

**AN INVESTIGATION ON FACTORS AFFECTING BUDGET
IMPLEMENTATION ON LOCAL AUTHORITIES IN KENYA**

(A SURVEY OF NYERI MUNICIPALITY)

BY:

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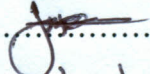
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DECLARATION

I hereby declare that the work contained in this report is my original work and has not been previously, in its entirety or in part submitted to any other university for academic fulfillment.

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DEDICATION

I dedicate this research project to my husband, sons, parents & relatives for their continued support in my academic career.

ACKNOWLEDGEMENT

I give all the glory to the almighty God who has given me the strength in everything that I have done.

I would like to express my sincere gratitude to my supervisor, Mr. Mungai for his insightfulness, invaluable guidance, constructive criticism and professional advice that has assisted me greatly in completing this work. I feel indebted to all my MBA lecturers and classmates for their valuable support and continued assistance

A lot of special thanks go to my husband Anthony for his moral and financial support. Your constant prayer and show of interest in my academic achievements have definitely led me to this level of education. Special appreciation goes to my sons, parents, relatives and friends for their unyielding moral support they have accorded during the time of this research proposal.

ABSTRACT

The budget is a standard against which the actual performance can be compared and measured. Budgets are used to communicate top management expectations to the managers and employees. Annual budget is an important instrument of power and governance. An analysis of the Nyeri municipal council estimates budget transcription sheet-detailed from 2007-2010 reveals a trend of budget variance between approved estimates and actual spending. The main objective of this study was to investigate the factors affecting budget implementation in local authorities in Kenya with a focus on the municipal council of Nyeri. This would help determine if budgets are fully implemented in local authorities in Kenya and give recommendations based on findings of the study. The study involved a literature review which included a review of budget implementation, theoretical review, an empirical literature in relation to the previous studies related to the research and review of the research gap to be filled. The study adopted a descriptive research design which involved a field survey in the municipal council of Nyeri. The target population was the 71 employees spread across the entire departments. The respondents constituted of among others the town clerk, chief officers and section heads of departments. Primary data was collected from the sampled population using questionnaires distributed to the respondents. The data provided information that formed the basis for discussion and interpretation of the result.

The data from the study was analyzed using both quantitative and qualitative techniques. The findings were presented using tables and charts for ease of interpretation and to enhance clarity and precision. On the budgeting process, the study found that budgets were created to cover a period of 12 months, and that budgets at Nyeri Municipal council were prepared twice every year. On the effect of budget planning and control on budget implementation, the study found that there were various challenges facing budget planning and control but lack of dynamic structure and lack of integration were the two outstanding drawbacks. On the effect of integrity and ethics on budget implementation and control, the study found that there was clear linkage of funding to outcome with identifiable performance measures. On the effect of financial availability on budget implementation the study found that Nyeri Municipal council was seldom successful in ensuring expenditure prioritization in relation to achievable equitable resource allocation. On the effect of quality of manpower and motivation, the study

found that training on budgeting was not provided to the staff. Regression analysis revealed that integrity and ethics (sig. = 0.018) was a significant predictor of revenue collection in local authorities. The study concluded that whilst that the local authority had put in place structures to ensure accountability and transparency; these measures were not always respected. Among others the study recommended that technology should be employed to manage the budgetary process and ensure transparency and accountability.

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LIST OF ABBREVIATIONS AND ACRONYMS

- AI E-** Authority to Incur Expenditure
- C&AG-**Controlled and Auditor General
- CCF-**Civil Contingency Fund
- CGD-**Centre for Governance and Development
- KRA-**Kenya Revenue Authority
- LAS-**Local Authorities
- LATF-**Local Authority Transfer Fund
- LGA-**Local Government Act
- MDAS** -Ministries, Departments and Agencies
- MLG-**Ministry of Local Government
- MTEF** - Medium Term Expenditure Framework
- NGO-**Non-Governmental Organization
- OECD** -Organisation for Economical Co-operation and Development
- PIP-**Public Investment Programme
- PPBS-**Planning Programming Budget system
- USA-**United State of America
- VoA-**Vote on Account
- ZBB-**Zero-Based Budgeting

OPERATIONAL DEFINITION OF TERMS

Arrears- refer to an amount that has not been paid by the date specified in a contract or within a commercial period for similar transactions. Payment arrears may arise from non-payment by government in such areas as bills due from suppliers, due salaries or transfer, or due debt repayment or services.

Supplementary budget/appropriation- refers to legislations passed during the budget year to provide for spending additional to the original budget or shift between different kinds of expenditure. Usually formal rules set a limit for shift over and above which the approval of the legislature must be sought.

Overrun-refers to occurrences whenever total expenditure exceed the total authorized amount for an agreement or whenever line item expenditures exceed an authorized amount and there is an institutional budgeting authority or written exception approved by the sponsor.

Virement- refers to the agreed transfer of money from the budget heading to which it has been allocated to another budget heading.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Budgets are financial blueprints that quantify a firm's plan for a future period. A budget is a detailed plan outlining the acquisition and use of finance and other resources over some given time period. It is a standard against which the actual performance can be compared and measured and stipulates which activities and programmes should be actively pursued. Management whether in private or public sector is required to specify expected revenue and expenditure. The budget is an important instrument that every government uses to define the direction of its national policy, the cost implication of the government programme and the possible sources of revenue during a fiscal year (Masya and Njiraini, 2003).

According to Masya and Njiraini (2003), the basic function of the budget therefore entails collection and allocation of scarce resources' to priority sections; provision of public goods and services by government and redistribution of income. It defines in the most concrete terms the direction of national policy, in this case referring to a broad government statement which outlines how it intend to deal with specific social, political and economic issues. It outlines specific statement, guidelines and pronouncement on development and related issues in the country and the plan of action, and cost implications of government programme and projects during the fiscal year. At the same time it identifies the resources required to implement the projects.

Budgets were first introduced in the 1920s as a tool to manage costs and cash flows in large industrial organizations. During the 1960s companies began to use budgets to dictate what people needed to do. In the 1970s performance improvement was based on meeting financial targets rather than effectiveness, companies then faced problems in the 1980s and 1990s when they were not willing to spend money on innovations in order to stay within the rigid budgets, they were no longer concerned about how customers were being treated, only meeting sales targets became essential. Budgeting in business organizations is formally associated with the advent of industrial capitalism for the industrial revolution of the eighteenth century, which presented a challenge for industrial management (Akintoye, 2008).

In public sector budgeting is used as a planning document. Institutions use it as a guiding tool in the implementation of activities. The annual budget is commonly referred to as the Master budget and it has three principal parts namely the operating budget, cash budget and the capital budget. Budgets are driven by the revenue forecast of the previous financial year (Horngren et al., 2003). It is used by institution in setting priorities by allocating the scarce resources to those activities the officials deem to be the most important and rationing it to those areas deemed less vital (Goldstein, 2005). Budget implementation is a company policy and determines the manner in which resources are managed. The financial task in budget implementation includes spending money specified, maximizing savings and avoiding over expenditures during the end of the financial year. Effective budget implementation is usually assessed by addressing various variances between the actual budget and budget performance (Horngren et al., 2003).

In public sector budget is a hierarchical process which starts from sub-unit level to apex. The lower cadre is the one that prepares the estimates. According to Lewis (2005) the reason for using the lower cadre is that the higher officials do not have time and enough information. According to Oladipo (2008), the budget cycle contains four key stages: Budget formulation, budget approval, budget implementation and budget monitoring and evaluation. Formulation takes place when executive branch (involving government ministries, departments and agencies (MDAs) and local government authorities (LGAs) puts together the budget plan. This process is coordinated by the ministry responsible for finance. Formulation of Government budget is an incremental process in which each years new budget builds on the previous year's budget. Usually changes from earlier year reflect new policy priorities. Approval stage involves the presentation of the budget plan to the parliament by the executive. The parliament discusses, modifies and approves the budget plan. When the parliament approves the budget plan, it becomes a law.

Implementation is when the government initiates expenditures authorized by budget law. Budget expenditures are not always initiated as they were approved, and funds are sometimes spent on approved activities. Effective implementation is facilitated by stated guidelines having the following provisions: executing or entering into commitments can only be done on projects duly approved with effective financial provision in the budget; departments should adhere strictly to existing tender procedures and processes in the award of contracts, and all expenditures should

fall within the limit of the Authority to Incur Expenditure (AIE) for authorizing offices (Oladipo, 2008).

1.1.1 Budgeting in Local Authorities in Kenya

According to the Omamo commission of inquiry on local authorities, a local government is a system of government whereby the state allows the establishment of local units of government with powers and authority to make local decisions on matters that affect the local communities and to mobilize local resources for implementation or execution of the decisions made. The Kenya local governance system is composed of four tiers of local authorities (LAs) namely: Cities, municipalities, towns and county councils. These councils are corporate entities that are established under the local government act chapter 265, which is currently under review. In addition to these acts, the LAs draw their legal powers from the constitution of Kenya which includes city councils, municipal councils, town councils and county councils with the ministry of local government as the overall overseer of their operations (Waema, 2005).

The objective of any local authority is to satisfy its citizen through service delivery. Thus it should have a proper financial resources, technical competence, regulatory framework and managerial style which will determine the success or failure of a council. Proper budget implementation through continuing monitoring of the budget serves as a statement of the desire and responsibilities that translate into specific programme and activities. As a management tool a properly designed budget can help to achieve administrative efficiency, development of the economy, allocation of financial resources and honesty through management responsibility and accountability. The main role of local authorities is to plan and protect the well-being of its residents through the delivery of services defined in the statute. These roles can be broken down into the following components; Collection of revenues and the mobilization of resources; Management and allocation of those resources and Delivery of services such as waste management and water supply (Odipo et al., 2005).

1.1.2 History of municipal council of Nyeri

The history of Nyeri town goes back to the beginning of the twentieth century where the built-up area of Nyeri town was the large part of an uninhabited forested area; although there were agricultural holdings to the West (Tetu), to the Northwest (Kihuyo and Ihururu) and Gatitu to the

south. The area towards Kiganjo (Northwards) was used for grazing by the Maasai pastoralists. In 1911, Nyeri was gazetted as a township, comprising an area of one mile (1.6km) radius from the flag post of what is now the District Commissioner's office. In 1913 the old "town" borders were established, remaining Nyeri town's borders for the next sixty years. Nyeri town fully became a municipality in May 1971, when the first mayor was elected. According to [www.nyeri municipal council .go.ke](http://www.nyeri.municipal.council.go.ke) the elevation was accompanied by a ten-fold increase in the town area, from the area defined by 1913 survey and distribution of plots. Nyeri was elevated to municipal council in 1971 (vide Gazette Notice No. 61 (1971) covering an area of about 72 square kilometers. Today, Nyeri municipality covers an area of 200 square kilometers. Its borders coincide with Nyeri Town constituency boundaries.

According to [www.nyeri municipal council .go.ke](http://www.nyeri.municipal.council.go.ke) Nyeri can be defined as an urban/rural town, as about fifty percent of its present area, is rural in nature, with rich agricultural hinterland owned and managed by small scale farmers growing mainly tea and coffee as cash crops. The various sectors of the service industry, including retail, hospitality, banking, insurance, the charity industry, religious bodies especially the Catholic Church and professionals are also significant employers. The main industrial plants are a Coca-Cola bottling plant, Highlands which is a water and fruit juice bottling plant, milk processing and packaging factory owned and run by the Kenya Co-operative Creameries Ltd, Maisha Flour Mills and a number of maize and wheat flour millers.

There is also a wide range of largely unsophisticated light industries, including motor vehicle repair garages; electronics repair shops, furniture workshops, tailoring shops, and bakeries. Food crop and livestock farming are also done by smallholders, with marketing and distribution of surplus produce (after farmers' own consumption) being done privately. According to [www.nyeri municipal council .go.ke](http://www.nyeri.municipal.council.go.ke) tourism is also significant as there are many tourist destinations nearby, including the Aberdare and Mount Kenya National Parks and the grave of the scouting movement's founder, Lord Baden-Powell. Nyeri has several technical training colleges, university, and the national state police training college is situated in the town.

1.2 Statement of the problem

The purpose of establishing a Local Government financing system is in recognition of the important role played by Local Authorities as agents of decentralization; grassroots democracy; and engines for development. Many countries being aware of this potential are transferring more resources and service responsibilities to Local Authorities. Equipped with such resources Local Governments are increasingly taking on more responsibilities to meeting Millennium Development Goals (MDGs) as well as facing the challenges of globalization. The challenge in developing countries including Kenya is the fact that there is a slow growth in the revenues for Local Authorities due to limited grants from central governments as well as limited capacity within Local Authorities to collect as well as grow own resources (Mboga, 2009).

