

**THE ROLE OF GOOD FINANCIAL MANAGEMENT ON SERVICE DELIVERY IN  
LOCAL GOVERNMENTS**

**CASE STUDY: MOYO DISTRICT LOCAL GOVERNMENT ADMINISTRATION**



**Uganda Martyrs University**

**APRIL, 2015**

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**An undergraduate dissertation presented to the faculty of Business Administration and Management in partial fulfillment of the requirements for the award of Bachelors degree in Business Administration and Management of Uganda Martyrs University.**

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## **DEDICATION**

This research is dedicated to my parents Mr. and Mrs. Andi Natal Luga and the Luga family at large, to my dear sons Maiku Amon Dionysius and Lindri Allan Gratian, to Mr. Anyanzo Godfrey who has been supportive of me during my studies, close friends and colleagues in Moyo District Local Government and especially the management of Moyo Town Council who have supported me throughout this period of my course.

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## **LIST OF ABBREVIATIONS**

<b>ABBREVIATIONS</b>	<b>FULL MEANING</b>
<b>AAH</b>	Afrika Aktion on Health
<b>ACDO</b>	Assistant Community Development Officer
<b>CAO</b>	Chief Administrative Officer
<b>CDD</b>	Community Driven development
<b>CDI</b>	Community Development Initiative
<b>CDO</b>	Community Development Officer
<b>DEO</b>	District Education Officer
<b>DHO</b>	District Health Officer
<b>GSDRC</b>	Governance, Social Development, Relieve Committee.
<b>LCV</b>	Local Council Five
<b>UNDP</b>	United Nations Development Program
<b>MDG</b>	Millennium Development Goal
<b>MoFPED</b>	Ministry of finance and economic development
<b>NAADS</b>	National Agricultural Advisory Development Services
<b>NDTO</b>	NUSAF Desk Technical Officer
<b>NGO</b>	Non-Governmental Organization
<b>NEEMA</b>	National Environmental Management Authority

<b>NUSAFII</b>	Northern Uganda Social Action Fund Two
<b>PEAP/PEP</b>	Poverty Eradication Action Programme/ Poverty Eradication Plan
<b>PFM</b>	Public Finance Management
<b>UBOS</b>	Uganda Bureau of Statistics
<b>UNHCR</b>	United Nations High Commission for Refugees
<b>UPE</b>	Universal Primary Education
<b>USA</b>	United States of America
<b>USE</b>	Universal Secondary Education

## **ABSTRACT**

The study examined the role of good financial management on service delivery in local governments and specifically the study addressed the extent to which operation management increases effectiveness and improve the quality of service delivery in local governments. To evaluate the effect of aggregate fiscal policies in enhancing service delivery in public facilities. To find out how fiduciary risk management leads to minimizing corruption and diversion of public funds, to analyze the role governance plays on service delivery in local governments.

Through the use of cross sectional study design that encompasses both quantitative and qualitative study design. The choice of sample size was done using both purposive snowballs so that a clear picture of the outcome is given. During data collection process, two categories of questionnaires were given out. The first category was given to the management of Moyo district local government through the departmental heads and the second category was given to service beneficiaries within the district at random.

Based on the findings, the researcher recommends among other approaches the use public finance tools to ensure compliance with the legal requirements of the government system when dealing with financial matters and that management keeps good records of all funds received and disbursed.

The researcher recommends that local governments try and identify sources of local revenue in order to supplement central government support and increase local government sustainability. With all the above, it is expected there will be an improvement in public service delivery in Moyo district local government.

## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.0 Introduction**

For many years, governments have offered public service to its citizens at various levels within the country both as a moral obligation and as a mechanism to improving the standard of living of the citizens (Goldstein 2008). This was achieved through offering services such as health care, education, development of agricultural services, and or development of infrastructure. However, most times government effort towards service delivery is constrained as a result of poor financial management both at national and local levels. Nevertheless; if good financial management is employed by government agencies such as local governments, effective service delivery will be achieved. Skillful management of finance is an important factor in the success and survival of an organization and can lead to effective service delivery and value for money. Managers need to develop a good financial management strategy which requires a careful consideration of the sources of funds and analysis of the uses of these funds

According to Senkono (2003), skillful management of finance is an important factor in the success and survival of an organization and can lead to effective service delivery and value for money. Managers need to develop a good financial management strategy which requires a careful consideration of the sources of funds and analysis of the uses of these funds

#### **1.1 Background**

Despite concerted effort by both government and non-governmental organization, Service delivery has turned out to be a global challenge to many governments to date. At the beginning of the 19th century through mid 1970s, governments have grappled with public

sector reforms aimed at achieving greater efficiency, effectiveness and more responsive and flexible approach to services delivery (Matholo 2004). During this period of 1970s; governments' challenges were accompanied by economic crises which led to reduced public revenues as a result of low tax base. Under the circumstances, governments had to review their programmes, strategies and approaches to service delivery and these reviews tended to involve the examination of the existing programmes to determine their usefulness and whether there are alternative methods of service delivery that are more responsive to the needs of the citizens (Johnsons and Symonides 1994).

