

**CHALLENGES OF BUDGETARY CONTROL SYSTEM AND ITS
IMPACT IN MANAGEMENT PERFORMANCE IN LOCAL
GOVERNMENT AUTHORITIES IN TANZANIA:
CASE STUDY OF KISARAWA DISTRICT COUNCIL (KDC)**

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GOVERNMENT AUTHORITIES IN TANZANIA:
CASE STUDY OF KISARAWA DISTRICT COUNCIL (KDC)**

**By
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A Dissertation Submitted to Mzumbe University, Dar es Salaam Campus College in
Partial Fulfillment of the Requirements for the Award of Master Degree in
Accounting and Finance (MSc-A&F)

2013

CERTIFICATION

We, the undersigned certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled: **Challenges Of Budgetary Control System And Its Impact In Management Performance In Local Government Authorities In Tanzania: Case Study Of Kisarawe District Council (KDC)** award of the Master Degree in Accounting and Finance (MSc A & F) of Mzumbe University.

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I, **Alex N Kilangaly**, 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 dedicated this dissertation to my wife GRACE PASCHAL MPINGWA for her moral, spiritual and financial support during the period of study and research process, I will never forget her couragement,respect,tolerance and positive advice.

I also dedicate to my sons Adelbarty and Giovanni, their fitness, happiness and loveness make me proud and committed to my study. God bless them.

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ABBREVIATION

ABB	-	Activity Base Budgeting
ABM	-	Activity Based Management
CAG	-	Controller and Auditor General
CEO	-	Chief Executive officer
CFO	-	Chief Financial Officer
GAO	-	General Accounting Officer
IT	-	Information Technology
KDC	-	Kisarawe District Council
LAN	-	Local Area Network
LGA	-	Local Government Authorities
Msc A&F	-	Master of science in Accounting and Finance
N.V.A	-	Non-Value-Added
PPN	-	Pear to pear Network
U.S.A	-	United States of America
URT	-	United Republic of Tanzania
ZBB	-	Zero Base Budgeting

ABSTRACT

This study intended to assess the challenges of budgetary control system in local government authorities in Tanzania. This study was based on a survey of local government authorities in Tanzania with intention to investigate the effectiveness of budgetary control system and its impacts on organization performance.

The study was conducted in coast region at Kisarawe district council. The area of study was selected for a number of reasons. First; Coast region is near to Dar es Salaam which is the commercial city of Tanzania and headquarters of local government authorities, where high level of budgets preparation methods is expected and effective budgetary control organs are also expected to be established. The selections also based on expertise on budgetary control system are available.

Second it was assured that Kisarawe is facing more challenges on budgetary control system than any other peripheral districts.

Third the area is easily accessible, from Mzumbe University- Dar es Salaam Business School, whenever additional data of the study were needed.

A sample of 50 out of 185 respondents, which was 37%, was selected for the study. The study on the sample revealed that: budgets are effectively prepared, local government authorities have reasonably effective budget control but the budgetary control system used in local government authorities is effective.

The study concludes that incremental budgetary control system used in local government authorities in Tanzania is ineffective ;and that the local government authorities should adapt to another budgetary control system; and zero base budgeting system is more appropriate and suitable

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CHAPTER ONE

INTRODUCTION, OBJECTIVES, AND PROBLEM DEFINITION

1.1 Introduction

1.1.1 Background of the Problem

According to Mrina (1990), Local government authorities in Tanzania have undergone different phases since independence in 1961. The first phase is that of 1961 to 1972 followed by the second phase that started in 1978 with the introduction of urban authorities. The third phase started in 1984 with the introduction of district councils.

Mrina (1990) argues further that, the abolition of the first phase of local government authorities in 1972 was due to several reasons including; one: great confusion that existed between the responsibilities of the district councils and the responsibilities of central government officials at local level. Two: failure to perform their duties of providing services to people by raising their own revenue. Therefore, through decentralization Act of 1972, the central government authority resumed all the functions and responsibilities of local government authorities in Tanzania.

According to him, by the year 1978, it was realized that, decentralization had stifled peoples' participation in government affairs respective to participating in development at local level. It was also realized that, the quality of services provided at local level, especially in towns had deteriorated sharply. To resolve for the situation, the local government authorities were then re-established in the year 1984 by the enactment of Act No. 7 and 8 of 1982.

Despite of re-establishing the local government authorities act of 1982, with a number of reforms, but Semboja and Therkidsen (1990), observed many weaknesses on budgetary control in many local district councils. Some of those weaknesses were poor standards of financial management and most district councils had no internal

auditors; and the functions of the internal auditors were being rendered by external auditors. The rendered service from external auditors was, however, inoperative due to the fact that most district councils' final accounts were not closed. This observation implied further that, besides unsatisfactory budget control systems in most local government authorities, but also local government authorities had employed many unqualified accounting staffs.

This observation implied further that, it was impossible to ascertain accurately the authenticity of the accounting records as to whether they have complied with financial regulations on public funds or not. This observation was also supported by the local government service commission study in Local government authorities in Tanzania in 1991, who among other weaknesses, concluded that there were a problem in financial management of public funds in district councils.

Msongo (1994), investigating on effectiveness of budgetary control in district councils observed that, budget control was hampered by low level of education of the councilors, ward executives and village executives, but however, the study did not focus on the impact of budgetary control system on budget control.

Most studies conducted in the areas relating to budgets has been mostly in budgetary control and concluding that ineffective performance of local government performance is contributed by ineffective budgets or ineffective budget controls by setting the hypothesis that local government authorities have effective budgetary control system (Mrina, 1990; Msongo, 2004, Mwakasile, 2005)

This study, therefore, assesses the challenges of budgetary control system and its impact in organizational performance in local government authorities in Tanzania.

1.1.2 Problem Definition

Terry (1953) defines budgetary control system as the process of comparing actual results with the corresponding budgeted data in order to approve accomplishment, or to remedy differences. To compare the results with budgeted resources is not enough if the organizational objectives could not be achieved.

The aim of budgeting, budgetary control and budgetary control system in local government authorities is to provide a formal basis of monitoring the budgeting process. In normal practices local government authority, like any other organization, set the objectives to be achieved during the financial year and then, a budget is prepared for the purpose of achieving those objectives.

According to CAG report of 2008/2009 to 2010/2011, most of the local government authorities, including the KDC, do not efficiently perform. The study will therefore critically assess the impacts of budgetary control system on organizational performance in local government authorities in Tanzania.

1.2 Statement of the Problem

Wixson (1973) defined budgetary control system as the comparison of actual operation with the budget to determine if plan is being carried out and if not to ascertain the reasons for the deviation. Wixson tried to show how the budgetary control could use to determine the plan of the organization whether have been achieved or not but did not state how the budgetary control system may have the great impact in management performance for achieving expected results.

There are so many researchers who conducted their research concerning the budgeting and budgetary control. The studies show various ways where the budgetary control could be used as the tools for management performance. For instance the researchers who conducted their studies in budgetary control were such as Brown (1985), Duck and Lervis (1984) and Lucy (1993) the studies describe the measures to be taken in order to control and monitor the actual performance with budgeted figures.

Also Lucey (2002) investigating on Problems of budgeting and its effects on achieving organizational objectives, found that most Organizations prepare budgets on every financial year but it happens that the objectives of the organizations have not achieved while funds and other resources are allocated properly. She contends further that, Weakness in budgetary control system within government sectors and

private sectors may be a cause of failure to achieve organizational objectives set in budgets.

Various studies including those of Terry (1953), Wixson (1973), Duck and Lervis (1984), Lucy (1993) and Lucey (2002) reveal that, besides budget planning and budget control, budgetary control system can be used as the tools for management performance, but it is not known why most local governments in Tanzania do not efficiently perform despite the fact that the budgets are prepared and controlled in every financial year. It is therefore not known whether the problem is ineffective budget planning and ineffective budget control process or the problem is the system employed by Local government in controlling those budgets.

Therefore the study assessed the impacts of budgetary control system in organizational performance in Local government authorities in Tanzania.

1.3 Objectives of the Study

1.3.1 Main Objectives

The main objective of this study was to investigate the challenges of budgetary control system in achieving the organizational objectives.

1.3.2 Specific Objectives

The specific objectives of this study were:

- (i.) To investigate if budgets are prepared properly.
- (ii.) To investigate whether the budgets are properly controlled.
- (iii.) To investigate the challenges of budgetary control system used by government in local government authorities and its impacts on managerial performance.
- (iv.) To recommend on the best budgetary control system suitable for improving performance in Local government Authorities in Tanzania.

1.4 Research Questions

The following questions will help the researcher on data collection;

1.4.1 General Research Questions

The general research question is “To what extent does the budgetary control system help to achieve the organizational objectives?”

1.4.2 Specific Research Questions

The specific research questions for this study are

- (i.) How effective are the budgets prepared in Local government authorities?
- (ii.) How effective are the budgets controlled in Local government authorities?
- (iii.) What are the impacts of budgetary control system used by Local government Authorities on organizational performance?
- (iv.) What measures are to be taken for improving budgetary control system in Local government authorities in order to achieve the organizational performance?

1.5 Significance of the Study

This study explores the role of budgeting and budgetary control system, how is associated with poor performance and possible measures for improving the financial condition leading to effective operations. The relevance of this research is to:

(a) The Government

The finding of this study will help the government through the Prime Minister’s Office: Local Government Authorities to review budgets preparation methods in preparing effective budgets review the budget control process and review budgetary control system used by local government authorities and adapt to a relevant budgetary control system and methods that improve performance in Local government authorities in Tanzania.

(b) To the Policy Makers

The finding of this study will help the policy makers to review policies on budgetary control systems and adapt to a relevant and effective budgetary control system that improves performance in Local governments in Tanzania.

(c) To the Academician

The findings of this study will form the basis for further studies in related topic. Reminding the KDC to have strict and strong budgetary control system, hence the authorities will be able to prevent unnecessary budget deviations.

(d) To the Researcher

The findings of this study will help the researcher to gain a deep and broader knowledge on budgetary control systems and its impacts on management performance.

1.6 Scope of the Study

The study covered the population of local government authorities in Tanzania. The study was conducted in coast region at Kisarawe district. The area of study was selected for a number of reasons.

First: Although local government authorities are in every district in Tanzania, but coast region is near Dar Es Salaam which is the commercial city of Tanzania and headquarters of Local government authority, where high level of budgets preparation methods are expected, effective budgets control organs are also expected and experts on budgetary control system are available.

Second: Kisarawe district being very near to Dar Es Salaam, which is the largest city in Tanzania, it was assumed to be facing more challenges on budgetary control system than any other peripheral district and Municipal Councils.

Third: Time and money were scarce as such it couldn't be possible to conduct country wide study. Fourth: The area is easily accessible, from Mzumbe University –

Dar Es Salaam branch, whenever additional information of the study are needed.

1.7 Limitation of the Study

In conducting the study, the practical constraints that the researcher encountered and that were beyond his control were financial limitation, time limit, ignorance on budgetary control systems and lack of sufficient cooperation of some of respondents that are part of administration.

The funds given were not enough to conduct a country wide research. Despite the scarcity of funds for conducting the study, yet the time given for conducting the study was not enough for conducting a country wide study.

Some of the key respondents on budget committee and administration officials had no time cooperation with researcher hence it was difficult to obtain required data on budget control system.

1.8 Research Hypothesis

Basis on the research studies reviewed above, the research will seek to test the following hypothesis;

Hypothesis I

An introduction of budgetary control system has great impacts in increasing proper management performance for achieving targeted objectives in local government's authorities in Tanzania.

Hypothesis II

An introduction of budgetary control system has no great impacts in increasing proper management performance for achieving targeted objectives in local government's authorities in Tanzania

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the conceptual and theoretical framework of the study. The first section describes the conceptual meaning of important terms used in this study to unify its meaning and understanding. The second section presents with theories on budgets, budget control and budgetary control system, as the standards through which measurement and assessment of objectives from the research questions will base on.

The chapter, therefore, presents the following key terms: the concept of budgeting, the concept of budgetary control and the concept of budgetary control system; together with other main associated terms.

2.1.1 Theoretical Discussion

2.1.2 The Concept of a Budget

The word “budget” is derived from the old French word “bougette”; which is a kind of leather bag in which, during the middle ages, the chancellor of the exchequer took his tax proposal paper into the parliament (Henly, *et al*, 1990). According to him, a budget is a plan expressed in quantitative, usually in monetary terms covering a specific period of time, which is usually one year.

Batty (1970) defines a budget is a plan and may be expressed quantitatively for example physical units (standard hours and number of items) or financially. He emphasizes that a budget relates to planned events”.

Solomon *et al* (1986) defines a budget as a formal quantitative expressional of management expectations. In effect a budget can be likened to a blueprint that is an indication plan that serves as a framework for future action.

According to Jain and Arrange (1995), a budget is defined as a plan for coordinating the various operations of the business expressed in financial terms. On the other hand, Lucey (1996) defines a budget as a process of translating the overall objectives of the organization into detailed, feasible plans of action.

Haley (1997) defines a budget is defined as a forecast of all of the transaction of an organization for stipulated period, organized in such a way as to bring to the attention of specific managers, the financial results of those activities over which they have control and to enable the preparation of financial statement such as the budgeted income statement, balance sheet and cash flow statement.

According to Sharma and Nigam (1987), a budget is seen as a statement of expected under certain anticipated operating condition. It is the nature of estimate. It is defined as a quantitative and financial interpretation of the future plan operation and as overall financial plan for future activities. He contends further that a budget as a quantitative economic plan for future activities, a quantitative blue print for action which puts in black and white quantitative plan to coordinate and control the use of resources for a specific period of time.

According to Antony, et al, (2004), budgets is an important tool for effective short planning and control in organization. The budgets that operates usually covers one year period and states the revenues and expenses planned for that year.

According to Hongren (1982), a budget is a quantitative expression of a proposed plan of action by the management for a specific period of time and as an aid to co-ordinating what is to be done in implementing that plan. He contends further that, a budget can cover both financial and non financial of the plan. It can be formulated for the organization as a whole or for any sub-unit. The master budget therefore summarizes the objectives of all sub-units of an organization. A budget quantifies the

expectation regarding future income, cash flows and financial position (ibid).

Local government Authority accounting manual (1993) states that, a budget is an estimate of future income and expenditure for achieving the financial and operational goals of the local government authority. The budget is a summary of the council resolutions, in monetary terms, to collect certain sums of money from specific group of people (tax payers, service users, etc) and spend it in various ways for the benefits of the inhabitant of the locality.

There is no anniversary single accepted definition of the term “budget”. However, all scholars coincide to common understanding that a budget is a process of translating the organizational objectives into detailed and feasible action plan (Lucey, 1996).

According to these scholars, a budget is a plan expressed in quantitative and money terms. Budgets are prepared and approved in advance of the period in which they are to be used. Budgets can include some or all of income, expenditure, and the capital to be employed. Moreover, a budget can be drawn up for an entire organization, any segment of the organization such as a department or sales territory or division, or for a significant activity such as the production and sale of a specific product.

Therefore, a budget can be seen as a statement of expected outcome/achievement under certain anticipated condition. It is a nature of estimate of income and expenditure of the organization. It is a quantitative and financial interpretation of the future plan operation and as overall financial plan for future activities (Sharma and Nigan, 1987).

2.1.3 Budget Committee

This should consist of high level executives who represent the major segments of the business. Its major task is to ensure that budgets are realistically established and that they are coordinated satisfactory. The normal procedure is for the functional heads to present their budget to the committee for approval.

If the budget does not reflect a reasonable level of performance, it will not be approved and the functional head will be required to adjust the budget and re-submit it for approval. It is important that the person whose performance is being measured should agree that the revised budget can be achieved; otherwise, if it is considered to be impossible to achieve, it will not act as a motivational device. If budget revisions are made, the budgetees should at least feel that they were given a fair hearing by the committee.

The budget committee should appoint a budget officer, who will normally be the accountant. The role of the budget officer is to coordinate the individual budgets into a budget for the whole organization, so that the budget committee and the budgetee can see the impact of an individual budget on the organization as a whole (Drury, 2000).

2.1.4 Accounting Staff

This will normally assist managers in the preparation of their budgets; they will for example, circulate and advice on the instructions about budget preparation, provide past information that may be useful for preparing the present budget and ensure that manager submit their budgets on time. The accounting staff does not determine the content of the various budgets, but they provide a valuable advisory and clerical service for the line managers (Drury, 2000).

2.1.5 Budget Period

Matthews (1977) wrote that, “budgeting must be relating to a specific period of time. The general process of budgeting breaks down long range plans and objectives prepared for say, next five years into shorter, operation periods for invariably of one year. These were then subdivided into monthly periods for the purpose of monitoring and control. Due to rapidly changing conditions many organizations review and modify their budgets on a rolling basis that is each quarter or half year budgets are reviewed for the following twelve months.

2.1.6 Budget Manual

According to Drury (1995), this is a document which consist information concerning budget. It set out the responsibilities of the person engaged in the routine of the forms and records for the purpose required. Antony (1989) agues that, when using a system of budgetary control, it is desirable to prepare such a manual, then has to be kept up to date by including all forms routine and programmes. These should be checked and cross checked from time to time (ibid).

