

# **THE EFFECTS OF BUDGETARY CONTROLS IN AN ORGANIZATION'S PERFORMANCE**

---

**A CASE STUDY OF ACTION AID UGANDA IN KUMI BRANCH**

**BY:  
OKIROR JOSEPH  
BBA/41674/91/DU**

**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF BACHELORS DEGREE  
IN BUSINESS ADMINISTRATION AT THE SCHOOL OF BUSINESS AND  
MANAGEMENT IN KAMPALA INTERNATIONAL UNIVERSITY (KIU)**


**DECEMBER, 2012**

## DEDICATION

. This special study paper is dedicated it to my mother NAHAMBO ROSE and to my late beloved father ODEYA GIDION who basically sacrificed his life to make certain that I got a head start. May his soul rest in internal peace.

### DECLARATION

I OKIROR JOSEPH declare that this research dissertation is the original and has never been presented anywhere for any other degree award or qualification.

Signed .....  .....

Okiror Joseph

Date.....  .....

### APPROVAL

The research dissertation title “the effects of budgetary control on organizational performance”  
has been under my supervision is now ready for submission to the School of Business  
Administration with my approval.

Sign



MR. RUTEGANDA MICHEAL

Supervisor

Date

30/10/12

## ACKNOWLEDGEMENT

I wish to express my gratitude to the various people who supported me during the time I carried out this research. I may not be able to mention each one by name but I sincerely acknowledge the contribution of each one of you.

I acknowledge with sincere appreciation the valuable guidance given by my supervisor, MR RUTEGANDA MICHAEL, for his time, patience and advice. Despite his busy schedule, he was always available whenever I needed help.

Special thanks go to my brothers, ODEYA ROBERT, ODELOK BALAAM, and to lastly ARIKO DAN sister, AKALANGHE SARAH, my lovely father the Late ODEYA GIDION and to my mother MRS NAHAMBO ROSE for the financial and moral support. Without them, I would not have gone through this course in the first place.

Lastly, I would like to thank all my friends MR ODUDI SHADRACK, Miss KWOONA BEESI Mr WANANDA ANTHONY and others for the encouragement and support in form of team work and company throughout the dissertation period and report writing process.

Above all, I thank the almighty GOD for allowing me complete my dissertation program smoothly.

## LIST OF ABBREVIATION

BBA	:	Bachelor of Business Administration
AAU	:	Action Aid Uganda
SWOT	:	Strengths, Weaknesses, Opportunities, and Threats

## TABLE OF CONTENTS

DEDICATION .....	ii
DECLARATION.....	iii
APPROVAL.....	iv
ACKNOWLEDGEMENT.....	v
LIST OF ABBREVIATION.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	x
LIST OF FIGURES.....	xi
ABSTRACT.....	xii
CHAPTER ONE	
1.0 Introduction .....	1
1.1 Background of the Study .....	1
1.2 Statement of the Problem .....	2
1.3 Purpose of the Study .....	3
1.4 Objectives of the Study .....	3
1.5 Research question .....	3
1.6 Scope of the Study .....	4
1.7 Significance of the Study .....	4
CHAPTER TWO	
2.0 Literature Review .....	5
2.1 Introduction.....	5
2.2 Budget Control .....	5

2.3 Budgetary Control .....	5
2.4 Control .....	6
2.5 Principle of Control .....	6
2.6 Benefits of Budgetary Control .....	7
2.7 Performance .....	7
2.8 Budgets and Performance Evaluation .....	8
2.9 Managerial Style .....	8
2.10 Ideal Budgetary Formulation Process.....	9

## CHAPTER THREE

3.0 METHODOLOGY .....	11
3.1 Introduction .....	11
3.2 Research Design .....	11
3.3 Area of Study .....	11
3.4 Source of Data .....	11
3.4.1 Primary Data.....	11
3.4.2 Secondary Data .....	12
3.5 Study Population .....	12
3.6 Sample Selection and Size .....	13
3.7 Methods of Data Collection .....	13
3.8 Data Analysis .....	14

## CHAPTER FOUR

4.0 RESEARCH FINDINGS, ANALYSIS AND DISCUSSION .....	15
4.1 Introduction .....	15



4.2 Expenditure of AAU on the Budget .....	15
4.3 Demographic and Personal Data .....	16
4.4 Budgeting .....	18
4.4.1 Source of Funds .....	19
4.4.2 Application of Funds .....	20
4.5 Alternative Plans of Income and Expenditure Besides Budgeting.....	24
4.6 Amount Given as Interest .....	25
4.6.1 Office Administration .....	26
4.6.2 Deposits for Projected Programs .....	29
4.7 The Effects of Budgetary Controls on Organizational Performance of AAU .....	30
4.8 If AAU has not achieved its objectives, do you think budgetary controls would help it perform better?.....	32
4.9 Are there other tools besides budgeting which would help AAU to achieve its objectives?.....	33

## CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	34
5.1 Summary of the Findings .....	34
5.2 Conclusion .....	34
5.3 Recommendations .....	35
5.4 Issues of Further Research .....	37
BIBLIOGRAPHY .....	38
QUESTIONNAIRES .....	39

## LIST OF TABLES

Table 1: Position held and bio-data .....	16
Table 2: Period of services for the top and middle manager .....	17
Table 3: Educational levels for the top and middle managers .....	18
Table 4: Table showing the predictions of AAU sources of funds .....	20
Table 5: Preparation of Budgets by to and middle level managers .....	22
Table 6: Budget preparation in AAU .....	23
Table 7: Checking and approval of expenditure items .....	27
Table 8: Authorizing expenditure .....	28
Table 9: Measure of control .....	29
Table 10: The management of AAU funds for its clients .....	30
Table 11: Responses of the AAU achieves its staff and some clients as the whether objectives..	31
Table 12: Responses of staff as to whether controls would help AAU to achieve its objectives..	32
Table 13: Responses about other tools besides budgetary control tools that would help AAU achieve its objectives .....	33

## LIST OF FIGURES

Figure 1: Pie chart showing the expenditure of AAU on the budget .....	15
Figure 2: Pie chart showing Sources of funds.....	19
Figure 3: Pie chart showing application of funds in AAU .....	21
Figure 4: Framework of Investment process .....	25
Figure 5: Pie chart showing the degree of expenditure on specific activities .....	26

## ABSTRACT

This is a research report on the effect of budgetary controls in a ‘not for profit’ organization called AAU. It is a study on budgetary control as a financial tool in guiding the making of optimal financial decisions to attain high level performance. It was carried out to investigate on budgetary practices [budgetary control] in AAU, to evaluate the performance of the organization and whether there was a relationship between these controls and the organization performance of AAU.