A study by Kiringai and West (2002) on budget reforms and MTEF in Kenya concluded that resource allocation and implementation is flawed. While the sectoral working group have the functions of enhancing allocation efficiency, their role overlaps with both the treasury and the spending ministries creating murky accountability. In addition assessment of spending proposals is lacking and is restricted to the information submitted from operating units. There is no explicit mechanism to link spending and allocation with detailed policy concern and proposals at the time of budget presentations neither are there any attempts to demonstrate the implementation feasibility of the proposed policies. The only system of accounting information available during the spending year is the quarterly budget review but this publication is usually late and heavily tilted towards white washing the government image. Consequently over the year the report of the controller and auditor general (C&AG) has cited numerous instances of fraud, wastage and poor accountability. There have been cases of moneys allotted for development projects being returned to the treasury at the end of the fiscal year. Also there is a growing concern that of the total development budget, less than 50% gets disbursed and is spent and the budget allocations do not reflect the level of development, poverty prevalence or access to essential services.

An analysis of the Nyeri municipal council estimates budget transcription sheet-detailed from 2007-2010 reveals a trend of budget variance between approved estimates and actual spending as shown below;

Table 1.1 Trend analysis

Year	Approved estimates	Actual spending	Variance
2007-2008	181,970,769	166,135,792	15,834,977
2008-2009	237,037,573	174,745,482	62,292,091
2009-2010	253,654,442	214,762,956	38,891,486

Source (Nyeri municipal council estimates budget transcription sheet-detailed 2007-2010)

This situation has been driven by some factors that affect the implementation of the budget. It is in this perspective that this research sought to investigate the factors that affect budget implementation in the local authorities particularly in Nyeri municipal council.

1.3 Research objectives

The study was guided by the following objectives:

1.3.1 General objective

The general objective of this study is to investigate the factors affecting budget implementation in municipal council of Nyeri.

1.3.2 Specific objectives

- i. To establish the effect of budget planning and control on budget implementation in Nyeri municipal council.
- ii. To investigate the implication of integrity and ethics on budget implementation in Nyeri municipal council.
- iii. To establish the effect of financial resources availability on budget implementation in Nyeri municipal council.
- iv. To find out the effect of quality manpower and motivation on budget implementation in Nyeri municipal council.

1.4. Research Questions

The study answers the following questions

- i. Does budget planning and control have an effect on budget implementation in Nyeri municipal council?
- ii. Does integrity and ethics impact on budget implementation in Nyeri municipal council?
- iii. What is the effect of financial resources availability on budget implementation in Nyeri municipal council?
- iv. What effect does quality manpower and motivation have on budget implementation in Nyeri municipal council?

1.5. Significance of the study

Budget form an important part of the organization's plan. It is for this primary reason that utmost care must be taken to ensure efficiencies and effective budget implementation. This study may be a useful tool to the following; management, the results of this study are important in that it may enlighten local authority management on the efficiency and effectiveness of budget implementation and recommend measures for improvement. The study may also help them in planning and controlling in the implementation of projects and ensure efficient utilization of resources.

Academicians and scholars; the study may provide useful basis upon which further studies on budgeting in local authorities could be conducted, the study may also add to the body of knowledge in finance discipline. Government: Through the study, the government may advice the various local authorities on the best self sustainability in making sound financing and investment decisions on local authorities within Kenya. The findings may also be useful to the ministry of local government in the accounting of fund given to local authorities through LATF.

1.6. Scope of the study

The study targeted Nyeri Municipality and assessed budget implementation from the perspective of budget allocation and actual expenditures in LAs. The target of the study consisted of all the employees' at managerial level in Nyeri municipal council and the respondents constituted of among others the town clerk, chief officers, section heads of departments, the budget committee involved in the budget and the accountants involved in the implementation of the budget. Most

LAs face a number of challenges in realizing their mandate resulting in poor service provision and management. So far studies done do not focus much on budget implementation in local authorities in Kenya and more so in Nyeri Municipality where a lot of resource are utilized in the undertaking of projects. It is for this reason that the study aimed to establish the factors that affect budget implementation in the municipal council of Nyeri.

1.7. Limitations of the study

There was likelihood of limitation in relation to technical knowledge and skills amongst the staff and access to the respondent due to the red tape imposed in the various departmental sections of the government. The respondents did not respond to the questionnaires on time therefore limiting timeliness of data collection. Access to all documentation and sites expected for purpose of the research were restricted on grounds of confidentiality.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of literature. According to Mugenda and Mugenda (2003), literature review involves systematic identification of, location and analysis of documents containing information related to the research problem being investigated. The chapter includes; literature on budget implementation, theoretical literature, empirical literature, a conceptual framework and research gaps.

Government budget is a very significant tool of economic management and political governance. It constitutes the framework for providing various goods and services by government. It is an annual financial and economic plan which serves as a vehicle for mobilization, allocation and management of resources. Annual budget is an important instrument of power and governance and more importantly a means for government to achieve the economic, social and political objectives of the country. For this to happen, the budget must be well formulated and effectively implemented (Obadan, 2008).

According to Blondal and Bergvall (2007, in Austria the budget is divided into twenty nine chapters including six for organs of state such as the presidency and the parliament. A supplement to the main budget is presented for each chapter, showing expenditures at an extreme level of detail, with each object of expenditure presented separately which the parliamentarians consider essential for assessing and discussing the budget. Each line item can have up to eight types of appropriation and the appropriations marked as mandatory refer to the fact that a specific law mandates the specific amount of expenditure or includes a formula or criteria for calculating the amount. Virement of funds between organisations, programmes and types of appropriation is not permitted without the prior approval of parliament. Due to the restrictions on their use, it is often difficult for ministries to spend this amount, and many prefer to build up their own emergency reserve funds.

In Sub-Sahara African budget implementation follows on from the budget preparation and approval phase when government ministries and agencies spend funds in order to implement activities and achieve government objectives and collect government revenues as set out and approved in the budget (Muggeridge and Mends, 2008). Three key elements of budget

implementation exists as follows; Ensuring that funds are spent and revenues collected in line with defined rules and regulations; Ensuring that the way in which funds are used and managed leads to the planned levels of performance, that is improved service delivery and monitoring budget implementation to take account of financial and physical performance and allowing for some adjustments to the budget to take account of changes (Muggeridge and Mends, 2008).

The budget implementation stages are as follows; Preparation of cash flow plans by line ministries and Ministry of Finance to project the levels of expenditure, revenue and debt, including donor inflows; Release of funds to line ministries by the Ministry of Finance through warrants; Procurement of goods by ministries; Commitment of funds, that is an indication that funds will be spent on particular goods and services and are no longer available for other purposes; Delivery of goods and verification that they meet the terms of the order or contract and Payment for the goods and services, either by the line ministry or Ministry of Finance. These stages are implemented within the rules and regulations as defined in the financial legislation (Muggeridge and Mends, 2008). To control budget implementation they use mechanisms such as internal controls and regulations as defined in the financial legislation and regulations, use of internal audit procedures and rules governing change of use of funds during budget implementation, for example virement and supplementary estimates.

In Kenya budget execution commences from 1st July when the financial year starts with the effecting of two major legal instruments. These legal instruments are the publication of the provisional collection of taxes order and the vote on account (VoA). The provisional collection of taxes order is a legal notice issued under the provisional collection of taxes and duties Act, cap 415 and published on budget day. This publication enables the minister to start collecting taxes and duties pending approval by the parliament. If parliament does not approve tax proposals, they expire the day the parliament passes the financial bill but not later than the end of December or six months from publication (Kirira et al., 2002).

The vote on account (VoA) is a provisional authorization granted by parliament, not later than 26th June, to spend up to 50% of money in printed estimates pending approval of funds. Once parliament approves the budget, the total amount in the VoA is legalised through publication and approval of the appropriation bill much later which becomes the appropriations Act. The

government is authorized to commence budget execution pending formal approval later on once the two measures are in place. The whole budget is effectively authorised as soon as the printed estimates are approved and the finance and appropriation acts are passed by parliament (Kirira et al., 2002).

In Nyeri Municipal council they follow the laid down regulation where all local authorities are required under section 212 of the local government Act chapter 265 to produce a standard set of budget documents under the guidelines of the ministry of local government. The act provides a basis for the budget process and highlights important issues to be considered by local authorities when preparing their budgets. The relevant provisions of the act explains the responsibilities of the councils and their officers, the role of the minister for local government, the budget period, the sequence of budgeting activities, and budgetary controls. The law states that the annual, revised and supplementary estimates shall contain such details as the minister may require. The minister is also empowered to exempt any local authority, or class of local authorities, from submitting estimates to him for approval (Nderi, J.M et al., 1995).

According to Nderi, J.M et al. (1995), the local authority annual budget cycle includes four major steps as follows; preparatory groundwork for budget preparation; detailing the budget; the budget approval process and finally budget implementation and monitoring. After the estimates are approved, the budget committee convenes to incorporate changes made during the approval process and issue appropriate implementation guidelines and make arrangements to receive regular feedback from responsibility centre managers. A local authority is prohibited from incurring expenditure on items which have not been incorporated into the approved budget estimates. However before approval is received a council may incur expenditure on personnel emoluments and other recurrent charges as monthly rates not exceeding those provided for in the approved estimates of the proceeding financial year, section 214 of the act.

2.2. Theoretical literature

According to Rhee (2009), public budgeting can be approached through a lens of two theoretical perspectives that is descriptive and normative. A normative theory (or a welfare function or a hierarchy of values) of budgeting is a comprehensive and specific political theory detailing what the government's action ought to be at a particular time. It specifies a method for maximizing returns for budgetary expenditures. Given that the budget represents the outcome of political struggle, a normative theory of budgeting suggests the elimination of any such conflict over the government's role in society. It attempts to suggest solutions based on values rather than describing observations. Advice is based on a much narrower range of observations than descriptive theory and its proposed solutions may be based on values rather than observation.

The normative theory in public budgeting began at least from the early 20th century when reformers were attacking the spoils system that involved the budgeting system dominated by legislatures associated with ethics and integrity and inefficiency. It was necessary to develop a science of administration out of the politics to make government management more businesslike (Wilson, 1887; White, 1926). Reformers sought to find ways to ensure coordination of the political and administrative function, holding administrators accountable to political authorities without undermining the separation of politics from administration (Rhee, 2009).

The goals of budget reformers included the expansion of the power of the executive branch for policy formulation. In budget processes they aimed for a stronger role of the executive but a small role of the legislative despite a debate on these roles in a democracy. Later, the executive budget was created by Budget and Accounting Act of 1921, which gave the Presidential power to submit a government budget to Congress; and contributed to several federal budget reforms (Rhee, 2009). The reformers were not only after spending control, but efficient government. They specifically rejected line item budgets and detailed appropriations in favor of lump sum appropriations that allowed better management.

The program for achieving the reformers' goals included not only the expansion of the power of the executive to formulate policy and review proposals but also new budget formats to convey decision-making information about programs to the legislature and the public for their review. They believed that public accountability in budget could be enhanced by improvement of the quality of budget information that would be provided to the public as well as the legislature

because it could help their understanding of what the government was working for, and how much government was spending to achieve its goals (Rhee, 2009). To provide the improved quality of budget information, new budget formats were invented. The role of planning was emphasized in the budget to accomplish specific goals. They argued that budgets must contain a work plan and provide funding for future as well as current needs and despite their considerable variation in the scope of planning they agreed that planning was inherent in budgeting. Some of the reformers explicitly linked city planning and budgeting, arguing that poor planning for growth and inadequate sewers, streets, and tunnels cost more money in the end and were inefficient (Rhee, 2009).

Cost accounting and management were advocated by reformers to cut back expenditures (Rhee, 2009). The public economists were more concerned with choices between options, laying out the options carefully and choosing between them on carefully specified grounds they based their arguments on what they perceived as rational choices and optimization of decision making. Both groups emphasized the need to get the most from each dollar. They rejected a model of budgeting that allowed the departments to ask for what they wanted instead of requesting what they needed to accomplish particular tasks. They were convinced that there was much waste in government and that expenditure could be cut back without losing much in the way of services. They did not think that changes could be implemented only at the margins. They told stories of cutting departmental budgets in half while improving services (Rhee, 2009).

Descriptive theory on the other hand aims to explain trends of events and uniformities across cases in the public sector based on observation or participation in public sector activities. Theorists describe trends, sequences of events, and infer causes paying attention to local variations as well as uniformities across cases and the decision maker's goals should be satisfied given the constraints that exist. The descriptive theory in budget begins at least when Key (1940) indicates that budget allocation to a certain program is based on value preferences and priorities due to the lack of an overall budgetary theory that can allocate dollars to activities in any rational and predictable way. Politics is likely to be part of any descriptive theory in budgeting so long as it is believed that political system should reflect the public preferences for government services (Rhee, 2009).