2.1.7 Budget Projection

According to Antony (1989), budgets are forecasted. And forecasting is the projections of future activities in the economy. It is apparent from study that forecasting is an essential part of the budgeting process.

2.2 The Concept of Budget Control

Budgetary control relates to the establishment of budgets relating the responsibilities of budget holders in relation to the needs of a policy. Budgetary control also relates to the continuous comparison of actual with budgeted results: it does this to try to ensure that the objectives of that policy are achieved; or to provide a basis for the change of those objectives (Msongo, 1994).

Duck and Lervis (1984) describe that budgets are of no use if they cannot be controlled and activities regulated to be in line with the budget. According to them, controlling the budget means monitoring the actual performance with budgeted figures, isolating variance, explaining causes of variances and taking corrective action. The mere preparation of the budget is only a first step towards achieving control in organizations.

Coombs and Jeckins (1991) argues that, budget control is the establishment of budgets relating responsibilities of executives to the requirement of policy and the continuous comparison with actual with budgeted results, either to secure the individual action to the objectives of that policy or to provide the basis for its revision.

Drury (2004) argues that, budgeting control is concerned with the implementation of long term plan for the year ahead. She argues further that, budgets are clear indication of what is expected to be achieved during the budget period where as the long term plans represent the broad directions that the management follow in the given budget period.

The institute of cost and management accountants has defined the budgetary control as the establishment of department budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action of the objectives of that policy or to provide a firm basis for its revision.

Therefore, according to various scholars, a budgetary control can be seen as a management technique, which is adopted to control the business more effectively. Budgetary control can be seen as the planning in advance of the various functions of a business so that the business as a whole can be controlled. The term budgetary control involves the use of budgets and performance reports throughout the period to coordinate evaluation and control day to day operation in the accordance with the goals specified in the profit plan (Lucy, 1993).

2.3 The Concept of Budgetary Control System

Terry (1953) defines budgetary control system as the process of comparing actual results with the corresponding budget data in order to approve accomplishment or to remedy differences by either adjusting the budget estimates, correcting the budget estimates, or correcting the cause of differences.

Wixson (1973) defines budgetary control system as the comparison of actual operation with the budget to determine if the plan is being carried out and if not to ascertain the reasons for the deviation.

Brown (1985) gives a definition from Institute of Cost and Management Accounting terminology book which defined budgetary control system as the establishment of budget techniques in related with the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budget results either to be secured by individual action to the objectives of the policy or provide a basis for its revision.

Budgetary Control System is a management technique which is adopted to control the business organizations more effectively. The institute of cost and management accounts USA (2008) has defined the budgetary control system as the establishment of budgets department relating the responsibilities of executives to the requirements of a policy, regulations and the continuous comparison of actual with budgeted results either to secure by individuals actions of the objectives of that policy, regulations or to provide an organization the basis for its revision.

2.4 The Concept of Organizational Performance

Organization performance is not a precisely a defined concept. Intuitively, and in practice, the performance of an organization is related to its capacity to deliver basic goods and services, and to provide a suitable policy and regulatory environment for development to take place. Thus, there is a direct link between organizational capacity and its performance. Effective budgeting and budgetary control system, modern technology, effective corporate governance, staff awareness, organization with no corruption, motivation and the ways it is managed in specific organization context-is crucial in that linkage.

The aim of budgeting and budgetary control system in an organization is to provide a formal basis of monitoring the process of the Local government authorities as whole and component parts. In normal practices local government authorities set their objectives to be achieved during the financial year and then budget is prepared for the purpose of achieving those objectives.

Lucy (1993) argues that most organizations fail to fulfill their objectives because of the ineffective budgeting and budgetary control system that is among the existing problems causing failures in the general organizational operations.

2.5 The Theory of Organizational Budget

2.5.1 Budgeting Activity in an Organization

Local government Authority accounting manual (1993), sees the budget as an estimate of future income and expenditure for achieving the financial and operational goals of the local government authority. The budget is a summary of the council resolutions, in monetary terms, to collect certain sums of money from specific group of people (tax payers, service users, etc) and spend it in various ways for the benefits of the inhabitant of the locality. This authority stipulates the aims of a budget as being

- (i.) To increase the chief officers awareness on economic planning in relation to organizational performance. The local government authorities are compelled to make estimates of future economic conditions including costs of different services expected to be offered to the public and a timely estimation of revenue expected to be raised to meet increased costs.
- (ii.) To give an advance warning about future results. A budget shows in advance the expected future financial results of the local government authority
- (iii.) To coordinate departmental activities. The budget provides the chief managers with an opportunity to coordinate activities of the various departments within the local government authority.
- (iv.) To promote staff participation on organizational performance. In budget planning and budget control, many staff members are involved.

According to Antony, *et al* (2004) and Local Authorities Accounting Manual (1993), amended in (2005), an effective budget has the main three requirements: Budget period, budget manual and budget projections.

The preparing the budget in local government authorities, involve many staff members. The responsible staff members that are involved directly in preparing a budget are the budget committee and the accounting staff.

(a) Budget Committee

This should consist of high level executives who represent the major segments of the business. Its major task is to ensure that budgets are realistically established and that they are coordinated satisfactory. The normal procedure is for the functional heads to present their budget to the committee for approval.

If the budget does not reflect a reasonable level of performance, it will not be approved and the functional head will be required to adjust the budget and re-submit it for approval. It is important that the person whose performance is being measured should agree that the revised budget can be achieved; otherwise, if it is considered to be impossible to achieve, it will not act as a motivational device. If budget revisions are made, the budgetees should at least feel that they were given a fair hearing by the committee.

The budget committee should appoint a budget officer, who will normally be the accountant. The role of the budget officer is to coordinate the individual budgets into a budget for the whole organization, so that the budget committee and the budgetee can see the impact of an individual budget on the organization as a whole (Drury, 2000).

(b) Accounting staff

This will normally assist managers in the preparation of their budgets; they will for example, circulate and advice on the instructions about budget preparation, provide

past information that may be useful for preparing the present budget and ensure that manager submit their budgets on time. The accounting staff does not determine the content of the various budgets, but they provide a valuable advisory and clerical service for the line managers (Drury, 2000).

According to Antony, *et al* (2004) and Local Authorities Accounting Manual (1993), amended in (2005), an effective budget has the main three requirements: Budget period, budget manual and budget projections.

(a) Budget period

Matthews (1977) wrote that, “budgeting must be relating to a specific period of time. The general process of budgeting breaks down long range plans and objectives prepared for say, next five years into shorter, operation periods for invariably of one year. These were then subdivided into monthly periods for the purpose of monitoring and control. Due to rapidly changing conditions many organizations review and modify their budgets on a rolling basis that is each quarter or half year budgets are reviewed for the following twelve months.

(b) Budget manual

This is a document which consist information concerning budget. It set out the responsibilities of the person engaged in the routine of the forms and records for the purpose required. When using a system of budgetary control, it is desirable to prepare such a manual, then has to be kept up to date by including all forms routine and programmes. These should be checked and cross checked from time to time (Drury, 1995).

(c) Budget Projection

According to Antony (1989), budgets are forecasted. And forecasting is the projections of future activities in the economy. It is apparent from study that forecasting is an essential part of the budgeting process.

According to Anthony (1989) forecasting has the following features:

- (i.) It does not involve any commitment on the part of the forecaster to attain the forecasts.
- (ii.) It is based on historical information and is revised whenever data becomes available.
- (iii.) It needs necessarily be expressed in financial terms.
- (iv.) It does not always conform to one year period of time.

2.5.2 Objectives of a Budget

Objectives of the budget have been stipulated by Drury (1988) as follows:

- (i.) **Forcing planning:** The preparation of budget enables the organizations to establish goals and a suitable course of action for achieving those goals. In this manner, budgeting compels management to plan for future, budgeting forces management to look ahead and to become more effective in administering the business operations.
- (ii.) **Coordinating operations:** Budgeting helps to integrate the activities of separate departments in order to pursue organizational goals effectively.
- (iii.) **Performance evaluation and control:** Budgeting facilitates the control process by ensuring that actual activities conform to plan activities. A budget assists managers in managing and controlling the activities for which they are responsible.
- (iv.) **Assist in communication:** When a budget for the overall organization is being constructed, individual managers must communicate their plans to lower level management, so that all members of the organization may understand these expectations and can coordinate to attain them.
- (v.) **Optimal utilization of resources:** Budgeting helps to optimize the use of the firm's resources, capital and human, it aids in directing the total efforts of the firm in the most profitable channels.

(vi.) **Improving productivity:** Budgeting increases the morale and thus, the productivity of the employees' by seeking their meaningful participation and formulation of plans and policies, bringing a harmony between individual goals and the enterprise.

2.6 The Theory of Organizational Budget Control

2.6.1 Budget Control

Duck and Lervis (1984) describe that budgets are of no use if they cannot be controlled and activities regulated to be in line with the budget. Controlling the budget means monitoring the actual performance with budgeted figures, isolating variance, explaining causes of variances and taking corrective action. The mere preparation of the budget is only a first step towards achieving control in organizations.

Budgetary control is a management technique, which is adopted to control the business more effectively. The institute of cost and management accountants has defined the budgetary control as “the establishment of department budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action of the objectives of that policy or to provide a firm basis for its revision”.

Budgetary control is the planning in advance of the various functions of a business so that the business as a whole can be controlled.

Terry (1953) defines budgetary control system as the process of comparing actual results with the corresponding budget data in order to approve accomplishment or to remedy differences.

By either adjusting the budget estimates, correcting the budget estimates, or correcting the cause of differences.

Wixson (1973) defines budgetary control system as the comparison of actual operation with the budget to determine if the plan is being carried out and if not to ascertain the reasons for the deviation.

The term budgetary control involves the use of budgets and performance reports throughout the period to coordinate evaluation and control day to day operation in the accordance with the goals specified in the profit plan (Lucy, 1993).

Brown (1985) gives a definition from Institute of Cost and Management Accounting terminology book which defined budgetary control system as the establishment of budget techniques in related with the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budget results either to be secured by individual action the objectives of the policy or provided a basis for its revision.

2.6.2 Budget Control Process

According to Wood (1996), Antony, et al (2004) and the Local Authority Accounting Manual (2005), budget control process undergoes several processes; namely: Budgeting for expenditure and revenue, determining actual revenue and expenditure, determining collection of revenue, Comparing actual and budgeted expenditure and revenues, and computing variances, and finally performing various investigations and corrective actions are taken.

(a) Budgeting for expenditure and revenue.

To be able to exercise control over expenditure and revenue, there must be a yardstick or benchmarks against which actual cost will be compared with established norms or standards. Budgeted expenditure norms therefore serve as points of departures for comparing actual expenditures and revenues.

(b) Determining actual expenditure and revenue.

This is the second stage budgetary control process information.

(c) Collection.

Regarding actual expenditure and revenue can be collected from source documents.

(d) Comparing actual and budgeted expenditure and revenues and computing variances.

Actual expenditure and revenue will not mean anything to a manager unless they can be compared with those budgeted. Once the comparison has been done, variance should be calculated. For convenience of analysis and interpretation, variance should be broken into major elements of expenditure and revenue. For instance, material cost variance, labor cost variance and overhead cost variance.

(e) Various investigation and corrective action taken.

Computed variances should investigate with a view to determine their causes so that corrective action can be taken. Areas to be investigated are those that are under achieve or over achieve the budgets.

2.6.3 Roles of Budgeting and Budget Control

Local authority accounting manual (2005) mentions the roles of budget and budgetary control as follows:-

- (i.) To aid plan, budget is comprehensive financial plan setting for the expected route for achieving the financial and operation goals of organization.
- (ii.) To communicate the plans to various managers. Once a budget prepared, it becomes a means of informing the organization, not only of plan that have been approved by management but also has the budgeted actions management wished organization to take during the budget period.
- (iii.) To evaluate the performance of managers to the control function of management requires that performance to be evaluated in light of some norms or objectives.
- (iv.) On basis of this evaluation, appropriate corrective actions can be implemented in evaluating performance.

To control activities, the budget help to search out weakness in the organization or budget (spending low than what expected to be spent or collect much than what expected to be collected).

2.6.4 Limitations of Budget Control

This has been stipulated by Wood (1996) as follows:

(a) Opposition against the very spirit of budget.

There will always be active and passive resistance to budgetary control as it points the efficiency or inefficiency of individuals. The opposition is also due to human nature, the tendency to resist change. Moreover, any system of budgetary control cannot be successful unless it has full support of the top management.

(b) Budgeting and changing economy.

The preparation of a budget that gives a realistic position of the firm's affairs Under inflationary pressure and changing government polices is difficult. Thus, the accurate position of the business cannot be estimated.

(c) Continuous adoption (Time factor).

The installation of the perfect system of budgeting is not possible in a short period. Accuracy in budgeting comes through experience. Management must not expect too much during the development period.

(d) Implementation.

A skillfully prepared budgetary program will not itself improve the management of an enterprise unless it is properly implemented. It should be well understood by managers and subordinates.

(e) Management complacency (not a substitute for management).

Budgeting is a management tool, a way of managing, and not the management. The presence of a budgetary system should not make the management complacency.

(f) Unnecessary details.

Budgeting will be ineffective and expensive if it is unnecessarily detailed and complicated. A budget should be flexible, not rigid in application.

(g) Co-operation requirements.

The success of budgetary control depends upon willing cooperation and teamwork. Budget officers must get cooperation from all departmental managers. These managers must feel the responsibility for achieving or bettering departmental goals laid down in the budget.

(h) Goal conflicts.

The goals of individual and groups should coincide with goals of the organization as a whole. The individuals who are setting out the budget may have different goals from that of an organization and hence there may be a conflict of goals with organizational goals

2.7 The Theory of Organizational Budgetary Control System

According to Sinha (1997), Antony, *et al* (2004) and Local Government Authority Accounting Manual (2005), budget control system is also known as budget techniques or budgeting methods. According to them, there are four budget control systems: Incremental Budgeting System, Zero Base Budgeting System, Flexible Budgeting System and Activity Base Budgeting System. According to Sinha (1997) and Antony, *et al* (2004), the choice of any particular budgetary control system is dependent on the circumstances and needs of the organization in archiving targeted objectives.

2.7.1 Incremental Budgeting System

Incremental budgeting is budgeting based on slight changes from the preceding period's budgeted results or actual results. This is a common approach in businesses where management does not intend to spend a great deal of time formulating budgets, or where it does not perceive any great need to conduct a thorough evaluation of the business.(www.change-management.com)

The primary advantage of incremental budgeting is that it is simple to use, being based on either recent financial results or a recent budget that can be readily verified. Also, if a program requires funding for multiple years in order to achieve a certain outcome, incremental budgeting is structured to ensure that the funds will keep flowing to the program. (www.change-management.com)

In short, incremental budgeting results in such a conservative mindset in a business that it may actually be a noticeable driver in destroying a company over the long term. You should instead engage in a thorough strategic re-assessment of a business when constructing a budget, as well as a detailed investigation of expenditures. The result should be significant changes in the allocation of funds from period to period, as well as targeted operational changes that are intended to improve the competitive position of a business. (www.change-management.com)

The advantages and disadvantages of incremental budgeting are stated as follows;

(a) Advantages

- (i.) **Simplicity**--This type of budgeting is very simple to understand. Compared to some of the other budgeting methods used in business, it is one of the easiest to put in practice. Therefore, you do not have to be an accountant or have much experience in business to use this form of budgeting.
- (ii.) **Gradual change**--With this type of budgeting, you will have a very stable budget from one period to the next. This allows for gradual change within the company. Many managers are intimidated by large budget increases from one period to the next. With this type of budget, you will not run into this problem because it is based on the previous period's budget.
- (iii.) **Flexibility**--This type of budgeting is very flexible. You can easily do it from one month to the next. This allows you to see change very quickly when you implement a new policy or budget. (www.change-management.com)

(b) Disadvantages

- (i.) Does not account for change--This method is based on the idea that expenses will run pretty much as they did before. However, in business, this is rarely the case. There are always variables.

- (ii.) No incentives--Such a simple method of budgeting really does not provide your employees with much reason to be creative. They have no incentive to innovate and come up with new ideas or policies. When a budget allows a little extra room for innovation, you might find that your employees come up with something great.

Use it or lose it--Many employees view this as a "use it or lose it" system. They know that next year's budget is going to be incrementally based on this year's. Therefore, if they do not spend everything that is allocated to them, they may not have enough money to work with next year. This creates an environment where waste is encouraged.

2.7.2 Zero Bases Budgeting System

Zero Base Budgeting (ZBB) in the public sector and the private sector are very different. The use of ZBB in the private sector has been limited primarily to administrative overhead activities (i.e. administrative expenses needed to maintain the organization...) For example; Peter Phyrr used ZBB successfully at Texas Instruments in the 1960s and authored an influential 1970 article in Harvard Business Review. In 1973, President Jimmy Carter, while the governor of Georgia, contracted with Phyrr to implement a ZBB system for the State of Georgia executive budget process.

