taken advantage of within the structure.

Inadequate budgetary controls lead to objectives not being clear and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives. This causes to delays in identification of deviations from plans which lead to failure in goal achievement and hence poor performance.

Performance of any institutions is often evaluated by measuring success in meeting the budget. When the budgetary control is successfully implemented, the organizations objectives will be realized and once this has been done the organization is said to have achieved at performance level (Nanni, 1990). Melkers and Willoughby (2000) state that in practice, many organizations compare actual performance with the original budget, but if the circumstances expected when the original budget was set differ, there will be a planning and control conflict.
Mordi (2000) argues that for the smooth implementation of an organizations budget, budgetary planning and control must be properly done. Under budgetary control, evaluation which is a process by which an appraisal of performance is systematically conducted with a view to measure individual, department and organizational contribution should be done. It is conducted in order to take appropriate action. In particular, evaluation of budgetary control is a process of assessing performance against budget standards and performance targets with intent to take corrective action (Havens, 2000). Budgetary standards and targets tend to be the criteria upon which the performance of organizational member, the superiors in particular are evaluated. These standards and targets provide a basis for identifying and appraising selected aspects of organizational performance, since they are the criteria used to guide and motivate it.

(McNally, 2002), stated that evaluation standards should be very fine statements derived from budgetary planning goals of the previous time period, budgetary control experience with respect to budgetary goals of the previous years and from the experience of comparable performance aspects with respect to the past periods. Once this is done, budgetary control will be achieved and the organizations objectives will be properly implemented and hence efficiently achieved.

2.4 The Budget Process in the LGAs in Tanzania

Mainland Tanzania is divided into 133 districts, municipalities, cities and towns, known as Local Government Authorities (LGAs), each with its own elected council (URT, 2010). Under the Government’s Decentralization by Devolution (D-by-D) policy, these LGAs are playing an increasingly important role, particularly in the delivery of social services, including primary education, health services, rural water supply, agriculture and local roads (Haki Elimu, 2008). This section describes the budget process at LGA level and below.
2.4.1 Budget Planning

The Ministry of Regional Administration and Local Government in the Prime Minister’s Office (PMO-RALG) is the central government body in charge of overseeing the operations of the LGAs and councils. PMO-RALG provides local government policies and guidelines to be followed by LGAs in the districts and councils (URT, 2010). The central government line ministries (such as the Ministry of Health and Social Welfare, or the Ministry of Water and Irrigation) set sector-specific policy guidelines and are consulted on allocations of resources to local government for their sectors (Chaligha, 2007).

At the regional level the Regional Secretariat (RS) headed by Regional Administrative Secretary (RAS) acts as a linking body between the central government and LGAs in the districts and councils. It also facilitates dissemination of relevant information and guidelines on planning, budgeting and implementation (Ngowi, 2005).

At LGA level, council directors (District Executive Directors or Municipal Directors) are responsible for overseeing budget formulation and implementation. The local heads of sector departments, the Council Management Team (CMT), provide technical inputs and are responsible for the implementation of their respective sections of the budget. Also at LGA level, the council, which is made up of elected ward councilors and local MPs, has a key role in reviewing and approving the proposed budget. Below this there is the Ward Development Committee (WDC), which is a coordinating body linking the district/municipal council to the villages, mitaas and vitongojis below. Members of WDC include the ward councilor, village/mitaa chairpersons and the ward executive officer (REPOA, 2005).

In rural LGAs, each village has a Village Council (VC), whose members are the village and sub-village chairpersons and appointed village leaders. Village and sub-village chairpersons are elected by the village assembly, which consists of every woman and man aged 18 years or over, providing the potential for real village democracy. Village assemblies ultimately ‘own’ the village resources in the name of
all the people, including land, forests, water ways and other items. They are required by law to meet at least four times per year, although this does not always happen. The whole process of budget formulation, debate and approval is illustrated in the following Table:

**Table 2.1: Formulation, Debate and Approval of Local Government Plans and Budgets**

<table>
<thead>
<tr>
<th>Month</th>
<th>Budget Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nov-December</td>
<td>PMORALG issues budget guidelines to LGAs, after consultation with sector ministries.</td>
</tr>
<tr>
<td>2. January</td>
<td>LGA communicates Indicative Planning Figures (IPFs) to ward development committees and village Councils.</td>
</tr>
<tr>
<td>3. February</td>
<td>Village plans prepared using O&amp;OD, supported by district &amp; ward facilitators, reviewed by village council and approved by village assembly.</td>
</tr>
<tr>
<td>4. March</td>
<td>WDC reviews and consolidates village plans into ward plans, and forwards to the LGA.</td>
</tr>
<tr>
<td>5. March-April</td>
<td>Ward plans are reviewed by LGA planning department, and combined with LGA-level development and recurrent budgets.</td>
</tr>
<tr>
<td>6. April</td>
<td>• LGA plan is reviewed by council planning committee and submitted to the full council for debate and approval.</td>
</tr>
<tr>
<td></td>
<td>• LGA plans forwarded to regional secretariat for review, compilation and forwarding to PMORALG.</td>
</tr>
<tr>
<td>7. May</td>
<td>LGA plans are reviewed and consolidated into a single PMORALG plan and budget, for submission to Parliament.</td>
</tr>
<tr>
<td>8. June-July</td>
<td>PMORALG plan and budget debated and approved by parliament.</td>
</tr>
<tr>
<td>9. August</td>
<td>• Final approved budget communicated to LGAs, and disbursement begins.</td>
</tr>
<tr>
<td></td>
<td>• Wards and villages are informed of the final plans, and implementation of projects begins.</td>
</tr>
</tbody>
</table>

*Source: Adopted from HakiElimu (2008) and Ngowi (2005).*

**2.4.2 Budget execution**

Budget execution (spending the money) begins each year on 1 July and ends on 30 June of the following year. Once Parliament has approved PMORALG’s consolidated plan and budget, the LGAs and regional secretariats are sent copies of the approved budget books. The Treasury in the Ministry of Finance disburses allocations of funds to all ministries including PMO-RALG and LGAs on a monthly basis, although there are often delays particularly for disbursement of development funds. The disbursements are published in newspapers (HakiElimu, 2008).
At the local government level, district and urban councils inform wards, villages and mitaa that funds have been received, and details are placed on public notice boards. LGAs issue expenditure guidelines to wards, villages and mitaa based on the approved budget, and begin project implementation. It is possible for council directors to alter their approved budget during the financial year, and this often happens. In such cases, wards and villages should be informed promptly, including an explanation of the reasons behind the change (URT, 2006).

