

# The Role of Budgets in the Implementation of Work Plans in Local Governments in Uganda: A Case Study of Kabale Municipality

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**Abstract:** *The study examined the contribution of budgets on the implementation of work plans in local governments in Uganda. The study examined the role of budget preparation in Kabale Municipality, identified the challenges in budget absorption and implementation of work plans in Kabale Municipality and to suggested solutions to the challenges encountered in budget absorption and implementation of work plans in Kabale Municipality. The study espoused a cross sectional survey design and a sample size of 80 respondents was used. Purposive sampling and simple random sampling techniques were used in selecting samples. The findings of the study revealed that budgets were used to gauge the centers strategies, policies and objectives and judge performance and was therefore considered as an anchor to performance contracting. It was also revealed that budget preparation was important for projection purposes in Kabale Municipality. Furthermore, budgets were used to control resources of Kisoro Municipality to avoid wastage and misappropriation. The findings revealed that budgets were used for monitoring and evaluations and to communicate to other levels in the departments of Kabale Municipality. The findings established that there was absence of arrangement between the authoritative structure and structure of execution reporting necessities, the esteem and convenience of execution data undermines the spending use and implementation of workplans. There was also lack of clear hierarchy in the administration of budgets and implementation of work plans. Lack of the top management support, ineffective communication to all staff on the progress of the budgeting affected budget absorption and implementation of work plans in Kabale Municipality. The findings indicated to a great extent that there existed a lack of proper training to employees on the functioning and implementation of the budgets, lack of staff adjustment to change resulting from the budget implementation affects the success of the same budget and work plan implementation. The study recommended that Kabale Municipality like other local governments in Uganda should adopt a proper monitoring and review of the budgeting process and ensure proper financial reporting to all stakeholders involved in budgeting and implementation of work plans. It was recommended that head of departments and other people who come up with the budget should ensure they review the trends of past years and extrapolate them into the future to make revenue/expenditure projections. The study also recommended that the human resource department needs to hire skilled staffs that are able to plan and make good budget to be able to implement workplans properly.*

## Introduction

The study aimed at examining the contribution of budgets on the implementation of work plans in Kabale Municipality. It focused on the role of budget preparation in Kabale Municipality, challenges in budget absorption and implementation of work plans in Kabale Municipality and solutions to the challenges encountered in budget absorption and implementation of work plans in Kabale Municipality.

## Background of the Study

Generally, organizations operate using several resources including financial, human, capital and others. Financial resource is one of the key elements in achieving organizational objectives and goals. However, in order to achieve the objectives budget has to be prepared effectively and adhered to. A budget may be described, as a quantitative expression of a plans and the process of converting plans into budget is known as budgeting. Budget is one of the most widely used tools for planning and controlling business organization. The budgeting process may be quite formal in a large institution with committees set up to perform the tasks. On the other hand, in a very small firm the owner may write down the budget on a piece of paper or just budget in his head about the items he can remember easily (Vitus, 2016).

Hansen and Mowen (2015) state the budgets are a work plans prepared by the management of an organization that is measured in monetary units using certain standards in a certain period. The budget can be described as a managerial plan prepared using a long-term action plan and company objectives, as a manifestation of the work plan within a certain period.

According to the Local Government And Accounting Manual (2007), budget can be defined as an annual plan of a local government income from the revenue collected, Government grants and all other revenue source and how such local revenue will be spent in accordance with their objectives, needs and priorities and this is mainly concerned with both the central government and local governments.

Budget is among the major tools for implementation of work plans, objectives and policies of the organizations. In other words, budget provides the basis for decision making in the organization. Budgeting plays importance not only to organizations but also to individuals on how to spend in relation to the income available. Further, budgets play other managerial roles such as planning, controlling, communication and motivation. A well formulated budgeted system enables the organization to reach its goals more successful (Drury, 2014).

The major objective of budgeting in both the public and private sector is to ensure efficient and effective utilization of funds and for the realization of the objectives of the organization or any local government. However, poor budgeting in both the local government and lower local government results into the poor operation of local government system as there may be no goals and objective to be achieved hence leading poor implementation of work plans and service delivery.

According to the constitution of the Republic of Uganda article 190 page 126, the District Council shall prepare a comprehensive and integrated development plans and incorporates the plan of the lower local government for submission to the National Planning Authority. The constitution emphasizes the effective process of budgeting in terms of planning and financial management in the local government so as to ensure effective operations.

This process of budgeting in the public sector according to the Local Government Financial Manual 2007 stretches from the consultation with the central government through the National budget conference to budget preparation through budget approval to the implementation of work plans and all these are undertaken by both the technocrats as well as the Municipal council who are mainly entrusted with the last process that is budget implementation where they under take monitoring of the activities as much of other budget work is done by the technocrats. However, the legal institution and policy frame work governing budgeting in Uganda is got from the 1998 constitution of the Republic of Uganda the local government Act chapter 243 Sections 77 and other relevant Acts to the parliament in order to formulate effective budgets for the local government to ensure good financial management.