President Carter later required the adoption of ZBB by the federal government during the late 1970s. "Zero-Base Budgeting (ZBB) was an executive branch budget formulation process introduced into the federal government in 1977. Its main focus was on optimizing accomplishments available at alternative budgetary levels. Under

ZBB agencies were expected to set priorities based on the program results that could be achieved at alternative spending levels, one of which was to be below current funding.

According to Peter Sarant, the former director of management analysis training for the US Civil Service Commission during the Carter ZBB implementation effort, “ZBB means “different things to different people.” Some definitions are implying that zero-base budgeting is the act of starting budgets from scratch or requiring each program or activity to be justified from the ground up. This is not true; the acronym ZBB is a misnomer. ZBB is a misnomer because in many large agencies a complete zero-base review of all program elements during one budget period is not feasible; it would result in excessive paperwork and be an almost impossible task if implemented. In many respects the “common misunderstanding” of ZBB noted above resemble a “sunset review” process more than a traditional public sector ZBB process.

Zero-based budgeting is an approach to planning and decision-making which reverses the working process of traditional budgeting. In traditional incremental budgeting, departmental managers justify only variances versus past years, based on the assumption that the "baseline" is automatically approved. By contrast, in zero-based budgeting, every line item of the budget must be approved, rather than only changes:

During the review process, no reference is made to the previous level of expenditure. Zero-based budgeting requires the budget request be re-evaluated thoroughly, starting from the zero-base. This process is independent on whether the total budget or specific line items are increasing or decreasing.

The term "zero-based budgeting" is sometimes used in personal finance to describe "zero-sum budgeting", the practice of budgeting every dollar of income received, and then adjusting some part of the budget downward for every other part that needs to be adjusted upward.

Zero based budgeting also refers to the identification of a task or tasks and then funding resources to complete the task independent of current resurging.

The following are advantages and disadvantages of zero base budgets

- (i.) Efficient allocation of resources, as it is based on needs and benefits rather than history.
- (ii.) Drives managers to find cost effective ways to improve operations.
- (iii.) Detects inflated budgets.
- (iv.) Increases staff motivation by providing greater initiative and responsibility in decision-making.
- (v.) Increases communication and coordination within the organization.
- (vi.) Identifies and eliminates wasteful and obsolete operations.
- (vii.) Identifies opportunities for outsourcing.
- (viii.) Forces cost centers to identify their mission and their relationship to overall goals.
- (ix.) It helps in identifying areas of wasteful expenditure and, if desired, it can also be used for suggesting alternative courses of action.
- (x.) The following are advantages and disadvantages of zero base budgets
- (xi.) More time-consuming than incremental budgeting.
- (xii.) Justifying every line item can be problematic for departments with intangible outputs.
- (xiii.) Requires specific training, due to increased complexity vs. incremental budgeting.
- (xiv.) In a large organization, the amount of information backing up the budgeting process may be overwhelming.

2.7.3 Flexible Budgeting System

The **flexible budget** is a performance evaluation tool. It cannot be prepared before the end of the period. A flexible budget adjusts the static budget for the actual level of output. The flexible budget asks the question: “If I had known at the beginning of the period what my output volume (units produced or units sold) would be, what

would my budget have looked like?” The motivation for the flexible budget is to compare apples to apples.

If the factory actually produced 10,000 units, then management should compare actual factory costs for 10,000 units to what the factory should have spent to make 10,000 units, not to what the factory should have spent to make 9,000 units or 11,000 units or any other production level.

The **flexible budget variance** is the difference between any line-item in the flexible budget and the corresponding line-item from the statement of actual results. The following steps are used to prepare a flexible budget:

- (i.) Determine the budgeted variable cost per unit of output. Also determine the budgeted sales price per unit of output, if the entity to which the budget applies generates revenue (e.g., the retailer or the hospital).
- (ii.) Determine the budgeted level of fixed costs.
- (iii.) Determine the actual volume of output achieved (e.g., units produced for a factory, units sold for a retailer, patient days for a hospital).
- (iv.) Build the flexible budget based on the budgeted cost information from steps 1 and 2, and the actual volume of output from step 3.

Flexible budgets are prepared at the end of the period, when actual output is known. However, the same steps described above for creating the flexible budget can be used prior to the start of the period to anticipate costs and revenues for any projected level of output, where the projected level of output is incorporated at step 3. If these steps are applied to various anticipated levels of output, the analysis is called **pro forma** analysis. Pro forma analysis is useful for planning purposes. For example, if next year’s sales are double this year’s sales, what will be the company’s cash, materials, and labor requirements in order to meet production needs? There are several roles of flexible budgets. (Milani, K. 2009):

- (i.) A flexible budget is an operating budget that features alternative estimates for various line items. The idea behind the alternatives is that by planning for potential changes in production costs or sales volume, the business can

respond quickly and keep the company profitable. Sometimes, it is referred to as a variable or dynamic budget, households and non-profit organizations can also make use of this particular approach to budgeting.

- (ii.) Like all budgets, the flexible budget involves the establishment of line items that address each type of expense incurred for a given financial period. A limit or value is assigned to each line item, with the total amount of the budget coming to something less than the anticipated income for that same period. Ideally, the amount allotted for each budgetary item will be sufficient to cover all related expenses, and the income levels will be sufficient to allow the budget to stand as is.

The ability to quickly adjust a flexible budget to take into account changes in output levels or shifts in income means that a business or other entity can move quickly to meet the new circumstances. By contrast, a rigid budget that is based on a single set of projections and allows no room for adjustments without going through a complicated approval process wastes valuable time and money that could be used for efficiently. For this reason, businesses and non-profit organizations that function in somewhat volatile circumstances are very likely to employ this approach to budgeting. (Milani, K. 2009):

2.7.4 Activity Base Budgeting System

Lucey (2002) described that activity based budgeting is a method of budgeting based on an activity framework and utilizing cost driver data in the budget setting and variance feedback processes. ABB provides a link between the organizational strategic objectives and the objectives of individual activities.

Additional measures are required which should focus on the factors which drive activities, the quality of the activities undertaken, the responsiveness to change.

Resources allocation based on relationship between activities and costs, and which provides greater details on overheads than the normal financial budgeting. Activity based budgeting is planning and controlling activities and cross functional business

processes of an organization.

Most organizations use activity base budgeting system due to the following reasons.

- (i.) Supports perpetual planning
- (ii.) Engage everyone in thinking about how they can better create value for organization.
- (iii.) Link planning and activity based budgeting
- (iv.) Budget activities and cross-functional business processes to strategy and corporate goals.
- (v.) Identify waste and non value in budget and create action plans to eliminate it.
- (vi.) Forecast workloads to create activity based budget

Objectives of Budgetary Control System

The main objectives of a system of budgetary control are stipulated by Solomon, et al (1986) as follows: -

- (i.) To formulate the policy of the organization.
- (ii.) To coordinate the activities of the organization in order to achieve a specific target.
- (iii.) To control each function so that the best possible results may be achieved.

2.7.4.1 Essentials of Good Budgetary Control System

According to Local Government (District Authorities Act 1982), describes that effective budgetary control demands a minimum of certain conditions as follows:-

- (i.) A sound accounting system capable of accumulating costs and revenue data accurately throughout the year.
- (ii.) An efficient reporting system, which runs both ways, conveying feedback of performance to managers and feed forward of the corrective action necessary to prevent or minimize the incidence of further variances.
- (iii.) Commitment of the managers to their budgets and to the performance of the organization as a whole.
- (iv.) Availability of resources required taking corrective action when it is needed.

2.7.4.2 Characteristics of Effective Budgetary Control System

According to Harper (1993), Druly (2004) and Antony, *et al* (2004), effective budgetary control system has the following characteristics.

- (i.) Accuracy: The information on performance must be accurate. The information that managers receive must be accurately evaluated.
- (ii.) Timely information: The information must be collected, routed, and evaluated quickly to enhance immediate actions for improvements.
- (iii.) Objectivity and Comprehensiveness: The information should be understandable and be seen as objective by the individuals who uses it. A difficult – to – understand control system will cause unnecessary mistakes and confusion or frustration among employees.
- (iv.) Focused on strategic control points: The control system should be focused on those areas where deviations from standards are most likely to take place or where deviations would lead to greatest harm.
- (v.) Economically realistic: The cost of implementing a system should be less than; or at most equal to, the benefits derived from the system.
- (vi.) Organizational realistic: The control system has to be compatible with the organizational economic financial realities, and all standards for performance must be realistic.
- (vii.) Organization's work flow: The control system must be coordinated with organization's work flow to avoid work process failure to affect the entire operation and to enable control information to be reached all people who need to receive it.
- (viii.) Flexibility: Control system must have flexibility built into them so that the organization can react quickly to overcome adverse changes or to take advantage to new opportunities.
- (ix.) Prescriptive and operational: Control systems out to indicate, upon the direction of the deviation from standards, what corrective action should be taken.

- (x.) Accepted by the organizational members: For the control system to be accepted by the organizational members, it must be related to meaningful and accepted goals.

2.8 The Theory of Organizational Performance

Organization performance is not a precisely defined concept. Intuitively, and in practice, the performance of an organization is related to its capacity to deliver basic goods and services, and to provide a suitable policy and regulatory environment for development to take place (Ng'ubi, 1998; Mabuzane, 1998; Mwakasile, 2005). Thus, there is a direct link between organizational capacity and its performance. Effective budgeting and budgetary control system, modern technology, effective corporate governance, staff awareness, organization with no corruption, motivation and the ways it is managed in specific organization context-is crucial in that linkage (Mwakasile, 2005).

In organizations, the contribution of staff to work is like wise part of the capacity that helps to produce organizational outputs but only if the environment enables it. Performance should therefore be measured by the results (outputs/outcomes) that an organization produces (Kusek, *et al*, 2005). Unfortunately, such information is difficult to obtain in practice.

2.8.1 Budgeting and Organizational Performance

According to Robert C (2006) defined budgeting as a quantitative expression of actions. A budget is an example of a formal business plan. Most people associate the word budget with limitations on spending. For example governments often approve spending budgets for their various agencies and departments. Then they expect the agencies and departments to keep their expenditures within the limits prescribed by the budget.

In contrast, most business organizations use budgets to focus attention on organization operations and finances, not just to limit spending. Budgets highlight potential problems/challenges and advantages early, allowing directors, ministers, chief executive officers, managers to take steps to avoid those problems/challenges or use the advantages wisely

A budget is a tool that aids managers in both their planning and control functions. Budgets help managers plan for the future. However, managers also use them to evaluate what happened in the past. They use budgets as a benchmark, a measure of estimated or desired performance against which they compare actual performance.

Recent surveys show just how valuable budgets can be. One study of over 150 organizations in North America listed budgeting as the most frequently used cost – management tool. It was also the tool with the highest value to the organizational performance. Study after study has shown the budget to be one of the most widely used and highest rated cost management tools for cost reduction and control.

According to Harper, (1993), Druly, (2004) and Antony, *et al* (2004), the budget occupies the central place in the management process of virtually all business organization; and budgets have the following purpose.

- (i.) To help in coordinating several parts of the organization.
- (ii.) To assign responsibility to managers to authorize the amount they are permitted to spend; and to inform them of the performance that is expected of them.
- (iii.) To obtain a commitment that is a basis for evaluating managers' actual performance

2.8.2 Budget Control and Organizational Performance

Duck and Levis (1984) described that budgets are of no use if they can not be controlled and activities regulated to be in line with the budget. Controlling the budget means monitoring the actual performance with budgeted figures; isolating variances, explaining causes of variances and taking corrective action. The mere preparation of the budget is only a first step towards achieving control in organizations. Budgetary control is a management technique which is adopted to control the business organization more effectively.

The term budgetary control means to ensure a plan is followed and control is exercised via the budgets. In order to achieve real control, the responsibility of managers and budgets must be so linked that the managers responsible for a certain part of the plan is given a guide to help to produce the desired results and that the actual results achieved are then compared against the expected results i.e. actual compared with budget.

Wixson (1973) defines budgetary control as the comparison of actual operations with the budget to determine if the plan is being carried out and if not to ascertain the reasons for the deviation. According to Lucy (1993), budgetary control system involves the use of budgets and organizational performance reports throughout the period in order to coordinate evaluation and control day to day operation in the accordance with the objectives specified in the profit plan.

According to Drury, (2004) and Antony, *et al* (2004), the budget control helps the organization in the following ways.

- (i.) It brings about efficiency and improvement in the working of the organization.
- (ii.) It is a method of communicating the plans to various units of the organization by establishing the divisional budgets, departmental budgets and sectional budgets; in which exact responsibilities are assigned. It therefore, minimizes the possibility of back passing if the budget figures are not met.
- (iii.) It is a method of motivating managers to achieve the goals set for the unit.
- (iv.) It serves as a benchmark for controlling the ongoing operations.
- (v.) It helps in developing a team spirit where participation in budgeting is encouraged.
- (vi.) It helps reducing wastage and losses by revealing them in time for corrective actions.
- (vii.) It serves as a basis for evaluating performance of managers.
- (viii.) It serves as a means of educating the managers.

2.8.3 Budget Control System and Organizational Performance

The budgetary control system has the following advantages in the organizational performance.

(i.) Formalization of Planning

Budgetary compels managers, directors, ministers and chief executive officers to think by formalizing their responsibilities for planning. Budgeting forces managers to think a head in order to anticipate and prepare for changing conditions. The budgeting process makes planning an explicit management responsibility. The trouble with the day to day approach to managing an organization is that objectives are never crystallized (Robert, 2006).

(ii.) Framework for judging organizational performance

Budgetary control provides definite expectations that for the best framework for judging subsequent organizational performance. Budgeted objectives and performance are generally a better basis for judging actual results than is past performance.

(iii.) Communication and Coordination

Budgetary control aids managers in coordinating their efforts, so that the plan of an organization submits, meet the objectives of the organizations as a whole.

Budgetary control tells employees what is expected of them. No body likes to drift a long not knowing what the boss expects or hopes to achieve. A good budgetary control process communicates both from the top down and from the bottom up. Top management makes clear the goals and objectives of the organization in its budgetary directives. Employees and lower level managers then inform higher level managers how they plan to achieve the goals and objectives. . (Peter Drucker 2006).

2.8.4 Factors Contributing to Organizational Performance

It has been extensively documented that, due to factors such as national and organizational cultures, strategic orientations, and management styles, there are significant differences between organizations operating in different countries. Less

clear, however, is whether there are significant differences in the factors that drive performance in the most successful firms, regardless of country.

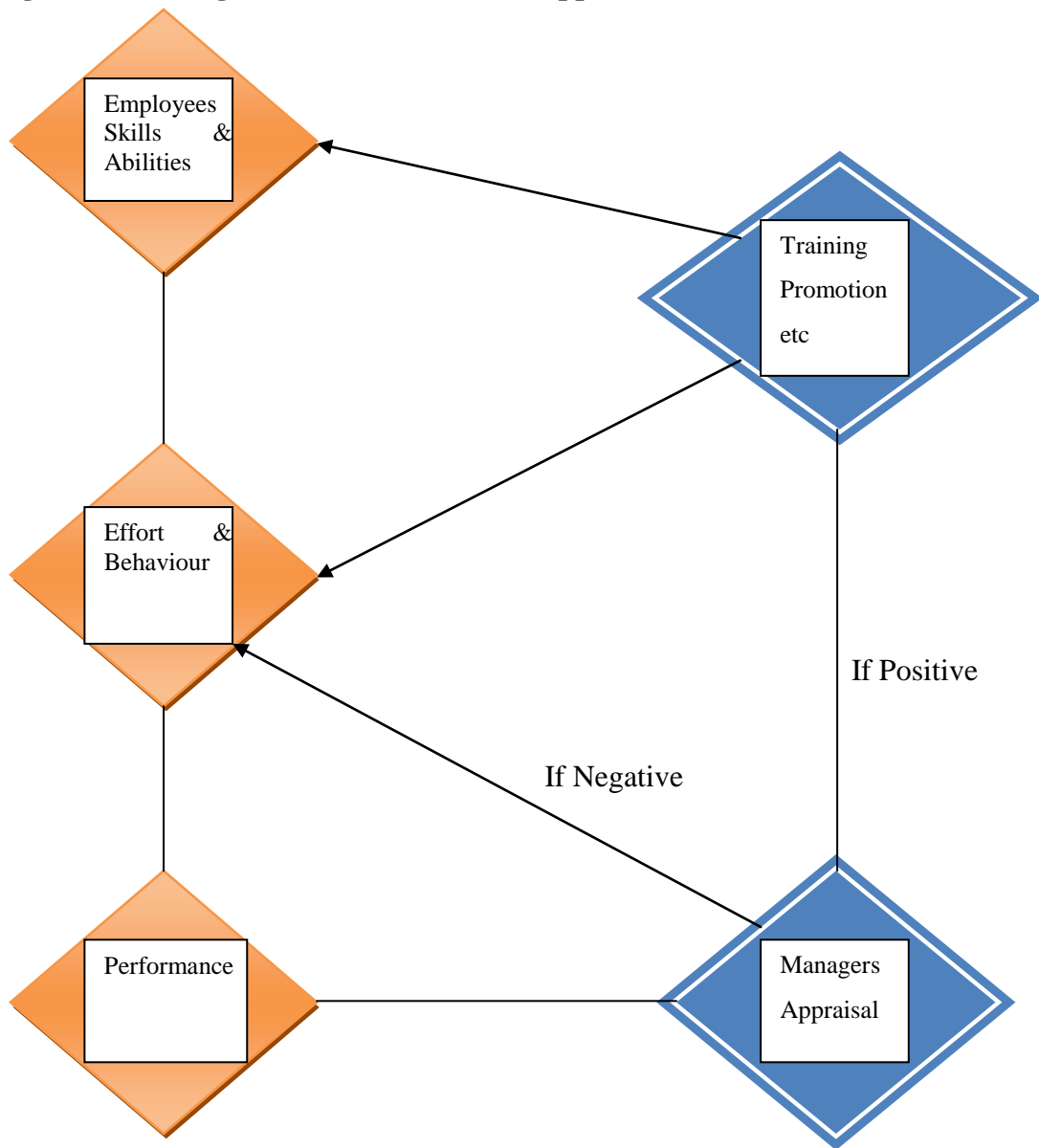
In this study, professors Deshpandé, Farley, and Webster examined how organizational culture and climate, customer orientation, and innovativeness affect performance in firms in the U.S.A, England, France, Germany, and Japan.