A large proportion of the LGAs’ budget is spent through private service providers. This includes engineering and construction works, material goods, consultancies and services. The procurement of works, goods, services and consultancies is governed by the Public Procurement Act of 2004 and the regulations made under it. The Act requires for each Local Government Authority to have a tender board for procurement of goods, services and works. The composition of a Local Government Authority Tender Board and the method of appointment of the members, and the procedures to be followed by such a tender board, shall be prescribed by PMORALG.

2.4.3 Budget control

There are various ways in which budget execution in the LGAs is monitored, controlled and evaluated (Haki Elimu, 2008). These processes are critical for enhancing accountability. Budget monitoring is or should be a continuous process which starts immediately after approval of the budget by parliament and disbursement of funds to the implementing agencies by Ministry of Finance and Economic Affairs (MOFEA).

2.4.3.1 In-year oversight

PMO-RALG monitors LGA accounts, revenues and expenditures on quarterly basis to ensure that plans and budgets are implemented and executed as planned (URT, 2006). The reports that are sent to PMORALG are also presented to the full council, and are therefore theoretically public. At village, Mtaa and ward level, the Village
Council (VC), Mtaa Committee (MC) and Ward Development Committee (WDC) are also supposed to meet quarterly to review progress at their level. The VC and MC should present progress reports to the village assembly or mtaa assembly of all adult community members.

2.4.3.2 Audit

As with central government, the accounts of all LGAs are required to be audited by the national audit office (CAG) (HakiElimu, 2008; URT, 2008). The Parliamentary Local Authorities Accounts Committee (LAAC) is responsible for reviewing CAG reports for LGAs and for holding accounting officers accountable. Internal audits are also conducted by internal audit departments within the LGAs.

However, given the multiple sources of funding obtained by LGAs, local councils can be subjected to a number of inspections and audits during the course of any given year. These include:

- A separate audit of the Road Fund by the CAG;
- An audit for the Health Basket funds;
- An audit for the education sector (PEDP);
- An audit of the local government reform programme; and
- Audits commissioned by donors on their individual programme(s) (Haki Elimu, 2008).

Finally, there is the Local Government Capital Development Grant Annual Assessment conducted in September of each fiscal year for all LGAs. This is the process by which LGAs are judged against the Minimum Conditions and Performance Measures that determine whether they qualify to receive the Local Government Capital Development Grant in the subsequent financial year, and whether they qualify for any financial bonuses or penalties (REPOA, 2005).

The budget process reviewed above indicates clearly that the financial management demands that are placed on LGAs are complex and require a certain level of
expertise. Accounting and internal audit capacity remains a challenge for local government finance, with many LGAs lacking treasurers or internal auditors. These challenges are recognized by the government, and it has committed itself to addressing this challenge through reforming systems and building capacities.

However, current observations (i.e. Haki Elimu, 2008; REPOA, 2008; URT, 2009; Mwombela, 2012; Tambwe, 2012) indicate that there are inconsistencies in the budgetary implementation in many LGAs in Tanzania, hence failure to stick to the drawn budgets. This has resulted in failure to meet budgetary commitments in many of these authorities. This has developed an interest to investigate the views of the accounting managers in LGAs about the perceived budgetary controls and budget performance in order to find out possible measures that will improve the budgetary control mechanism and hence, budget performance.

### 2.5 Conceptual Framework

This Conceptual Framework as shown below is derived from the literature on the practice of budgetary controls in organizations. Budget performance is dependent variable of interest in this study. Budget performance is influenced by budgetary controls as the main independent variable. Budgetary controls include budgetary planning, monitoring and control and analyzing and feedback. Thus, budgetary controls influence budget performance under the intervening variables which are Government policies, incentives and other factors. The conceptual framework figure below explains the relationship between the variables under the study, the budgetary controls (Independent Variable) and the nature of budget performance (Dependent variable)
Figure 2.1: Conceptual Framework for Budgetary Control and Budget performance

Source: Field data 2014
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview

This Chapter focuses on the research methods and the instruments that will be used by the researcher to carry out the study. It provides a description of the research design, area of study, sample description, data collection and analysis methods.

3.2 Study Area

The study was conducted in all LGAs in Mtwara region. The LGAs were the councils of Mtwara-Mikindani Municipality, Mtwara Rural, Masasi, Newala, Tandahimba and Nanyumbu. This area was selected because it was easily reachable by the researcher as the researcher works and resides in Mtwara.

3.3 Research Design

The study was a survey in the form of cross-sectional design in which data were collected once across a population through sampling. A descriptive approach was used to establish the perceptions of the respondents on the relationship between the independent variable (budgetary control) and the dependent variable (perceived performance) in the LGAs.

3.4 Target Population

The target population of the study was all heads of departments and finance managers like accountants and auditors in six councils in Mtwara region. The study targeted these respondents because they were in the best position to give the required information.
3.5 Sampling Size and Sampling Procedures

The sample size comprised of 6 procurement officers, 6 internal auditors, 8 finance managers, and 27 heads of departments of administration (6), planning (6), education (4), works (2), agriculture (5) and health (4). Purposive sampling was employed to select procurement officers, internal auditors and finance officers. Stratified sampling method was used where the heads of departments were divided into a number of homogenous strata according to the available departments in the LGAs. Then, random probability sampling was used to select 6 heads of departments from each of the six councils of Mtwara-Mikindani, Mtwara Rural, Masasi, Newala, Tandahimba and Nanyumbu.

3.6 Sources of Data

3.6.1 Primary Sources

The primary data were collected from the respondents in all six (6) LGAs by using of questionnaires.