Reacting on Key's arguments, Verne Lewis (1952) points out that the problem in government arises out of lack of facts such as firm numbers, rather than the lack of theory or method asserting that our decisions about who gets what would be better if we based them on fact and analysis (Rhee, 2009). Criticizing that both arguments on seeking a theory and better facts are not descriptive but rather prescriptive, Charles Lindblom, in his essay on "The science of muddling through" (1959) emphasizes that we need to focus on what we actually do and try to improve, rather than seek a theory or more facts. Lindblom argues that policy tends to be made based on rationality and optimal decisions at the margins in a system with successive limited comparisons among alternatives. He asserts that organizations are conservative decision makers so that they generally muddle through a problem building on previous ones, rather than reassess it from the ground up a new to adopt a purely rational solution.

Based on this decision-making theory, Wildavsky (1964) argues that incrementalism is descriptive as well as prescriptive in budgeting theory, where agencies are provided incrementally increased budget based on negotiation and bargaining among budget actors to promote stability and cooperative relations in the political system. He asserts that it is more close to democracy than the application of science to budgeting. He says that there are two constants in budget reform, which are incrementalism and the traditional line-item budget format. An incremental process is supported by the traditional line-item format. Etzioni (1967) suggested a mixed scanning decision model that is a hybrid of rational choice and incrementalism. In this model, decision makings should be made based on rational analysis for major or fundamental decisions with a full consideration of alternatives and results in significant policy decisions. Smaller decisions tend to be made through this incremental analysis.

For the purpose of this study a mixed scanning model is used. This model is a hybrid of rational choice and incrementalism. In this model, decision makings are made based on rational analysis for major or fundamental decisions with a full consideration of alternatives and results in significant policy decisions. Smaller decisions tend to be made through the incremental analysis. This is due to the fact that local authorities are recommended to use the economic measure approach in formulating their annual estimates and a zero base budget approach in cases where there is strong evidence that a service has not been planned and managed satisfactory so as to identify a better way of providing it or to justify terminating its provision (Nderi, J.M et al., 1995).

2.3. Effects of budget planning and control on budget implementation

Budgeting systems forces firms to plan, which is a major benefit. The sales budget and related marketing plan set the overall level of activity and communication and coordination are needed if the firm is to achieve the profit goal. Budgets in the first instances should be used to aid planning, coordinate all activities and produce one master budget with all activities in departmental section. When revenues fall short of the projected level the budget implementation is affected to the extent that the expenditures have to be reduced and some projects and programmes postponed altogether (Pollit, 2004).

According to Akintoye (2008) companies continue to blunder and fail because they have flawed budgetary planning and control systems, which they apparently fail to recognize. Some firms sense weakness of their budgetary analysis but view them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustration. As a result, corporate strategy and capital allocation become misaligned and remain so, despite disapproving financial performance. Some of the drawbacks organizations encounter in the course of budgetary planning and control systems include:

Dynamic structure

Present day economic environment demands that organization adapt new infrastructure practices. Given the new competitive realities, there is need for management to embrace flexible and adaptable budgetary planning and control system which has the ability to quickly respond to environmental changes and complexities. A good budgetary planning and control system must involve not only an analysis of capital allocation requests when the project is executed, but also an analysis of all the capital needed to generate information such as market research, prior to investing in the project (Akintoye, 2008).

Budget integration

The major components of a local authority's annual budget are the recurrent and the capital budget. Recurrent budget deals with expenditure incurred in the regular operations of a local authority, including salaries, pension contributions, operations cost routine repairs and cost of maintenance and also includes revenues raised for these purpose including taxes, licenses, fees and charges. The capital budget is concerned with the creation of durable assets such as new

roads, schools, markets and housing estates. Other types of budgets used by local authorities are the cash flow and the fund flow budgets (Nderi, J.M et al., 1995).

Most often, capital budgeting and expense budgeting are distinct processes for instance organizations that do practice capital budgeting make assumptions about future cash flows that are dependent on certain advertising and sales promotion outlays. Even though these outlays are typically covered by the expense budget, the people approving the two requests do not necessarily try to ensure consistency between the two budgets even in organizations in which the determination of the expense request is tied at the outset of capital request (Akintoye, 2008).

Finance function as a strategic partner

Financial analysts doing budgetary planning are often seen as traffic cops than strategic partners. They often get into the budgetary process near the end, merely to rubber-stamp a conclusion that a marketing or manufacturing executive realized earlier. Budgetary planning then becomes a mere exercise, rather than values that produced the desired result, consequently, the quality of information for budgetary planning and control are seriously compromised (Akintoye, 2008).

The accounting systems

Local authorities in Kenya have the reputation for very poor record keeping for financial and management purposes. This problem therefore affects the institution's ability to make financial and management decisions on the basis of accurate and useful information. Financial and budget monitoring reports are often late and inaccurate. Even the annual appropriation accounts are often delayed and in some respects incorrect. This adversely affects the transparency and accountability of resource utilization (Odipo et al., 2005).

2.4. Integrity and ethics and budget implementation

Ethics and integrity poses one of the most lethal threats to local authorities' future economic growth, development and political stability. Illicit activities such as bribery kick backs, theft and misspending of public funds costs brings down services delivery. Integrity and ethics also undermines the legitimacy of the current administration and the political sides, fuels social unrest, contribute directly to the rise in social economic inequality and undermine Kenyan's environmental security. The high turnover of the most qualified professionals in local authorities is both a cause and a symptom of the degree of integrity and inefficiencies that they are faced with (Odipo et al., 2005). Ethics and integrity in local authorities has spill over effects beyond its

borders. Management has failed to implement its projects. The pervasiveness of such ethics and integrity can be seen in the downfall of many local officials in charge of theft, fall of non authorized buildings, acquisition and transfer of land (Chathukulam, 2000).

Procurement

Today, in many countries, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring and rules and regulations. Public bodies have always been big purchasers, dealing with huge budgets however; public procurement is considered an inherently politically sensitive activity. In public procurement, managers take on the role of agent for elected representatives. However, senior officials and political leaders use public office for private gain and this has weakened the motivation to remain honest. This ultimately interferes with the procurement process and constrains compliance. Social and political influences have an important bearing on public sector reform. In developing countries one of the major obstacles to the procurement system is ministerial interference with the tender process where ministers intervene and influence tender awards. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives leading to non-compliance. Interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency. In addition if the workforce is not adequately educated in procurement matters, serious consequences including, breaches of codes of conduct do occur (Tukamuhabwa, 2012).

Political interference in budgeting

It has not been possible to generate sustained political commitment to the budget process and product. There are numerous examples of parachuted projects introduced to the public investment programme (PIP) without going through formal appraisal procedures (Kiringai and West 2002). Performance of the local authorities in Kenya is not only affected by the lack of autonomy from the Minister for Local Government but also the prescribed manner of enlisting councilors and other personnel which is prone to abuse. Since the Local Government Act (Cap 265) allows for the appointment of councilors by the president, oftentimes such councilors are reluctant to submit to the authority of the managers in the local authorities. In situations where the councilors are elected, experiences of political party influence also arise. This difficulty is

often reflected in councils in which the political divisions are so sharp that councilors are permanently preoccupied with gaining immediate political advantage over their opponents. In some cases, personnel are hired without the consideration of their ability to perform the tasks at hand (Odipo, 2005)

2.5. Quality of manpower and motivation and budget implementation

Manpower shortages have remained the bane of effective project planning and implementation in the local government areas. Professional and trained planners are virtually non-existent while administrative officers performing planning functions lack any form of training and experience. The result of this scenario is the poor quality of project proposals emanating from the LGAs for screening and assessment. The double jeopardy here is that not only is plan formulation poor but also that continuity is not ensured (Oladipo, 2008).

Capacity and decision making

Councilors do not always formulate strategies or make decisions that improve the ability of the local authority to deliver services to the residents of the areas for which they are responsible. This has been attributed to the lack of capacity, interest, incentive and motivation to do so. Additionally, decisions are sometimes made informally or casually hence it is very difficult for citizens to have a clear understanding of the standing procedures of service delivery (Odipo, 2005).

Professional's turnover

Whereas local authorities throughout Kenya tend to have a large staff complement, they also experience a very high turnover of professionals and technical staff. This is due to lack of incentives, motivation and conflict between the Public Service Commission and local authorities. Besides the failure to provide services to rates payers and residents of urban areas, most local authorities are faced with recurrent failure to pay their workers promptly. Some council workers have had to resort to industrial action to ensure that they receive back wages. In this situation, the worker morale does not only suffer but the rates payers are unduly inconvenienced because service delivery is disrupted delayed or under supplied (Odipo, 2005).

Trained financial professionals

In recent time, training outlays are typically treated as expenses rather than investments (Hope and Frazer, 2003). If the most sophisticated budgetary planning and control system is put in place, absence of the necessary investment in upgrading those involved in budgeting will only result in expecting to win a battle by sending in people with unfamiliar guns, which all together amount to total failure of such budgeting system (Adedeji, 2004).

Employee participation in the budget process

Budgeting participation is a process whereby subordinates are given opportunities to get involved in and have influence on the budget setting process. Through participation in budgeting, subordinates develop mental and emotional feelings that provide them with an ownership of budget goals. The act of participation increases a subordinate's trust, sense of control, and ego-involvement with the organization which then jointly cause less resistance to change and more acceptance of, and commitment to, the budget goals. Thus, budget participation exerts a motivational effect on the subordinates which enhances their budget goal commitment (Ndiwalana, 2009).

Budget participation is measured from the ability of the subordinates to influence the design of the budget, to what extent the superior manager contacts the subordinates, how easy it is for the subordinates to propose alterations in the budget process and to what extent the subordinates participate in the budget's follow-up phase. Allowing subordinates to participate in the budget setting process may result in them disclosing of private information which would result in more realistic plans and more accurate budgets. This serve as a function by inducing subordinates to accept and commit to their budget goals and also serves an informational function whereby subordinates can gather, exchange, and disseminate job-relevant information to facilitate their decision-making process and to communicate their private information to organizational decision makers (Ndiwalana, 2009).

2.6. Availability of resources and budget implementation

Local Governments have continued to experience inadequate finance to execute their projects. This is attributable to increasing recurrent expenditure outlays, additional responsibilities, high inflation rates, erratic economy all acting in concert to increase the cost of governance. Added to this is the inability of planners to forecast accurately the estimated cost of projects (Oladipo,

2008). Existing systems for revenue collection are demonstrably weak and lead to both leakage and systematic failure to maximize on collections. (Odipo et al., 2005).

Expenditure control

A procedure for controls is needed, but should not hamper efficiency nor lead to altering the composition of the budget. The controls must focus on what is essential while giving flexibility to spending agencies in implementing their programs (Chan, 2006). The budget system should assure effective expenditure control by first prepare a realistic budget and identify measures to contain permanent commitments (such as entitlements, wages). Besides this, the budget implementation system should have a complete budgetary/appropriation accounting system. It is needed to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items such as apportionment, Virements and supplementary estimates (Chan, 2006).

Enforcing priorities stated in the budget

In a priority-driven approach, a government identifies its most important strategic priorities, and then, through a collaborative, evidence-based process, ranks programs or services according to how well they align with the priorities. The government then allocates funding in accordance with the ranking (Kavanagh et al., 2011). Problem of insufficient funding of many projects is very real with a phenomenon of uncompleted/abandoned projects all over the country. There is need for adequate prioritization by MDAs to ensure that on-going projects are executed to conclusion before admitting new ones into the budgets. Government should avoid the temptation of allocating huge budget amounts to unprepared new projects while on-going ones are starved of funds. Only the phase of a project that can be executed in a fiscal year should be funded (Obadan, 2008).

In-year budget revision

It is difficult to make accurate forecasts for the implementation of certain programs or for developments in economic parameters such as inflation, interest rate or exchange rates. Some immediate needs that were not foreseen during budget planning may appear during budget execution. To limit the effects of these problems, rules for transfers must be flexible; appropriations for debt service cannot be a spending limit and should be revised according to developments in interest rates or the exchange rate. Contingency reserves may be included in the budget. However, their amount must account for only 1-3 percent of the total budget; otherwise,

budget execution will involve bargaining the uses of reserves and the budget will become an allocation of reserves. Therefore, for changes that alter the composition of the budget or when an overall increase in expenditures is unavoidable, the budget may have to be revised (Chan, 2006).

Delays in issuing resources

The resources released throughout the financial year are frequently less than the appropriations in the annual Estimates. This is due to unforeseen changes in revenue, emergency expenditures and unplanned activities. Line ministries therefore incur pending bills, excess votes and delayed implementation of ongoing projects. At times recurrent activities are funded through the development budget. This occurs because many ongoing programmes attract donor funding but it adversely affects transparency and accountability. These activities are unlikely to be sustained once donor support ends (Kiringai and West, 2002).