To achieve the study objectives, the researcher collected data, which included both primary and secondary data. With primary data, the researcher selected a sample size amounting to 48 and questionnaires were issued of which only 26 responded to the researcher physical observations as well as personal interviews were used as primary data by the researcher. While, journals, newspapers, government publications and research agency resource centers were used as secondary data. After collecting data, the researcher employed both qualitative and quantitative methods with the aid of descriptive analysis of performance of AAU were carried out in terms of activities performed by the organization as well as the challenges and success scored.

The researcher findings are discussed basing on the objectives of the study. The researcher found out the budgetary control exists in AAU though not fully enhanced by managers who are not strong enough to commit to these controls and this has resulted in a failure to achieve the objectives of the organization. Instead of committing funds to planned activities, the funds are instead directed to the plan and this really leaves AAU with threat of liquidation.

The researcher recommends that the organization put in place restrictions and strong measures to make sure that managers strongly commit themselves in enhancing budgetary control policy to help AAU achieve its objectives. Further recommendations included in the organization gives short term courses in relevant fields of Accounting, finance and Effective IT Techniques.

## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 Background of the study

Companies always get goals to be achieved within a specified period of time. Whenever these goals are set up, action plans are designed to guide members of the company towards achieving the set goals. Plan drawn may include a detailed annual financial plan known as budget.

A budget is an action expressed in monetary terms. It always expresses management intention of attaining specific goals in a company. Budgeting could be prepared for the company as a whole for selected departments within a company or for various activities existing in the company such as sales and production.

So a budget is an estimated income or expenditure for specific period of time. The purpose of a budget in a company may among others to compel planning and control processes, improve communication and coordination, classification of staff authority and responsibility, motivation of employees.

Budget controls on the other hand referred to frequent comparison of the actual performance of the company in order to take corrective measures. This study was set to examine the effects of budgetary controls on the organizational performance of Action Aid Uganda (AAU).

Action Aid Uganda is not for profit, Non-government Organization (NGO) working with poor communities in the various areas known as development areas in the poorest part of the country.

These area included Mubende, Bundibujyo, Kalangala, Katakwi, Palillisco, Kumi, Nebi and Masindi with the head office in Kampala.

Its vision is world without poverty in which every person can exercise his or her rights to a life of dignity.

The mission statement of AAU was to work with poor men, women, men, boys and girls, the local civil society and other development partners to eradicate absolute poverty in Uganda.

Budgeting and budgetary controls practices exist in AAU. These among others included; various reporting, budget preparation and approval, expenditure on activities that were on budget only.

Expenditure authorized by line managers/executives, budget holders explained differences between actual and budget variances with the company divided into cost centers.

In the management organizational structure the country directors, based in Kampala, heads the following, finance, human resource, programs, administration and information technology. This was where the researcher mainly focused in AAU.

## 1.2 Statement of the problem

Budget controls were usually not effective and efficiently practiced by many organizations as required. So lack of strong commitment to enforce budgetary organization as required. So enforce budgetary controls in AAU among other was the key problem. Specifically the problem included.

Failure to explain budgetary variances by managers, managers not paying close attention to budget details hence producing budgets with slacks, managers not retaining relating plans of activities to the budget and poor altitudes towards budget controls by managers who what to operate in a free environment without budgetary controls. The result was poor and inaccurate financially management reporting in the organization.

### 1.3 Purpose of the study

The purpose of this study was to examine the effect of budgetary controls on the organizational performance of AAU

### 1.4 Objectives of the study

The study was set to satisfy the following objectives

- i. To assess budgetary practices in AAU
- ii. To evaluate the performance of the organization[AAU]
- iii. To determine whether there was a relationship between budgetary controls and organizational performance in AAU

### 1.5 Research question

In order to address the study objectives, the researcher was guided by the following question

- i. Was there a budgetary practice in AAU
- ii. How effective was the performance of AAU
- iii. Was there any relationship between budgetary controls and organizational performance of AAU



### 1.6 Scope of the study

This study focused on budgetary controls on organizational performance. Study will cover a period between 2012-2011 being carried out in AAUs head office in Kampala

### 1.7 Significance of the study

The researcher undertook the study in order to establish the following

- i. The effects of budgetary on the organizational performance in AAU
- ii. Existing gap in budgetary controls on purpose best practices to help managers and decision makers make improvements where it lacks
- iii. Preferred principles of budgetary controls to enable the organization achieve the set objectives by the use of budgets
- iv. To show how participation in budget process and discussions of the results lead to a better performance of organization
- v. Findings generated more literature and hypothesis for further researchers in this area
- vi. And as a partial fulfillment of the award of a bachelor of business Administration degree of Kampala International University

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, the researcher looked at the existing literature, document from previous researcher, publications that are related and relevant to the research topic. This review has been used to give more insight to the study topic and help in analysis and discussion of the findings.

#### 2.2 Budget Control

It was a team that involves the uses of budgets and performance reports throughout the period to coordinate evaluate and control day to day operation in accordance with the specified in the profit considerable value to the average concern, but its maximum and coordination and control during the period.

Budget control involves constant checks and evaluation of actual results against budget goals, resulting in corrective action indicated in 2 edition by Glen A.W.J.

#### 2.3 Budgetary control

Armstrong [1995] defines budgetary control as the process of comparing actual cost, revenues and performances of the organization with the budget so that if necessary, collective action could be take or revisions made.

