

**-THE EFFECTS OF BUDGETORY CONTROLS IN AN ORGANIZATION'S
PERFORMANCE.
A CASE STUDY OF ACTION AID UGANDA**

**BY
NAKIYINGI O LIVIA
BBA/19475/72/DU**

**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILMENT TO THE SCHOOL
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DEDICATION

This special study paper was dedicated to my late father **Mr. Sekadde Bbosa**, my grandmother Mrs. **Theodosia Wampamba** my mother in law Mrs. **Mary Kijjambu** and my beloved Husband Mr. **Galiwango John** who inspired me to undertake this course and gave me all the support needed, may the almighty God bless them all.

DECLARATION

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

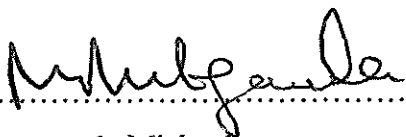
Signed.....

Nakiyingi Olivia

Date14th December, 2010.....

APPROVAL

The research Dissertation titled” “effects of budgetary controls on organizational performance” has been under my supervision is now ready for submission to the faculty of Business and Management with my approval.

Sign.....
Mr. Ruteganda Michael
supervisor

Date.....18/12/10.....

ACKNOWLEDGEMENT.

I wish to express my gratitude to the various people who supported me during the time 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.

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Special thanks to the Finance Director (Mr. Apollo) and staff of AAU for their patience and providing me with the necessary information.

Finally I cannot forget to thank my mother for her prayers, my sister Lillian, and mum Nabadda plus my friend Zainah and, members of my study group, for being present and to all who helped me during my course of three years at Kampala International University

LIST OF ABBREVIATION

BBA :	Bachelor of Business Administration
AAU :	Action Aid Uganda
SWOT:	Strength, Weakness, Opportunities and Threats

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ABSTRACT:

This is a research report on the effects of budgetary controls in a “not for profit” organisation 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 controls) in AAU, to evaluate the performance of the organisation and whether there was a relationship between these controls and the organisation 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 was carried out in terms of activities performed by the organisation as well as the challenges and successes scored.

The research findings are discussed basing on the objectives of the study. The researcher found out that 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 organisation. Instead of committing funds to planned activities, the funds are instead directed to the plan and this really leaves AAU with a threat of liquidation.

The researcher recommends that the organisation 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 organisation gives short-term courses in relevant fields of Accounting, Finance and Effective IT Techniques.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Companies always get goals to be achieved with in 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** was 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 with in the company or for various activities existing in the company such as sales and production.

So a **budget** was an estimated income or expenditure for specified 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.

Budgetary 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 parts of the country. These areas included Mubende, Bundibujyo, Kalangala, Katakwi, Palillisco, Kumi, Nebbi and Masindi with the head office in kampala.

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

The mission statement of AAU was to work with poor 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 preparations 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 on 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 organizations as required. So lack of strong commitment to enforce budgetary controls in AAU among others 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 attitudes towards budget controls by managers who want to operate in a free environment without budgetary controls. The result was poor and inaccurate financial management reporting in the organization.

1.3 Purpose of the study

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

1.4 Objectives of the study

The study was set to satisfy the following objectives

1. To assess budgetary practices in AAU
2. To evaluate the performance of the organization (AAU)
3. To determine whether there was a relationship between budgetary controls and organizational performance in AAU

1.5 Research questions

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

1. Was there a budgetary practice in AAU?
2. How effective was the performance of AAU?
3. 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 2001-2010 being carried out in AAU's head office in Kampala

1.7 Significance of the study

The researcher undertook the study in order to establish the following

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

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

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

2.1 Budget Control

It was a term that involves the use of budgets and performance reports throughout the period to coordinate evaluate and control day to day operations 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 2nd edition by Glen A.W.J.

2.2 Budgetary Control

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

2.3 Control

It was the action necessary to assure that objectives, policy and standards were being attained. Control purposes feed forward; that objectives, plan, 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 implied that the manager responsible for certain actions 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 information at hand, the manager was in position to exercise control at a 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).