Medium-term perspective

The budget process has been dominated by short-term stabilization concerns although optimal resource allocations can only be achieved by combining the different time perspectives of medium term planning and annual budgeting. A medium-term perspective of three or four years is essential in any planning and budgetary system for government expenditures (Kiringai and West, 2002).

Forecasting ability

There have been several efforts to create capacity to prepare economic forecasts. None of them were sustained and therefore budgets have been prepared without consistent and reliable forecasts of macroeconomic performance and analysis of the implications for the budget. This means that the forward budget has not been based on an accurate and reliable assessment of the aggregate resource envelope. The credibility of the budget process has been damaged because revenue forecasts have consistently exceeded actual collections, necessitating across-the-board cuts in the appropriated estimates (Kiringai and West, 2002).

2.7. Corporate governance and budget implementation

Effective and efficient management of public sector organizations is an issue of concern in many countries. Melese et al., (2004) argue that public sector organizations are increasingly being held more accountable for their performance and are therefore expected to operate efficiently and effectively. This means that public sector organizations have to search for ways to improve on their activities. Notable approaches include the use of performance contracts. Similarly, activity based management practices can increase transparency and efficiency when conducting government activities thereby assisting public sector organizations to achieve their objectives (Baird, 2007; Melese et al., 2004; Tsamenyi, Enniful-Adu and Onumah 2007) argue that developing countries are often faced with a multitude of problems that include uncertain economies, weak legal controls, protection of investors and frequent government intervention. These problems make it even more necessary for developing countries to adopt effective corporate governance structures.

Overlaps in local management

An analysis of the reporting and oversight mechanisms to which local authorities are subjected reveals that there are multiple lines of reporting and accountability. For instance, there appears to be a parallel in management of local government where local authorities report to the Minister for Local Government. Within this setup, local authorities are in some instances expected to comply with provincial administration requirements in the formulation of their budgets. This arrangement necessarily makes it difficult for personnel, services users and taxpayers, to demand accountability from a single institution. In practice, this management overlap causes confusion and enables local authorities and the other institutions to escape accountability (Odipo, 2005).

Institutional frameworks

Although the role of local authorities has since been expanded, their scope of autonomy has not grown commensurately as reflected by provisions within the Local Government Act (Cap 265). The Act ensures that local authorities have limited autonomy and are subject to controls from the Minister for Local Government. While it has been suggested that the local authorities in Kenya do require more autonomy from the Minister for Local Government in order to improve their operations, the public reaction to the quality of the services and the pervasive ethics and integrity

militate against wholesale amendment of the law to grant such autonomy. This is because in the absence of sound management and high calibre leadership, this increased autonomy will not necessarily result in improved performance (Odipo, 2005).

Managerial flexibility

Managerial flexibility at departmental level should be encouraged within firm fixed expenditure limits. With regard to the use of performance budgeting to encourage more efficiencies and greater effectiveness of expenditure, it is important that at departmental level managers are incentivised to make most effective use of resources. This can be facilitated by examining options for allowing more discretion, within overall limits, to shift expenditure away from low priority areas to higher priority areas. Departments must maintain control over inputs, but have more discretion on how they are used (Boyle, 2011).

Agency problem

According to Mulili (2011), the demands of profit making organizations are different from those of stakeholders such as shareholders, local communities, employees and customers. The conflicting demands can be used to justify actions that some may criticize as immoral or unethical depending on the stakeholder group. According to agency theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. The theory presents the relationship between directors and shareholders as a contract (Adams, 2002). This implies that the actions of directors, acting as agents of shareholders, must be checked to ensure that they are in the best interests of the shareholders.

2.8. Budget Implementation

Proper budgeting is a key success factor for most businesses, but it is a painful process that takes much time and effort. Two key factors influencing budget process are the level of revenues collected and the availability of external resources to bridge the gap occasioned by shortfall in revenue. When revenues fall short of the projected level then the budget implementation is affected to the extent that the expenditures have to be reduced either in capital or operating project hence affecting service delivery (Heller, 2005). External resources in the form of loans and grants factored into the budget following commitment by donors also bring shortfall if not honoured. The government may fail to release funds or release funds late in the financial year that affects the take off of projects. In addition, the budgeted amount may be affected by

economical factors, lack of budget accuracy, lack of resources, lack of monitoring and evaluation thus affecting the service delivery in local authority (Pollitt, 2004).

Kenyan local authorities (LAs) face serious financial problems since their own revenue sources are limited. Until the introduction of LATF, central government provided no grants and it even fails to pay its obligations in the form of the Contribution in lieu of Rates (CILOR). In addition LAs fail to collect the revenue due where in many cases less than half of the potential revenue is collected, and LATF may be having a negative effect on the incentive to collect. In addition taxpayers are often unwilling to pay because the LAs provide hardly any services and enforcement action against tax defaulters is difficult and expensive. Despite this LAs spend most of their money on personnel and councilor allowances, with little left for operations, maintenance or capital investment. As a result, many LAs have substantial deficits in reality, even if not shown in the approved budget. Expenditure management is often simply crisis management – staving off creditors. In most LAs, few services are actually delivered, and despite the rhetoric of the Poverty Reduction Strategy Paper (PRSP) little attempt is made to direct the available resources to addressing poverty (Devas, 2002).

In almost all LAs, there is a huge gap between the formally approved budget and what actually happens. This is mainly because revenues are forecasted unrealistically in order to show a balanced budget whilst accommodating the many demands from councilors. The forecasted revenues cannot then be collected and so the LA soon runs short of money. In order for the LA to survive, the Treasurer effectively operates a shadow budget, deciding what will really be done with the money actually available. Since most of the available resources are already committed, to salaries and councillor allowances, little else from the original budget is implemented. What little decision-making discretion is left to the Town/County Clerk, Treasurer and senior councillors, operating on an ad hoc basis. Treasurers defend themselves by saying that there is no money (Devas, 2002).

2.9 Empirical review

Budget systems are universal and have been considered an essential tool for financial planning. These systems are meant to organize and encourage the performance of organizations (Abernethy and Brownell, 1999). Traditionally, budgets were seen as the primary planning document. Budgeting can be used as a control mechanism to regulate the behavior by specifying

the means to produce a unit of output. For companies to achieve recognition for world class performance it may be necessary to move away from purely reactive approach to benchmarking, which identify what other groups or companies have already achieved, and move to essentially a proactive approach by identifying and defining the highest standards achievable. In this way they will be recognized as market leaders operating through innovation.

Voigt (2010) did a study on the theory of budgeting and its practical application in German independent hotels with an overall aim of analyzing the theory of budgeting as it has been developed in scientific literature and compare the determined results to their actual application in German independent hotels. Using probability sampling he studied a total population of 72.0% of independent hotels of the total hotel market in Germany. A questionnaire was used as data collection instrument which was concluded with a set of attribute questions asking respondents to submit sensitive financial information in order to be able to segment the market of independent hotels. Data was analyzed using cluster analysis, descriptive mean-analysis combined with a one-way analysis was completed and factor- and correlation analysis. Research findings revealed that a significant difference exists between budgetary procedures defined theoretically and actually applied ones. Research determined further that expert-knowledge within management of independent hotels on the specific budgetary procedures, especially forecasting, is limited and primarily replaced through personal experience. Key performance indicators, as crucial controlling tool often lack any data-based significance. Instead, budgets are perceived as unfeasible. The research gap to be fulfilled in this study was to determine and verify causal and correlation aspects between standardized procedures of budgeting, as suggested in literature and the actual applied procedural steps. The goal was to develop a better understanding of perceived benefits and limitations in connection to the methods applied and functions assigned to the process of budgeting.

Schick (2003) carried out a research on the role of fiscal rules in budgeting in US to inquire whether the type of fiscal rule makes a difference and whether the type of constraint influence budget outcomes and whether the manner in which it is applied is paramount. Fiscal rules constrain budget-makers, taking away much of their authority to decide aggregate revenue and spending policy. These rules typically prescribe the balance between revenue and spending policy. Every fiscal rule is a limit on the exercise of political will. According to him, fiscal rules

are effective only when they are supported by other changes in budgeting including: lengthening the time frame from a single year to the medium term; baseline projections (or forward estimates) of future budget conditions estimates of the impact of policy changes on future budgets; procedures for monitoring budget out-turns and for taking corrective action when necessary; and enforcement mechanisms to assure that opportunistic politicians do not breach the rules.

Fiscal rules will not make much of a difference if the budget horizon is limited to a single year, monitoring and enforcement are weak, and future impacts are ignored when budget decisions are made. Fiscal rules also depend on political leaders who are willing to operate within the constraints, even when they are thereby compelled to take unpleasant actions such as reducing services or boosting taxes. When political will is lacking, as is often the case, compliance will be weak. It suffices to aver that rules serve to fortify politicians who want to make hard budget choices. He concludes that fiscal rules have a limited effective life and must be reinvigorated or replaced from time to time. Again these rules have been applied for barely a decade thus more experience is needed before their long-term effects can be evaluated. The research aimed at filling the gap of establishing why many national governments adopted new budget rules when they have a plethora of old ones. The new rules do not replace although they may modify existing rules, thereby adding to the complexity of established budget processes, and often adding as well to the time it takes to complete the main steps in the annual budget cycle (Schick, 2003).

Ugoh and Ukpere (2009) did a study on Problems and prospects of budgeting and budget implementation in Local Government System in Nigeria. They focused on budgeting as it relates to the local government and examined the sources of finance of the local government and its autonomy considering the nature of fiscal federalism in the country carried. They also tried to investigate the difficulties in budget process and implementation in Nigeria with emphasis on the local government. They concluded that no matter the system adopted, the basic issue is that the governing body adopts sound accounting procedures, maintain an adequate and effective system of accounts for safeguarding assets as well as devise a good system of internal control. The public officials should spend fund lawfully or for purposes provided by law otherwise they face impeachment or dismissal. The research aimed at filling the gap of investigating the difficulties faced in budget implementation process in Nigeria with emphasis on the local government. Also

it aimed at establishing the extent to which the local government should overcome its problems of interference from both the federal and state governments.

Mwenda and Gachocho (2003) carried out a research on budget transparency a Kenyan Perspective. The study examined by way of a survey, the laws, institutions and processes applied in budget management in a bid to provide an understanding of the degree of transparency exercised in the management of public finances in Kenya. The study assessed the degree of Budget Transparency in Kenya, the execution of which is the primary responsibility of the government. The research investigated factors that have direct implication on the level of budget transparency with the ultimate aim of establishing requisite reforms to facilitate the achievement of the major functions of budget that is; allocation in relation to expenditures on public and social goods; distribution in relation to the desired objectives in the income distribution in the society such as poverty alleviation and macroeconomic stabilization in relation to the use of fiscal activities to promote and maintain the rate of employment, price stability and growth.

The study revealed that the budget formulation, debate and approval, implementation and oversight have been jeopardized in Kenya owing to weak institutions and laws and procedures that are occasionally flouted with impunity by the legitimate authority. Public finance utilization and management has been poor allegedly due to among other factors, high level of corruption; poor accountability; improper procurement and tendering; over-invoicing; wasteful expenditure; lack of discipline and proper work ethics in the public sector; and lack of openness in the budget process. The research sought to fill the gap of establishing the degree of transparency in the budget process with the aim of determining whether the process has been open, inclusive, consultative, participatory, and has enhanced access of information at all phases of the budget process and among all key stakeholders.

Kiringai and West (2002) carried out a research on budget reforms and the Medium-Term Expenditure Framework in Kenya. They aimed at reviewing budget reform initiatives with particular focus on the MTEF approach. To achieve this objective they reviewed various budget systems and evaluated the strengths of the Medium-Term Expenditure Framework process and the threats to its sustained implementation in the context of a developing country like Kenya. They concluded that the Medium-Term Expenditure Framework is the most recent attempt to shift the focus of resource allocation procedures away from a narrow concept of budgeting to a

broader public expenditure management approach. It has significant advantages over traditional budget systems and provides a genuine opportunity to deliver sustained improvement in the productivity of public expenditure. They argued that for the MTEF to deliver a sustained improvement in public expenditure management, it is necessary to secure political commitment to a wide-ranging reform programme. Critical steps in institutionalizing the MTEF process include adhering to fiscal discipline, and developing a budget negotiation framework to ensure that inter-sectoral resource allocations reflect the full cost of ongoing programmes and the attainment of performance indicators.