## 2.4 Control

It was the action necessary to ensure that objectives, policies and standards were being attained.

Control purpose feed forward, that objectives, plans, policies and standards have been developed and communicated to those managers who have performance responsibility for their accomplishment. Consequently, effective control necessary must rest upon firm foundation of management planning.

Thus, effective control must be exercised at a point of action or at the time of commitment. This concept implies that the manager responsible for certain action must engage in a form of prior control; to do this, the predetermined objectives, plans, policies and standards must have been communicated to the manager and fully understood by the manager in advance. With such communication in hand the manager was in a position to exercise control at the point of action (decision point). This fact emphasized why the concept of feed forward was so fundamental (Glenn A. Welsh: Budgeting: Profit Planning and Control).

## 2.5 Principles of Control

There were five principles of budgetary controls, for instance:

- i. A budget for each cost center, which sets out under each, cost heading (to which costs would have been attached) the budget expenditure against whatever activity levels have built into the budget.
- ii. A system of measurement or recording which allocated all expenditure to the current cost code and cost centers and records the activity level achieved.

- iii. A system for comparison or reporting which sets out actual against budget and indicates the positive variances that have occurred.
- iv. Procedure for acting on the information received. This required report to higher management on what is being done to deal with variances.
- v. A procedure for feeding back changes in activity or performance levels or revised forecast so that the budget guidelines can be amended and budgets updated.

## 2.6 Benefits of Budgetary Control

Budgetary control was the only basis on which performance can be monitored and consequently improved. It would not work effectively unless;

- i. The budget was based on adequate assumptions and forecast.
- ii. The budget was realistic, i.e. the targets were not so high as to be unattainable or so low as to be meaningless.
- iii. Control information clearly specified deviations or variances.
- iv. Control information went to the right people, who were responsible for the results and analyzed variances and took collective action.
- v. Steps were by higher management to ensure that variances were analyzed and reported on and that corrective action was planned and successful.

## 2.7 Performance

According to the Cecily A. Raiborn (1992), Managerial Accounting, performance evaluation was the process of determining the degree of success in accomplishing a task; equates to both effectiveness and efficiency.

## 2.8 Budget and Performance Evaluation

Further use of budget was a basis for setting performance standards and rewards, for example, bonus, status or enhanced prospects were often linked to budget attainment. Organizations were complex, tasks were interdependent, and there were many dimensions of performance and these were not all easily qualified and certainly not in financial terms. Problems could occur here because the budgets were not quite narrow specification of what were desired organization outcomes.

Placing emphasis on budget achievements can have repercussions on other, perhaps long term, and aspects of organizational performance. Management might not place emphasis on other important aspects of their jobs such as maintaining quality or staff morale if as a consequence; they run a risk of not achieving the financial budget. Alternatively, stressing the need to achieve budget results may result in the budget being met but this may be as a result of manipulation of managers of both the managers of the budget and actual results.

## 2.9 Managerial Style

The use of budgets in evaluation and control was also influenced by the way they are used by managers. Some would argue that any used information that is entered into the budget. That was, budgets have implications on human behavior. For many psychological studies it was pointed out that better than weak ones. This was up to a point; totally unattainable targets tend to be countering production. An individual does not accept the precision, which was applied, and then poorer performance may result from that person's "withdrawal" from the task than would apply if a less demanding target has been set. Then it was also important that managers achieve their

targets frequently enough to give a positive reinforcement in their efforts. A practical consequence of this is that a budget was likely to be achieved most of the time. It was not therefore a useful forecast of actual out turn. Conversely, a budget that was an accurate forecast of what was likely to be achieved would only motivate a modest level of performance. Different management styles of budget use have been observed, for instance;

*Budget Constrained:* Placing considerable emphasis on meeting budget targets.

*Profit Conscious:* where a balanced view is taken because budget targets, long term goals and general effectiveness

*Non-accounting:* where accounting data is relatively an important aspect in the evaluation of subordinates

The style is suggested to influence, in some cases, the superior/subordinate relationship, the degree of stress and tension involved and livelihood of budget attainment. Note also, the style adopted and its implications are affected in the environment in which management is taking place. For example, the degree of interdependence between areas of responsibility, the uncertainty of the environment and the extent to which individuals feel they influence results; are all factors to consider in relation to the management style adopted and its outcomes.

## 2.10 Ideal Budgetary Formulation Process

It is often suggested that participation in the budget process and discussion of how results are to be measured as benefits in terms of budget attitudes and performance of the budgetee. Vies of this point are valued however, and the personality of the individuals participating the nature of the task (narrowly defined or flexible) and the organization culture influence the success of

participation. But the budget, when carefully and approximately established, can naturally extract a better performance from the budgetee than one in which these considerations are ignored.

An interesting implication of the findings on budget targets in the budget level that motivates the best performance is likely to be achieved in time. However, a budget that is usually achieved will motivate individuals of performance. If budgets are to be set at a level that will motivate individuals to achieve maximum performance, adverse budget variances are to be expected. In such as situation it is essential that adverse budgets variances are to be used by management as a punitive devise since this is likely to encourage budget to attempt to obtain looser budgets. As either under performing or deliberately negotiating easily attainable budgets. This may lead to fewer adverse variances but also poorer overall performances (Drury, 1992).

To motivate the best performance demanding budgets should be set and small adverse variances should be regarded as healthy sign and not something to be avoided. If budgets are always achieved, with no adverse variances, this indicates that the standards are not too loose to motivate the best possible results (Drury, 1992).

To crown it all, a relationship between budgetary controls and organization performance really exists as seen above and without proper adaptation of budgetary control practices, performance can never be motivated and consequently improved upon, control information clearly specifies deviations or variances, this information goes to the people who are responsible for the results and will analyze variances and take collective action this leading to a better effective and efficient organizational performance.

## CHAPTER THREE

### 3.0 METHODOLOGY

#### 3.1 Introduction

This chapter explains the research design, area of study, population of the study, sample size and sample selection and method of data collection and analysis.