2.4 Principles of Control

There were five principles of budgetary controls, for instance;

- i. A budget for each cost centre, which sets out under each, cost heading (to which a cost would have been attached) the budget expenditure against whatever activity levels have been 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 levels 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 guideline can be amended and budgets updated.

2.5 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 are responsible for the results and will analyze variances and could take corrective 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 Budgets 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 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 both 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 for human behavior. From many psychological studies it was pointed out that better performance than week ones. This was up to a point; totally unattainable targets tend to be counterproductive. An individual does not accept the precision, which was

applied, and then poorer performance may result from that persons "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 liveliness of budget attainment. Not also, the style adopted and its implications are affected in the environment in which management is undertaking place. For example the degree of inter dependence 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. Views of this point are valued however, and the personality of the individuals participating the nature of the task (narrowly defined or flexible) and the organisation culture influence the success of participation. But the budget when carefully and approximately established can naturally extract better performance from the budgetee than one in which these considerations are ignored.

An interesting implication of the findings on budget targets is the budget level that motivates the best performance is likely to be achieved the 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 budgets variances are to be expected. In such a 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 organisation 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 effectively and efficient organizational performance.

CHAPTER THREE

METHODOLOGY

3.0 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

3.1 Research design

The study will employ both quantitative and qualitative methods with the aid of descriptive analytical study where 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.

3.2. Area of the study

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

3.3. Source of data

The study used both primary and secondary sources of data.

3.3.1 Primary data

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

3.3.2 Secondary data

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

3.4 Study population

The respondent included staff of AAU based in the head office Kampala.

The respondents were mainly managers and staff of the finance department. This staff were selected for the study because they deal directly with financial matters of the organisation.

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 accountants	15	4	7
5. Assistant transport manager	10	6	11
7. Assistant officers	8	4	7
8. Office messengers	3	3	6
9. Programme officers	7	7	7
TOTAL	48	26	48

3.5 Sample selection and size

Purposive sampling technique was used to select respondents form this study.

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

3.6 Methods of data collection

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

a) Questionnaire

Open and close-ended questionnaire was designed and distributed to selected study respondents. The researcher personally collected and filled questionnaires for coding and analysis.

b) 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 first hand information and make clarifications on issues that was not easily understood by the respondents.

c) Document search

This is the use of secondary sources of information or literature, documents and publications relevant to the study. It was use to review literature from previous researches related to the topic of the study.

3.7 Data analysis

Since the study was mainly qualitative in nature and design, data collected form the respondents using the various instruments were grouped into themes emerging from the study and then analyzed. Graphs. As a researcher developed 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

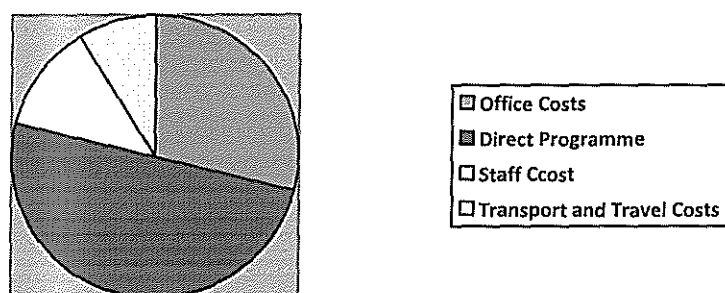
This chapter presents the research findings based on the responses from the questionnaire, document search and the personal interpretation of the information given during the informal interviews held with the different staff of the organization.

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 Programme 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 programme 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 programmes may include: serving HIV/AIDS units, relief supplies by AAU. However, staff costs take 29%, office costs 12% and transport & travel costs taking (9%).