The government of Uganda possess various procedures of performing its activities and making things done in a proper way and one of the major things in making sure budgeting is done both at the central and local governments. Every local government unit conduct budgeting every year so that all its operations such as budget absorption and implementation work plans are done according to the budget. However, local governments with no exception of Kabale Municipality still have challenges in budget absorption and implementation of work plans. The government has advanced its ways of managing finance by introducing Integrated Financial Management System(IFMS) to help in management of any finance by local government units and detected which local governments/units did not spend all the finance that was allocated to them in a specific financial year (Bank of Uganda, 2017). Poor implementation of work plans and budget absorption was attributed to inadequacy in the budget implementation plans, limited finance and lack of budget performance monitoring (Edeme & Nkalu, 2017). Local government units have failed to absorb their budget and implement their work plans.

Eton, (2018) conducted a study to established effects of internal control systems on the budget implementation in Kabale district local government. A cross sectional study design was used and a sample of 176 respondents was chosen for the study. The study found a moderate significant relationship between internal control and budget implementation ( $r = .568$ ; sig.  $< .05$ ). The study found that Kabale District Local Government had the internal controls systems mechanisms to manage risks but the actual management of risks and fraud was indeed very weak. However, the study suffered from conceptual and contextual gap which the study intended to fill by examining the role of budgets in the implementation of work plans in Kabale Municipality.

### **Statement of the Problem**

Budget is a vital expenditure and planning tool for any local governments including municipalities. Effective application of budgeting methodologies and execution of the same has been attributed to bear positive impact on the listed budget lines (Drury, 2014). Budgeting as a tool for effective operation of the local government especially in relation to implementation of work plans. However, many organizations and the municipalities do not actively follow their budgets (Kitale, 2016). As many municipal officers may not frequently refer to their formulated budgets when carrying out their various tasks leading to the poor operation due to ineffective or poor financial management. Both in the local government and the lower local government units much as the local government Act grants the municipal council the rights and obligations to formulate, prepare, approve and implement their work plans. Provided their budgets are balanced, effective budgeting control is still poor since what is approved as revenue and expenditure estimates

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within a financial year in Kabale Municipality are not normally realized or even received late hence efficient implementation of work plans. It is against this background that this study was conducted to examine the contribution of budgets on the implementation of work plans in Kabale Municipality.

### Objectives of the Study

The general objective of the study was to examine contribution of budgets on the implementation of work plans in Kabale Municipality.

### Specific objectives

- i. To examine the role of budget predation in Kabale Municipality
- ii. To identify the challenges in budget absorption and implementation of work plans in Kabale Municipality.
- iii. To identify solutions to the challenges encountered in budget absorption and implementation of work plans in Kabale Municipality.

### Methods

#### Research Design

The study espoused a cross sectional survey design with both qualitative and quantitative approaches for data collection and analysis.

#### Study Population

The study population was 100 and it comprised on both members of staff and political leaders Kabale Municipality.

#### Sample Size

The researcher used a sample of 80 respondents that was drawn from the population of 80 because it was enough to provide adequate and relevant data for the study since it involved people who were affected by the problem that was investigated. The sample size was determined using Israel Glenn's (2012) formula  $n = \frac{N}{1 + N(e)^2}$  where n is the sample size, N is the study population while e<sup>2</sup> is the level of precision which is 0.05

$$n = \frac{100}{1 + 100(0.05)^2} = \quad n = \frac{100}{1 + 100(0.0025)} \quad n = \frac{100}{1.25} = 80$$

#### Sample Selection Strategies

The researcher used simple random sampling to select a total of 69 members of staff of Kabale Municipality.

Purposive sampling technique will be used to select 4 administrators of Kabale Municipality because they were key informants in the study.

#### Data Sources

Both primary and secondary data sources were the main sources of data used in the study. Concerning the primary data, the study used a questionnaires and interview guide. The study used data from secondary information from different sources like; Annual budgets, Five Year Development Plans and Kabale Municipality Fourth Quarter Budget Performance Report for Financial Year 2017/2018).

#### Data Collection Methods

##### a) Questionnaires

Questionnaire were used to collect primary data in order to ensure organized procedures and control of the scope of responses within the objectives and research questions of the study. A questionnaire designed in Likert format (strongly disagree, agree, undecided, disagree, strongly disagree) were used used to collect data from staff and councilors from Kabale Municipality.

##### b) Interviewing

Interviews were used because they would help the researcher in getting first-hand information, clarify the questions by using the appropriate language, clear doubts and establish rapport and probe more information from the respondents. An interview guide was designed and questions to ask the manager were set.