Despite these differences, however, they found that successful firms transcended national culture differences to develop a common pattern of drivers of business performance. These included a primary focus on organizational innovativeness, a friendly climate, and a competitive culture.

2.8.4.1 The Performance – Appraisal Circle

According to Anthony (2004), performance appraisal to staff members when they perform anticipated results is one of the factors that facilitate the performance of the employee. The performance – appraisal cycle, according to Pendey (1999), as presented below

Figure 2.1: Organization Performance Appraisal Circle (OPAC)



Source: Constructed by Pendev, (1999)

2.8.4.2 Employee Performance

According to Pendey (1999), employees don't perform in a vacuum. There are a variety of factors, personal, company-based and external that affects their performance. Identifying these factors can help improve recruitment, retention and organizational results.

According to her, the employees' performance factors are analyzed as follows;

(i.) Job Fit or Employees Qualification

Employees must be qualified to perform a job in order to meet expectations. The best fit for a job is identified by skills, knowledge and attitude towards the work. If an employee is in the wrong job for any of these reasons, results will suffer.

(ii.) Technical Training Capacity

Employees can bring skills to a position but there are likely to be internal, company- or industry-specific activities that will require additional training. If a process requires a new software package it's unrealistic to expect employees to just figure it out; they should receive adequate training.

(iii.) Clear Goals and Expectations

When everyone understands the targets/objectives and expected outcomes, it is easier to take steps to get there and measure performance along the way. Organizations without clear goals are more likely to spend time on tasks that do not impact results.

(iv.) Organization tools, machinery and Equipment

Just as a driver needs a vehicle in operating condition, employees must have the tools and equipment necessary for their specific jobs. This includes physical tools, supplies, software and information. Outdated equipment or none at all, has a detrimental affect on the bottom line.

(v.) Employee Morale and Organizational Culture

Morale and Organizational culture are both difficult to define but employees will be able to report when they are poor or positive. Poor morale exists when there is significant whining, complaining and people just don't want to come to work. On the positive end, the workplace is energized by a sense of purpose and teams that genuinely want to work together

(vi.) Management Control System

Drucker views management as being both a group of people with power, knowledge and expertise. Management is tasks, management is a discipline, but management is also people. “Every achievement of management is the achievement of a manager. Every failure of management is also failure of a manager” In reality the managers spend much of their time managing staffs, budgets, and problems of the organization they work in.

Management control system in organization is often concerned with exercising formal power and control within a defined structure, to shape the behavior and work patterns of staff with the aim of achieving good organizational performance and meeting organizational objectives.

Management is concerned with making things happen and is a largely practical activity that involves working with and developing people to meet objectives and achieve expected results. Depending on the situation an organization finds itself in management may be about changing behavior due to the organization’s position in the external environment and key success factors changing. Hence management is concerned with the achievement of objectives via the efforts of other people in an organizational structure with defined roles, using resources and control system to achieve the outputs required for success (Drucker, 2006).

(vii.) Financial Managements

Financial controls include key financial targets for which managers are held accountable. The departments’ expenditure should be within the budgeted guidelines. The departmental managers should stay within the budgets and this is typically one key measure of periodic organization performance review within the organization in order to meet the organizational objectives.

To control financial activities within organization is as important as responsible for providing management with information on how to control costs and improving the

production process. Managerial accountants may also provide costs information on new products, new projects, and investments and make pricing decision and monitor actual and budgetary costs.

2.8.4.3 Organizational Performance

(i.) Ineffective Corporate Governance Frame work

Corporate governance consists of processes, customs, policies, laws, and institutions affecting the way people direct, administer or control an organization. Corporate governance also includes the relationships among the stakeholders involved and the corporate objectives. (Lewis C. W., 2005):

The ineffective corporate governance frame work not promote transparent and efficiency services, not be consistent with the rule of law and also not clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. In other words involved should be aware of his or her responsibilities and what he or she is accounted for. The corporate governance should ensure timely and accurate disclosure is made in all material matters of the organization including the financial situations, organizational performance, ownership and achievement of organizational objectives.

(ii.) Employees Creativeness and Ability

Character traits, skills and knowledge which are used in the organization performance should be creative and employees should use their ability and creativeness to achieve the organization objectives. It is always present and will not widely over short period of time.

(iii.) Lack of staff work Efforts

The amount of manual or mental energy that a person is prepared to spend on a job to reach a certain level of performance can vary according to incentive and motivation. The staffs work efforts provided in a certain activities must meet the objectives of the organization. Manual and mental energy should be utilized effectively in order to meet a certain level of performance.

(iv.) Organization Motivation

Many people who are not motivated keep their performance to an acceptable level by expending only 20-30% of their ability

Managers who know how to motivate their employees can achieve 80-90% ability levels and consequently higher levels of performance in a particular organization and thus the organizational objectives can be achieved.

According to the Maslow (1994), hierarchy of needs provide more detailed notes on motivation as explain below;

- a) Basic needs – food, clothing and shelter
- b) Safety needs - security, avoidance of risk/harm
- c) Social needs - friendship, acceptance, group
- d) Esteem needs - responsibility, recognition
- e) Self realization - independence, creativity

(v.) Equity & Expectation

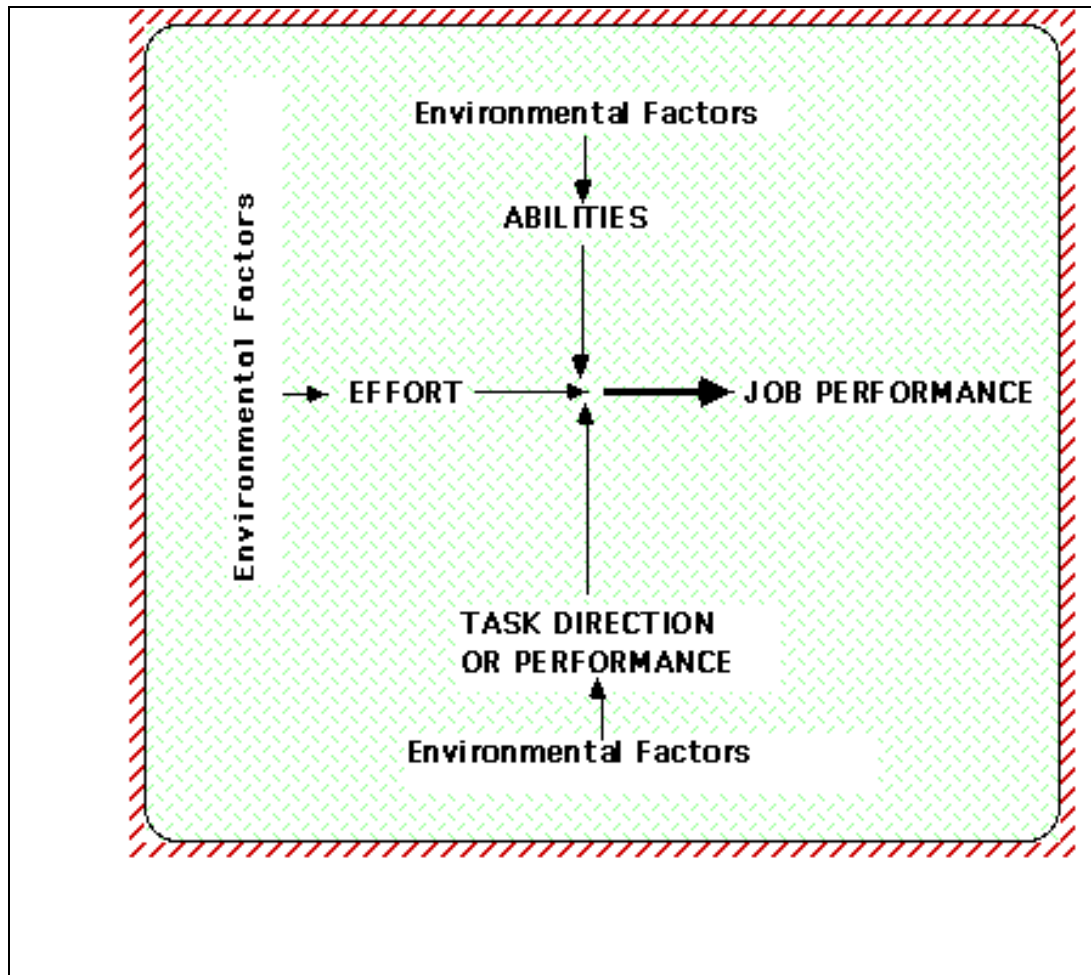
Again, detailed notes elsewhere. Basically, people expect to be treated equally, within the organization and as others are in similar organizations; they expect to get a certain reward for a certain effort; and they expect to get promoted if they undergo training. All these factors are inter-related and affect the amount of effort people are prepared to put in.

(vi.) Environmental factors

Those factors over which an individual has no control, eg: the job may have been completed under severe time constraints, with a lack of adequate resources, or by using obsolete equipment. There may have been conflicting priorities or information overloads, such that the individual was confused and under stress; other staff and departments may have been less than cooperative; the restrictive policies of the organization may have prevented the individual from using her initiative and imagination to the extent that she wished; the quality of the supervision exercised

may have been defective some people need encouragement and support, whereas others like to be left to get on with the job. Cannot be used as excuses for poor performance, but they do have a modifying effect.

Figure 2.2: Environmental Factors for Organizational Performance



Source: Constructed by Pendey, (1999)

2.9 Empirical Evidence

According to Haule (2006) Organization performance is not a precisely defined concept. Intuitively, and in practice, the performance of an organization is related to its capacity to deliver basic goods and services, and to provide a suitable policy and regulatory environment for development to take place. Thus, there is a direct link between organizational capacity and its performance. Effective budgeting and budgetary control system, modern technology, effective corporate governance, staff

awareness, organization with no corruption, motivation and the ways it is managed in specific organization context-is crucial in that linkage.

In organizations, the contribution of staff to work is like wise part of the capacity that helps to produce organizational outputs but only if the environment enables it. Performance should therefore be measured by the results (outputs/outcomes) that an organization produces (Kusek, *et al*, 2005) unfortunately, such information is difficult to obtain in practice.

In every business planning is the most important function to perform. Planning of different firms depends upon so many factors. Planning is done for comparing the actual performance with standard performance. Budgets are also prepared in advance. Budgets are prepared to check the availability of finance according to the demand of project. So budgetary control system is also essential tool of management to control cost and maximizes profits (Haule, 2006) According to Mrina (1990), Local government authorities in Tanzania have undergone different phases since independence in 1961. The first phase is that of 1961 to 1972 followed by the second phase that started in 1978 with the introduction of urban authorities. The third phase started in 1984 with the introduction of district councils.

Mrina (1990) argues further that, the abolition of the first phase of local government authorities in 1972 was due to several reasons including; one: great confusion that existed between the responsibilities of the district councils and the responsibilities of central government officials at local level. Two: failure to perform their duties of providing services to people by raising their own revenue. Therefore, through decentralization Act of 1972, the central government authority resumed all the functions and responsibilities of local government authorities in Tanzania.

According to him, by the year 1978, it was realized that, decentralization had stifled peoples' participation in government affairs respective to participating in development at local level. It was also realized that, the quality of services provided at local level, especially in towns had deteriorated sharply. To resolve for the

situation, the local government authorities were then re-established in the year 1984 by the enactment of Act No. 7 and 8 of 1982.

Despite of re-establishing the local government authorities 1982, with a number of reforms, but Semboja and Therkidsen (1990), observed many weaknesses on budgetary control in many local district councils. Some of those weaknesses were poor standards of financial management and most district councils had no internal auditors; and the functions of the internal auditors were being rendered by external auditors. The rendered service from external auditors was, however, inoperative due to the fact that most district councils' final accounts were not closed. This observation implied further that, besides unsatisfactory budget control systems in most local government authorities, but also local government authorities had employed many unqualified accounting staffs.

This observation implied further that, it was impossible to ascertain accurately the authenticity of the accounting records as to whether they have complied with financial regulations on public funds or not. This observation was also supported by the local government service commission study in Local government authorities in Tanzania in 1991, who among other weaknesses, concluded that there were a problem in financial management of public funds in district councils.

Msongo (1994), investigating on effectiveness of budgetary control in district councils observed that, budget control was hampered by low level of education of the councilors, ward executives and village executives, but however, the study did not focus on the impact of budgetary control system on budget control.

Most studies conducted in the areas relating to budgets has been mostly in budgetary control and concluding that ineffective performance of local government performance is contributed by ineffective budgets or ineffective budget controls by setting the hypothesis that local government authorities have effective budgetary control system (Mrina, 1990; Msongo, 2004, Mwakasile, 2005)

Basing on the literature review, most of the researches conducted in related topic were not conducted in Tanzania, neither in Africa. However, most of them were conducted on either effectiveness of budgets or effectiveness of budgetary control, or both, but basing on the hypothesis that there is proper budgetary control system; and that budgetary control system used has no impact on organizational performance.

From the literature review, most of the researches conducted in Tanzania on related topics, were conducted on either effectiveness of budgets or effectiveness of budgetary control, or both, in Local Government Authorities, with the hypothesis that budgetary control system has no impact on organizational performance. The problem is, however that, a little has been done in investigating the impacts of budgetary control system on organizational performance in Local Government Authorities in Tanzania as being one of the major factor for poor performance in district councils.

It is, therefore, not known whether the poor performance in most local Government Authorities is contributed by ineffective budget control system or not. It is not known further that, to what extent does a budgetary control system has hinder performance of Local Government Authorities in Tanzania.

2.9.1 Operational Definition

In Tanzania a government budget is a legal document that is often passed by the legislature, and approved by the president. Only certain types of revenue may be imposed and collected. Property tax is frequently the basis for municipal and country revenues, while sales tax and/or income tax are the basis for state revenue, and income tax and corporate tax are the basis for national revenues.

Organization performance is not a precisely defined concept. Intuitively, and in practice, the performance of an organization is related to its capacity to deliver basic goods and services, and to provide a suitable policy and regulatory environment for development to take place. Thus, there is a direct link between organizational capacity and its performance. Effective budgeting and budgetary control system,

modern technology, effective corporate governance, staff awareness, organization with no corruption, motivation and the ways it is managed in specific organization context-is crucial in that linkage.

Meaning of budgetary control system: Every business firms have main objective to maximize the profits and to minimize the cost. An organization cannot run properly without a good budgetary control system. Budgetary control system is very helpful in bringing economy in business. Budgetary control system is applied to a system of management and accounting control by which all the operations and output are forecasted in a proper manner to achieve the best possible profits.

2.9.2 Developing Research Framework

The Indian Union Budget Which was presented by the Finance minister Yashwant Sinha/ Manmohan Singh and other sequenced budgets where by finance ministers such as Pranab Mukhejee those presentations show that the country fulfilled to achieve about 90 percent of the country's objectives which is difference with the Tanzanian Local Government Authorities where by the achievements of previous budgets was about 60 percent.

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The two basic elements of any budget are the revenues and expenditure. The Tanzanian budgets are prepared in consideration of revenues and government expenditure. In the case of the government, revenues are derived primarily from taxes. Government expenditure include spending on current goods and services, which economists call government consumption; government investment expenditure such as infrastructure investment or research expenditure; and transfer payments like

unemployment or retirement benefits. The Tanzanian first budget was presented in 27th Nov 1962 when Chief Adam Sapi Mkwawa was a speaker of National Assembly.