4.3 Demographic and personal data.

Table 1: Position held and Bio- data:

	Male and female	
Respondent category	Freq.	% out of 100
Finance manager	3	6
Accountant	5	10
Other (middle manager)	7	15
Not bothered	33	69
Total	48	100

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 are 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 further found out that out of the 15 managers who responded to the researcher, 3 are in the Finance management position, 5 Accountant 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	Freq.	% Out of 100
Below 3yrs	10	21
Between 3-5yrs	18	38
Between 5-10yrs	4	8
Above 10yrs	3	6
Not bothered	33	27
Total	48	100

Source: Primary Data

Table 2 shows that all the managers in both middle and top level categories have been in the company for less than three years and only one middle manager has served in AAU for more than five years. Of the 48 respondents, only 35 responded and 13 never attempted to the researcher at all. These included 12 top-level manager category while 23 are from middle level manager category. According to the researcher, 21% of the top and middle managers are very new to the organization, as they have stayed for the period below 3yrs, 38% have been in the organization for up to 5yrs, 8% from 5 to 10yrs, 6% above 10yrs and 27% middle manager has been in AAU for a period more than 10yrs.

Table 3 (a): Education levels for the top and middle Managers.

Table showing educational levels for top and middle managers in percentages

Respondent	Freq.	% 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 of 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 shows that a greater percentage of the staff (50%) are university graduate with degrees, 30% diploma 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.

1.4 Budgeting

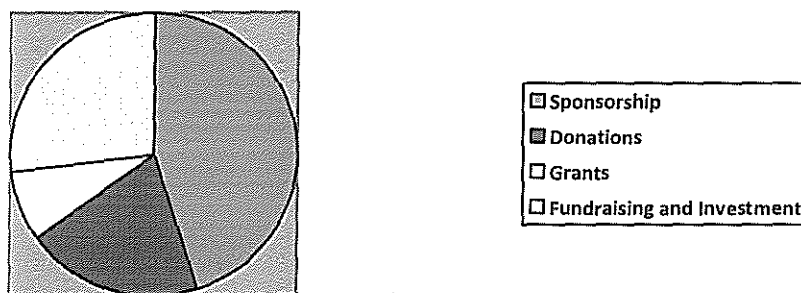
One of the objectives the study was to assess whether effective budgeting was being carried out in AAU. Before arriving to this objective, the researcher tried to find out the sources and application of funds and whether the sources were predictable or not.

4.4.1 Sources of funds

- i) AAU depends for its source of funds mainly on,
- ii) Donations from various agencies from abroad
- iii) Fundraising
- iv) Grants from different projects and programmes
- v) Investments
- vi) Sponsorship

Figure 2: (a) Sources of funds

Pie chart showing sources of funds for AAU



Source: Primary Data

The above figure show 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 investment, which brings in only 8%. AAU needs to work so hard so as to impress the donors and sponsors who seem to be its financier; other wise with out hard work, donor withdrawal might put the smooth running of the organization in jeopardy

Table 4 (b) Table showing the prediction of AAU sources of funds

Question: Are these funds predictable?

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

Source: Primary Data

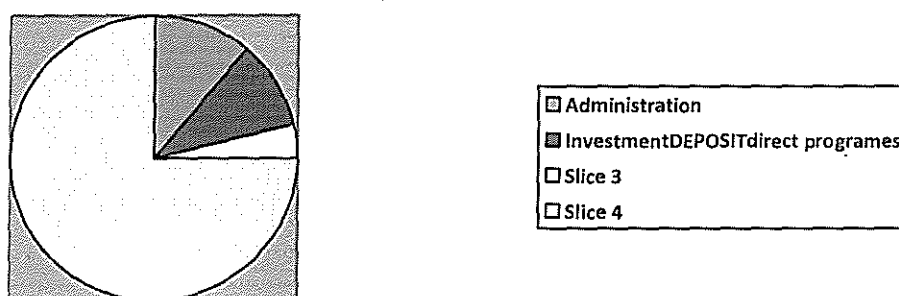
The above table represents the percentages of respondents about how predictable the sources of funds are. 92% of respondents say the funds used by AAU are unpredictable and 44% were not sure at all. The above table is a clear indication that sources of fund in AAU are quite unpredictable as they are 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 programme cost)
- (iv) Investment
- (v) Financial costs