3.6.2 Secondary Data

The review of official policies and other budgetary documents in the LGAs was done to compliment the information to be collected from the questionnaire.

3.7 Data Collection Instruments

3.7.1 Questionnaire

The researcher collected primary data using closed structured questionnaires (see appendix 1). These questionnaires were self administered amongst the respondents in order to collect the completed responses within a short time possible.
3.8 Measurement of the Research Variables

Budgetary Controls were measured by examining the views of the respondents on Budgeting and Planning, Monitoring and Control and Analyzing and Feedback. These variables were subjected to a 5-point anchored Likert scale. Budget performance was measured on the same basis but by examining the extent to which the activities were done as planned for. The views of the respondents on this were subjected to a modified version of multi-item five-Likert scale developed by Melkers and Willoughby (2002) to suit the study at hand. The influence of budgetary controls on budget performance was examined by comparing the established budgetary control practices and their direct effect on the way LGAs implemented their activities.

3.9 Data Processing and Analysis

Data collected were compiled, sorted, edited, classified, and analyzed using a Microsoft Excel window. A question that sought to solicit respondents’ opinions over each research objective was asked and through such a question, respondents’ opinions were generated and subjected to analysis. Data analysis and interpretation of respondents’ opinions were conducted using Likert Scale in which the weighted mean was used to generalize the final response. The Likert Scale used to interpret the items in the questionnaire was categorized into five five-point scales as shown below:

<table>
<thead>
<tr>
<th>Scale</th>
<th>Range</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4.01-5.00</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>4</td>
<td>3.01-4.00</td>
<td>Agree</td>
</tr>
<tr>
<td>3</td>
<td>2.01-3.00</td>
<td>Uncertain</td>
</tr>
<tr>
<td>2</td>
<td>1.01-2.00</td>
<td>Disagree</td>
</tr>
<tr>
<td>1</td>
<td>0.01-1.00</td>
<td>Strongly Disagree</td>
</tr>
</tbody>
</table>

Source: Field data, 2014.
Weighted mean was used to measure the general response of the survey samples, whether they agree to a given statement or not. The formula in computing weighted mean is as follows:

\[
\frac{F_x}{X_t}
\]

Where:
- \( F \) - weight given to each response.
- \( X \) - number of responses.
- \( X_t \) - total number of responses.

The survey results were analyzed with the use of statistical approach and Microsoft Excel spread sheets.
CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.1 Chapter Overview

This Chapter presents and discusses the findings of the study on the basis of study objectives. The Chapter starts with the demographic profile of respondents in terms of staff category, gender, age, educational level and period of working with their institutions. Thereafter, data are presented in tables that indicate respondents’ perceptions on the effectiveness of budgetary controls and budget performance at LGAs in Mtwara region. Presentations are immediately followed by descriptions and pertinent discussions of the findings. Lastly, the Chapter ends up with the description of the influence of budgetary controls on budget performance at LGAs in Mtwara region.

4.2 Demographic Information of Respondents

The profile of the respondents related to the questionnaire asked for category of staff, participant’s gender, academic qualifications and duration of service in the current job position.
4.2.1 Category of Staff

Table 4.1 shows the category of staff and their respective LGAs.

<table>
<thead>
<tr>
<th>Department</th>
<th>Mtwara-Mikindani Municipal Council</th>
<th>Mtwara District Council</th>
<th>Masasi District Council</th>
<th>Nanyumbu District Council</th>
<th>Newala District Council</th>
<th>Tandahimba District Council</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMU</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Internal Auditor</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Administration</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Finance</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Planning</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Education</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Works</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data, 2014.

4.2.2 Gender of Respondents

Respondents for this study were both male and female employees from different departments. The distribution of respondents on the basis of their gender is presented in Figure 4.1

Figure 4.1: Gender of Respondents

Source: Field Data, 2014
The figure above indicates that the majority of respondents were male [27 (73 percent)] and female were the minority [10 (27 percent)]. This reflects that general picture of public employees at the top positions like heads of departments where the number of female employees is basically low.

4.2.3 Ages of Respondents

The ages of respondents for this study varied from 20 years to 49 and above. Figure 4.2 illustrates this:

**Figure 4.2: Ages of Respondents**

![Pie chart of ages]

**Source:** Field Data, 2014

The figure above indicates that the majority of employees are between the ages of 30-39 years followed by the ages between 40-49 years. There are few employees with the ages between 20-29 years and 49 and above.

4.2.4 Educational Levels of Respondents

Also, levels of education of respondents for this study varied from diploma to post-graduate degree. Their distribution is indicated in Figure 4.3
Figure 4.3: Educational Levels of Respondents

Source: Field Data, 2014

The figure above indicates that most of the employees who are heads of departments are well educated with majority of them having first degrees [23 (49% percent] and post-graduate degrees [22 (47 percent)]. There were only 2 (4 percent) respondents who had diploma.

4.2.5 Period of Working with the Institutions

Information was also sought from the respondents to capture the degree of work experience in their respective LGAs in terms of period of working with their institutions. The data for this are presented in figure 4.4

Figure 4.4: Respondents’ Period of Working with the Institutions

Source: Field Data, 2014
The data above indicate that the majority of respondents have worked with their institutions with more than 3 years which also shows that they have a profound working experience to be able to understand various undertakings of their institutions.