2.10 Gaps to be filled

Budget implementation is an activity that takes place throughout the financial year and is a critical point for any institution to perform for it cuts across all departments in an organization. Budget implementation is public expenditure policy and therefore the manner in which public expenditure is managed would impinge on the implementation of budget. The current situation is that all local authorities' main purpose is to give services to the citizen in their jurisdiction through project implementation factored in the budget, where at the end of any financial year many of these projects are not done or are partially done.

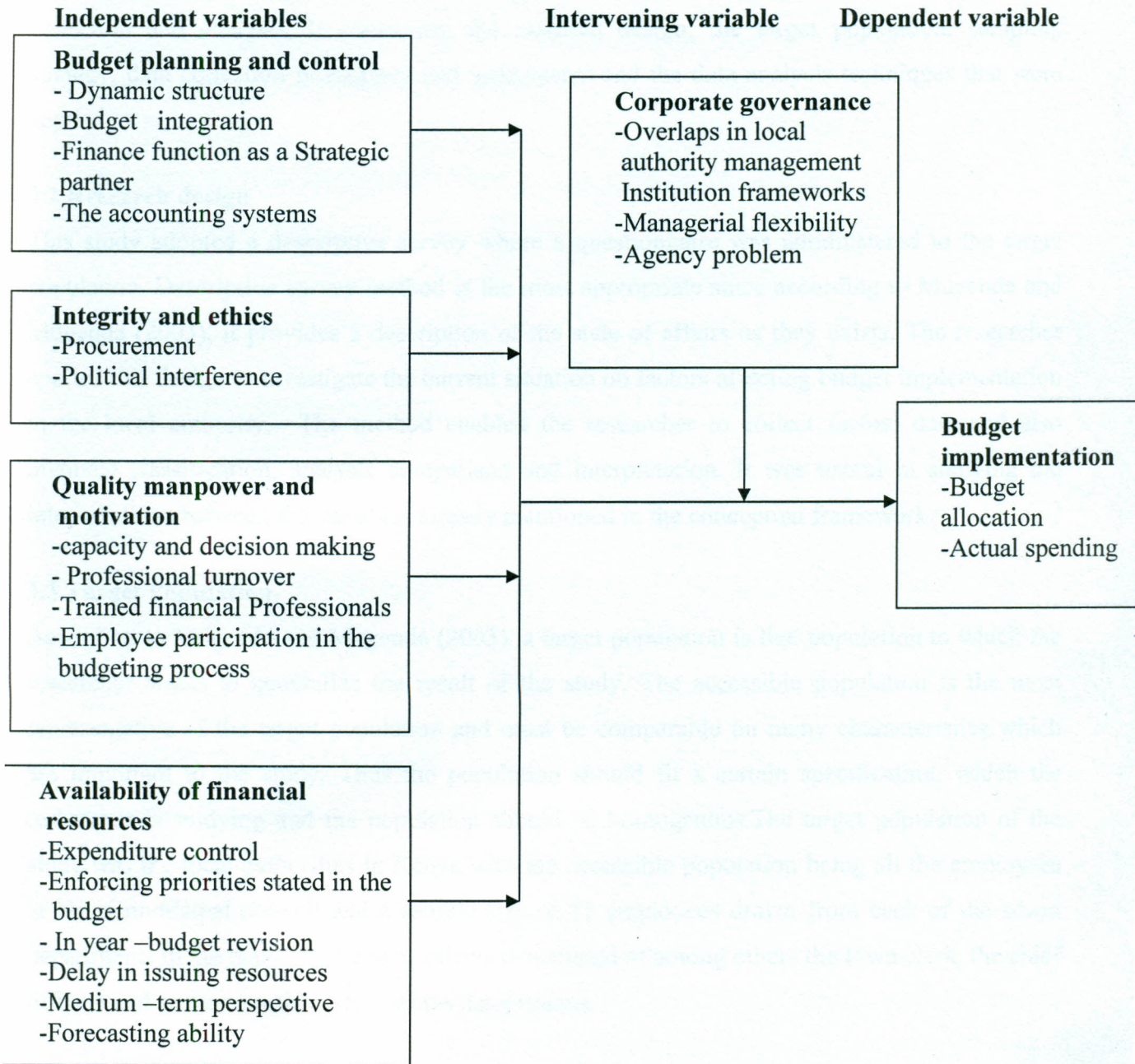
Bearing in mind that a lot of resources are utilized in the administration of the budget process, it is worrying that targets are never realized. As a result, the budget goals remain largely unaccomplished in public debt reduction; increased savings and investments; poverty eradication; rehabilitation of infrastructure; accelerated civil service reform; human capital development; reduction of tax evasion and security and administration of justice.

Previous empirical studies have identified the key issues from the literature on budget process across various countries and regions as identified by various researchers. So far studies done do not focus on budget implementation in local authorities in Kenya where a lot of resource are utilized in the undertaking of projects. Therefore the purpose of this study was to explore the factors affecting budget implementation in the local authority and particularly in the municipal council of Nyeri to fill the gap which has not been done

2.11. Conceptual Framework

The framework below show how budget implementation is dependent on a number of independent variables; budget planning and control, corruption, quality manpower and motivation, availability of finance resources and corporate governance.

Figure1: Relationship between variables



Source (Researcher 2012)

3.4 Sampling strategy

The study was done through probability sampling. A stratified random sampling method was used with the sample being drawn from the various departments to select subjects for each stratum until the number of subjects in that stratum is proportional to its frequency in the population. According to Mugenda and Mugenda (2003), 10% is a representative sample, however for this study 20% was used so as to ensure that the sample is large enough to represent the salient characteristics of the accessible population and hence the target population.

Table 3.1 Sampling frame

Department	Population	Sample
Civic Department	8	2
Clerk department	79	16
Treasury department	28	6
Social service and housing department	64	13
Education department	9	2
Public Health and environment	78	16
Engineering and urban planning	72	14
Concillors	16	3
Total	354	71

Source (The Municipal council of Nyeri Estimates for the financial year 2010/2011)

3.5. Research Instruments

The study relied mainly on primary data and the data was collected using self-administered questionnaire. The questionnaire was designed in two parts, the first part included the general information of the respondent and the second part was devoted to the identification of the factors affecting budget implementation. Each item in the questionnaire was developed to address specific objective and research question of the study. The questionnaires had both open and close

ended question however the study used standard as closed ended question. The close ended question provided more structured response to facilitate tangible recommendations, they are easier to analyse since they are in an immediate usable form, easier to administer since each item is followed by alternative answers and equally economical to use in terms of money and time.

3.6. Data collection and analysis

The researcher personally administered the questionnaire to respondents by dropping them in their offices and later picking them at a pre-arranged convenient time. The research instrument was presented before actual administration to sampled respondents in order to establish their validity and reliability. The pilot study assisted the researcher to correct ambiguities in the research instrument and establish their validity and reliability. Before processing the responses, the completed questionnaires were edited for accuracy completeness and consistency. The data was coded to enable the researcher group into various categories. Descriptive statistic tools were used to rank the factors affecting budget implementation. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

Inferential statistics analyses were also used. According to Mugenda and Mugenda (2003), regression analysis is a type of analysis used when a researcher is interested in finding out whether an independent variable predicts a given dependent variable. A multiple regression analysis is used to determine whether the various interdependent variables of the research together predict the dependent variable.

The study used multiple regression model of the form; $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon$

-----**Model I**

Where; β_0 is the constant, $\beta_1, \beta_2, \beta_3, \beta_4$ are the regression coefficients and ϵ is error term. Y represents the dependent variable that is budget implementation as indicated by budget allocation and actual spending and $X_1 . . . X_4$ represent the explanatory variables that is; planning and control, ethics and integrity , quality manpower and motivation and availability of finance resources. The error term represents the collective unobservable influence of any omitted variables. The analyzed data was used to generate tables, frequencies and graphical presentation. This enabled the researcher to arrive at reliable conclusion.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and interpretation of data obtained on the factors affecting budget implementation in municipal council of Nyeri. The study aimed to achieve this aim by answering the following questions:

- i. Does budget planning and control have an effect on budget implementation in Nyeri municipal council?
- ii. Does integrity and ethics impact on budget implementation in Nyeri municipal council?
- iii. What is the effect of financial resources availability on budget implementation in Nyeri municipal council?
- iv. What effect does quality manpower and motivation have on budget implementation in Nyeri municipal council?

4.1.1 Response rate

The researcher distributed 71 questionnaires to sampled employees of Nyeri Municipal council. All but 3 questionnaires were returned completely filled. This accounted for 68 questionnaires representing a 95.8% response rate.

4.2 Demographic information of respondents

The study collected data on the characteristics of the study participants such as age, sex, designation and work experience.

4.2.1 Gender of respondents

Figure 2 shows the distribution of respondents by gender.

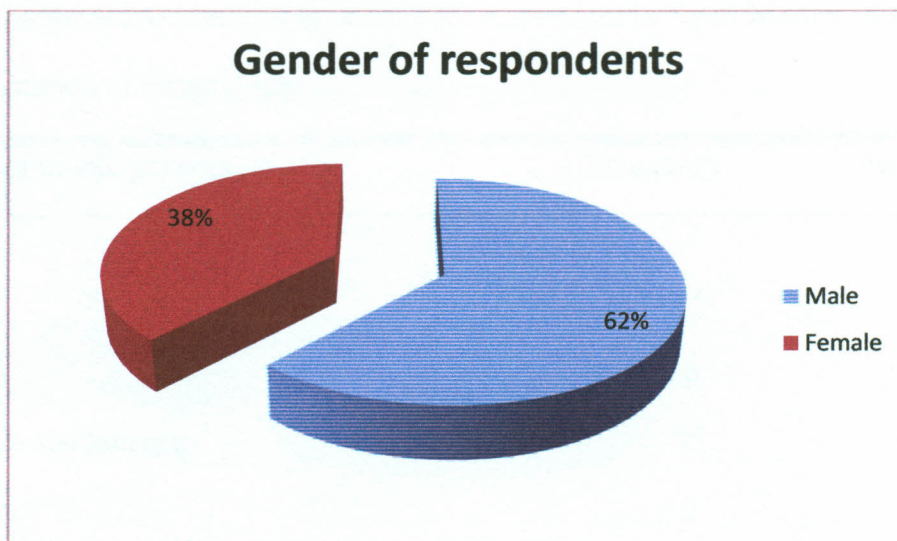


Figure 2: Gender distribution of respondents

According to figure 2, majority (62%) of the respondents in the study were of the male gender. These findings are consistent with the nature of gender distribution in most government institutions where there exists great gender disparity to the disadvantage of women.

4.2.2 Age of respondents

Table 4.1 shows the distribution of respondents by age

Table 4.1: Distribution of respondents by age

Age (Years)	Frequency	Percentage
25-29	4	6%
30-34	13	19%
35-39	14	20%
40-44	17	25%
Above 45	29	30%
Total	68	100%

Table 4.1 reveals that most (30%) of the respondents were aged over 45 years. The findings also show that the youth (18-35 years) were ill represented in Nyeri Municipal. This situation is

brought about by low hiring of new staff in the council. Due to financial constraints it is unable to hire more staff and holds on to the few existing employees for long.

4.2.4 Designation of respondents

The study was interested to establish the role of the respondent in Nyeri Municipal Council.

Table 4.2 Designation of respondents

Department of municipal council	Frequency	Percentage
Civic	2	3%
Clerk	15	22%
Treasury	6	9%
Social service and housing	13	19%
Education	2	3%
Public Health and environment	15	22%
Engineering and urban planning	12	18%
Councilors	3	4%
Total	68	100%

Most of the participants in the study were designated to the public health and environment department (22%) and an equal number served in the clerks department. It was important to establish representation in the different departments in the study because coordination of budgeting in the various departments was of interest to the study.

4.2.5 Respondents work experience

The study was interested to learn the respondents work experience in order to establish familiarity with budgeting trends in the municipal council.