#### 3.2 Research Design

The study will employ both quantitative and qualitative methods with the aid of descriptive analytical study where the analysis of the performance of AAU will carry out in terms of activities performed by the organization as well as the challenges and success scored.

#### 3.3 Area of Study

Action Aid Uganda operates in ten districts of Uganda namely; Mubende, Bundibugyo, Kalangala, Katakwi, Pallisa, Kumi, Apach, Kitugum, Nebbi, Masindi, with the head office in Kampala.

#### 3.4 Sources of Data

The study used both primary and secondary sources of data.

##### 3.4.1 Primary Data

This was data collection for the first time from the field in its original nature. The data was collected through physical observations, interviews and questionnaires.



### 3.4.2 Secondary Data

This is data which is already published and is in use. The data was obtained from government publications, research agency resource centers, book magazines, newspapers and journals.

### 3.5 Study Population

The respondents included staff of AAU based in the head office in Kampala. The respondents were mainly managers and staff of the finance department. This staff was selected for the study because they deal directly with financial matters of the organization.

#### Study Respondents

Category	Expected Respondents	Actual Respondents	
		Frequency	% out of 48
1. Finance Director	1	1	2
2. Finance Manager	1	1	2
3. Human Resource Director	1	1	2
4. Accountant	2	2	4
5. Assistant Chief			
Accountant	15	4	7
6. Assistant Transport			
Manager	10	6	11
7. Assistant Officers	8	4	7
8. Office Messengers	3	3	6
9. Program officers	7	7	7
TOTAL	48	26	48

### 3.6 Sample Selection and Size

Purposive sampling technique was used to select respondents from the study. Purposive sampling was chosen to help select respondents who are relevant to the topic of the study. These are mainly staff at AAU who work with finances of the organization and therefore are more knowledgeable about budgetary controls.

### 3.7 Methods of Data Collection

The data for the study was collected using the following instructions:

#### i. Questionnaire

Open and close-ended questionnaire was designed and distributed to selected study respondents.

The researcher personally collected and filled in the questionnaires for coding and analysis.

#### ii. Interview Guide

This is a research instrument designed to enable a researcher conduct personal interview with key respondent interview guide was used in the study to help the researcher obtain firsthand information and make clarifications on issues that was not easily understood by the respondents.

#### iii. Document Search

This is the use of secondary sources of information or literature, documents and publications relevant to the study. Review of literature was used by the researcher on related topics of the study.

### 3.8 Data Analysis

Since the study was mainly qualitative in nature and design, data collection from the respondents using the various instruments were grouped into themes emerging from the study and then analyzed. Graphs were also used by the researcher to develop the themes and sub-themes from the data collected and then interpreted the findings.

## CHAPTER FOUR

### 4.0 RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

#### 4.1 Introduction

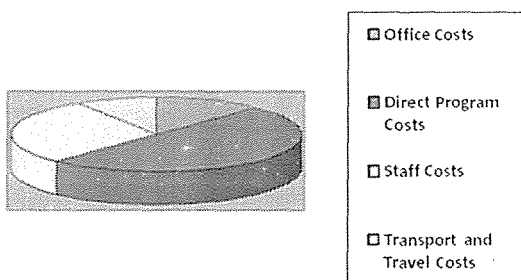
This chapter presents the research findings based on the responses from the questionnaire, document search and the personal interpretation of the information given during the informal interviews held with the different staff of the organization.

#### 4.2 Expenditure of AAU on the Budget

Under its Director, Assistant Director and 11 other employees, AAU handles the funds, mainly for:

- i. Direct Program Costs (50%)
- ii. Staff Costs (29%)
- iii. Office Costs (12%)
- iv. Transport and Travel Costs (9%)

Figure 1: Pie Chart showing the expenditure of AAU on the budget



Source: Primary Data

The above chart shows that AAU spends mainly on direct program costs as it takes the greatest percentage of 50% and this is due to the fact that AAU is a “not-for-profit” organization. Direct programs may include; serving HIV/AIDS units, relief supplies by AAU. However, staff costs take 29%, office costs 12% and transport and travel costs taking 9%.

#### 4.3 Demographic and Personal Data

**Table 1: Position held and bio-data:**

Male and female		
Respondent Category	Frequency	% out of 100
Finance Manager	3	6
Accountant	5	10
Other (middle manager)	7	15
Not bothered	33	69
<b>Total</b>	<b>48</b>	<b>100</b>

Source: Primary Data

The table above shows the percentage of male staff against the female and their positions in the organization. Financial managers include both male and female staff in all taking 6%. There is more female staff in the accountant position (7%), while male staff taking 3%. According to the researcher, the above table really shows that AAU is an organization that does not discriminate at all as it hires both male and female in its management functions. Of the 48 respondents, only 15 responded to the researcher, and the rest 33 did not bother at all. The researcher found out that

out of the 15 managers who responded to the researcher, 3 are in the Finance Management position, 5 accountants and 7 in the middle managers position.

**Table 2: Period of service for the top and middle managers**

Question: For how long have you worked in Action Aid Uganda?

Top Managers and Middle Managers		
Response Category	Frequency	% out of 100
Below 3 years	10	21
Between 3-5 years	18	38
Between 5-10 years	4	8
Above 10 years	3	6
Not bothered	33	27
Total	48	100

Source: Primary Data

Table 2 shows that all managers in both middle and top level categories have been in the company for less than three years and only one middle manger has served in AAU for more than five years. Of the 48 respondents, only 35 responded and 13 never attempted to respond to the researcher at all. These included 12 top-level manager category while 23 werefrom middle level manager categories. According to the researcher, 21% of the top and middle managers are very new to the organization, as they have stayed for a period below 3 years, 38% have been in the organization for up to 5 years, 8% from 5 to 10 years and 27% middle managers have been in AAU for a period of more than 10 years.