4.3 The Effectiveness of Budgetary Controls at the LGAs

The first objective of this study was to examine the effectiveness of budgetary controls at the LGAs. This was done by analyzing the responses of the respondents (heads of departments) on the statements about budgetary controls’ effectiveness in their respective LGAs to see the extent to which they agree or disagree with the assertions. The aspects of the budgetary controls which were examined were Budgeting and Planning, Monitoring and Control, and Analyzing and Feedback. The statements in each aspect were subjected to analysis using a Likert-Scale to generate the most acceptable opinions. The findings and pertinent discussions are presented as follows:

4.3.1 Budgeting and Planning

4.3.1.1 Budgeting

Budgeting as an activity that involves the preparation of an itemized financial statement showing what the expenditures are going to be over a given period, usually a year, was examined in this study on the basis of analyzing respondents’ opinions on the statements about the effectiveness of their budget. The following are the results:
# Table 4.2: Respondents’ on the Effectiveness of Budgeting

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
<th>Weighted Mean</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. My institution always prepares budgets.</td>
<td>-</td>
<td>1</td>
<td>9</td>
<td>37</td>
<td>4.7</td>
<td>Strongly agree</td>
<td></td>
</tr>
<tr>
<td>2. All stakeholders are involved in the budget setting process.</td>
<td>-</td>
<td>4</td>
<td>4</td>
<td>26</td>
<td>13</td>
<td>4</td>
<td>Agree</td>
</tr>
<tr>
<td>3. Performance indicators are normally included in the budgets of our institution.</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>26</td>
<td>16</td>
<td>3.9</td>
<td>Agree</td>
</tr>
<tr>
<td>4. Resource allocation is based on the performance indicators.</td>
<td>-</td>
<td>5</td>
<td>6</td>
<td>23</td>
<td>13</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>5. Our budgets emphasize outcomes.</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>30</td>
<td>16</td>
<td>4.3</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>6. We always present the budget to the Governing Council for approval.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13</td>
<td>34</td>
<td>4.7</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>7. Budgets are always used as a standard of measuring budget performance.</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>25</td>
<td>21</td>
<td>4.4</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>8. Our budgets are based on the needs identified by our sections/departments and the community.</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>25</td>
<td>21</td>
<td>4.4</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>9. Our programmes are in line with the budget objectives.</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>27</td>
<td>16</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>10. We have clear result targets in the budget.</td>
<td>-</td>
<td>3</td>
<td>9</td>
<td>24</td>
<td>11</td>
<td>3.9</td>
<td>Agree</td>
</tr>
<tr>
<td>11. Each budget activity is allocated appropriate resources.</td>
<td>1</td>
<td>12</td>
<td>6</td>
<td>17</td>
<td>11</td>
<td>3.5</td>
<td>Agree</td>
</tr>
</tbody>
</table>

**Source:** Field Data, 2014

Table 4.2 provides the distribution of the perceptions of the respondents regarding the effectiveness of budgeting in their LGAs. The respondents have strongly agreed that their institutions always prepare budgets, resource allocation is based on the performance indicators, their budgets emphasize outcomes, they always present the budget to the Governing Council for approval, budgets are always used as a standard of measuring budget performance, their budgets are based on the needs identified by our sections/departments and the community and their programmes are in line with
the budget objectives. They agree that all stakeholders are involved in the budget setting process, performance indicators are normally included in the budgets of their institutions, they have clear result targets in the budget and each budget activity is allocated appropriate resources.

4.3.1.2 Planning

Planning is another component of budgetary control which was examined in this study in the same way as budgeting. Table 4.3 presents the perceptions of respondents on the effectiveness of planning in their LGAs:
Table 4.3: Respondents’ Perceptions on Effectiveness of Planning

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
<th>Weighted Mean</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. We start with Planning for our programmes.</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>29</td>
<td>15</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>13. Planning helps to manage the programmes of the institution.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>22</td>
<td>4.5</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>14. We discuss goals to be met with the management.</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>30</td>
<td>15</td>
<td>3.9</td>
<td>Agree</td>
</tr>
<tr>
<td>15. We combine Planning with the Budgeting process.</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>27</td>
<td>19</td>
<td>4.3</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>16. Programme activities are clearly indicated.</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>25</td>
<td>17</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>17. Programmes and plan are the basis for allocating financial resources.</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>30</td>
<td>14</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>18. Planning helps us to know the type and level of resources to provide.</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>31</td>
<td>15</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>19. We normally identify high-priority programmes to include in the budget.</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>23</td>
<td>21</td>
<td>4.3</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>20. All programmes are classified according to the objectives.</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>28</td>
<td>17</td>
<td>4.3</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>21. Planning of the budget activities is done by the departments.</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>25</td>
<td>20</td>
<td>4.4</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>22. The budget priorities are agreed upon in the budget conference.</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>23</td>
<td>19</td>
<td>4.2</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>23. We normally formulate our objectives from the set goals.</td>
<td>1</td>
<td>-</td>
<td>3</td>
<td>24</td>
<td>19</td>
<td>4.3</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

Table 4.3 provides the distribution of the perceptions of respondents regarding to effectiveness of planning in LGAs. All respondents strongly agree that they start with planning for their programmes and that planning helps them to manage programmes of their institutions, they combine planning with the budgeting process, they indicate Programme activities clearly and in allocating financial resources, programmes and plan become the basis. Furthermore, they agree that planning helps them to know the type and level of resources to provide, they normally identify high-priority
programmes to include in the budget, all programmes are classified according to the objectives, planning of the budget activities is done by the departments, the budget priorities are agreed upon in the budget conference and they normally formulate their objectives from the set goals. They also agree that they discuss goals to be met with the management.