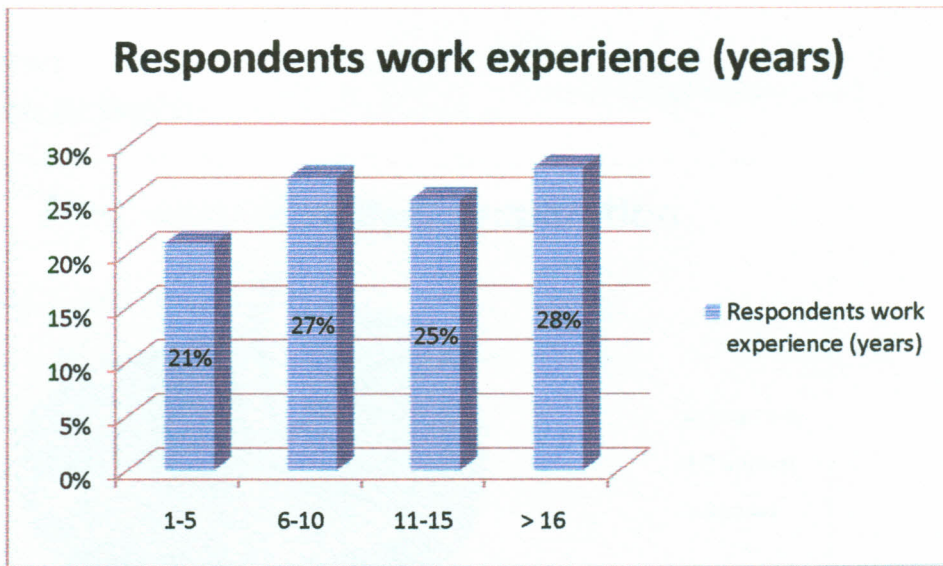


Figure 3: Respondents work experience

Figure 3 reveals that most (28%) of the respondents had a working experience of over 16 years at the Nyeri Municipal Council. This is supported by the findings in Table 4.1 which showed that majority of the study participants were aged over 45 years which means that they had a long working experience at the council.

4.3 Budgeting in Nyeri Municipal council

Budget implementation was the dependent variable in the study and as such the researcher collected data on the nature of budgeting and budget implementation in Nyeri municipal council. In this respect, the researcher looked at frequency of budget preparation, budget time coverage, frequency of budget revision, coordination as well as training in budgeting.

4.3.1 Frequency of budget preparation

Figure 4 shows the frequency of budget preparation

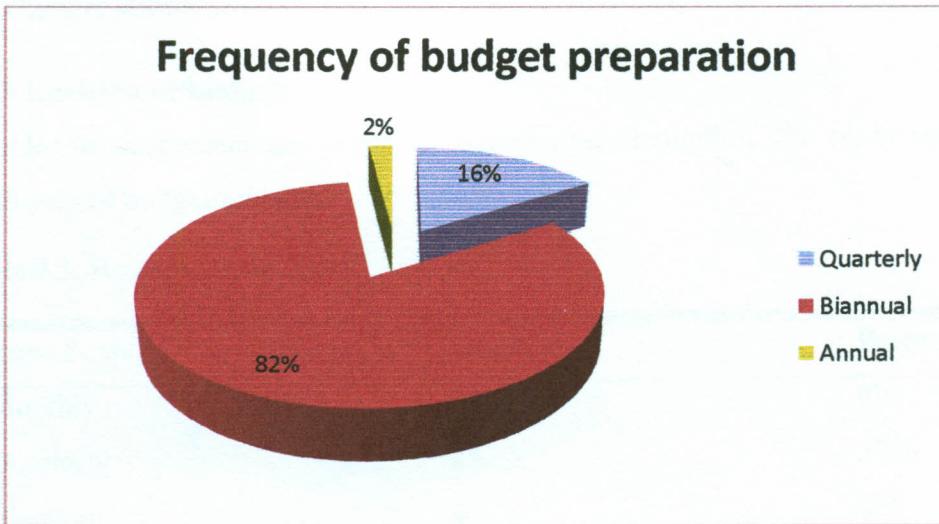


Figure 4: frequency of budget preparation

The majority (82%) of the respondents revealed that budgets at Nyeri Municipal council were prepared twice every year.

4.3.2 Time covered by budgets

The study was interested to find out for how long the budgets were prepared to cover.

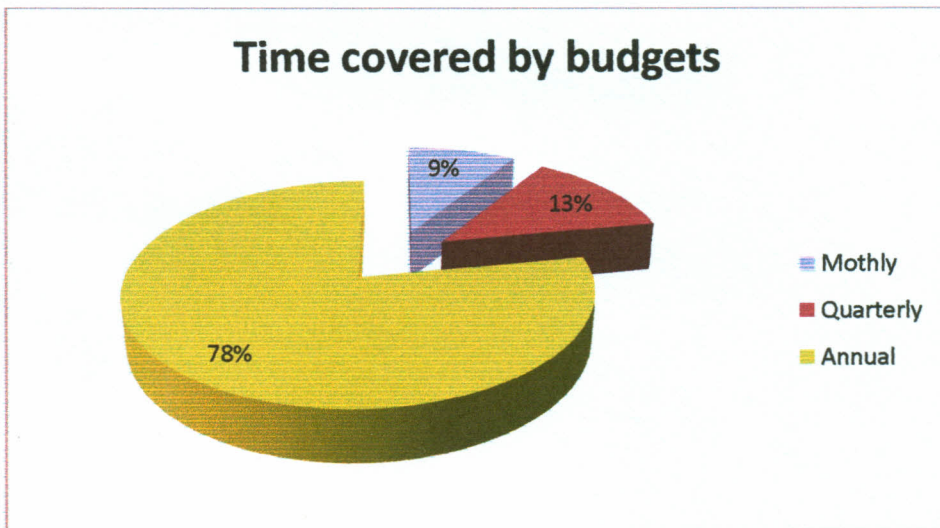


Figure 5: Period covered by budgets

Figure 5 reveals that budgets were created to cover a period of 12 months according to 78% of the respondents interviewed in the study. The respondents revealed that the council prepares a draft budget before producing the final one.

4.3.3 Revision of budgets

In order to understand the nature of budget implementation, the study sought to establish the frequency of budget revision.

Table 4.3: Revision of budgets

Age (Years)	Frequency	Percentage
Monthly	6	8%
Quarterly	25	37%
Biannual	4	6%
Annually	33	49%
Total	68	100%

Most (49%) of the respondents in the study revealed that the budgets at Nyeri Municipal Council were revised annually. This is because the monies for the different projects for local authorities are released on a cycle of 12 months therefore budgets are revised accordingly in the same time.

4.3.4 Inter-departmental co-ordination in budget implementation

The study sought to establish the extent to which the various departments coordinated in budgetary issues.

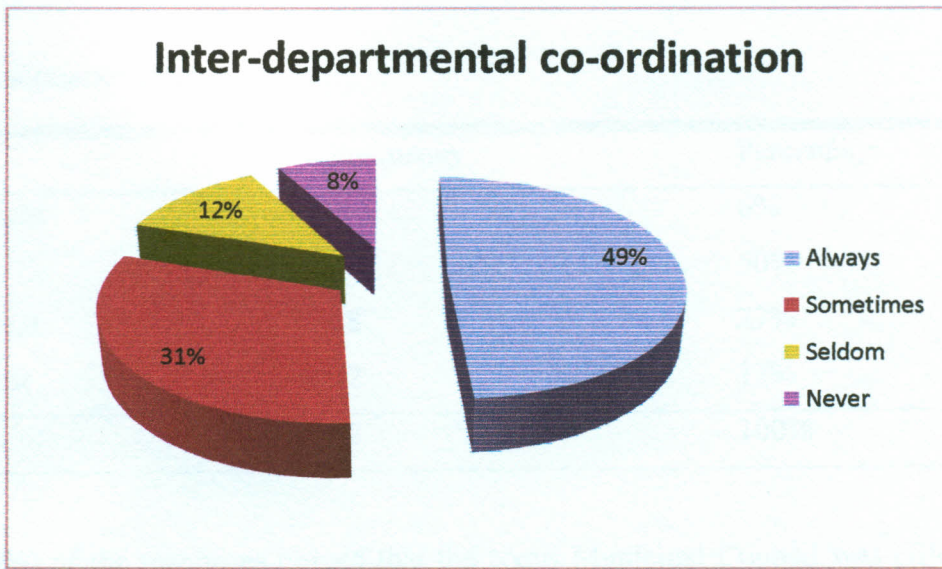


Figure 6: Inter-departmental co-ordination in budget implementation

The various departments of Nyeri Municipal Council always co-ordinate on budgetary issues according to most (49%) of the participants in the study. The council has 7 departments which depend on one another. In addition, the municipal council is a local authority which is affected by the councilors' decisions as well as government regulation. This makes co-ordination of great importance in the council.

4.3.5 Performance evaluation

The efficiency of the performance evaluation in the budgetary process was of interest to the study.

Table 4.4 Performance evaluation

Rating	Frequency	Percentage
Very efficient	4	6%
Efficient	34	50%
Less efficient	18	27%
Not efficient	12	17%
Total	68	100%

Majority (50%) of the responses opined that the Nyeri Municipal Council was efficient. These findings are contrary to many studies which have concluded that one of the major challenges in the budgetary process is the performance evaluation.

4.4 Budget planning and control

This section presents analysis of data collected in respect to the first objective of the study which sought to establish the effect of budget planning and control on budget implementation in Nyeri municipal council.

4.4.1 Participation of departments in budget planning

The study sought to establish whether the respondents department participated in planning.

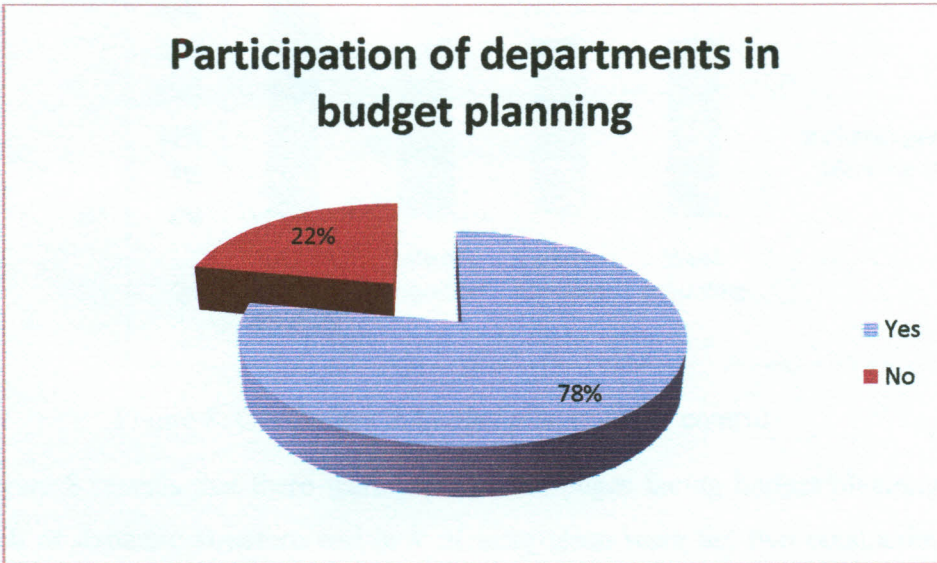


Figure 7: Participation of department

The majority (78%) of the respondents confirmed that their respective departments were involved in budget planning. These findings support the earlier findings in Figure 6 on Inter-departmental co-ordination in budget implementation.

4.4.2 Challenges in budget planning and control

The researcher posed several statements and the respondents were asked to rate their agreements or lack thereof to the statements rating to budget planning control as a factor affecting budget implementation.

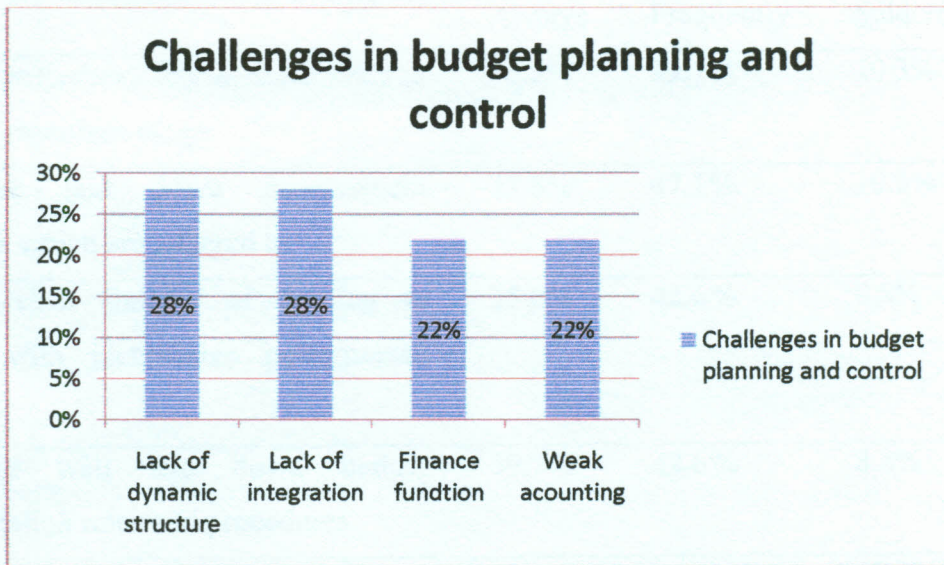


Figure 8: Challenges in budget planning and control

Figure 8 reveals that there were various challenges facing budget planning and control but the lack of dynamic structure and lack of integration were the two outstanding drawbacks; this is according to 28% of the respondents. This shows that there was a problem with the coordination of the various departments.