**Table 3: Education levels for the top and middle managers**

Table showing educational levels for top and middle managers in percentages

Respondent	Frequency	% out of 100
Degree	12	25
Diploma	10	20.8
Certificate	4	8.3
Not bothered	22	45.8
Total	48	100

Source: Primary Data

The table above shows that the 9 respondents, 4 are degree holders, 2 diplomas and 3 certificate holders. This is an indication of a well-developed human resource division at AAU. The table below shows that a greater percentage of staff (50%) are university graduates with degrees, 30% diplomas and only 20% are certificate holders. The researcher was really impressed with the staff qualifications and this shows that AAU has the required skilled human resources to run the organization.

#### 4.4 Budgeting

One of the objectives of the study was to assess whether effective budgeting was being carried out in AAU. Before arriving to this objective, the researcher tried to find out the sources and application of funds and whether the sources were predictable or not.

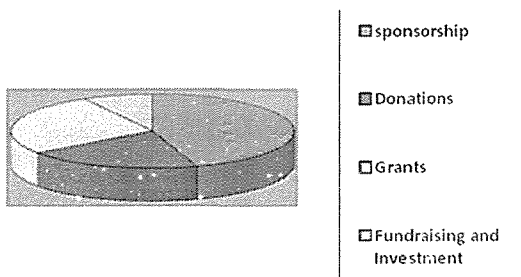
#### 4.4.1 Sources of Funds

AAU depends for its source of funds mainly on:

- i. Donations from various agencies from abroad
- ii. Fundraising
- iii. Grants from different projects and programs
- iv. Investments
- v. Sponsorship

**Figure 2: Sources of Funds**

Pie Chart showing sources of funds for AAU



Source: Primary Data

The above figure shows that AAU is really a “not-for-profit” organization as indicated by a bigger percentage of the source coming through sponsorship and donations (45% and 20% respectively). Other sources include interests from investments, which brings in only 18%. AAU needs to work so hard so as to impress the donors and sponsors who seem to be its financier; otherwise without hard work, donor withdrawal might put the smooth running of the organization in jeopardy.



**Table 4: Table showing the predictions of AAU sources of funds**

Question: Are these funds predictable?

Response	Frequency	% out of 100
Yes	0	0
No	4	8
Not sure	44	92
Total	48	100

Source: Primary Data

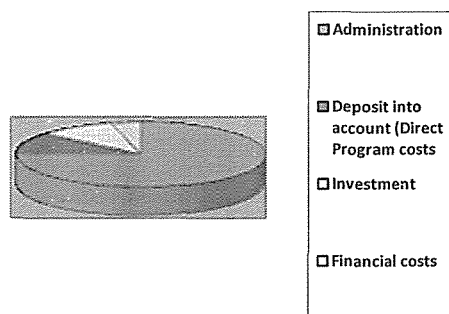
The above table represents the percentages of respondents about how predictable the sources of funds are. 92% of respondents say the funds used by AAU are unpredictable and 44% were not sure at all. The above table clearly indicates that sources of fund in AAU are quite unpredictable as they are mainly from sponsorship and donations and in reality, no one can really predict the funds to be received from the donors or even sponsors at all.

#### 4.4.2 Application of funds

These funds, once received are applied in the different activities, which include:

- i. Staff costs
- ii. Office costs
- iii. Deposit into account (direct program costs)
- iv. Investment
- v. Financial costs

**Figure 3: Pie Chart showing application of funds in AAU**



Source: Primary Data

From the above pie chart, it is clear that the biggest percentage is applied into administration. 11% is into direct program, 10% is invested and 4% deposited. The administration of AAU comprises a lot of activities, which really require a lot of funding. These activities include: monitoring areas occupied by the poor to try and curb up poverty within these areas. Direct programs include serving those areas occupied by HIV/Aids. Investment and deposition take a smaller percentage, as AAU is mainly not for profit making according to the researcher.

**Table 5: Preparation of budgets by top and middle level managers**

Question: Do you prepare budgets in your department?

Top Managers and middle managers		
Response	Frequency	% out of 100
Yes	5	10
No	1	2
Not Sure	42	88
Total	48	100

Source: Primary Data

The table above shows that 10% of the top managers participate in preparation of budgets while 2% do not participate in budget preparation and 88% were not sure whether budgets are being prepared at AAU. 5 middle level managers however confirmed that budgeting is done. In summary, budgeting is really practiced in AAU as supported by a greater percentage (10%) of the top level managers who were confirmed as compared to only 2% who did not agree with the idea. Furthermore, all the respondents in the middle management position (10%) confirmed that they participate in budget preparation.

**Table 6: Budget preparation in AAU**

Question: If you prepare budgets in your departments, how often do you do this?

Response	Frequency	%out of 100
Annually	5	10
Semi-annually	0	0
Quarterly	0	0
Others (specify)	43	90
Total	48	100

Source: Primary Data

The table shows that 10% of the top managers participate in the preparation of budgets while 2% do not participate in budget preparation and 88% were not sure whether budgets are being prepared in AAU. 5 middle managers however confirm that budgeting is done. In summary, budgeting is really practiced in AAU as supported by a greater percentage (10%) of the top-level managers who were confirmed as compared to only 2% who did not agree with idea. Furthermore, all the respondents in the middle managements position (10%) confirmed that they that they participate in budget preparation.

**Table 6: Budget preparations in AAU**

Question: If you prepare budgets in your departments, how often do you do this?