4.3.2 Monitoring and Control

Budgetary Monitoring and Control is a deterrent process against misappropriation of funds in terms of procedures and rules that establish the boundaries of financial behaviour. This aspect of budgetary control was also examined on the same way as budgeting and planning. The distribution of the perceptions of respondents is presented in Table 4.4
<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
<th>Weighted Mean</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Approved budget is communicated to all stakeholders.</td>
<td>-</td>
<td>5</td>
<td>24</td>
<td>14</td>
<td>4</td>
<td>4</td>
<td>Agree</td>
</tr>
<tr>
<td>2. Funding of programmes is based on institution’s approved budget.</td>
<td>-</td>
<td>11</td>
<td>7</td>
<td>14</td>
<td>15</td>
<td>3.3</td>
<td>Agree</td>
</tr>
<tr>
<td>3. The budget performance is always communicated.</td>
<td>-</td>
<td>2</td>
<td>8</td>
<td>24</td>
<td>13</td>
<td>4</td>
<td>Agree</td>
</tr>
<tr>
<td>4. Deviations from the approved budget are reported.</td>
<td>-</td>
<td>3</td>
<td>9</td>
<td>24</td>
<td>11</td>
<td>4.7</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>5. Reasons for deviations from the approved budget are given.</td>
<td>-</td>
<td>4</td>
<td>10</td>
<td>22</td>
<td>11</td>
<td>3.8</td>
<td>Agree</td>
</tr>
<tr>
<td>6. Sometimes deviations from the approved budget are influenced by political pressures.</td>
<td>-</td>
<td>3</td>
<td>5</td>
<td>25</td>
<td>14</td>
<td>4.0</td>
<td>Agree</td>
</tr>
<tr>
<td>7. Remedial measures are always taken to monitor budget deviations.</td>
<td>-</td>
<td>6</td>
<td>8</td>
<td>28</td>
<td>5</td>
<td>3.7</td>
<td>Agree</td>
</tr>
<tr>
<td>8. We always make adjustments regarding budget performance.</td>
<td>-</td>
<td>1</td>
<td>7</td>
<td>34</td>
<td>5</td>
<td>3.9</td>
<td>Agree</td>
</tr>
<tr>
<td>9. The level of budget monitoring and control in my institution is adequate.</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td>33</td>
<td>4</td>
<td>3.8</td>
<td>Agree</td>
</tr>
<tr>
<td>10. There is clear tracking of programme results in my institution.</td>
<td>-</td>
<td>7</td>
<td>15</td>
<td>22</td>
<td>3</td>
<td>3.4</td>
<td>Agree</td>
</tr>
<tr>
<td>11. We use vote books to ensure adherence to the budgeted activities.</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>29</td>
<td>13</td>
<td>41</td>
<td>Agree</td>
</tr>
</tbody>
</table>

**Source:** Field Data, 2014

Table 4.4 provides the distribution of the perceptions of respondents regarding the effectiveness of budget monitoring and control in LGAs in Mtwara region. Respondents strongly agree that deviations from the approved budget are reported. They agree that funding of programmes is based on institution’s approved budget, the approved budget is communicated to all stakeholders, the budget performance is always communicated, reasons for deviations from the approved budget are given and remedial measures are always taken to monitor budget deviations. In addition, they agree that they always make adjustments regarding budget performance, the level of budget monitoring and control in their institutions is adequate and that there is clear tracking of programme results in their institutions with the use vote books to
ensure adherence to the budgeted activities. It is also important to note that respondents agree that sometimes deviations from the approved budget are influenced by political pressures.

4.3.3 Analyzing and Feedback

Analysis is the process of examining variances by sub-dividing the total variance into smaller parts in such a way that management can assign responsibility for any off budget performance where as feedback is the report on the extent to which employees have achieved expected levels of work during a specified time period. Table 4.5 indicates the distribution of perceptions of respondents on analyzing and feedback:

**Table 4.5: Respondents’ Perceptions on Analyzing and Feedback**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
<th>Weighted Mean</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The budget performance reports are prepared regularly in my institution.</td>
<td>0</td>
<td>8</td>
<td>3</td>
<td>14</td>
<td>22</td>
<td>4.1</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>2. The budget deviations are reported to budget committee/top management.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.0</td>
<td>Agree</td>
</tr>
<tr>
<td>3. The deviations from the budget targets are frequently reported.</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>32</td>
<td>9</td>
<td>4.0</td>
<td>Agree</td>
</tr>
<tr>
<td>4. Management always takes timely corrective actions when adverse variances are reported.</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>31</td>
<td>2</td>
<td>3.6</td>
<td>Agree</td>
</tr>
<tr>
<td>5. There is clear reporting of programme results.</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>30</td>
<td>8</td>
<td>3.9</td>
<td>Agree</td>
</tr>
<tr>
<td>6. Budget performance is communicated frequently in meetings.</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>20</td>
<td>18</td>
<td>4.1</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>7. Deviations from the expected and the actual /reported results are common.</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>31</td>
<td>6</td>
<td>3.8</td>
<td>Agree</td>
</tr>
<tr>
<td>8. Our budgets are always balanced.</td>
<td>8</td>
<td>39</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.8</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

**Source:** Field Data, 2014
Table 4.5 provides the distribution of the perceptions of respondents regarding the effectiveness of analyzing and feedback in LGAs in Mtwara region. Respondents strongly agree that the budget performance reports are prepared regularly in their institutions and that budget performance is communicated frequently in meetings. They agree that budget deviations are reported to budget committee/top management, the deviations from the budget targets are frequently reported, management always takes timely corrective actions when adverse variances are reported, there is clear reporting of programme results. Furthermore they agree those deviations from the expected and the actual /reported results are common. Respondents disagree that their budgets are always balanced.

4.4 Budget performance of LGAs at Mtwara region

The second objective of this study was to examine budget performance of LGAs at Mtwara region by analyzing the opinions of various heads of departments on the state of budget performance of their respective LGAs. This was done because budget performance is a management initiative to upgrade the accuracy and timeliness of financial information. It is an integrated annual performance plan and annual budgeting that shows the relationship between program funding levels and expected results. Table 4.6 presents the distribution of respondents’ perceptions on the effectiveness of budget performance:
Table 4.6: Respondents’ Perceptions on Budget Performance of LGAs in Mtwara Region