4.5 Integrity and ethics

This section presents findings from analysis of data collected in respect to the second objective of the study which sought to investigate the implication of integrity and ethics on budget implementation in Nyeri municipal council. Table 4.5 shows the measures taken to ensure transparency and accountability within the requirements for integrity and ethics in the budgetary process. The table also shows how often these measures were observed.

Table 4.5: Transparency and accountability

Statement	Always	Frequently	Seldom	Never
There is transparency and accountability in budgetary resources usage	30.9%	39.7%	10.3%	19.1%
There are laid down procurement procedures which are adhered to	33.8%	47.1%	10.3%	8.8%
There is clear linkage of funding to outcome with identifiable performance measures	25.0%	42.6%	8.8%	8.8%
There are well laid down budget implementation rules and procedures	39.7%	42.6%	8.8%	8.8%
A detailed budget work programme is developed before implementation	33.8%	39.7%	13.2%	13.2%
The necessary documentations of the budget are continually developed during the budgetary process	41.2%	42.6%	5.9%	10.3%
The budget implementation team responsibilities are clearly set and defined	36.8%	35.3%	11.8%	16.2%
The budget Implementation scope is defined before implementation starts	30.9%	44.1%	8.8%	16.2%
The reporting structures are developed and communicated before implementation	42.6%	32.4%	11.8%	13.2%

Table 4.5 shows that there were various measures taken to enforce integrity and ethics. However, the table also reveals that the said measures were not always observed. Only 30.9% of the respondents in the study opined that transparency and accountability were always observed in the budgetary implementation process.

Majority (42.6%) of the study participants confirmed that there was clear linkage of funding to outcome with identifiable performance measures. An equal number confirmed that there was a

well laid down budget implementation rules and procedures and that the reporting structures are developed and communicated before implementation. Other measures and their frequency of practice are as shown in table 4.5.

4.6 Availability of financial resources

This section presents findings in respect to the third objective of the study which sought to establish the effect of financial resources availability on budget implementation in Nyeri municipal council.

4.6.1 Overspending outside the budget

The study sought to establish how frequently the council overspent on recurrent and development budgets

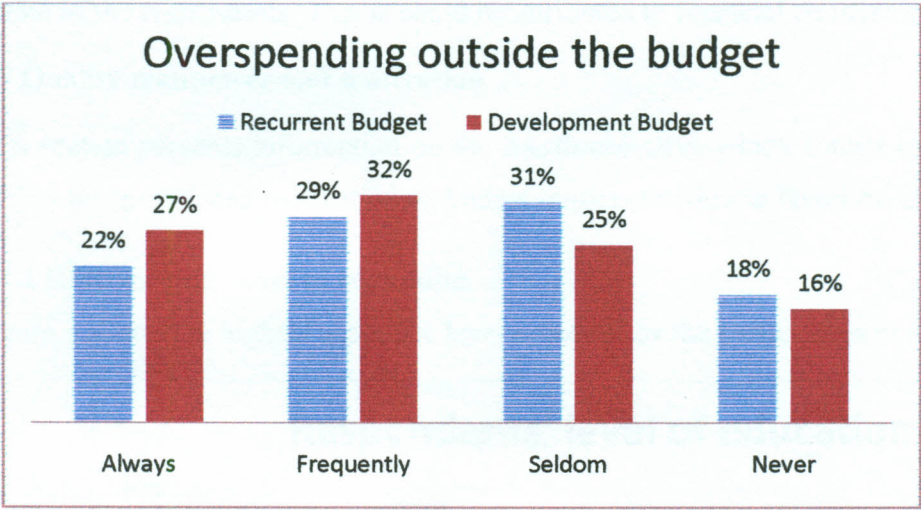


Figure 9: Frequency of overspending outside the budget

Figure 9 reveals that on average, Nyeri Municipal frequently overspent on the available budgets. On the recurrent budget, most (31%) of the respondents revealed that the council seldom overspent however on the development budget, most (32%) of the study participants confirmed that the council frequently overspent.

4.6.2 Expenditure prioritization

The study was interested to establish the success of the council in establishing expenditure prioritization based on financial availability.

Table 4.6 Expenditure prioritization

Rating	Frequency	Percentage
Highly successful	13	19%
Frequently successful	10	15%
Seldom successful	30	44%
Never successful	15	22%
Total	68	100%

Table 4.6 reveals that Nyeri Municipal council was seldom successful in ensuring expenditure prioritization in relation to achievable equitable resource allocation: this is according to most (44%) of the respondents. This could be attributed to financial constraints of the council.

4.7 Quality manpower and motivation

This section presents information on the fourth objective which sought to find out the effect of quality manpower and motivation on budget implementation in Nyeri municipal council.

4.7.1 Respondents' level of education

Figure 3 shows the highest academic level achieved by the participants in the study.

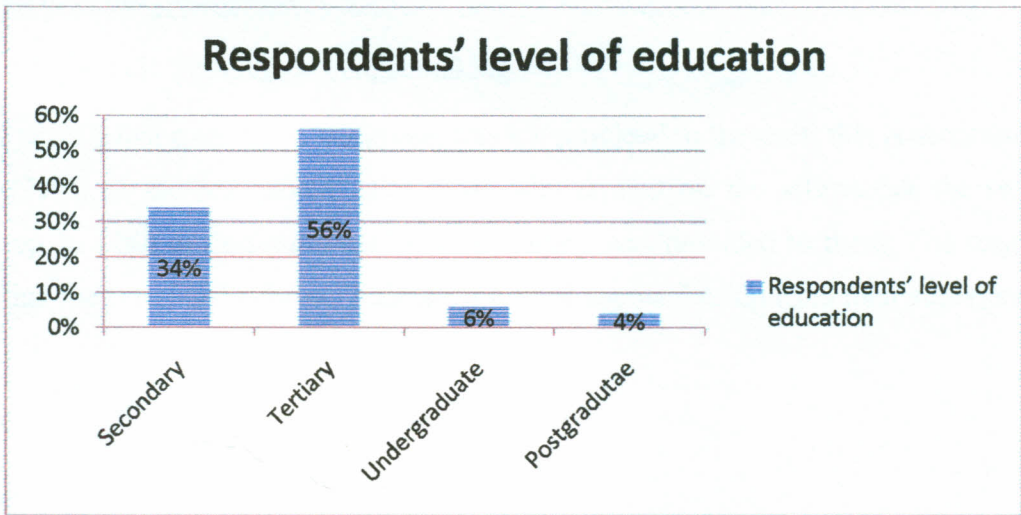


Figure 10: Distribution of respondents' by level of education

Majority (56%) of the respondents in the study had college education as their highest level of education. The tertiary category included all the respondents who had attended a polytechnic or

college which offer certificate and diploma programs in various fields. The bulk of the employees at Nyeri municipal council are casual laborers and skilled laborers such as ticketing attendants.

4.7.2 Training on budget making

Capacity of staff in budget making is important and as such the study sought to establish whether the respondents who were staff in the Municipal council were provided with training on budgeting.

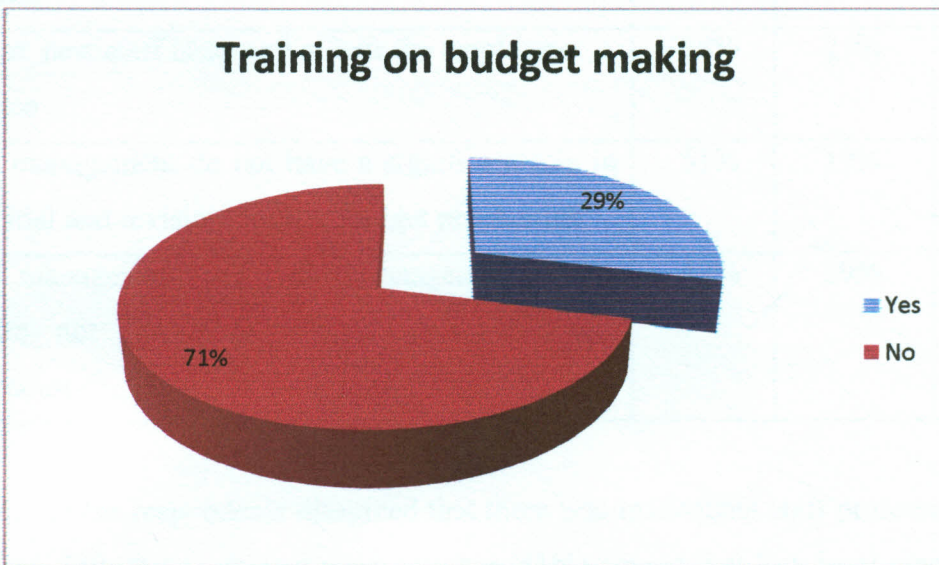


Figure 11: Training on budget making

Figure 12 reveals that training on budgeting was not provided to the staff; this is according to the majority (79%) of the respondents. For those who replied on the affirmative the researcher followed up in a bid to find out what kind of training was provided to them. The respondents revealed that they received informal training in way of apprenticeship from their superiors.

4.7.3 Quality of manpower

The researcher posed several questions to the respondents and asked them to rate their agreement or lack thereof.

Table 4.7: Quality of manpower

Statement	Agree	Neutral	Disagree
There is inadequate staff professionalism and lack of relevant skills	38%	10%	52%
Induction of new staff lacks and affects the employees performance	38%	21%	41%
Low level management do not have a significant role in both the initial and revision stage of budget preparation	51%	19%	30%
Low level management and senior management within council are not linked to budget preparation and implementation	40%	29%	31%

Majority (52%) of the respondents disagreed that there was inadequate staff professionalism and lack of relevant skills but an almost equal number (51%) agreed that low level management do not have a significant role in both the initial and revision stage of budget preparation.

4.8 Corporate governance

The governance structure was an intervening variable in this study and as such the researcher sought to establish the effect of corporate governance on budget implementation.

Table 4.8: Corporate governance

	Yes		No	
	N	%	N	%
There are multiple lines of reporting accountability	44	65%	24	35%
There is political interference	49	72%	19	28%
There is managerial flexibility in use of resources	43	63%	25	36.8%
There is conflict of interest between management and stakeholders	40	59%	28	41%

Table 4.8 shows that there were various governance issues affecting budget implementation greatest of which was political interference according to the majority (72%) of the respondents. The findings reveal that corporate governance was more of a drawback than a cause for successful budget implementation.

4.11 Factors affecting budget implementation

Among the factors in the study, the respondents were asked to pick out the one which they felt had the most influence on budget implementation.

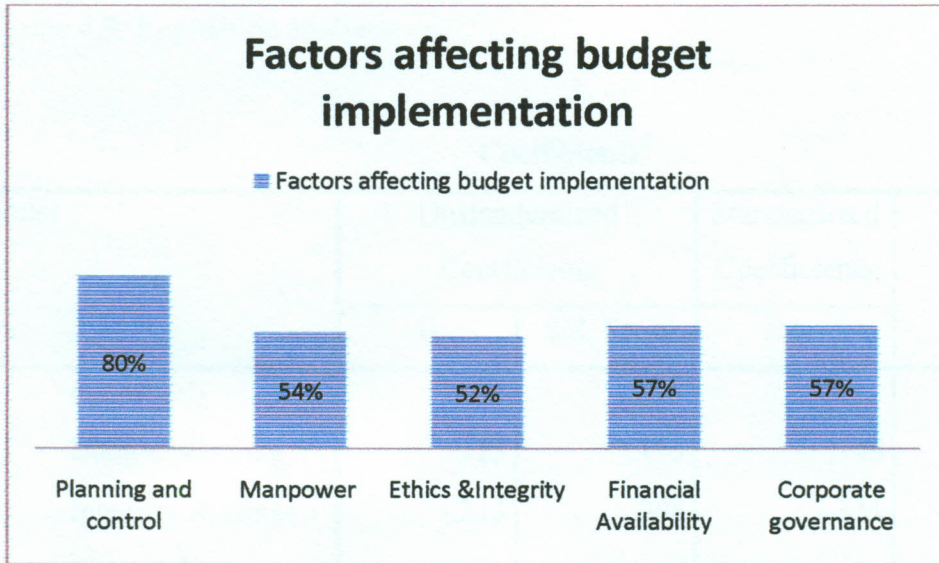


Figure 12: Factors affecting budget implementation

According to the majority (80%) of the participants in the study, the budgeting planning and control process had the greatest influence on budget implementation. This can be attributed to the lengthy process that is planning and the skills required.

4.12 Regression analysis

To further explain the factors affecting budget implementation the study used multiple regression model of the form; $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon$ Where; β_0 is the constant, $\beta_1, \beta_2, \beta_3, \beta_4$ are the regression coefficients and ϵ is error term. Y represents the dependent variable that is budget implementation.