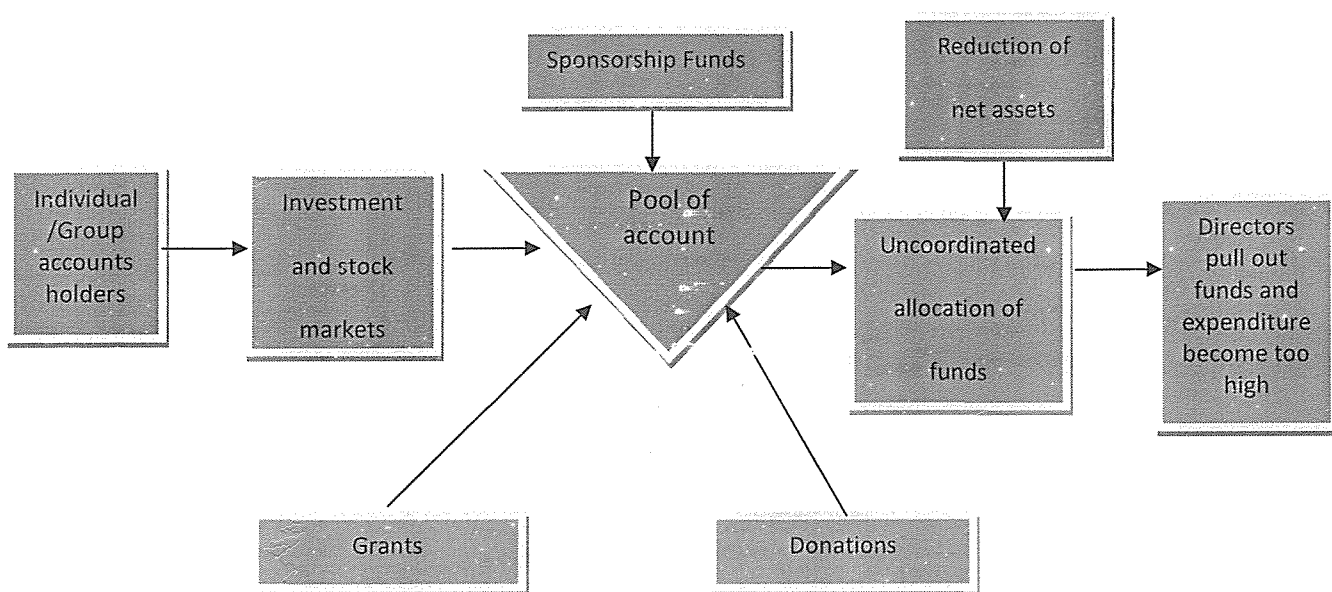
Response	Frequency	% out of 100
Annually	5	10
Semi-annually	0	0
Quarterly	0	0
Others (specify)	0	0
Not bothered	43	90
Total	48	100

Source: Primary Data

Figure 5 shows that budget in AAU are prepared annually. This is shown by 10% of the responses supporting annual budget preparation and the majority 90% never bothered to answer.

#### 4.5 Alternative plans of incomes and expenditure, besides budgeting

From the data collected through document search in AAU, the following is a summary of the investment option, which according to the staff, works as a plan for income and expenditure in AAU.



**Figure 4 is the pictorial framework of investment process in AAU.**

The above investment process, which involves getting percentage from the funds given by the donors and putting it in the common pool, is meant to show the plans made by managers as a tool for (both long and short term) planning for both income and expenditure.

#### 4.6 Amount given as interest

At the beginning, the investment option shown in figure 4, worked well and the accounts holders were happy to find an additional amount on their accounts. However, as time went by, the capital that had been invested became lower and lower.

The statement by the auditors, which is referred to in chapter one: statement of the problem shows that “there were no strong commitments by the managers to enforce budgetary controls in the company” thus no particular formulae for determining distribution of interest. When, in the

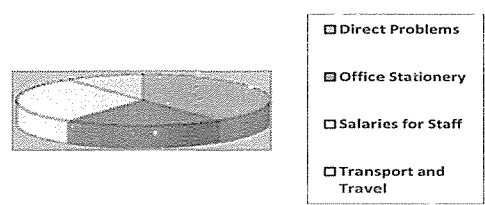
study, the researcher tried to find out how these managers were not strong enough to enforce budgetary controls through a discussion, the following were answers obtained:

- i. Managers could fail to explain budget variances
- ii. Managers not paying close attention to budget details hence producing budgets with slacks
- iii. Not relating plans of activities to the budget

4.6.1 Office Administration

The departments in the AAU carry out different duties but also share most of the expenditure on the different activities. The individual staff approach showed concern on how spending is high for some of these items.

**Figure 5: Pie Chart showing the degree of expenditure on specific activities**



Source: Primary Data

Above pie chart shows the percentage of the degree of the expenditure for AAU for different items as shown. The pie chart shows that 40% goes to the direct programs, 20% office stationery,

30% salaries of staff, and 10% to transport and travel. As seen from figure 5 by the researcher, AAU mainly spends a lot in its direct programs than it has to pay its staff and the rest expenses.

**Table 7: Checking and approval of expenditure items**

Question: Is the expenditure being checked and approved by a responsible officer?

Response	Frequency	% out of 100
Agree	2	4
Strongly agree	1	2
Disagree	0	0
Strongly disagree	1	2
Not sure	44	92
Total	48	100

Source: Primary Data

Table 7 shows that at least 2% disagree about checking and approval of expenditure carried out in AAU, 6% agree and the rest, 92%, were not sure whether expenditure is checked and approved before it is spent. This was really appreciated by the researcher as expenditure is supposed to be checked and approved before it is spent.



**Table 8: Authorizing expenditure**

Question: Is expenditure being authorized by the responsible manager?

Response	Frequency	% out of 100
Agree	2	4
Strongly agree	0	0
Disagree	1	2
Strongly disagree	1	2
Not sure	44	92
Total	48	100

Source: Primary Data

Table 8 above shows that of the 48 respondents, 4% say that a responsible manager always authorizes their expenditure while 4% disagree about the ideal and 92% were not sure at all. According to the researcher, as seen from the above, at least a responsible manager, authorizes expenditure in AAU.

**Table 9: Measure of control**

Question: Given the amount of expenditure checking, approval and authorization practiced, is there a good measure of control?

Response	Frequency	% out of 100
Agree	1	2
Strongly agree	1	2
Disagree	0	0
Strongly disagree	2	4
Not sure	44	92
Total	48	100

Source: Primary Data

Table 9 above shows that 4% strongly disagree that control is not being practiced in AAU and 4% supports control practice. According to the researcher, as seen from chapter one in the statement problem, controls do exist in AAU though managers lack strong commitment to enhance them in the organization and that's why only 4% disagreed on the control practice when asked.