### c) Documentary Review

Documentary review technique was used to obtain an insight into the topic of study. Such documents included Annual budgets, Five Year Development Plans and Kabale Municipality Fourth Quarter Budget Performance Report for Financial Year 2017/2018).

### Data Analysis

Data collected from the field was examined for its accuracy and completeness of information given. It was cleaned, sorted out and entered into Statistical Package for Social Sciences (SPSS) to analyzed data. Descriptive statistics such as frequencies, percentages, mean and standard deviations were used to analyse data while qualitative data was analysed using content analysis.

### Findings and Discussion

#### Budget Preparation and its Importance

The study examined the role of budget preparation in Kabale municipality and the responses were presented in Table 4.1;

**Table 4.1: Budget Preparation and its Importance**

| Statements  | Mean | Std. Dev. |
|---|------|-----------|
| Budget preparation is important for projection purposes                                 | 4.01 | 0.1987    |
| All staff need to be involved in budget preparation                                     | 3.49 | 0.2213    |
| Budget are used to control resources of the Centre                                      | 3.99 | 0.3654    |
| They are used to communicate to other levels in the departments                         | 3.65 | 0.1128    |
| Budget are used to judge performance and therefore an anchor to performance contracting | 4.09 | 0.4351    |
| Budgets can be used for monitoring and evaluations                                      | 3.70 | 0.2256    |
| Budget are used to gauge the centers strategies, policies and objectives                | 4.12 | 0.3127    |
| Budgets affect all staff and public   | 3.25 | 0.1298    |
| Budgets should be understood by everybody   | 2.99 | 0.3347    |

Source: Primary Data, 2021

From the findings, the respondents agreed that budget are used to gauge the centers strategies, policies and objectives (mean=4.12), followed by budget are used to judge performance and therefore an anchor to performance contracting (mean=4.09), budget preparation is important for projection purposes (mean=4.01), budget are used to control resources of the Centre (mean=3.99), budgets can be used for monitoring and evaluations (mean=3.70), and that they are used to communicate to other levels in the departments (mean=3.65). In addition, the respondents agreed to a moderate extent that all staff need to be involved in budget preparation (mean=3.49), budgets affect all staff and public (mean=3.25), and that budgets should be understood by everybody (mean=2.99). This depicts that budget are used to gauge the centers strategies, policies and objectives.

#### Challenges of Budget and Work plan Implementation

The respondents were requested to indicate the challenges faced in implementation of work plans in Kabale Municipality and the findings were as shown in Table 4.2.

**Table 4.2: Challenges of Budget and work plan Implementation**

| Statements  | Mean | Std. Dev. |
|---|------|-----------|
| Ministerial and Top management interference on the annual plans affects budget implementation   | 3.64 | 0.1789    |
| The high degree of devolved authority and accountability to senior managers, subject to limited legal controls influences budget utilization  | 3.77 | 0.2165    |
| A lack of clear hierarchy in the administration of budgets affects the budget implementation  | 3.55 | 0.1988    |
| A lack of alignment between the organizational structure and structure of performance reporting requirements, the value and usefulness of performance information undermines the budget utilization | 4.05 | 0.3214    |
| A lack of the top management support affects the budget absorption  | 3.50 | 0.2678    |
| A lack of effective communication to all staff on the progress of the budgeting implementation  | 3.45 | 0.3001    |

|  |      |        |
|--|------|--------|
| Lack of accountability on the part of employees  | 3.87 | 0.3214 |
| Failure to present information on budget progress to facilitate scrutiny by other relevant government agencies       | 4.14 | 0.2998 |
| A lack of clear performance indicators to base the actual results  | 3.56 | 0.2700 |
| There exists a lack of proper training to employees on the functioning and implementation of the budgets             | 3.88 | 0.1998 |
| As a result of a lack of adequate training, there is no positive feeling on the budget among the staff               | 3.50 | 0.2018 |
| A lack of staff adjustment to change resulting from the budget implementation affects the success of the same budget | 3.75 | 0.2234 |

Source: Primary Data, 2021

From the findings in table 4.2, the respondents showed that an absence of arrangement between the authoritative structure and structure of execution reporting necessities, the esteem and convenience of execution data undermines the spending use (mean=4.05), trailed by the high level of lapsed power and responsibility to senior supervisors, subject to restricted legitimate controls impacts spending use (mean=3.77), clerical and Top administration obstruction on the yearly arranges influences spending usage (mean=3.64), a lack of clear hierarchy in the administration of budgets affects the budget implementation (mean=3.55), and that a lack of the top management support affects the budget absorption (mean=3.50).

The respondents further indicated to a moderate extent that a lack of effective communication to all staff on the progress of the budgeting implementation (mean=3.45).