Multiple regression analysis was employed and the findings presented in table 4.9.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.332 ^a	.111	.054	.737	.111	1.958	4	63	.112

Table 4.9: Regression analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
I	(Constant)	3.136	.375		8.351	.000
	Budget planning	.115	.105	.146	1.089	.280
	Integrity & ethics	-.233	.096	-.331	-2.426	.018
	Financial availability	.087	.088	.118	.984	.329
	Manpower	-.114	.070	-.201	-1.637	.107

For the regression analysis, the confidence level was taken at 95%. Table 4.9 reveals that integrity and ethics (sig. = 0.018) was a significant predictor of revenue collection in local authorities. The findings also show that integrity and ethics explained up to 54% of the budget implementation at Nyeri municipal council. This can be attributed to the fact that that were various measures taken to enforce integrity and ethics. However, the study found that the said measures were not always observed as shown in Table 4.5

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.0 Introduction

This chapter presents a summary of the major findings from the results of the study and the conclusions made from them. It also presents the recommendations made by the researcher

5.1 Summary of the study

The purpose of the study was to investigate the factors affecting budget implementation in municipal council of Nyeri. The following are the findings of the study in summary and in order of the objectives.

On the budgeting process, the study found that budgets were created to cover a period of 12 months, this is according to 78% of the respondents interviewed in the study. The majority (82%) of the respondents revealed that budgets at Nyeri Municipal council were prepared twice every year. Most (49%) of the respondents in the study revealed that the budgets at Nyeri Municipal Council were revised annually. The various departments of Nyeri Municipal Council always co-ordinate on budgetary issues according to most (49%) of the participants in the study and the majority (50%) of the responses opined that the Nyeri Municipal Council was efficient.

On the effect of budget planning and control on budget implementation, the study found that there were various challenges facing budget planning and control but lack of dynamic structure and lack of integration were the two outstanding drawbacks; this is according to 28% of the respondents. The majority (78%) of the respondents confirmed that their respective departments were involved in budget planning.

On the effect of integrity and ethics on budget implementation and control, the study found that there was clear linkage of funding to outcome with identifiable performance measures. An equal number confirmed that there was a well laid down budget implementation rules and procedures and that the reporting structures are developed and communicated before implementation. Only 30.9% of the respondents in the study opined that transparency and accountability were always observed in the budgetary implementation process.

On the effect of financial availability on budget implementation the study found that Nyeri Municipal council was seldom successful in ensuring expenditure prioritization in relation to achievable equitable resource allocation, this is according to most (44%) of the respondents. On the recurrent budget, most (31%) of the respondents revealed that the council seldom overspent however on the development budget, most (32%) of the study participants confirmed that the council frequently overspent.

On the effect of quality of manpower and motivation, the study found that majority (56%) of the respondents in the study had college education as their highest level of education. The tertiary category included all the respondents who had attended a polytechnic or college which offer certificate and diploma programs in various fields. Training on budgeting was not provided to the staff; this is according to the majority (79%) of the respondents. For those who replied on the affirmative the researcher followed up in a bid to find out what kind of training was provided to them. Majority (52%) of the respondents disagreed that there was inadequate staff professionalism and lack of relevant skills but an almost equal number (51%) agreed that low level management do not have a significant role in both the initial and revision stage of budget preparation.

Regression analysis revealed that integrity and ethics (sig. = 0.018) was a significant predictor of revenue collection in local authorities. The findings also showed that integrity and ethics explained up to 54% of the budget implementation at Nyeri municipal council.

5.2 Conclusions

The study established that planning and control had an effect albeit minimally on budget implementation in Nyeri municipal council. This is because the study found that although all the departments were expected to be involved in the process the reality was that some departments did not participate. In addition, the planning phase was faced with several challenges such as lack of dynamic structure and lack of integration.

The study also established that integrity and ethics was a predictor of success of budget implementation. In fact, among the variables in the study, it was found to have the greatest influence. The study found that whilst that the local authority had put in place structures to ensure accountability and transparency; these measures were not always respected.

The influence of the financial availability on budget implementation was somewhat not clear. On one hand, the study found that the Municipal council had problems raising enough revenue while on the other hand; the respondents confirmed that the council frequently overspent in the recurrent and development budgets.

The quality of manpower was found to have a minimal effect on the budget implementation process. The council ensured quality of manpower by hiring employees of considerable high education, however, the Municipal council failed on the aspect of professional development in the sense that no on-the-job training was provided to the employees.

5.3 Recommendations

In consideration of the aims of the study and the findings revealed, the research makes the following recommendations:

- i. Consultations, integration and co-ordination between the departments should be made compulsory by the ministry of Local government.
- ii. There should be proper control on allocations to avoid overspending.
- iii. Technology should be employed to manage the budgetary process and ensure transparency and accountability.
- iv. Stakeholders should be engaged in the budgetary process to encourage participation and transparency.
- v. All groups of the population should be involved in the budgetary process more so the women and the youth.
- vi. Clear and distinct employment policy should be formulated to mainstream women and youth employment and cater for gender and age disparity.

5.4 Suggestions for further research

The research makes the following suggestions for future research.

- i. Effect of technology in improving transparency and accountability in local authorities.
- ii. Effectiveness of government regulation in ensuring the success of the budgetary process.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

This questionnaire has been designed to collect information from the selected staff of municipal council of Nyeri and is meant for academic purpose only. The questionnaire is divided into two section one seek to capture the profile of the respondent while section two will capture issues pertaining to factors affecting budget implementation in the local authorities. The data collected will be used for the said purpose only and thus shall be treated with strict confidence.

Your participation in facilitating this study is highly appreciated.

SECTION A: GENERAL INFORMATION

Please put a tick(√) in the box next to the appropriate response :

1. Please indicate your gender

a. Male

b. Female

2. Please indicate your age bracket

a. 25-29 years

b. 30-34 years

c. 35-39 years

d. 40-44 years

e. 45 years and above

3. Please indicate the highest academic level you have attained

a. Secondary

b. Tertiary (College Diploma/Certificate)

c. University (Graduate)

d. University (Post graduate)

e. Others specify _____

4. What is your work experience in years _____

5. Please indicate your ;

a. Department _____

b. Designation _____

c. For how long you have been in you current position _____

6. For how long have you worked in the council?

- a. 0 – 5 years
- b. 6 – 10 years
- c. 11 – 15 years
- d. 16 years and above

7. How often do you prepare budget?

- a. Quarterly
- b. Biannual
- c. Annual
- d. Any other specify

8. What length of time does your budget cover?

- a. Monthly
- b. Quarterly
- c. Biannual
- d. Annual
- e. More than one year

9. How often are budgets revised in your organization?

- a. Monthly
- b. Quarterly
- c. Biannual
- d. Annual
- e. Any other specify

10. How often do the various departments in your local authority coordinate on budgetary issues?

- a. Always
- b. Sometimes
- c. Seldom
- d. Never

11. Have you undergone any training in budget making?

Yes No

12. If yes what type of training?

Formal Informal others specify _____

SECTION B: BUDGET PLANNING AND CONTROL

13. Does your department participate in budgetary planning?

Yes No

14. (a) Organizations encounter various drawbacks in the course of budget implementation in relation to budgetary planning and control process. What is the level of agreement with the following statements that relate to budget planning and control as a factor affecting budget implementation at municipal council of Nyeri

(1) Strongly Agree (2) Agree (3) Neutral (4) Disagree (5) Strongly disagree

Statement	1	2	3	4	5
1.Lack of dynamic structure					
2.Lack of integration					
3.Finance function not a strategic partner					
4.Weak accounting systems					

(b) How does budget planning and control guide in the forecast of the future and performance

appraisal in your local authority?.....

SECTIONC: INTEGRITY AND ETHICS

15. Using a rating scale of 1 to 4 how often does your organization ensure that the following practices are in place

(1) Always (2) Frequently (3) Seldom (4) Never

Statement	1	2	3	4
1.There is transparency and accountability in budgetary resources usage				
2.There are laid down procurement procedures which are adhered to				

3. There is clear linkage of funding to outcome with identifiable performance measures				
4. There are well laid down budget implementation rules and procedures				
5. A detailed budget work programme is developed before implementation				
6. The necessary documentations of the budget are continually developed during the budgetary process				
7. The budget implementation team responsibilities are clearly set and defined				
8. The budget Implementation scope is defined before implementation starts				
9. The reporting structures are developed and communicated before implementation				

(b). Do association of extrinsic rewards with budgetary achievement motivate managers in budget implementation?.....

SECTION D: QUALITY MANPOWER AND MOTIVATION

16. What is the level of agreement with the following statements that relate to qualified manpower and staff motivation as a factor affecting budget implementation at municipal council of Nyeri

(1) Strongly Agree (2) Agree (3) Neutral (4) Disagree (5) Strongly disagree

Statement	1	2	3	4	5
1. There is inadequate staff professionalism and lack of relevant skills					
2. There is poor reputation and credibility					
3. Induction of new staff lacks and affects the employees					

performance					
4.Participation of all the stakeholders makes the budgetary process to be too lengthy and time consuming					
5.Association of extrinsic rewards with budgetary achievement as a means to motivate managers does not really help in budget implementation					
6.Low level management do not have a significant role in both the initial and revision stage of budget preparation					
7.Low level management and senior management within council are not linked to budget preparation and implementation					

(b). What role does low level management have in both the initial and revision stage of budget preparation?.....

SECTIONE: AVAILABILITY OF FINANCEIAL RESOURCES

17. How often do you overspend in

i. Recurrent budget

- a. Always
- b. Frequently
- c. Seldom
- d. Never

ii. Development budget

- a. Always
- b. Frequently
- c. Seldom
- d. Never

18. Indicate the extent to which you agree or disagree to the statement below

(1) Always (2) Frequently (3) Seldom (4) Never

Statement	1	2	3	4	5
1. Spending is in accordance with set government priorities					
2. There are regular review of the efficiency of existing spending					
3. There is clear specification of expected results for any spending incurred					
4. There is flexibility in resource allocation					
5. The budgetary allocation are adequate					
6. The local authority release the approved budget in adequate time					

19. How efficient is your local authority in terms of the following?

(1) Highly efficient (2) frequently efficient (3) Seldom efficient (4) Never efficient

Statement	1	2	3	4
1. Reduction of local authority wage bill				
2. Reduction of local authority stock of pending bills				
3. Resolved staled projects				
4. Shifting composition of expenditure				
5. Increasing absorptive capacity of development resources				

20. How can you rate the success of budget implementation in the local authority in relation to achievable equitable resource allocation and ensuring expenditure prioritization?

Highly successful () frequently successful () Seldom successful ()

Never successful ()

4.As a means of performance appraisal					
5.To motivate employees to do better					
6.Other (specify)					

23. One of the major challenging stages in the budgetary process is the performance evaluation. In your own opinion how effective is feedback in the budget process in your organization?

Very efficient Efficient Less efficient Not Efficient

24. To what extent do you agree that the following factors affected budget implementation at municipal council of Nyeri during the financial year?

(1) Strongly Agree (2) Agree (3) Neutral (4) Disagree (5) strongly disagree

Factors	1	2	3	4	5
1.Planning and control					
2.Qualified manpower and staff motivation					
3.Ethics and integrity					
4.Availability of financial resources					
5.Corporate governance					

25. The management can be able to overcome the factors affecting budget implementation in your council. Do you agree to this statement?

(1)Strongly Agree (2) Agree (3) Neutral (4) Disagree
 (5)Strongly disagree

26. What are the possible solutions to the major factors affecting budget implementation facing your council?.....

THANK YOU FOR YOUR COOPERATION

APPENDIX II: WORK PLAN

Activity	Duration
1. Proposal preparation i. Problem identification ii. Review of related literature iii. Proposal write up	February 2012
2. Submission of proposal to department for examination 3. Correction and submission of the proposal to the department	February-August 2012
4. Submission of project proposal to graduate school, defence and correction of proposal	October-November 2012
5. Administration of research instruments and data collection	December 2012-February 2013
6. Data analysis	March 2013
7. Report writing	March-April 2013
8. Final report submission	May 2013

APPENDIX III: RESEARCH BUDGET

	Items	Cost in Kshs.
1	Printing services	
	i. Proposal typesetting and printing	5,000.00
	ii. Research report 6 copies @ 10/= for 85 pages	5,100.00
2	Photocopying services	
	i. Research instruments 75 copies @ 2/= for 8 pages	1,200.00
3	Binding	3,500.00
4	Mobile phones/Internet expenses	4,000.00
5	Stationery, typing papers, pens, flash disk	7,000.00
	TOTAL	25,800.00

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