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
<th>Weighted Mean</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We achieve most of our budgeted plans in my institution.</td>
<td>-</td>
<td>26</td>
<td>5</td>
<td>13</td>
<td>3</td>
<td>2.8</td>
<td>Not Sure</td>
</tr>
<tr>
<td>2. The service provision in my institution is adequate.</td>
<td>-</td>
<td>33</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>2.5</td>
<td>Not Sure</td>
</tr>
<tr>
<td>3. All the budgeted activities are implemented as planned and budgeted for.</td>
<td>2</td>
<td>24</td>
<td>2</td>
<td>16</td>
<td>3</td>
<td>2.8</td>
<td>Not Sure</td>
</tr>
<tr>
<td>4. We met our previous year’s budget targets.</td>
<td>1</td>
<td>21</td>
<td>4</td>
<td>21</td>
<td>-</td>
<td>3</td>
<td>Disagree</td>
</tr>
<tr>
<td>5. We spend in accordance to the planned activities.</td>
<td>-</td>
<td>10</td>
<td>2</td>
<td>31</td>
<td>4</td>
<td>3.6</td>
<td>Agree</td>
</tr>
<tr>
<td>6. We received all the funds budgeted for.</td>
<td>10</td>
<td>32</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1.9</td>
<td>Disagree</td>
</tr>
<tr>
<td>7. Our programmes are in line with budget objectives.</td>
<td>-</td>
<td>3</td>
<td>10</td>
<td>30</td>
<td>4</td>
<td>3.7</td>
<td>Agree</td>
</tr>
<tr>
<td>8. The budget structure facilitates a clear linkage between the money and the results.</td>
<td>-</td>
<td>5</td>
<td>10</td>
<td>29</td>
<td>3</td>
<td>3</td>
<td>Not Sure</td>
</tr>
<tr>
<td>9. The institutions requirements are financed immediately the need arises.</td>
<td>2</td>
<td>33</td>
<td>3</td>
<td>9</td>
<td>-</td>
<td>2.5</td>
<td>Not Sure</td>
</tr>
<tr>
<td>10. All the activities undertaken in my institution are budgeted and planned for.</td>
<td>2</td>
<td>28</td>
<td>2</td>
<td>11</td>
<td>4</td>
<td>2.4</td>
<td>Not Sure</td>
</tr>
</tbody>
</table>

Source: Field Data, 2014

Table 4.6 provides the distribution of the perceptions of respondents regarding the budget performance of LGAs in Mtwara region. Respondents are not sure whether they managed to achieve most of their budgeted plans in their institutions, the service provision in their institutions is adequate, all the budgeted activities were implemented as planned and budgeted for, the budget structure facilitates a clear linkage between the money and the results, the institutions requirements are financed immediately the need arises and all the activities undertaken in their institutions are budgeted and planned for.

Also, respondents disagree that they met the previous year’s budget targets and that they received all the funds budgeted for.
4.5 The Influence of Budgetary Controls on Budget performance

The third objective of this study was to examine the influence of budgetary controls on the budget performance of the LGAs at Mtwara region. Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. In this study, the interpretation of the opinions of respondents on budgetary controls through weighted mean indicates that all respondents perceive budgetary controls as effective and adequate as the weighted mean is above 3.01. However, budget performance at LGAs in Mtwara has been perceived as ineffective as the distribution of the interpretation on respondents’ opinions fall under the weighted mean which is below 3.00 occupied by uncertainty, disagree and strongly disagree as the Table 4.2, 4.3, 4.4, 4.5 and 4.6 respectively refers. The interpretation of the weighted mean indicates that ineffectiveness is caused by a failure to meet the target of the budgets as a result of failure to receive all the funds budgeted for and the political pressure that influences budget deviations. A glance at this incident may seem to be vague and confusing because it has been widely noted in the literature that adequate budgetary controls lead to budget objectives being clear and performance being achieved or satisfactory (Sebbi, 1994; Arora, 1995; Lewis, 1996; Mordi, 2000). So it is like the findings of this study on this aspect are contradictory. This scenario is discussed in Chapter Five.
CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Chapter Overview

This Chapter discusses the findings as presented in Chapter Four about respondents’ perceptions on the effectiveness of budgetary controls, budget performance and the influence of budgetary controls on budget performance at LGAs in Mtwara region.

5.2 The Effectiveness of Budgetary Controls at LGAs in Mtwara

5.2.1 Budgeting and Planning

The perceptions of the respondents as presented and described in Chapter Four portray a picture that budgeting in the LGAs as perceived by various heads of sections/department is effective on the basis of its preparation as a document and as the basis for the annual operation of the LGAs. The assertions agreed above are in line with the arguments from proponent scholars on budgeting. For example, Blocher (2002) argues that if budgeting process displays key elements like involving all stakeholders, used as the basis for measuring performance, discussed in general forum of the institution, it can be considered as effective. Hilton (2000) also is of the same opinion as he agrees that effective budget always identifies the needs for planned activities from all stakeholders and ultimate resource allocation should focus on the activities budgeted for. In this way, Mordi (2000) states that effective budgeting process act as a basis for measuring performance in organizations and help in directing the activities of the organization hence giving earlier signals on variances in sufficient time to take corrective actions.

On planning, perceptions presented and described in Chapter Four give the picture that planning at LGAs in Mtwara is effective as conceived by various heads of departments. The opinions of respondents on effectiveness of planning at LGAs display a positive image of the characteristics of effective planning. So on the basis of the opinions of respondents, it can be established that planning at LGAs is
perceived to be effective as the statements agreed match with the characteristics of effective planning. Lewis (1996) for instance states that planning involves selecting objectives and action to achieve them. With him, planning involves looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This comes from the information system.

Chandan (1995) also argues that good planning is characterized by clear objectives and goals. It must be simple and comprehensive. The plan should be well balanced and flexible so as to incorporate changes in the resources and should be time bound. Properly covered plans tell what, when and how something is to be done (Chandan, 1995). Bhatia (1996) adds that sound planning mentions priorities and the planning control cycle.

5.2.2 Monitoring and Control

Again, the perceptions of respondents on the effectiveness of monitoring and control are positive in the sense that their opinions agree with the characteristics of effective monitoring and control. For example, it is established in the literature by Havens (2000) that monitoring and control on the implementation of budget may be considered as effective if targeted performance or level of activity for each department will be established, details of the budget will be communicated to all the stakeholders and that there will be monitoring of actual revenue or cost data by the way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. All these descriptions tally clearly with the opinions of the respondents. It can therefore be established that monitoring and control at LGAs in Mtwara is perceived as adequate.

However, there is an intervening factor that is very important to consider on monitoring and control. Respondents agree that sometimes deviations from the approved budget are influenced by political pressures. This indicates that political pressure at LGAs in Mtwara acts as a barrier to the implementation of the approved budget. In this way, political pressure acts as an intervening variable that sometimes
causes deviations on the budget and hence affecting its control. This factor has also been mentioned in the literature as one of the critical causes of inconsistencies in the budgetary implementation in many LGAs in Tanzania and it leads to the failure to stick to the drawn budgets (HakiElimu, 2008).