#### 4.6.2 Deposits for projected and programs

This area is concerned mainly with the services rendered to the clients. 8 respondents were approached in an informal interview so as to find out whether they were happy about services rendered to them by AAU. The aim was to find out whether they were properly handled or managed.

**Table 10: The management of AAU funds for its clients**

Response	Frequency	% out of 100
Very well managed	1	2
Well managed	2	4
Fairly managed	5	10.3
Poorly managed	0	0
Not sure	40	83.3
Total	48	100

Source: Primary Data

Table 10 above shows the biggest percentage having the idea that AAU fairly manages well the funds of its clients, compared to the 16.3% of the respondents who say the funds are well managed respectively though 83.3 were not sure. This could be an indication that AAU has qualified staff are knowledgeable in financial management and are managing funds in an appropriate manner as seen from table 3.

#### 4.7 The effects of budgetary controls on organizational performance of AAU

The third objective was to determine whether there was a relationship between the two variables (budgetary controls and organizational performance) of AAU. To arrive at this objective, the researcher presented questions to the staff and some clients, concerning achievements of objectives through these tools and application of other tools besides budgeting as a measure of performance.

**Table 11: Responses of the AAU achieves its staff and some clients as to whether objectives**

Question: In your opinion, do you think AAU has achieved its objectives?

Response	Frequency	% out of 100
Yes	2	4
Strongly yes	5	10.4
No	0	0
Strongly no	1	2
Not sure	40	83.3
Total	48	100

Source: Primary Data

The above table shows that at least 4.4% of the respondents claim that AAU has achieved its objectives compared to 2% who say it has not successfully achieved the objectives; although 83.3% never attempted to answer the researcher. This could be due to the fact that managers in AAU lack strong commitment to enforce budgetary controls so as to enable the organization achieve its objectives fully according to the researcher.

4.8 If AAU has not achieved its objectives, do you think budgetary controls would help it perform better?

**Table 12: Responses of staff as to whether controls would help AAU to achieve its objectives**

Response	Frequency	% out of 100
Yes	1	2
A strong yes	3	6
No	1	2
Strong no	0	0
Not sure	43	90
Total	48	100

Source: Primary Data

Table 12 shows 8% response to budgetary control being tools to achieve objectives by AAU, compared to 2% who say they are not tools for successful performance although 90% were not sure at all. The 8% respondents who agree with budgetary controls suggest that:

- i. There is no need for monitoring procedure to be put in place, especially as far as spending on vehicles is concerned
- ii. If budgetary control policy measures are put in place and a follow up is done, then the corresponding problem and ad hoc payments would be reduced

As stated in chapter 3 by the researcher, budgetary controls are really tools that take action to correct deviations from the plan and feedback results to amend the plan as required.

4.9 Are there other tools besides budgeting, which would help AAU to achieve its objectives?

**Table 13: Responses about other tools besides budgetary control tools that would help AAU achieve its objectives**

Response	Frequency	% out of 100
Yes	3	6
No	0	0
Not sure	2	4
Not bothered	43	90
Total	48	100

Source: Primary Data

From the table above, 6% of the respondents say there are other tools that would help AAU to achieve its objectives. However, 4% are not sure and 90% did not answer the researcher at all on this question. Other tools suggested include:

- i. Training the staff under the importance of budgetary controls
- ii. Improve on the delivery structure of programs i.e. cost efficiency, effectiveness and economical
- iii. Enhancing the fundraising department to raise more finance and meet their planned targets

## CHAPTER FIVE

### 5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of the findings

The study was about the effects of budgetary controls on organizational performance of AAU. According to the research findings, AAU's expenditure is mostly on direct program costs, which takes 50%, and the rest, which may include staff costs take 29%, office costs 12% and transport costs 9%. Its sources of funds are mainly through fundraising and sponsorship that's why AAU's sources of funds were not predictable at all. Basing on table 3(a), AAU has got the required human resources to run the organization, as the majorities were degree holder and diploma. Further still, budgets in AAU are prepared annually, authorization of expenditure do exist as well as checking and approval of expenditure items by a responsible manager and some controls are being practiced which has enabled AAU to achieve some of its objectives as stated in table 10. Lastly, the performance of AAU really depends on budgetary control practices to achieve organizational objectives though its managers lack strong commitment to enforce these controls in the organizations day-to-day activities. And this is an indication that a relationship between budgetary controls and organizational performance lists.

#### 5.2 Conclusions

Basing on the responses from the study respondents, the study draws the following conclusions:

- i. Budgeting exists in AAU but it is not effective enough as sometimes budgetary controls are not attended to leading to preparation of budgets with slacks, thus poor

performance of the organization due to inadequate participation of managers in producing information for preparation of budgets.

- ii. There is lack of performance monitoring, in terms of checking the actual results with the budgeted amounts. This is worsened by the fact that management's report on activities is not clear to even 50% of the administration team.
- iii. Managers lack skills to enhance budgetary controls so as to lead to a better performance of the organization. Element of budgetary control needs to be revised in the organization for a better performance.
- iv. Because of unclear planning and absence of strong control practice, the expenditures are high. This is also as a result of lack of participation by Heads of Departments or sections in the budgeting process. Individuals have no direction in spending.

Although table 11 shows that lack of strong controls have contributed to poor performance by 80% responses, table 12 shows that other variables have contributed to the present performance of the organization. At least 60% of the managers interviewed think that, other tools could be employed in order to improve the performance of AAU.

### 5.3 Recommendations

Recommendations given below are based on the findings and conclusions presented by the researcher in this research.

By looking at the initial objectives of the organization (as shown in the historical background) which was based on achieving a world without poverty in which every person can exercise his or her rights to life of dignity. So, in order to achieve and remain relevant to this objective (based



from the vision of AAU) AAU's management should revisit and reset its vision, mission and objectives.