Since there a lot of budgets presented by finance ministers and last national financial budget were presented by finance minister Hon. Mustafa Mkulo (URT.Budget 2010)

Tanzanian budgets have an economic, political and technical basis. Unlike a pure economic budget, they are not entirely designed to allocate scarce resources for the best economic use. They also have a political basis wherein different interests push and pull in an attempt to obtain their own benefits and avoid burdens. The technical budget element is the forecast of the likely levels of revenues and expenditure. Following those budgets, the achievements of the country's objectives is still in low average of 58 percents (URT Budget minister of finance speech, 2010)

2.10 Analytical Research Framework

2.10.1 Budgetary Control System

According to Mrina (1990), Local government authorities in Tanzania have undergone different phases since independence in 1961. The first phase is that of 1961 to 1972 followed by the second phase that started in 1978 with the introduction of urban authorities. The third phase started in 1984 with the introduction of district councils.

Mrina (1990) argues further that, the abolition of the first phase of local government authorities in 1972 was due to several reasons including; one: great confusion that existed between the responsibilities of the district councils and the responsibilities of central government officials at local level. Two: failure to perform their duties of providing services to people by raising their own revenue. Therefore, through decentralization Act of 1972, the central government authority resumed all the functions and responsibilities of local government authorities in Tanzania.

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2.10.2 Organizational Performance

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In organizations, the contribution of staff to work is likewise part of the capacity that helps to produce organizational outputs but only if the environment enables it. Performance should therefore be measured by the results (outputs/outcomes) that an

organization produces (Kusek, Rist et al.2005) Unfortunately, such information is difficult to obtain in practice.

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Every business firms and organizations have main objectives to maximize the profits or quality services and to minimize the cost. An organization can not run properly without a good budgetary control system. Budgetary control system is very helpful in bringing economy in business. Budgetary control system is applied to a system of management and accounting control by which all the operations and outputs are forecasted in a proper manner to achieve the best possible profits or services.(Mufti,M.H.A.Lyne ,S.R.2008)

2.10.2.1 Staff Awareness

Budgeting: it's everyone's responsibility; Involving staff in budgeting might not always be comfortable, but it can yield smoother-running operations.

Perhaps no two words in the business vocabulary can send such a palpable shudder through the whole of any organization. Budgeting can become the bane of an organization, causing the courageous to quiver and the most optimistic to lose hope. Often, and at the worst, it causes departments and divisions, and individual members, to don battle gear and clash arms.

Many organizations claim to have a participative budget process. In most cases, though, department managers stage a time-intensive "annual event" under the pressure of deadline, creating their individual budgets and submitting them to the chief financial officer (CFO) for compilation. The CEO and CFO then review these

budgets composed in isolation and haste and begin making decisions about what is "approved" and what isn't. The resulting annual budget becomes a product of one way communication (downward).The consequences are recognizable to almost everyone.

2.10.2.2 Corruption

Corruption is the use of power by government officials for illegitimate private gain. Misuse of government power for other purposes, such as repression of political opponents and general police brutality, is not considered political corruption. Neither are illegal acts by private persons or corporations not directly involved with the government. An illegal act by an officeholder constitutes political corruption only if the act is directly related to their official duties, is done under color of law or involves trading in influence.

Forms of corruption vary, but include bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement. Corruption may facilitate criminal enterprise such as drug trafficking, money laundering, and human trafficking, though is not restricted to these activities. Illegal action, Worldwide, bribery alone is estimated to involve over 1 trillion US dollars annually. A state of unrestrained political corruption is known as a kleptocracy, literally meaning "rule by thieves".

2.10.2.3 Corporate Governance Practices.

The focus of the variable is on public sectors in Tanzania. An extensive review of literature indicates that the ideals of good corporate governance have been adopted by developing countries since the 1980s. Developing countries differ from developed countries in a wide variety of ways. Therefore, there is need for developing countries to develop their own corporate governance models that consider the cultural, political and technological conditions found in each country.

This topic explores the challenges encountered by developing countries in the process of adopting the corporate governance ideals. The researcher has identified knowledge gaps in corporate governance that can form the basis for future research

projects. This variable focuses on corporate governance which is an important aspect of private and public organizations.

2.10.2.4 Effective Technology

Technology includes the use of materials, tools, techniques, and source of power to make life easier or more pleasant and work more productive so that it facilitates the process of achievement of the organizational objectives. Technology is important because keep the cost and time considerations in mind of the organization.

Technology is enhancing the service quality and to gain competitive advantage. The organizations must use technology to gather information on market demands and exchange it in order to achieve the expected organizational performance.

The extent to which an organization invests in information technology (IT) has influence organizational performance and productivity. Technology has great impact on management styles in both internal and external factors that affect the organization's performance, specifically computers and communications, the internet, email and modern accounting packages have made as important tools for better organizational performance.

2.10.2.5 Budgetary Control System

Basing on the literature review, most of the researches conducted in related topic were not conducted in Tanzania, neither in Africa. However, most of them were conducted on either effectiveness of budgets or effectiveness of budgetary control, or both, but basing on the hypothesis that there is proper budgetary control system; and that budgetary control system used has no impact on organizational performance.

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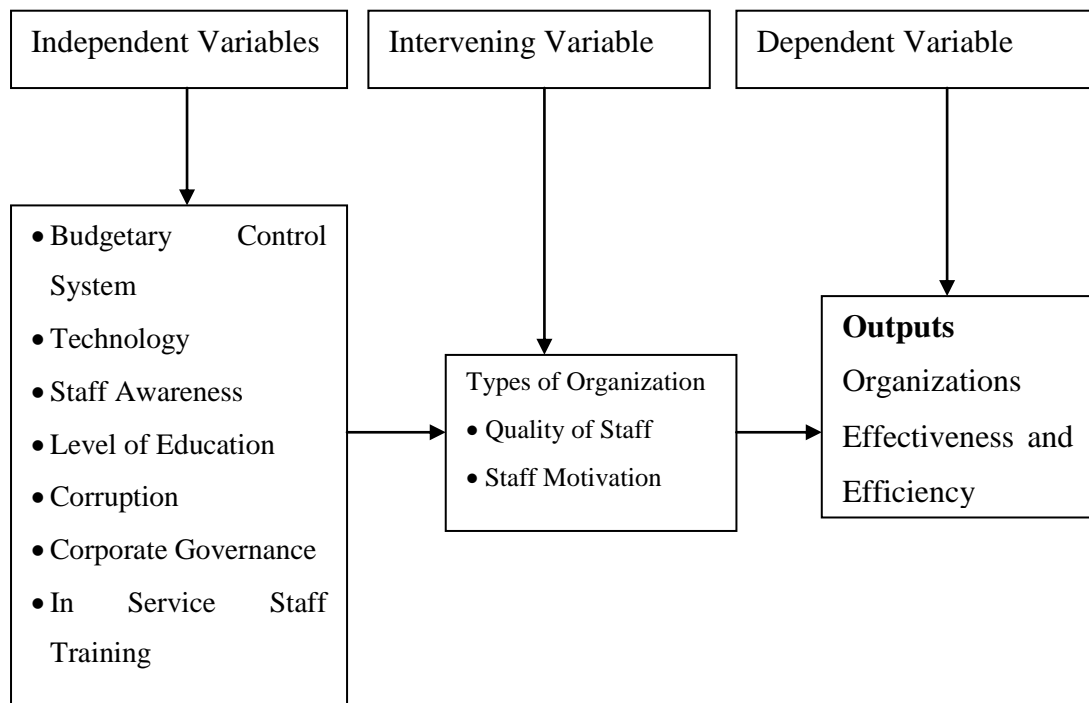
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2.11 Conceptual Framework and Research Model

2.11.1 Research Variables

Figure 2.3: Analytical Frame Work



Source: Constructed by the researcher.

2.11.2 Operational Definitions

2.11.2.1 Budgetary Control System.

In every business planning is the most important function to perform. Planning of different firms depends upon so many factors. Planning is done for comparing the actual performance with standard performance.

Budgets are also prepared in advance. Budgets are prepared to check the availability of finance according to the demand of project. So budgetary control is also essential tool of management to control cost and maximizes profits.

Meaning of budgetary control: Every business firms have main objective to maximize the profits and to minimize the cost. An organization cannot run properly without a good budgetary system. Budgetary control system is very helpful in bringing economy in business. Budgetary control is applied to a system of management and accounting control by which all the operations and output are forecasted in a proper manner to achieve the best possible profits.

A system of budgetary control in firm should be installed after taking care of following requisites of budgeting.

- (i.) What is likely to happen?
- (ii.) What are the objectives to achieve?
- (iii.) How to minimize the cost?
- (iv.) What is the allotted time to complete the production?

In order to make an effective system of budgetary control following steps should take under care:

- (i.) Organization chart; an organization should have a proper chart from where authority and responsibility of each executive get clear. If organization chart is not clear then there may be conflicts among the employees. if duties are clear among the workers then every person will be answerable for his performance. Nobody can blame to other for the poor performance.
- (ii.) Determination of objectives: it is very important that the objectives should be very clear to all the executives in the organization. Having determined the objectives of budgetary control the following future problems will have to be

sorted out:

- (iii.) Laying down a plan for the implementation of the firm's objectives.
- (iv.) Coordination of the activities of the different departments.
- (v.) Controlling each function to get best possible results.

Budget controller: there should be someone budget controller. Chief executive should be responsible in the form of budget controller for budget programme. Budget controller should be technically sound person.

Budget committee: budget controller by his own may not be successful in all the process. There should be a proper to assist him all the time. There should be members from all the departments of the organization like production, finance, sales etc. each head of the department will have his own subcommittee and person will be responsible to his respective head.

Fixation of budget period: By budget period we mean the period for which we are going to prepare a budget. Period of budget depends on so many factors as

- (i.) Nature and size of business
- (ii.) The controlling techniques applied. A seasonal nature business need short term budget and for a regular nature business we can opt a long-term budget plan.
- (iii.) Determination of key factors: key factors always very important for every organization. Budgetary control system should be capable of using key factors in a proper manner. Key factors may b the raw material, labour; finance etc.
- (iv.) Budgetary control system must give guidance to select a profitable unit among more than one option if any.
- (v.) Motivation: budgetary control should be motivating to the employees. The system should be applicable to those only who are responsible about their duty.

2.11.2.2 Staff Awareness

Budgeting: it's everyone's responsibility; Involving staff in budgeting might not always be comfortable, but it can yield smoother-running operations (Victor Lane Rose)

Perhaps no two words in the business vocabulary can send such a palpable shudder through the whole of any organization. Budgeting can become the bane of an organization, causing the courageous to quiver and the most optimistic to lose hope. Often, and at the worst, it causes departments and divisions, and individual members, to don battle gear and clash arms.

Many organizations claim to have a participative budget process. In most cases, though, department managers stage a time-intensive "annual event" under the pressure of deadline, creating their individual budgets and submitting them to the chief financial officer (CFO) for compilation. The CEO and CFO then review these budgets composed in isolation and haste and begin making decisions about what is "approved" and what isn't. The resulting annual budget becomes a product of one way communication (downward).The consequences are recognizable to almost everyone:

- (i.) Adversarial relationships between management, departments, and programs lead to feelings of mistrust and frustration. Creativity is stifled, and competition arises among various parts of the organization.
- (ii.) Budgetary requests and line items suddenly become "inflated" to offset unexplained budgetary cuts.
- (iii.) A "spend it or lose it" mentality develops, leading to the misdirection and waste of resources.

What is left is an aggregate of organizational pieces lacking true integration. Is it any wonder that many budgets, once approved, are so often set aside (with disdain) and end up collecting dust during the succeeding 12-month operating period?

The first problem occurs when people are put in roles without the knowledge they

need to succeed. Healthcare is notorious for promoting a good nurse to a managerial position, or an effective maintenance person to a department leadership role, without the proper managerial skills. They are set up for failure and is known as the problem of our own perceptions.

Second, financial information is often shrouded in a veil of secrecy, shared with employees only on a "need to know" basis. We, as administrators, tend to treat employees as if they have a limited ability to understand the complexities of organizational finance yet these same employees leave after every shift to return home and conduct the same financial transactions, in type if not in scale, for their own families.

If employees look upon the budgetary process with distaste and they often do it is because we created an environment for that to happen. If we want our organizations to be wise in their stewardship of resources, we must meet our obligation to build them, first by educating all of those responsible for its performance appropriately, and then trusting them in the execution of that responsibility.

Several steps are worth considering toward building a more universally informed budgeting process:

First, we must work to remove mystery from the financial realm. If we want fiscal matters to be treated with respect, leadership must first do the same by giving stakeholders the knowledge they need to do the job. This equates to a foundation in basic fiscal matters that underscores the relationship between daily responsibilities and finance.

Second, it is the primary responsibility of every organization's financial department to turn ambiguous financial data into meaningful financial information. Financial information about an organization should:

- (i.) Detail how the organization allocates and uses its resources
- (ii.) Benchmark performance transparently
- (iii.) Assist individual employees in relevant decision making

This process begins by teaching the basics to key employee stakeholders so they can comprehend the information they need to succeed and appreciate the importance of that which they are charged to execute. Start with the key financial statements: income and cash flow.

The organizations have to use Systems Approach for the best organizations reviewing budgets as reflective of day-to-day operations rather than annual events. The fully participative and integrated continuous help allow constant feedback for monitoring the progress and permit constant learning and adaptation.

If all of this makes sense, then why don't employees embrace participation in the budgeting process? Perhaps it's because understanding and participating in fiscal decisions do in fact create accountability. Employees who understand and are involved in budgeting will, by definition, have personal accountability for those of their decisions that have financial impacts. This takes some working through.

2.11.2.3 Corruption

Corruption is the use of power by government officials for illegitimate private gain. Misuse of government power for other purposes, such as repression of political opponents and general police brutality, is not considered political corruption. Neither are illegal acts by private persons or corporations not directly involved with the government. An illegal act by an officeholder constitutes political corruption only if the act is directly related to their official duties, is done under color of law or involves trading in influence.

Forms of corruption vary, but include bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement. Corruption may facilitate criminal enterprise such as drug trafficking, money laundering, and human trafficking, though is not restricted to these activities that are all illegal actions. Worldwide, bribery alone is estimated to involve over 1 trillion US dollars annually. A state of unrestrained political corruption is known as a kleptocracy, literally meaning "rule by thieves".

Effects of Corruption

(i.) Effects of Corruption on Politics, Administration, and Institutions

Corruption poses a serious development challenge. In the political realm, it undermines democracy and good governance by flouting or even subverting formal processes. Corruption in elections and in legislative bodies reduces accountability and distorts representation in policymaking; corruption in the judiciary compromises the rule of law; and corruption in public administration results in the inefficient provision of services. It violates a basic principle of republicanism regarding the centrality of civic virtue. More generally, corruption erodes the institutional capacity of government as procedures are disregarded, resources are siphoned off, and public offices are bought and sold. At the same time, corruption undermines the legitimacy of government and such democratic values as trust and tolerance.

(ii.) Economic Effects

Economists argue that one of the factors behind the differing economic development in Africa and Asia is that in Africa, corruption has primarily taken the form of rent extraction with the resulting financial capital moved overseas rather than invested at home; hence the stereotypical, but often accurate, image of African dictators having Swiss bank accounts.

In Nigeria, for example, more than \$400 billion was stolen from the treasury by Nigeria's leaders between 1960 and 1999. University of Massachusetts researchers estimated that from 1970 to 1996, capital flight from 30 sub-Saharan countries totaled \$187bn, exceeding those nations' external debts, the results, expressed in retarded or suppressed development, have been modeled in theory by economist Mancur Olson.

In the case of Africa, one of the factors for this behavior was political instability, and the fact that new governments often confiscated previous government's corruptly-obtained assets. This encouraged officials to stash their wealth abroad, out of reach of any future expropriation. In contrast, Asian administrations such as Suharto's New Order often took a cut on business transactions or provided conditions for

development, through infrastructure investment, law and order.

(iii.) Other areas: health, public safety, education, trade unions, etc.

Corruption is not specific to poor, developing, or transition countries. In western countries, cases of bribery and other forms of corruption in all possible fields exist: under-the-table payments made to reputed surgeons by patients attempting to be on top of the list of forthcoming surgeries bribes paid by suppliers to the automotive industry in order to sell low-quality connectors used for instance in safety equipment such as airbags, bribes paid by suppliers to manufacturers of defibrillators (to sell low-quality capacitors), contributions paid by wealthy parents to the "social and culture fund" of a prestigious university in exchange for it to accept their children, bribes paid to obtain diplomas, degree, masters or to obtain high performance such as first class and upper seconds.

Corruption can also affect the various components of sports activities (referees, players, medical and laboratory staff involved in anti-doping controls, members of national sport federation and international committees deciding about the allocation of contracts and competition places). Cases exist against (members of) various types of non-profit and non-government organizations, as well as religious organizations.

Conditions favorable for corruption

It is argued that the following conditions are favorable for corruption:

(i.) Information deficits

- Lacking freedom of information legislation. For example: The Indian Right to Information Act 2005 is perceived to have "already engendered mass movements in the country that is bringing the lethargic, often corrupt bureaucracy to its knees and changing power equations completely."^[13]
- Contempt for or negligence of exercising freedom of speech and freedom of the press.
- Weak accounting practices, including lack of timely financial management.

- Lack of measurement of corruption: For example, using regular surveys of households and businesses in order to quantify the degree of perception of corruption in different parts of a nation or in different government institutions may increase awareness of corruption and create pressure to combat it.