Figure 3: Pie chart showing application of Fund 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 programme, 10% is invested and 4% deposited. The administration of AAU comprises a lot of activities, which really requires a lot of funding these may include some of the following: monitoring areas occupied by the poor to try and curb up poverty with in these areas. Direct programmes may include serving those areas occupied by HIV/AIDS. Investment and deposition takes 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	Freq	% out of 100
Yes	5	10
No	1	2
Not sure	42	88
Total	48	100

Source: Primary data

The table 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 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 the idea. Further more, all the respondents in the middle managements position (10%) confirmed 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	Freq	%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 budgets 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.

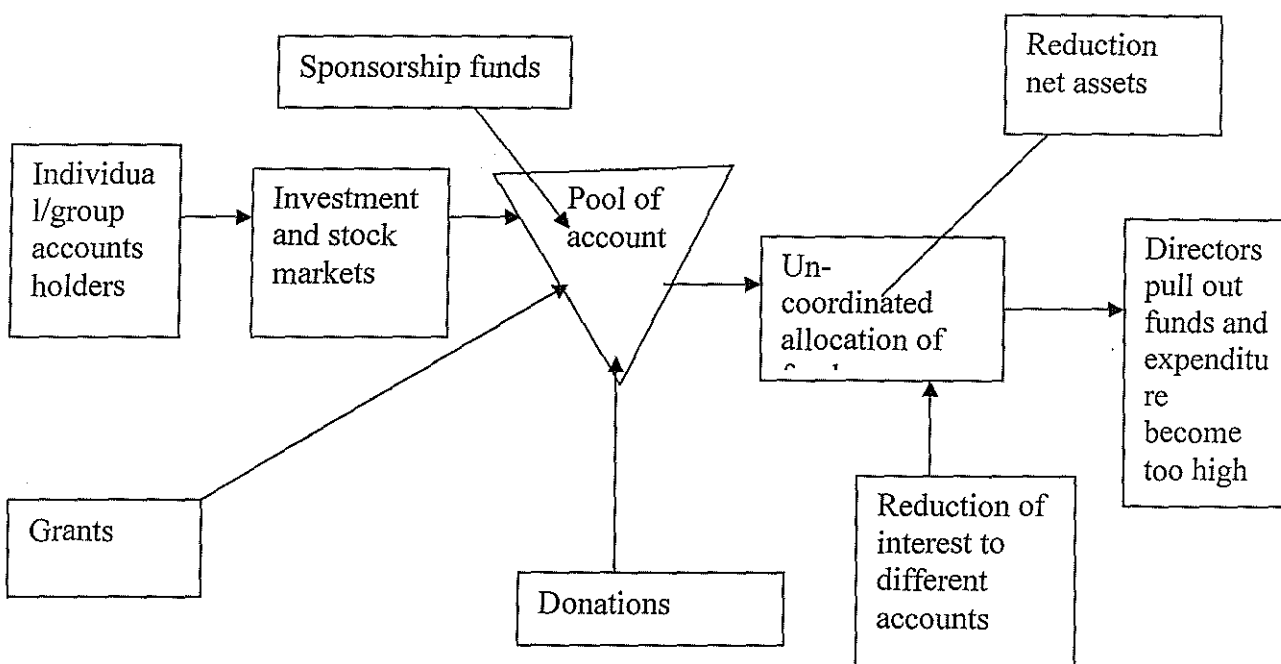


Figure 4 is the pictorial framework of investment process in AAU.

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 very well and the accounts holders were very happy to find an additional amount on their accounts. However, as time went by, the capital that had been invested became lower and lower.