5.2.3 Analyzing and Feedback

The analysis of the perceptions of respondents indicates that LGAs at Mtwara region fail to stick to the drawn budget. This goes in line with the assertion that political pressure operates negatively at LGAs as obstacles to the implementation of approved budget. Respondents disagree that their budgets are always balanced. This means that programme activities do not tally with the actual budgeted activities. The perceptions of respondents on analyzing is positive as they see that they are capable of recognizing variances through variance analysis and they can establish as whether deviations are caused by deliberate actions or inadequate controls by management. This fact indicates that control mechanisms at LGAs are perceived to be adequate and the activities of analyzing and provision of feedback on budgetary implementation are effective.

To this end, it can be established in this study that at the level of management, budgetary control is perceived as adequate and effective. However, in implementing the approved budget, external factors like political pressures come in and stand as obstacles as they influence deviations from the actual budget and hence leading to failure to stick to the drawn budget. As a result, deviations in budget implementation become common and ultimately the overall budget becomes unbalanced.

5.3 Budget Performance at LGAs in Mtwara

The distribution of the perceptions on budget performance indicates clearly that budget performance at LGAs in Mtwara region is perceived to be ineffective. According to the opinions of respondents, this ineffectiveness is caused by failure to receive all the funds budgeted for and some budget deviations influenced by political
pressures. So presence of inadequate funds and failure to meet the targets of the budget are the main indicators of ineffective budget performance in institutions. McNally (2002) argues that performance of any institution is often evaluated by measuring success in meeting the budgets. This view is also shared by Mordi (2000), who contends that when the budget management is successful bonuses are awarded on the basis of an employee’s ability to achieve the targets specified in the periodic budgets, or promotion may be partly dependent upon a successful budget record.

5.4 The Influence of Budgetary Controls on Budget Performance

The findings presented in sections 4.3 and 4.4 in Chapter Four on respondents’ perceptions on the effectiveness of budgetary controls and budget performance at LGAs in Mtwara indicate that the overall budget performance of LGAs in Mtwara is not directly influenced by budgetary controls. For example, all respondents agree that their programmes are in line with budget objectives (see Table 4.6). This means that most of LGAs plan for their activities and are prepared to implement them as dictated in the budget. So the activities which receive funds for execution are carried out as planned and are positively influenced by budgetary controls because they are reported to be implemented successfully. Therefore, ineffective budget performance at LGAs in Mtwara does not emanate from the poor budgetary controls but from the intervening factors which are political pressures and failure to receive all the funds budgeted for. The challenge now is on how budgetary control mechanisms can be empowered to arrest these intervening factors to effective budget performance at LGAs in Mtwara.

This scenario has also been pointed out in the literature. For example, Chaligha (2007) argues that many LGAs in Tanzania fail to execute their budgets effectively because there is a delay of disbursement of funds from the central government to LGAs and sometimes the funds are not received at all.
CHAPTER SIX
SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1 Chapter Overview

This Chapter presents the summary of findings, conclusion and recommendations for improving budgetary performance at LGAs in Mtwara and in Tanzania in general and points out areas for further studies on budgetary issues at LGAs.

6.2 Summary of the Findings

The main objective of this study was to examine the influence of budgetary controls on the budget performance at LGAs in Mtwara Region by analyzing the perceptions of heads of various sections/departments at LGAs. Specific objectives of the study were: to examine the effectiveness of budgetary controls at the LGAs in Mtwara region, to assess the budget performance at the LGAs in Mtwara region and to examine the influence of budgetary controls on the budget performance at the LGAs in Mtwara region. The perceptions of the heads of departments were analyzed to generate the perceived state of the effectiveness of budgetary controls, budget performance and the influence of the perceived budgetary controls on budget performance by using likert-scale.

The findings of the study revolve around three major issues: First, budgetary controls in terms of budgeting and planning, monitoring and controls and analyzing and feedback is rated as adequate at LGAs in Mtwara region. Second, budget performance at LGAs in Mtwara region is perceived to be ineffective. Ineffectiveness is caused by failure to receive all the funds budgeted for and some budget deviations influenced by political pressures. Third, the overall budget performance at LGAs in Mtwara is not directly influenced by budgetary controls. The activities which receive funds for execution are carried out as planned and are positively influenced by budgetary controls because they are reported to be
implemented successfully. Therefore, ineffective budget performance at LGAs in Mtwara does not emanate from the poor budgetary controls but from the intervening factors which are political pressures and failure to receive all the funds budgeted for.

6.3 Conclusion

It is concluded in this study that most of budgetary controls mechanisms on the budget execution at LGAs in Mtwara region are perceived by various heads of departments as effective. However, this does not directly guarantee satisfactory budget performance of these LGAs. It is established in this study that budget performance during budget execution at LGAs in Mtwara region is ineffective and ineffectiveness does not emanate from poor budgetary controls, but it is a result of failure to receive all the funds budgeted for and deviations which are caused by political pressures from the central government and at LGAs. It has been established in this study that the influence of budgetary controls on the budget performance at the LGAs in Mtwara region is twofold. This means that where fund is received on time for the activities which were budgeted for, budgetary controls mechanisms seem to have positive influence over budget performance. On the other hand, when there are deviations caused by political pressures, budgetary controls mechanisms are not powerful enough to arrest the interference and keep the budget controlled, hence budget performance is negatively influenced by budgetary controls.

6.4 Recommendations

6.4.1 Recommendations on Measures to Improve Budget Performance at LGAs

It is recommended in this study that:

- Disbursement of funds to LGAs for the execution of the budgeted activities should be done on time in order to enable LGAs to carry out their activities and meet the targets of the planned budgets.

- Budget execution should be treated as independent activity which is free of any political pressures. The power of politicians at LGAs should not be left to cause unnecessary deviations for the activities which were budgeted for.
• Serious disciplinary actions should be taken to individual employees or councils who will be caught responsible for causing unnecessary budget deviations.