This will also enable an evaluation of the officials who are fighting corruption and the methods used (Drucker, 2006).

(ii.) Lacking Control of the Government.

- Lacking civic society and non-governmental organizations which monitor the government.
- Especially in nationwide elections, since each vote has little weight.
- Weak rule of law.
- Weak judicial independence.
- Lack of benchmarking that is continual detailed evaluation of procedures and comparison to others who do similar things, in the same government or others, in particular comparison to those who do the best work. The Peruvian organization Ciudadanos al Dia has started to measure and compare transparency, costs, and efficiency in different government departments in Peru. It annually awards the best practices which has received widespread media attention. This has created competition among government agencies in order to improve.

(iii.) Opportunities and Incentives

- Public funds are centralized rather than distributed. For example, if \$1,000 is embezzled from a local agency that has \$2,000 funds, it is easier to notice than from a national agency with \$2,000,000 funds.
- Large, unsupervised public investments
- Sale of state-owned property and privatization.
- Poorly-paid government officials.
- Long-time work in the same position may create relationships inside and outside the government which encourage and help conceal

corruption and favoritism. Rotating government officials to different positions and geographic areas may help prevent this; for instance certain high rank officials in French government services (e.g. treasurer-paymasters general) must rotate every few years.

- Political funding, especially when funded with taxpayer money.
- Less interaction with officials reduces the opportunities for corruption. For example, using the Internet for sending in required information, like applications and tax forms, and then processing this with automated computer systems. This may also speed up the processing and reduce unintentional human errors.

2.11.2.4 Corporate Governance Practices.

The focus of the variable is on public sectors in Tanzania. An extensive review of literature indicates that the ideals of good corporate governance have been adopted by developing countries since the 1980s. Developing countries differ from developed countries in a wide variety of ways. Therefore, there is need for developing countries to develop their own corporate governance models that consider the cultural, political and technological conditions found in each country. This topic explores the challenges encountered by developing countries in the process of adopting the corporate governance ideals. The researcher has identified knowledge gaps in corporate governance that can form the basis for future research projects. This variable focuses on corporate governance which is an important aspect of private and public organizations.

2.11.2.4.1 Key Elements of a Good Corporate Governance Environment

Key elements of good corporate governance are provided by Cadbury report; good corporate governance must encompass the following key aspects namely:

- (i.) Establishing checks and balances in governance structures with no one person having unfettered power.
- (ii.) Having a well balanced board team composed of executive and non executive directors.
- (iii.) The need for an independent audit committee.

- (iv.) A firm's principal executive and financial officers signing a statement that they have sufficient internal controls in place to ensure that financial statements do not contain any material misstatements.
- (v.) Independence of external auditors
- (vi.) There is need for accurate and timely financial reporting.
- (vii.) A firm must deal with its employees in a fair and equitable manner.
- (viii.) Timely and accurate disclosure of all matters that are regarded by an organization as being material. These may include financial, performance, ownership and governance matters.

2.11.2.5 Effective Technology

Technology includes the use of materials, tools, techniques, and source of power to make life easier or more pleasant and work more productive so that it facilitates the process of achievement of the organizational objectives. Technology is important because keep the cost and time considerations in mind of the organization.

Technology is enhancing the service quality and to gain competitive advantage. The organizations must use technology to gather information on market demands and exchange it in order to achieve the expected organizational performance.

The extent to which investment in information technology (IT) is invested in the organization has influence organizational performance and productivity. Technology has great impact on management styles in both internal and external factors that affect the organization's performance, specifically computers and communications, the internet, email and modern accounting packages have made as important tools for better organizational performance.

THE RESEARCH DESIGN

3.1 The Case Study Design

According to Kothari (2004), research design is the methodology of the study. This is the plan of action that shows how data are to be collected and analyzed. The researcher used the case study design in collecting data. This design has been adopted for its flexibility in data collection methods and in depth breadth study. According to Aaker, *et al* (2002), a case study is comprehensive description and analysis of a single situation. Microscopic research design was used because it focuses on a specific area of study.

3.2 Data Collection Strategies

The study is a case study type of research, the researcher has selected it due to its relative advantages over other methods such as interview, questionnaire and observation methods where the researcher concentrated on the use of information gathered from questionnaire, interviews, journals, published reports and organizational reports in order to obtain both primary and secondary data.

3.2.1 Area of the Study

Area of study is the place where data is to be collected (Frankfort, 1996). The study was carried out in East coast region; a western zone of Tanzania. The region has four district councils namely: Bagamoyo, Kibaha, Mkuranga and Rufiji. The study was carried out in Kisarawe local government authority. In the Kisarawe local government authority, study was carried out at Kisarawe town where local government authority is located; and it is where all the departments, whose heads of departments were studied, are available.

3.2.2 Population of the Study

According to Best and Khan (1998), the population is any group of individuals who have one or more characteristics in common that are of interest to the researcher. The population of the study was all local government authorities in Tanzania. The

targeted population was the local government authorities that did not efficiently perform according to the URT report of (2009). The focused group of the study was the heads of departments in local government authority in Kisarawe district council whose population was as illustrated in the table below.

Table 3.1: Study Population

S/N	DEPARTMENT	POPULATION
1	Accounts	21
2	Planning	04
3	Auditing	04
4	Budgets Committee	13
5	Legal officers	02
6	Water Development Project	18
7	Procurement officers	04
8	Administration	83
9	Infrastructure	10
10	Land and Environment	03
11	Health	303
12	Education	856
13	Police Officers	20
14	Village, Ward and Division Executive Officers	72
15	Statistics	04
16	Judiciary	22
17	Secretaries and Staff Attendants	30
18	Drivers	15
	Total	1479

Source: Kisarawe District Council

3.2.3 The Study Sample

According to Moore (2004), the study sample is part of the population that we examine to gather information. He argues further that, the study sample is a group of individuals from the population that possess the information of interest to the researcher; and that, the guiding principle in selecting the samples is that, the sample

has to be information rich. And thus, the focused group of interest of the study was the heads of departments in local government authority at Kisarawe district council whose population, together with its sample, was as illustrated in the table 3.2 below.

Table 3.2: Study Sample

S/N	Department	Population	Departments officials	Sample
1	Accounts	21	02	02
2	Planning	04	02	02
3	Auditing	04	02	02
4	Budgets Committee	13	02	02
6	Water Development Project	18	02	02
7	Procurement officers	04	02	02
8	Administration	83	05	05
9	Infrastructure	10	02	02
10	Land and Environment	03	02	02
11	Health	303	26	05
12	Education(Head of Schools)	856	56	06
13	Police Officers	20	02	02
14	Ward Executive Officers	72	72	08
15	Statistics	04	02	02
16	Judiciary	22	02	02
17	Secretaries and Staff Attendants	30	04	02
18	Drivers	15	02	02
	Total	1479	185	50

Source: Constructed by the Researcher

In the sampling process, the researcher selected a sample size of 50 heads of departments out of 185 officials in those departments at Kisarawe local government authorities. According to Kothari (2004), for the sample to qualify being a representative of the population, it should consist of at least 10% of the population. Therefore, this sample size of 37% of department officials, is enough and reasonable to provide information about the population.

3.2.4 Sampling Technique

According to Kothari (2004), sampling technique is a process of drawing the sample from a large population. He argues that, sampling technique is a procedure which, the researchers adapt in obtaining the respondents of the study from the given population. In particular,

- (i.) Kisarawe district council, among the four district councils, was selected using snowball method due to the fact that, according to URT report of 2009, it is among the district councils that did not efficiently and obtained an unsatisfactory certificate. Further more, its geographical location has good transportation and communication facilities; and that, together with other constraints, the researcher believed that; it will facilitate the successful conduction of the study.

- (ii.) In selection of the study sample, a purposeful sampling method was used since in local government authorities there are only two departments' officials, who are either head or assistant head of department.

3.3 Types of Data Collected.

According to Kothari (2004), there are two main types of data which the researchers collect. The two types of data collected are primary data and secondary data. For the purpose of this study, the researcher was collected both types of data.

3.3.1 Primary Data

According to Kothari (2004) and Moore (2004), primary data is the type of data which is extracted directly from the field. According to them, it is a first hand data which has not been processed. In this study, both qualitative and quantitative data were collected. And the qualitative data collected was quantified for easy analysis.

3.3.2 Secondary Data

According to Kothari (2004) and Moore (2004), secondary which has already been collected by someone else and already processed for use. The researcher obtain secondary data from different document sources such as budget reports, financial reports, and office manuals, file documents, organizational chart structure, payment

receipts, budget committee reports, and internal audit reports.

3.4 Data collection Methods

According to Migendi (1999), Moore (2004) and Kothari (2004), a data collection method is a technique used by the researcher in collecting data. In this study, the three research instruments were used; these are questionnaires, interview and documentary review. These instruments were used for the purpose of triangulating information.

3.4.1 Questionnaire

According to Migendi (1999), Moore (2004) and Kothari (2004), a questionnaire is form or set of forms consisting of a number of questions, printed or typed in definite order used for the purpose of eliciting information of the study from the respondents.

This instrument was used to collect information from all the four objectives of the study. The questionnaire was printed in English, since from the pilot survey conducted by the researcher showed that all the respondents have knowledge in English language.

The questionnaire consisted of two main sections. The first section consisted of questions that intended to know the nature and characteristics of the respondents in terms of working experience in budgeting activities, educational background and in service training on budgeting process.

The second section consisted of questions that intended to know the effectiveness of budgets prepared, effectiveness of budget control system and impacts of budgetary control system on organizational performance.

Both closed structured and open ended structured questions were included in the questionnaire. Closed structured questions were used for the purpose of assessing the effectiveness of budgets prepared, budgetary control and budgetary control system. The questions for assessing these constraints were structured from the standards

qualities budgets, budget control and budget control system according to budgeting process theories.

The open ended questions were associated with objective number three and four for the purpose of providing freedom to judge on effectiveness of the budgetary control system used by the local government authorities and the impacts of the current budgetary control system on organizational performance.

3.4.2 Interviews

According to Moore (2004) and Kothari (2004), Interviews involve direct consultation and conversation with the respondents. According to Migendi (1999), interviews involve face-to-face discussions with the respondents. Bobbie (1986) argues that, the advantage of using this technique is that, it allows a researcher to control the line of questioning. He argues further that, proper designed and executed interviews attain a higher response rate than structured questionnaires. The researcher used this technique to obtain additional and supplementary information in all objectives.

The information obtained from this technique were regularly compared and contrasted with the responses obtained from the questionnaires to check the consistency and validity of the information provided by the respondents.

The interviews were executed through individual and group discussions in order to assess the effectiveness of budgets prepared, budget control and budget control system. The interview process was guided by interview structured questions. This technique was also used to assess the impacts of the current budgetary control system on organizational performance as well as the need for adapting to another budgetary control system.

3.4.3 Documentary Reviews

According to Migendi (1999) and Moore (2004), documentary review includes going through Organization laid down documents, policies, rules and procedures for the purpose of first: obtaining the second hand data of the study, and second: checking and comparing with the responses provided by the respondents using other instruments; as to where there is compliance or not.

The information obtained from this technique were regularly compared and contrasted with the responses obtained from other instruments in order to check the consistency and validity of the information provided by the respondents.

Various organizational documents relating to the objectives of the study were visited. The documents which the researcher visited include budget reports, financial reports, and office manuals, file documents, organizational chart structure, payment receipts, budget committee reports, and internal audit reports.

3.5 Data Analysis Strategy

According to Kothari (2004), data analysis strategy is a plan of how certain measures will be computed along with searching for pattern of relationships that exist among data groups. The analysis of data was derived from descriptive statistics by classifying, organizing, presenting and summarizing into tables and graphs as deemed appropriate. In addition, the adaption of this data analysis strategy was intended to develop inferences from the findings and provide room for decision making on interested bodies in the community.

The statistical tools were used in the inferential analysis in order to reach conclusion and interpretation of the objectives of the study. Qualitative data was first quantified subject to content analysis. The quantified data was then presented in tables and charts: where frequencies and percentages were calculated to facilitate easy comparison between responses for the purpose of drawing up of inferences relating to a particular research question of the study.

Data analysis was done simultaneously with data collection, data presentation and

report writing. In order to maintain validity, reliability, consistency and accuracy, the researcher constantly compared data from other research instruments.

3.6 Measurement Scales

3.6.1 Nominal Scale

These are numbers signify and identify only e.g. gender, tribe, location etc {e.g. male = 1, female = 2}. In other words, the number does not indicate magnitude of any kind, but serves only to identify or distinguish the category that preserves.

3.6.2 Ordinal Scales

These are numbers signify order of magnitude or ranking {e.g. degree of preference, level of education, year in field}. Such scale do not reflect uniformity in the distance between successive scale points. For example distance between rank 1 and 2 is not necessarily to be the same as the distance between rank 2 and 3.

Nominal and ordinal scale measurement was used together in the analysis of data, nominal scale measurement was used to analyze information obtained through observation and ordinal scale measurement was used to analyze information obtained through questionnaire and interview.

3.7 Decision Criterion

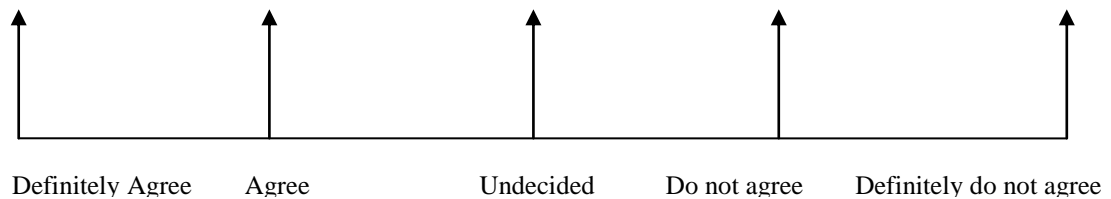
3.7.1 Likert Type Scale

Likert scale was used by researcher as the measure of decision criterion. A particular response was evaluated on the basis of how well it discriminates between those persons whose total score is high and those whose score is low. Those responses that best met the sort of discrimination test were included in the final instrument.

Some questions were prepared which express either a favorable or unfavorable

attitude towards the given questions to which the respondent is asked to react. The respondents were required to indicate their agreement or disagreement with each question in the instrument. And each response was given a numerical score that indicate its favorableness or unfavourableness. The scores were totaled to measure the respondent's attitude. The overall scores represent the respondent's position on the continuum of favorable or unfavourableness towards an issue. The following Likert scale was used in this study.

Figure 3.1: Likert Type of Scale



Source: C.R.Kothari

3.7.2 Ranking Scales

In this scales the researcher used comparative among two alternatives, the respondent were required to choose one among the two which is considered is correct. The researcher set number of questions where by the respondent required to respond on Yes or No. Then the researcher ranked them in terms of Yes = 1 and No =2. Finally the researcher assigned a scale value to each of the two responses. The response for each question measured the respondent's attitude towards the given questions.

3.8 Validity and Reliability of the Study

3.8.1 Reliability of the Study

According to Kothari (2004), reliability is one of measuring instrument that provides consistent results. The adaption of using the three instruments in data collection was for the purpose of triangulating information. The triangulated information has a high rate of being Valid (Migendi, 1999 and Kothari, 2004). To maintain the reliability of the data collected, the researcher constantly compared data obtained form

documentary review and the responses from interviews in order to check the consistency of the data obtained. The consistency of the data obtained has a high rate of measuring the validity of the study (Migendi, 1999).

3.8.2 Validity of the Study

According to Kothari (2004), validity refers to the truthfulness of a measurement; a valid measurement is the one that measures what it is intended to measure. The adaption of the three instruments in data collection was for the purpose of triangulating information. The triangulated information has a high rate of being Valid (Moore, 2004 and Kothari, 2004). To maintain the validity of the data collected, the researcher constantly compared data obtained from various research instruments in order to check the consistency of the data obtained. The consistency of the data obtained has a high rate of measuring what was intended to measure; and thus, maintained consistency of the data collected has an implication to the validity of the study (Migendi, 1999).

3.9 Data Management

After collection of the data, data editing and cleaning were done regularly to ensure consistency, uniformity and completeness of the data. In managing the data, the researcher employed computer software such as Ms Word, Ms Excel and for analysis and presentation of the data collected.

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The purpose of this chapter is to present and analyze data obtained in the field in simple measures of statistics so that the data can be interpreted and understood by the majority of people. The data presented in this chapter are the data obtained from the four research questions respective to the three research instruments corresponding to the three objectives.

4.2 Effectiveness of Budgets in Local Government Authorities

The effectiveness of budgeting in local government authorities was among the objectives of the researcher's investigation. The researcher aimed at identifying whether the budgets are effectively prepared or not, before investigating the effectiveness budgetary control process and before assessing the impacts of budgetary control system of the performance of local government authorities. This aspect was considered because; effectiveness of budgets in local government authorities has implication on the impacts of budgetary control system. The data for this objective were collected through three research instruments: Questionnaires, documentary reviews and interviews. This objective was treated in four categories: Working experience, Education background, In-Service training status and effectiveness of Budgets prepared.