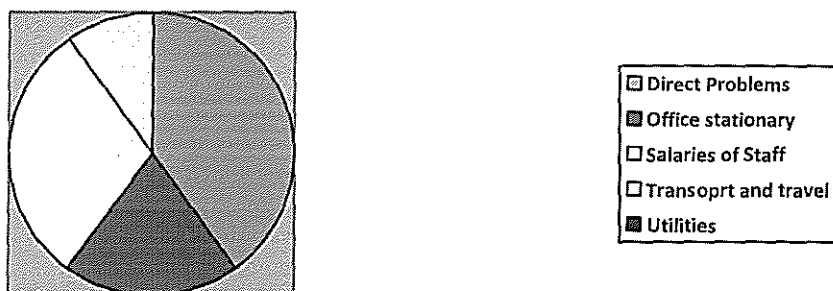
The statement by the auditors, which is referred to in chapter one: statement of the problem shows that “there were no strong commitments by the managers to enforce budgetary controls in the company” thus no particular formulae for determining distribution of interest. When, in the study, the researcher 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 4: Pie chart showing the degree of expenditure on specific activities



Source: Primary data.

Above Pie chart that 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 programmes, 20% office stationery, 30% salaries of staff, and 10% to transport and travel. As seen from figure 1 by the researcher, AAU mainly spends a lot in its direct programmes then it has to pay its staff and the rest follows.

Table 7: Checking and approval of expenditure items

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

Response	Freq	% 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	Freq	% 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 table 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	Freq	% 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 of the 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 controls practice when asked.

4.6.2 Deposits for projects and programmes

This area concerned mainly the services rendered to the clients. 8 respondents were approached in an informal interview so as to find out whether they were happy about the 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	Freq	% 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

Source: primarily 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 who 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	Freq	% 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 14.4% 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 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	Freq	% Out of 100
Yes	1	2
A strong yes	3	6
No	1	2
Strongly no	0	0
Not sure	43	90
Total	48	100

Source: Primary data.

Table 10 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 into 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 overspending 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	Freq	% 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:

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

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMENDATIONS:

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 programme 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 its 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 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 a 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 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, 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 the expenditure and maintain the organization's existence. Having regular monitoring could do this and evaluation of expenditure against budgeted for figures. A habit of strict authorization of expenditure could control to reduce ad hoc experience.
- (vi) The researcher further recommends that AAU acquire appropriate accounting software that would facilitate its budgeting process.
- (vii) Besides budgetary control practices, there are other factors that affect performance in the organization. Setting up of clear objectives, which are appropriate, so precise to the needs of AAU would result into smoothing 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 up-grade their knowledge of present day financial practices as modern Computer Based Accounting be undertaken.

5.4 Issues for further research:

Given that 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 '5 lifeline might lessen or even stop their funding. Alternative and especially locally generated sources ought to be sought established so as to make AAU and other related organizations more sustainable.

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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

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.....
.....

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

(a) Below 3 years

(b) 3-5 years

(c) 5-10 years

(d) Above 10

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?

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9. What are the applications of these funds?

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

- (a) Annually
- (b) Semi-annually
- (c) Quarterly
- (d) Others (Specify)

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

- (a) Agree
- (b) Disagree
- (c) I don't know

Budgetary Control Evaluation

13. Are budgetary controls being practiced in AAU?

Yes [] No [] (c) Not sure []

14. What controls? (State them briefly)

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15. Are they being properly followed when making budgets?

Yes [] No [] Not sure { }

16. Is expenditure being checked and approved by a responsible Officer in your department?

- (a) Agree
- (b) Strongly Agree
- (c) Disagree
- (d) Strongly agree []

17. Is expenditure being authorized by a responsible manager?

- (a) Agree Strongly
- (b) Disagree
- (c) Strongly Disagree.

18. 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 Agree

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

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

Yes [] Strongly yes [] No [] Strongly No []

21. Do you think Budgeting and Budgeting control are Important to AAU?

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22. Are there other tools besides budgetary controls which AAU can use to achieve its organization objectives?

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