6.4.2 Recommendations for Areas for Further Studies

This study was conducted to analyze the views and opinions of various heads of departments on the established statements on the effectiveness of budgetary controls and budgetary performance at LGAs in Mtwara region. The study was somehow limited as it did not deal with the actual budget documents and its implementations by each department to see the manner in which budgetary controls mechanisms were executed and the way they influenced budget performance. There is a need therefore to carry out a study to assess the actual implementation of the forms of budgetary controls mechanisms by examining step by step procedures followed to implement the budget by each department. Also there is a need to conduct a study to investigate various factors that hinder effective implementation of budget in many LGAs in Tanzania.
REFERENCES


Dear respondent, I am conducting a study on The Influence of Budgetary Controls on Budget Performance of Local Government Authorities (LGAs) in Mtwara Region as part of my study at Mzumbe University. As one of the staff of the LGA, your opinions are very important to this study. The information provided will only be used for academic purpose, and will be treated with maximum confidentiality.

Thank you in advance.

PART A: DEMOGRAPHIC CHARACTERISTICS (Please tick in the appropriate box provided).

1. Category of staff:
   - Executive Director
   - Head of Department/Section specify
   - Other officer (specify)

2. Sex of respondent: Male Female

3. Age of respondent:
4. What is your level of education?
   a) ‘O’ Level
   b) ‘A’ Level
   c) Certificate
   d) Diploma
   e) 1st Degree
   f) Postgraduate degree
   g) Other, (please specify)……………………………………………………………………

4. For how long have you worked with the institution?
   a) Below a year
   b) 1-3 years
   c) 4-6 years
   d) 7 years and above
PART B: BUDGETING AND PLANNING.

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tbody>
<tr>
<td>1. My institution always prepares budgets.</td>
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<td>2. All stakeholders are involved in the budget setting process.</td>
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<td>3. Performance indicators are normally included in the budgets of our institution.</td>
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<td>4. Resource allocation is based on the performance indicators.</td>
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<td>5. Our budgets emphasize outcomes.</td>
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<td>6. We always present the budget to the Governing Council for approval.</td>
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<td>7. Budgets are always used as a standard of measuring financial performance.</td>
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<td>8. Our budgets are based on the needs identified by our sections/departments and the community.</td>
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<td>9. Our programmes are in line with the budget objectives.</td>
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<td>10. We have clear result targets in the budget.</td>
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<td>11. Each budget activity is allocated appropriate resources.</td>
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<td>12. We start with Planning for our programmes.</td>
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<td>13. Planning helps to manage the programmes of the institution.</td>
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<td>14. We discuss goals to be met with the management.</td>
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<td>15. We combine Planning with the Budgeting process.</td>
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<td>16. Programme activities are clearly indicated.</td>
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<td>17. Programmes and plan are the basis for allocating financial resources.</td>
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<td>18. Planning helps us to know the type and level of resources to provide.</td>
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<td>19. We normally identify high-priority programmes to include in the budget.</td>
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<td>20. All programmes are classified according to the objectives.</td>
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<td>21. Planning of the budget activities is done by the departments.</td>
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<td>22. The budget priorities are agreed upon in the budget conference.</td>
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<td>23. We normally formulate our objectives from the set goals.</td>
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</table>
**PART C: MONITORING AND CONTROL.**

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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<tbody>
<tr>
<td>1. Approved budget is communicated to all stakeholders.</td>
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<td>2. Funding of programmes is based on institution’s approved budget.</td>
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<td>3. The budget performance is always communicated.</td>
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<td>4. Deviations from the approved budget are reported.</td>
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<td>5. Reasons for deviations from the approved budget are given.</td>
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<td>6. Sometimes deviations from the approved budget are influenced by political pressures.</td>
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<td>7. Remedial measures are always taken to monitor budget deviations.</td>
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<td>8. We always make adjustments regarding budget performance.</td>
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<td>9. The level of budget monitoring and control in my institution is adequate.</td>
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<td>10. The level of budget monitoring and control in my institution is inadequate.</td>
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<td>11. There is clear tracking of programme results in my institution.</td>
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<td>12. We use vote books to ensure adherence to the budgeted activities.</td>
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<tr>
<td>Statement</td>
<td>Strongly Disagree (1)</td>
<td>Disagree (2)</td>
<td>Not Sure (3)</td>
<td>Agree (4)</td>
<td>Strongly Agree (5)</td>
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<tr>
<td>1. The budget performance reports are prepared regularly in my institution.</td>
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<td>2. The budget deviations are reported to budget committee/top management.</td>
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<td>3. The deviations from the budget targets are frequently reported.</td>
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<td>4. Management always takes timely corrective actions when adverse variances are reported.</td>
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<td>5. There is clear reporting of programme results.</td>
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<td>6. Financial performance is communicated frequently in meetings.</td>
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<td>7. Deviations from the expected and the actual/reported results are common.</td>
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<td>8. Our budgets are always balanced.</td>
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</table>

agree or disagree with the activities.
PART E: FINANCIAL PERFORMANCE

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree (1)</th>
<th>Disagree (2)</th>
<th>Not Sure (3)</th>
<th>Agree (4)</th>
<th>Strongly Agree (5)</th>
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</thead>
<tbody>
<tr>
<td>1. We achieve most of our budgeted plans in my institution.</td>
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<td>2. The service provision in my institution is adequate.</td>
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<td>3. All the budgeted activities are implemented as planned and budgeted for.</td>
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<td>4. We met our previous year’s budget targets.</td>
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<td>5. We spend in accordance to the planned activities.</td>
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<td>6. We received all the funds budgeted for.</td>
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<td>7. Our programmes are in line with budget objectives.</td>
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<td>8. The budget structure facilitates a clear linkage between the money and the results.</td>
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<td>9. The institutions requirements are financed immediately the need arises.</td>
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<td>10. All the activities undertaken in my institution are budgeted and planned for.</td>
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</tbody>
</table>

Thank you for your time, dedication and cooperation in this study.