4.2.1 Responses from the Questionnaire.

4.2.1.1 Working Experience

In obtaining data for this category, question 1 of the questionnaire was used. This information was considered important by the researcher since it was important to understand the experience of budget preparation staffs in local government authorities. Determining and understanding the distribution of these constraints among budget operators could have implication on performance of local government authorities. Table 4.1 presents the data on distribution of these constraints among

budget operators.

Table 4.1: Working Experience

Qn 1	For how long (in Years) have you been in your present post	1yr	2yrs	3yrs & above	Total
Number of respondents		2	11	37	50
Percentages		4%	22%	74%	100%

Source: Field Data

Table 4.1 shows that 74% of the respondents worked as budget practices for more than 3 years, 22% worked for two years and 4% worked for one year. The analysis of data, therefore, shows that most of heads of departments worked as heads of department for more than 3 years.

4.2.1.2 Education Background

Question 2 of the questionnaire was used to obtain data for this category. The researcher considered this category for the purpose of identifying the level of education of the budget dealers. And therefore, determining the education background could have implication on their effectiveness in budget preparation and control. Table 4.2 presents the data obtained from this category of the questionnaire.

Table 4.2: Education Background

Qn 2	What is your Level of education?		
	Item	Number	Percentage
	Secondary Education	10	20%
	Certificate	8	16%
	Diploma	4	8%
	Advanced Diploma/Degree	26	52%
	Masters Degree and above	2	4%
Total		50	100%

Source: Field Data

Table 4.2 shows that 52% of the respondents had either bachelor degree or advanced

diploma, 20% had secondary education, 16% had certificates, 8% had diplomas and 4% had master's degree. The analysis of data shows that, more than 52% of the respondents attained advanced diploma level and above.

4.2.1.3 In-Service Training on Budgets

Question 3 of the questionnaire was used to obtain data for this category. The researcher considered this category for the purpose of identifying the level of in-service training on budgets of the budget dealers. And therefore, determining the in-service training on budgets could have implication on the effectiveness in budget preparation and control. These data have the great impact in having ineffective budgetary control system due to the changes which may occur in budgets preparation, budgets control or budgetary control system according to the time, nature of the organization, political changes, government policy changes or economical changes. Table 4.3 presents the data obtained from this category of the questionnaire.

Table 4.3: In-Service Training Status

Qn 3	Did you get any professional training after being employed or after being appointed as head of department?	Yes	No	Total
Number of respondents		0	50	50
Percentages		0%	100%	100%

Table 4.3 shows that all respondents have never attended any in-service training since have been employed in the positions relating to budget practices or after being appointed as heads of departments

4.2.1.4 Effectiveness of Budgets Prepared

To obtain data for effectiveness of budgets prepared, question 4 (a) – (f) were used. The researcher included this category for the purpose of understanding the budget preparation status if it meets the standards of effective budgets. This aspect has implication and facilitates the effective budget control process. Table 4.2.4 presents the data obtained in this category; where as 1 represents definitely disagree, 2 represents Do not agree, 3 represents undecided, 4 represents agree and 5 represents definitely agree. This approach of weighing respondents’ attitudes was derived from Likert scale of five to enable easy treatment of the data.

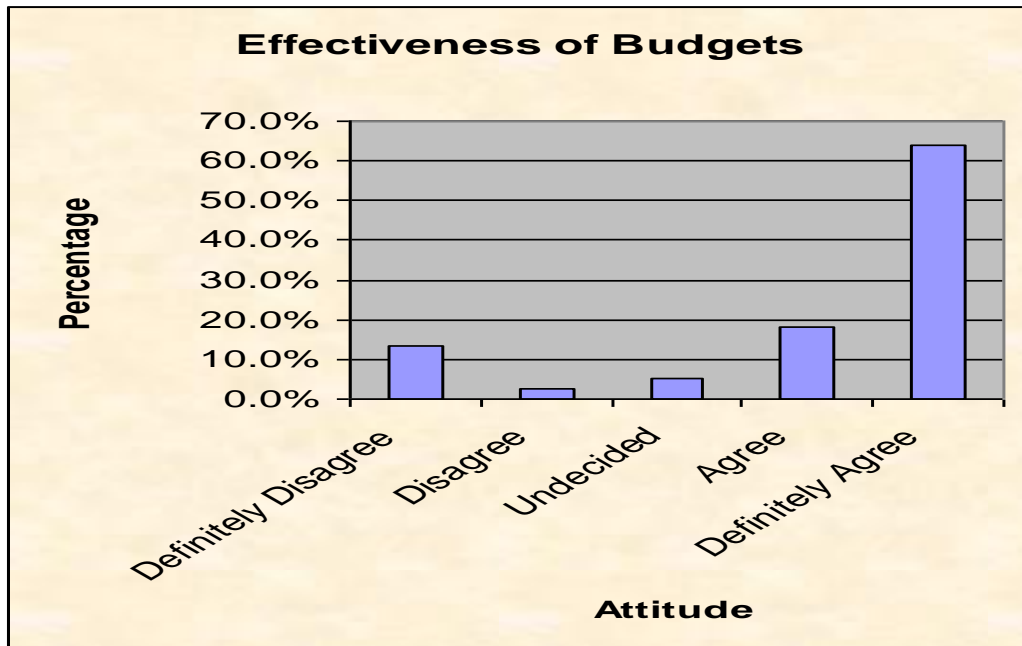
Table 4.4: Effectiveness of Budgets

Item No/Attitudes	1	2	3	4	5	Total
Item number (a)	0	0	0	8	42	50
Percentage	0%	0%	0%	16%	84%	100%
Item number (b)	40	8	2	0	0	50
Percentage	80%	16%	8%	0%	0%	100%
Item number (c)	0	0	4	10	36	50
Percentage	0%	0%	8%	20%	72%	100%
Item number (d)	0	0	3	17	30	50
Percentage	0%	0%	14%	34%	68%	100%
Item number (e)	0	0	0	14	36	50
Percentage	0%	0%	0%	28%	72%	100%
Item number (f)	0	0	0	6	44	50
Percentage	0%	0%	0%	12%	88%	100%
Average Percentage	13.3%	2.7%	5%	18%	64%	100%

Source: Field Data

Table 4.4 shows that, 64% of heads of departments definitely agreed that the budgets are effectively prepared, 18% agreed that the budgets are effectively prepared, 5% were undecided, 2.7% did not agree and 13.3% definitely disagreed that the budgets are effectively prepared. This data is presented in the bar chart as shown below.

Figure 4.1: Effectiveness of Budgets



Source: Field Data

The analysis of data shows that, most of the respondents (64%) agreed that the budgets are effectively prepared. Further more, a remarkable observation is made from item number 5 that indicate that 80% of the respondents definitely disagreed that the approved budget receives funds accordingly. This finding has implication on budget control and budgetary control system.

4.2.2 Responses from the Interviews

The data using this research instrument was obtained from questions 1 and 2 of structured interview question. Question 1 asked, "In your opinion, is the budget prepared effective to your organization?" Most of the respondents agreed that the budgets prepared meet the standards of budgeting system.

Question two asked, "In your opinion, what challenges do you encounter in the process of budget preparation". Most of the respondents sited one major problem that, in most cases, they do not receive funds as planned in their budgets; and sometimes, the funds are received quarterly and sometimes late.

The analysis of responses from interviews show that, the organization budgets are

effectively prepare, though there is no financial realities of the budgets since some of the budgeted funds are not received; and some times received late for implementation of the planed activities. The data obtained from the interview complies with that obtained from the questionnaire are presented in table 4.1.4.

4.2.3 Observation from Documentary Review

The researcher visited various document including budget reports and financial reports for the years 2008/2009, 2009/2010 and 2010/2011 for the purpose of assessing if the budgets prepared complies with the standards through which budgets are prepared.

The analysis drawn from reviewing those documents guided by the prepared check list, showed that local government authorities prepare effective budgets; and that, there is no significant problem of the principles of budget preparation system.

This conclusive response complies with the responses from questionnaires and interviews, except that the problem on financial realities on planned budgets is observed in questionnaires and interviews.

4.2.4 Summary on Objective One

Despite the fact that the budget personnel have never attended in-service training on budgeting procedures (Table 4.4.3) , but the budgets are effectively prepared; perhaps it is empowered by the level of education which most of the budget personnel have attained (Table 4.4.2) and the experience gained on budgeting activities (Table 4.4.1).

4.2.5 Discussion of findings from Objective One

Despite the fact that the budget personnel have never attended in-service training on budgeting procedures (Table 4.4.3) , but the budgets are effectively prepared; perhaps it is empowered by the level of education which most of the budget personnel have attained (Table 4.4.2) and the experience gained on budgeting activities (Table 4.4.1).

This finding implies that, working experience, level of education have great

influence in effectiveness on the budgets prepared. But this implication does not imply further that in-service training has no influence in the effectiveness of budgets preparation because, as Drucker (2006) argues, level of education and in-service training enhances effectiveness of budgetary preparation systems, and promotes flexibility in adopting to other appropriate budgetary control practices and budgetary control systems.

This finding complies with the findings of Msongo (1994), who investigated in effectiveness of budgetary in local government authorities and observed that there is no problem in budgeting procedures; rather there was a problem in control of those budgets due to low level of education of village and ward executives; and low level of education of councilors.

This finding also complies with the findings of Ng'ubi (1998), who evaluated budgetary control practice in local government authorities; and observed that there was no problem in budgeting procedures, rather budgetary control problem were due to poor revenue collection system; and poor revenue and monitoring system.

This finding complies with the findings complies with the findings of Mwakisisile (2005), who investigated on impacts of budgeting and budgetary control; and observed that there is no problem in budgeting procedures, rather there was a problem in variance analysis being done in fiscal year which made the control system difficult to take budgetary control measures during the year.

4.3 Effectiveness of Budget Control in Local Government Authorities

4.3.1 Responses from Questionnaire

The data for this aspect was obtained using questions 5 (a) – (k). This aspect was considered important by the researcher because, no matter how better the budgets are prepared but if the control of those budgets is not effective, the local government authority cannot perform better. And therefore, the purpose of including this aspect was to identify whether the budgets prepared are effectively controlled or not.

Furthermore, effective budget control has an implication on assessment of budget control system. Table 4.5 presents the data obtained from the questionnaire in this aspect; whereas 1 represents do not exist, 2 represents Exist but do not operate and 3 represents Exist and effectively operate.

Table 4.5: Effectiveness of Budget Control

Qn No/Attitude	1	2	3	Total
Item (a)	9	15	26	50
Percentage	18%	30%	52%	100%
Item (b)	0	11	39	50
Percentage	0%	22%	78%	100%
Item (c)	0	0	50	50
Percentage	0%	0%	100%	100%
Item (d)	0	0	50	50
Percentage	0%	0%	100%	100%
Item (e)	50	0	0	50
Percentage	100%	0%	0%	100%
Item (f)	6	17	27	50
Percentage	12%	34%	54%	100%
Item (g)	50	0	0	50
Percentage	100%	0%	0%	100%
Item (h)	0	0	50	50
Percentage	0%	0%	100%	100%
Item (i)	10	19	21	50
Percentage	20%	38%	44%	100%
Item (j)	6	20	24	50
Percentage	12%	40%	48%	100%
Item (k)	12	18	20	50
Percentage	24%	36%	40%	100%
Average Percentage	26%	18.2%	55.8%	100%

Source: Field Data

Table 4.5 shows that 55.8% of the respondents said that budget control organs exist and effectively operate, 26% said that the organs do not exist and 18.2% said that the organs exist but do not operated. The analysis of data show that most of the respondents (55.8%) said that budget control organs exist and effectively operate.

4.3.2 Responses from Interviews

The data for this aspect was collected from question 3 and 4 of the structured interview questions. Question 3 asked, “Is the budgetary control system in your organization, effective? Most of the respondents agreed that, the local government authority has an effective budgetary control system. The analysis of data in this question shows, that there was effective budgetary control in the local government authority.

Question 4 asked, “In your opinion, what has promoted your organization to have such budgetary control situation?” Most of the respondents coincided to a fact that the organizational situation, of reasonable effective budget control, is due to effectiveness of budgetary control organs existing in the organization.

The analysis of data from this research instrument, show that, the local government authority has a reasonable budget control, despite of not having suggestion box and non-governmental anti corruption agency in the organization.

4.3.3 Observations from Documentary Review

The data from this research instrument was obtained from various documents including financial reports, office manuals, file documents, organizational chart structure, payment receipts, budget committee reports, and internal audit reports for the purpose of assessing if the budget control approaches adopted complies with the standards through which budgets are controlled.

The analysis of data drawn from reviewing those documents guided by the prepared check list, showed that local government authorities have reasonable control systems; but there is significant problem of no suggestion box available and no non-governmental agency works in the local government authority.

This conclusive response complies with the responses from questionnaires and interviews, except that there is a problem unavailability of suggestion box and no non- governmental agency working in the local government authority was obtained only from questionnaires.

4.3.4 Summary on Objective Two

Despite having shortcomings in some factors for effective budgetary control, yet, the analysis of data shows that local government authority is reasonably effective budget control despite of a serious problem of having no suggestion box and no non-governmental anti-corruption agency in the organization.

4.3.5 Discussion of the Findings

Despite having shortcomings in some factors for effective budgetary control, yet, the analysis of data shows that local government authority have reasonably effective budget control despite of a serious problem of having no suggestion box and no non-governmental anti-corruption agency in the organization.

This finding do not comply with the findings of Msongo (1994), observed that there was a problem in control of the budgets prepared due to low level of education of village and ward executives; and low level of education of councilors. This finding also does not comply with the findings of Ng’ubi (1998), who observed that there was a problem budgetary control due to poor revenue collection system; and poor revenue and monitoring system.

However, this finding complies with the findings of Mwakisisile (2005), who observed that there was a problem in variance analysis being done in fiscal year which made the control system difficult to take budgetary control measures during the year. This compliance is due to the fact that, in local government authorities, budgetary control measures are drawn internally and externally from the local government authority under President’s office – local government authority.

4.4 Effectiveness of Budget Control System in Local Government Authorities and Its Impact on Organizational Performance.

The effectiveness of budgetary control system and its impacts on organizational performance was among the areas of interest of the researcher’s investigation. The data for this aspect of the objective was collected from question 6 (a) –(j) and 7 of the questionnaire.

4.4.1 Responses from Questionnaires

4.4.1.1 Effectiveness of Budget Control System Used in Local Government Authority.

The effectiveness of budgetary control system was among the areas of interest of the researcher's investigation. The data for this aspect of the objective was collected from question 6 (a) –(j) of the questionnaire. The researcher included this aspect for the purpose of investigating the effectiveness of the budgetary control system adopted by local government authorities before assessing its impacts on organizational performance. And therefore, characteristics of effective budgets were listed and the respondents were required to rate the level to which these characteristics are effective to the organization.

The approach that the respondents were to respond to this question was derived from Rickets scale of five to enable easy treatment of the data; where as 1 represented strongly disagree, 2 represented disagree, 3 represented undecided, 4 represented agree and 5 represented strongly agree.. Table 4.6 presents the data obtained in this question.

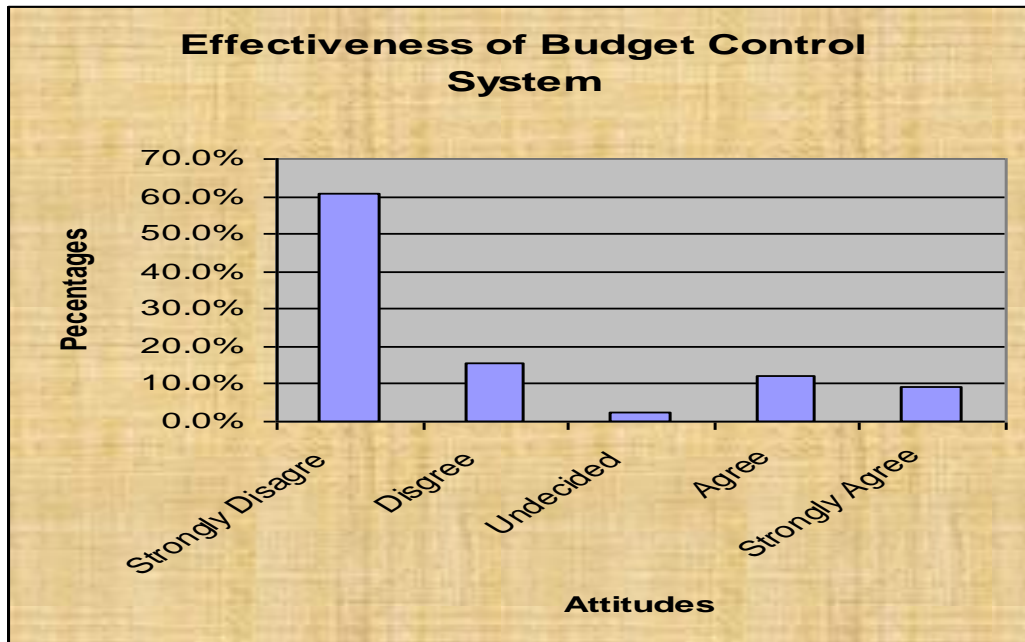
Table 4.6: Effectiveness of Budgetary Control System

Item No/Attitudes	1	2	3	4	5	Total
Item number (a)	45	5	0	0	0	50
Percentage	90%	10%	0%	0%	0%	100%
Item number (b)	42	0	8	0	0	50
Percentage	84%	0%	16%	0%	0%	100%
Item number (c)	10	14	0	18	8	50
Percentage	20%	28%	0%	36%	16%	100%
Item number (d)	50	0	0	0	0	50
Percentage	100%	0%	0%	0%	0%	100%
Item number (e)	38	12	0	0	0	50
Percentage	76%	24%	0%	0%	0%	100%
Item number (f)	4	19	0	15	12	50
Percentage	8%	38%	0%	30%	24%	100%
Item number (g)	41	5	0	4	0	50
Percentage	82%	10%	0%	8%	0%	100%
Item number (h)	39	7	4	0	0	50
Percentage	78%	14%	8%	0%	0%	100%
Item number (i)	15	10	0	17	8	50
Percentage	30%	20%	0%	34%	16%	100%
Item number (j)	20	5	0	7	18	50
Percentage	40%	10%	0%	14%	36%	100%
Average Percentage	60.8%	15.4%	2.4%	12.2%	9.2%	100%

Source: Field Data

Table 4.6 shows that, 60.8% of the respondents strongly disagreed that the budget control system is effective, 15.8% of the respondents disagreed that the budget control system is effective, 2.4% of the respondents were undecided, 12.2% of the respondents agreed and 9.2% of the respondents strongly agreed that the budget control system is effective. This data was presented in the bar chart as shown below.