From the findings, the respondents indicated to a great extent that failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affect effective budget implementation (mean=4.14), followed by lack of accountability on the part of employees (mean=3.87), and a lack of clear performance indicators to base the actual results (mean=3.56).

From the findings, the respondents indicated to a great extent that there exists a lack of proper training to employees on the functioning and implementation of the budgets (mean=3.88), followed by a lack of staff adjustment to change resulting from the budget implementation affects the success of the same budget (mean=3.75), and that as a result of a lack of adequate training, there is no positive feeling on the budget among the staff (mean=3.50).

#### Solutions to the challenges faced in budget absorption and implementation of work plans

The findings on solutions to the challenges encountered in budget absorption and implementation of work plans in Kabale Municipality are presented in Table 4.3.

Table 4.3: Solutions to challenges faced in budget absorption and implementation of work plans

| Statements   | Mean | Std. Dev. |
|--|------|-----------|
| The Centre issues budget guidelines prior to preparing budgets   | 3.55 | 0.4567    |
| Training is important for purposes of budget implementation  | 3.89 | 0.1921    |
| All staff participates in budget preparation and discussion within their department                                | 3.19 | 0.3897    |
| Direction and Planning are important to the success of budget implementation                                       | 4.02 | 0.4112    |
| There is proper communication during the process of budget preparation   | 3.42 | 0.2367    |
| Top management should provide Leadership provided to the subordinate managers during budget execution is effective | 3.60 | 0.1236    |
| Coordination among the various departments during budget execution is achieved                                     | 2.87 | 0.2225    |
| The management can be able to overcome the challenges of budget implementation                                     | 2.76 | 0.3278    |

Source: Primary Data, 2021

From the findings the respondents agreed that direction and planning are important to the success of budget implementation (mean=4.02), followed by training is important for purposes of budget implementation (mean=3.89), top management should provide Leadership provided to the subordinate managers during budget execution is effective (mean=3.60), and that the Centre issues budget guidelines prior to preparing budgets (mean=3.55). The respondents further agreed to a moderate extent that there is proper communication during the process of budget preparation (mean=3.42), all staff participates in budget preparation and discussion within their department (mean=3.19), coordination among the various departments during budget execution is achieved

(mean=2.87), and that the management can be able to overcome the challenges of budget implementation (mean=2.76). This depicts that direction and planning are important to the success of budget implementation.

## **Conclusions and Recommendations**

### **Conclusions**

The study concluded that budgets are used to gauge the centers strategies, policies and objectives which are essentials in improving budget implementation and service delivery in Kabale Municipality.

Based on the findings, budgets are used to judge performance and therefore an anchor to performance contracting. More still, budget preparation was important for projection purposes and control resources of the centre.

Budgets were also used as important tools for effective monitoring and evaluations and as well communicate to other levels in the departments at the Municipality.

The findings established that there was absence of arrangement between the authoritative structure and structure of execution reporting necessities, the esteem and convenience of execution data undermines the spending use and implementation of workplans.

The findings also established that trailed by the high level of lapsed power and responsibility to senior supervisors, subject to restricted legitimate controls impacts spending use. clerical and Top administration obstruction on the yearly arranges affects budget absorption and implementation of work plans.

There was also lack of clear hierarchy in the administration of budgets and implementation of work plans. Lack of the top management support, ineffective communication to all staff on the progress of the budgeting affected budget absorption and implementation of work plans in Kabale Municipality.

From the findings, it was established that there was failure to present information on budget progress to facilitate scrutiny by other relevant government agencies and lack of accountability on the part of employees.

The findings indicated to a great extent that there existed a lack of proper training to employees on the functioning and implementation of the budgets, lack of staff adjustment to change resulting from the budget implementation affects the success of the same budget and work plan implementation.

The study established that direction and planning are important to the success of budget absorption and implementation of work plans, followed by training is important for purposes of implementation of work plans. The study established that top management should provide leadership to the people involved in budget absorption and implementation of work plans. More still, there was need for proper communication during the process of budget preparation and budget preparation was discussed within their department.

### **Recommendations**

- Kabale Municipality like other local governments in Uganda should adopt a proper monitoring and review of the budgeting process and ensure proper financial reporting to all stakeholders involved in budgeting and implementation of work plans. The budget planning process should include all the departments. The budget should be communicated to all departments and to all staffs. This will help ease implementation of the budget hence reducing budget variance.
- Head of departments and other people who come up with the budget should ensure they review the trends of past years and extrapolate them into the future to make revenue/expenditure projections.
- The human resource department needs to hire skilled staffs that are able to plan and make good budget to be able to implement workplans properly
- Organizations should also invest in training on budget planning and implementation. The targeted community should also be encouraged to participate in the governance of the organizations.
- Policy makers should come up with a law that allows and encourages community participation and access to information.

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