To do this the researcher recommends that:

- i. AAU should carry out SWOT analysis, which looks at the strengths, weaknesses, opportunities, and threats.
- ii. Further still, without proper corporate control practice and that the overall plans of the organization are not clear, then the activities which take place in the organization are not properly specified and related to plan and expenditure as in the case of AAU, even if the objectives were clear, it would be difficult to achieve them without a proper guide (plans) and proposed controls (budgetary controls).
- iii. AAU should look at its overall budgetary control process; its strategies and activities for achieving the objectives then draw up a properly guided budget. This would lead to positive results thus improving the performance of AAU. Thus, the participation in budgetary control practices by the managers at all levels would partly help AAU to achieve its objectives.
- iv. AAU should involve middle managers in budgeting process for better performance
- v. Control policy to be strongly enhanced and instituted in order to control expenditure and maintain the organization's existence. Having regular monitoring could do this and evaluation of expenditure against budgeted for figures. A habit for strict authorization of expenditure could control to reduce ad hoc expenses
- vi. The researcher further recommends that AAU acquire appropriate accounting software that could facilitate its budgeting process

- vii. Besides budgetary control practices, there are other factors that affect performance in the organization. Setting up clear objectives, which are appropriate, so precise to the needs of AAU would result into smooth tinning of AAU.
- viii. The management needs to have an appropriate feasibility study carried out to establish the liability of AAU
- ix. A staff development plan to upgrade their knowledge of present day financial practices as modern Computer Based Accounting be undertaken

#### 5.4 Issues of further research

Given this researcher experienced significant limitations and did not sample sufficient AAU related organizations; further research should be done to establish a more comprehensive picture of budgetary control in such related organizations and how this influences decision-making and control for their performance.

AAU's source of funding is dependent on sponsorship and donor goodwill. With donor fatigue and continued call for self-reliance, the donors who are AAU's lifeline might lessen or even stop their funding so as to make AAU and other related organizations more sustainable.

## BIBLIOGRAPHY

1. Drury J. Colin (1992) Management and Cost Accounting (3rd Ed.) Chapman and Hall
2. Harvey, Mike and Fred Knees (1978) Financial Accounting Theory, Prentice Hall London
3. Brech (1963) Strategic Management (4th Ed.)
4. Frank Wood (1995) Business Accounting (5th Ed.), Pitman
5. Lutaaya Busuulwa (1997) External effects of inadequacy of budgetary resources on achievement of objective and performance in Government departments. Research Paper.
6. Kakuru Julis (2000) Finance Decision and the Business (1st Ed) The Evaluation of Budgeting. Business Publishing Group.
7. Koontz H. & Weibrich. Management. McGraw Hill (1988)
8. Ojur Francis (1997) Process and Budgetary Control of Local Government. Research Reports, Makerere University
9. Pike W. Sunday Vision May 5, 2002
10. Omunuk Ben Joseph (1999) Fundamental Accounting for Business (18th Ed.)
11. Stoner A. F. James (1992) Management (5th Ed.)
12. Cecily A. Raiborn (1992) Managerial Accounting. West Publishing Company, New York.
13. Pauline Weetinan (1999) Financial and Management Accounting. An introduction (2nd Ed.) Prentice Hall
14. Charles T. Horngren (1993) Introduction to Management Accounting (9th Ed.) Prentice Hall
15. Pandey I. M. (1995) Financial Management (revised edition) Vikas Publishing House PVT Ltd
16. William E. Thomas (1983) Cost Accounting, Reading in Budgeting and Control.
17. Wel (1991) Budgeting: Profit, Planning and Control

## QUESTIONNAIRES

### DEMOGRAPHIC AND PERSONAL DATA

1. Position

.....

2. Sex                      Male [ ]              Female [ ]

3. Educational level (qualification)

a. Degree                      [ ]

b. Diploma                      [ ]

c. Certificate                      [ ]

d. Others                      [ ]

4. Area of Specialization

a. Accounting                      [ ]

b. Marketing                      [ ]

c. Human Resource [ ]

d. Auditing                      [ ]

e. Finance                      [ ]

5. Briefly state your job description

.....

.....

.....

6. For how long have you worked at Action Aid Uganda (AAU)?

a. Below 3 years                      [ ]

b. 3-5 years                      [ ]

c. 5-10 years      [ ]

d. Above 10 years      [ ]

## BUDGETING

7. What are the main sources of funds used in AAU?

a. Donations      [ ]

b. Grants      [ ]

c. Contributions      [ ]

d. Others      [ ]

8. Are these funds predictable?

.....

.....

.....

9. What are the implications of these funds?

.....

.....

.....

10. How often do you prepare budget in your department?

a. Annually      [ ]

b. Semi-annually      [ ]

c. Quarterly      [ ]

d. Others      [ ]

11. Are all heads of departments/sections included in making budgets?

- a. Agree [ ]
- b. Disagree [ ]
- c. I don't know [ ]

BUDGETARY CONTROL EVALUATION

12. Are budgetary controls being practiced in AAU?

- a. Yes [ ]
- b. No [ ]
- c. Not sure [ ]

13. What controls? (State them briefly)

.....

.....

.....

14. Are they being properly followed when making budgets?

- a. Yes [ ]
- b. No [ ]
- c. Not sure [ ]

15. Is the expenditure being checked and approved by responsible officer in your department

- a. Agree [ ]
- b. Strongly Agree [ ]
- c. Disagree [ ]
- d. Strongly Disagree [ ]

16. Is expenditure being authorized by a responsible manager?

- a. Agree                    ☐
- b. Strongly Agree       ☐
- c. Disagree                ☐
- d. Strongly Disagree ☐

17. Given the amount of checking, approval and authorization of expenditure is good measure of control being shown?

- a. Agree                    ☐
- b. Strongly Agree       ☐
- c. Disagree                ☐
- d. Strongly Disagree ☐

18. In your opinion, do you think AAU has achieved its budgetary control objectives?

.....

.....

.....

19. If the organization (AAU) has not yet achieved its objectives, do you think budgeting controls would help it to perform better?

- a. Yes                        ☐
- b. Strongly Yes           ☐
- c. No                         ☐
- d. Strongly No            ☐

20. Do you think budgeting and budgeting control are important to AAU?

.....

.....

.....

21. Are there other tools besides budgetary control AAU can use to achieve its organization objectives?

.....

.....

.....