Figure 4.2: Effectiveness of Budget Control System



Source: Field Data

The analysis of data show that, most of the respondents disagreed that the budgetary control system used in local government authorities is effective.

4.4.1.2 Impacts of Budget Control System Used in Local Government Authority in Organization Performance.

The data for this objective was obtained from question 7 of the questionnaire, which was an open ended question that aimed at giving freedom to judge on the impacts of the budgetary control system on organizational performance. Upon analysis of data from this question, the following three major impacts were identified.

- (i.) Budget implementation is always not timely due to regular late receiving of funds for the budgeted activities.
- (ii.) Most projects are not completed timely, and in most cases, shifted to next financial year.
- (iii.) Difficult performance evaluation due to short period planed activities to take long period (more than one financial year) for its completion; and consequently being allocated funds in multiple of years.

4.4.2 Responses from Interviews

The data for this aspect of the research instrument was collected from question questions 5 and 6 of the structured interview questions. Question 5 asked, “In your opinion, is the budgetary control system in your organization, effective? Most of the respondents disagreed that, the local government authority has an effective budgetary control system.

This argument was supported by one of the respondent from accounting department who claimed that, “The effectiveness of budgetary control system, among other constraints, is derived from what you have in hand or from what you are assured to obtain. But practically, we do not always receive exactly what we plan and normally received late, what we receive. In that way, the system can never be effective unless we move to another budgetary control system, probably Zero base budgeting system from which we will be sure of planning from what we have in hand.”

The analysis of data in this question shows, that there was ineffective budgetary control system in the local government authority since the local government authorities, as it is in many government sectors, do not plan from funds they actually receive.

Question 5 asked, “In your opinion, what other budgetary control system can be adopted in order to promote your organization performance?” Most of the respondents coincided to a fact that the organizational situation, of reasonable effective budget control system suitable for local government authority is that which promotes budgeting from what you have in hand. This data implies that, the budgetary control system derived from this coincidence is the Zero base budgeting system.

The analysis of data from this research instrument, show that, the local government authority should adapt to another budgetary control system; and Zero base budgeting system is suggested by most respondents.

4.4.3 Observations from Documentary Reviews

The researcher obtained data from various document sources such as file documents, where various circulars and policies are stored, and financial reports of 2008/2009, 2009/2010 and 2010/2011.

The data from this research instrument was obtained from various documents including office file documents for the purpose of investigating the budgetary control system used, its effectiveness in relation to the organizational performance and its impacts on organizational performance.

The analysis of data drawn from reviewing those documents, guided by the prepared check, list showed that local government authorities adopted and uses incremental budgeting system. This conclusive response complies with the responses from questionnaires and interviews.

4.4.4 Summary of Objective Three

The analysis of data show that, most of the respondents disagreed that the budgetary control system used in local government authorities is effective; and that the local government authority should adapt to another budgetary control system; and Zero base budgeting system is suggested by most respondents.

Upon analysis of data from this question, most of the respondents coincided to the following three major impacts were identified.

- (i.) Budget implementation is always not timely due to regular late receiving of funds for the budgeted activities.
- (ii.) Most projects are not completed timely, and in most cases, shifted to next financial year.
- (iii.) Difficult performance evaluation due to short period planed activities to take long period (more than one financial year) for its completion; and consequently being allocated funds in multiple of years.

4.4.5 Discussion of the Findings

The analysis of data shows that, most of the respondents agreed that the budgetary control system used in local government authorities is ineffective; and that the local government authority should adapt to another budgetary control system; and Zero base budgeting system is suggested by most respondents.

According to wood (1996), Sinha (1997) and Lucy (2002), the adoption of appropriate budgetary control system is highly dependent on the nature of funds available and resources for implementing the objectives; and that, the organizational objectives are derived from the necessary available funds and resources.

This implies that, unless the local government authority adapts to another budgetary control system that can accommodate the nature and the trend of the funds they receive, they will never perform wondrously. According to Sinha (1997), the best budgetary system that local government authority can adopt for effective performance is the Zero base budgeting system that will enable them budget from what they have in hand, and enhance completion of those activity from what they have already had.

On the other hand, the analysis of data shows that the following are three major impacts of the budgetary control systems used in local government authorities. Budget implementation is always not timely due to regular late receiving of funds for the budgeted activities. Most projects are not completed timely, and in most cases, shifted to next financial year. Difficult performance evaluation due to short period planed activities to take long period (more than one financial year) for its completion; and consequently being allocated funds in multiple of years.

According to wood (1996), Sinha (1997) and Lucy (2002), these impacts are the major determinant of organizational performance as supported by Ng'ubi (1998) and Mwakasile (2005). If the funds received are not timely and not received all requested, then, the principle of budgeting that requires budget period to be observed is violated; and thus, the organization may not perform efficiently.

Since a little was done by other researchers in addressing the impacts of budgetary control system on organization performance, it is difficult to compare and contrast the findings of this objective with the findings of other researchers.

4.5 Measure for adapting for Effective of Budgetary Control System

4.5.1 Responses from Questionnaires

The data for this aspect was collected from question from question 7 of the questionnaire. Most of the respondents conceded to a common point that

- (i.) The government should be planning from what is assured to have in the given financial year than planning basing on aids, which however, shows that it is not received timely. Late receiving has impacts for local government authority receiving funds lately; behind the budget period of the financial year.
- (ii.) Another budgetary control system, that allows to plan from what is received, is to be adopted so that, budgetary activities should rely on the actual funds available.
- (iii.) The government should find another system of distributing funds timely.

4.5.2 Responses from Interviews

The data for this aspect was collected from question from question 7 of the structured interview questions. The responses from face to face discussions comply with the questionnaire responses. However, the need for adapting to another budgetary control system was expressed by all respondents, for the purpose of the system allowing them to plan from actual funds they receive after having received what they ought to receive.

4.5.3 Summary of Objective Four

The analysis of data based on this objective shows that, the following measures are necessary if the local government authorities in Tanzania need to perform effectively and efficiently.

- (i.) The government should be planning from what is assured to have in the given financial year than planning basing on aids, which however, shows that it is not received timely. Late receiving has impacts for local government authorities receiving funds lately; behind the budget period of the financial year.
- (ii.) Another budgetary control system, that allows to plan from what is received, is to be adopted so that, budgetary activities should rely on the actual funds available.
- (iii.) The government should find another system of distributing funds timely.
- (iv.) The government should adopt another system of budgetary control since incremental budget system fail to achieve the expected objectives. The system of Use it or lose it—is not applicable for current situation. Many employees view this as a "use it or lose it" system. They know that next year's budget is going to be incrementally based on this year's. Therefore, if they do not spend everything that is allocated to them, they may not have enough money to work with next year. This creates an environmental of careless, laziness and lack of creativeness on resources management where waste is encouraged.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study, presents conclusion and makes recommendations.

5.2 Summary

Various studies including those of Terry (1953), Wixson (1973), Duck and Levis (1984), Lucy (1993) and Lucy (2002) indicated that, besides budget planning and budget control, budgetary control system can be used as the tools for management performance, but it was not known why most local government Authorities in Tanzania do not efficiently perform despite the fact that the budgets are prepared and controlled in every financial year. It was therefore not known whether the problem is ineffective budget planning and ineffective budget control process or the problem is the system employed by Local government authorities in controlling those budgets.

The purpose of the study was to assess the impacts of budgetary control system on organizational performance in local government authorities: a case study of Kisarawe local government authorities in East Coast Region in Tanzania. The study had the following specific objectives

- (i.) To find out if budgets are effectively prepared
- (ii.) To investigate if the budgets are effectively controlled
- (iii.) To investigate the impacts of budgetary control system in organizational performance in local government authorities in Tanzania.
- (iv.) To recommend for the best budgetary control system in the local government authorities to enhance organizational performance.

Therefore, the study employed the following research questions.

- (i.) Are the budgets effectively prepared in the local government authorities?
- (ii.) Are the budgets prepared effectively controlled in the local government authorities?
- (iii.) What are the impacts of budget control system used by local government authorities effective in organizational performance?
- (iv.) What should be done in order to improve performance in your organization?

Several studies were reviewed in relation to the four objectives, and indicated that, first: there was a knowledge gap in addressing the impacts of budgetary control system of organizational performance.

Second: There was a knowledge gap in addressing the problem of local government authorities' performance.

Third: most of the studies were holistic and not conducted in Tanzania, neither in Africa. Fourth: most of the studies were conducted on either effectiveness of budgets or effectiveness of budgetary control, or both.

The problem was, however that, a little had been done in investigating the impacts of budgetary control system on organizational performance in Local Government Authorities in Tanzania as being one of the major factor for poor performance in district councils.

It was, therefore, not known whether the poor performance in most of the local Government Authorities, according to CAG reports including those of 2009/2010 and 2010/2011, was contributed by ineffective budget control system or not. It was not known further that, to what extent does a budgetary control system has hinder performance of Local Government Authorities in Tanzania.

The data for this study was collected in Kisarawe district. A 37% sample that consisted of 50 respondents from various departments of local government authorities was used to elicit information for the study. Questionnaires, documentary reviews and interviews were used to collect data.

The data obtained from those instruments were analyzed in tables and percentages for easy understanding and easy interpretation and for easy discussion of the findings. Upon analysis of the data, the following findings were obtained:-

5.3 Conclusion

Upon analysis of the data, basing on the four objectives of the study, the following conclusion was drawn:-

- (i.) Local government authorities prepare effective organizational budgets.
- (ii.) Despite of some shortcomings in some factors for effective budgetary control, yet, local government authorities in Tanzania have reasonably effective budget control.
- (iii.) The incremental budgetary control system used in local government authorities in Tanzania is ineffective; and that the local government authority should adapt to another budgetary control system; and Zero base budgeting system is more appropriate and suitable.

Inappropriate budgetary control system adopted by local government authorities in Tanzania, for a decade now, has the following impacts.

- (i.) Budget implementation is always not timely due to regular late receiving of funds for the budgeted activities.
- (ii.) Most projects are not completed timely, and in most cases, shifted to next financial year.
- (iii.) The approved budgets by local government authorities are not received accordingly there fore the actual budgets received are not sustainable with the objectives and projects planned for the organization.
- (iv.) Difficult performance evaluation due to short period planed activities to take long period means that takes more than one financial year, for its completion; and consequently being allocated funds in multiple of years.
- (v.) Difficult to identify miscarriage of budgeted resources and misappropriation of funds due to ineffective budgetary control system based on incremental system.

5.4 Recommendations

The recommendation of the study is presented in the light of the findings and the conclusion of this study. Two categories of recommendations are presented.

Category 1: Recommendations to the stakeholders.

(a) To the Government:

- (i.) Employees in the local government authorities should be given opportunity for in-service training about budgeting skills, budget control skills and budget control system skills in order to enhance the challenges of budgetary control system and meet standards required internationally.
- (ii.) The government should adapt to another budgetary control system. According to the findings of this study, zero base budgeting system was favorable and appropriate for local government authorities.
- (iii.) The approved funds by local government authorities should be provided by central government accordingly.

(b) To the Policy Makers:

Review the policy on budgetary control system and adapt another budgetary control system that is effective and appropriate for local government authorities, In order to meet the expected organizational performance, and as the finding stipulated Zero base budgeting is most appropriate for the local government authorities.

Category 2: Recommendations for further researches.

- (i.) More researches should be done to investigate if corruption exists in implementing organizational budgets in Local government authorities in Tanzania.
- (ii.) Also more researches should be done to investigate about technology used whether effective for identification of those misappropriations of public funds.

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QUESTIONNAIRE

I'm Alex N Kilangaly, a student from Mzumbe University taking MSc Accounting and Finance. I'm conducting a research on "Assessment of impacts of budgetary control system on organizational performance in Local government authorities in Tanzania. I request you to fill this questionnaire at the highest freedom and reality.

The responses will be maintained confidential. Please tick where appropriate.

1. For how long (in years) have you been in your present post?
 - (i.) 1 year ()
 - (ii.) 2 Years ()
 - (iii.) 2 years and above ()

2. What is your level of Education?
 - (i.) Secondary education ()
 - (ii.) Certificate ()
 - (iii.) Diploma ()
 - (iv.) Advanced diploma/ Degree ()
 - (v.) Masters degree and above ()

3. Did you get any in-service training about budgeting process after being employed or being appointed in your present post?
 - (i.) Yes ()
 - (ii.) No ()

4. In accordance with Local government authority act of 1982 with amendment in 2004, describes the following features of effective budgets. Please rate them with numbers 1 - 5 according to the following scale: 1: definitely disagree, 2: disagree, 3: undecided, 4: agree and 5: definitely agree.
 - (a) The organization prepares budget in each financial year.

1	2	3	4	5
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- (b) Organizational approved budgets receive funds accordingly.
1 2 3 4 5
- (c) There is moral commitment in controlling organizational budgets.
1 2 3 4 5
- (d) The budget process is efficiently communicated in the organization.
1 2 3 4 5
- (e) The organization has effective accounting system capable of accumulating cost and revenue.
1 2 3 4 5
- (f) The organizational system allows participation of employees to decide on the performance of the organization.
1 2 3 4 5
5. In accordance with Local government authority act of 1982 with amendment in 2004, describes the following features of effective budgets. Please rate them with numbers 1 - 3 according to the following scale: 1: Do not Exist, 2: Exist but do not operate and 3: Exist and effectively operate.
- (a) Organizational chart 1 2 3
- (b) Budget committee 1 2 3
- (c) Internal audit committee 1 2 3
- (d) Internal budget control 1 2 3
- (e) Suggestion box 1 2 3
- (f) Regular financial reports 1 2 3

- (g) Non-governmental anti-corruption agency 1 2 3
- (h) Tender board 1 2 3
- (i) Balanced organization board composed of directors and senior officers
1 2 3
- (j) Regular external audit report 1 3 3
- (k) Defined motivation structure 1 2 3

6. The following are features of effective budgetary control system. Please rate them with numbers 1 - 5 according to the following scale: 1: Strongly disagree, 2: disagree, 3: undecided, 4: agree and 5: Strongly agree.

- (a) The information on organizational performance is accurate.
1 2 3 4 5
- (b) The information on organizational performance is collected, routed and evaluated timely.
1 2 3 4 5
- (c) The information in a control system is objective and comprehensive to users of that information.
1 2 3 4 5
- (d) The control system is focused on those areas where deviations from standards are likely to take place.
1 2 3 4 5
- (e) The organizational finance is realistic.
1 2 3 4 5

(f) Control system is coordinated with organization's work flow.

1 2 3 4 5

(g) The control system is compatible with the organizational realities and standards for performance.

1 2 3 4 5

(h) The control system is flexible.

1 2 3 4 5

(i) The control system indicates, upon detection of deviation from standards, what corrective actions are to be taken.

1 2 3 4 5

(j) The control system is acceptable by the organizational members.

1 2 3 4 5

7. What are the impacts of budgetary control system used in your organization on organizational performance?

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8. What should be done in order to improve performance in your organization?

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INTERVIEW QUESTIONS

1. In your opinion, is the budget prepared effective to your organization?
2. In your opinion, what challenges do you encounter in the process of budget preparation?
3. Is the budgetary control system in your organization, effective?
4. In your opinion, what has promoted your organization to have such budgetary control situation?
5. In your opinion, is the budgetary control system in your organization, effective?
6. In your opinion, what another budgetary control system can be adopted in order to promote your organization performance?
7. What should be done in improving performance in your organization?