Ngabirano, et al (2011) urges that Uganda's system of governance as mandated by the constitution of the republic of Uganda 1995 (amended), the local government Act 1997 is decentralization and within this policy, central government has devolved substantial powers, functions and responsibilities to local governments and as a result of the decentralization policy, the amount of funds transferred by the center to the local government has been increasing tremendously over the years. These increases can also be attributed to the government's decision to implement the PEAP/PED via PAF mechanism. The ministry of Finance planning and Economic development report of 2003/1004 states that by the end of financial year 2002/2003, 30% of the central government's budget was executed through the local governments and subsequently, the FY 2009/2010 saw the ministry of Finance, Planning and Economic development produce a separate volume of Draft Budget Estimates of revenue and expenditure Volume 2 for local government votes Ssenkkono (2003).

The separation followed the introduction of the notion of vote function as a mode of preparing the budget estimates at the local government as a financial management tool. This directly means that, management at local governments has more resources to budget for and hence more financial responsibilities and accountabilities to make.

However; accountability at local government levels leaves a lot to be desired and often times there is a minimal use of good financial management tools in local governments for the management of these resources and these has affected the quality and effectiveness of services such as health care, education, infrastructural development and modernization of agriculture through National Agricultural Advisory services (NAADS).

The basic objective of good financial management is to manage the resources of the organization prudently, to maximize returns for its owners (or stakeholders) while minimizing losses. Financial management involves three basic questions and these are; the question of financing or where to get the money from? The question of investment, the question of dividend, or how to distribute the funds within an organization. The whole concept of public finance management deals with Collection of sufficient resources from the economy in an appropriate manner along with allocating and use of these resources efficiently and effectively. Public finance is that branch of economics which assesses government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable one. Attaining desirable effects will require financial resources, however these solutions are not just about allocating more money but effective service delivery is situation-specific and requires tailored delivery arrangements that fuse the efforts of state and non-state actors. Each of these actors also needs to better assess their challenges and determine suitable and sustainable service delivery responses. Additionally, effective service delivery requires good governance and performance management so that funds are directed quickly to the most urgent needs, and incentives that enable service providers to make good use of available resources.



## **1.2 Statement of the Problem**

Good financial management is key to the success of every organization be it profit making or non-profit making (Broadbent, M and Cullen, J.1999). However; cases abound of many organizations that have collapsed and continue to collapse as a result of poor financial management, for example Greenland Bank (U), Cooperative Banks in Uganda, Enron in USA, the Bering's Bank on the international scene, NUSAF II saga and recently we saw Global Trust Bank that recently got close by Bank of Uganda as examples of poor financial management. Notwithstanding; developing countries' local government budgets are coming under increasing strain as a result of underfunding from central government, low local revenue mobilization, arrears that span for several years, poor accountability, a lack of prioritization, wasteful management and so forth(GSDRC 2013, The New Vision).

According to Ssenkkono (2003) despite the fact that there is a rapid growth in population that demands more services from the government; there has been a minimal tax base expansion and a high tax evasion rate and central governments are decentralizing functions without additional inter-governmental transfers and many local governments not only face demand for higher levels of service provision, but must come to terms with significant infrastructure backlogs and the need to allocate additional resources to maintenance and replacement of deteriorating or obsolete infrastructure, improving health care services, improving education and agricultural advisory services(Folscher 2010).All the fore mentioned affect service delivery in local governments and yet effective provision of basic services is a major contributor to state legitimacy and is a pillar for poverty reduction and good economic performance.

In Uganda, failures in service delivery are a key reason that people fall into poverty, for example through ill health, increased levels of illiteracy, poor infrastructures, low capital development by the citizens, insecurity etc. In contrast though, good service provision helps people to transition out of poverty, for example through: education, availability and accessibility of healthcare, infrastructural development like; markets, safe water and sanitation, construction of rural roads etc (GSDRC 2013).

This therefore means that, good financial management plays a big role in public service delivery by the concerned authorities. For example, the last two decades saw Uganda experience a problem of managing its finances especially in the public sector and this has made the quality of public service delivery to be less desirable more over the accountability mechanisms for good financial management in public service is theoretically present although malfunctioned, and in spite of the right of the citizens participation, many people have been sidelined from participating in government planning, budgeting, monitoring and evaluating the financial performance of local governments (Tucungwirwe, et.al. 2010).

### **1.3 General Objective**

The overall objective of this study is to evaluate the role of good financial management on service delivery in local governments with specific reference to Moyo District.

### **1.4 Specific objectives of the study**

1. To assess the extent to which operation management increases effectiveness and improve the quality of service delivery in local governments.
2. To evaluate the effect of aggregate fiscal policies in enhancing service delivery in public facilities.

3. To find out how fiduciary risk management leads to minimizing corruption and diversion of public funds.
4. To analyze the role governance plays on service delivery in local governments.

### **1.5 Research Questions**

- I. How does operational management affect the effectiveness and quality of service delivery in local government administration?
- II. How does fiduciary risk management minimize corruption and diversion of public funds
- III. How does aggregate fiscal policy affect service delivery in local governments?
- IV. What role does governance play on the efficiency and effectiveness of service delivery in local governments?

### **1.6 Research Hypotheses**

- I. Aggregate fiscal policy through fiscal sustainability, resource mobilization and allocation positively affects the quality of service delivery in local governments.
- II. Operational management enhances effective and efficient service delivery in public institutions and significantly improves performance of the public sector.
- III. Fiduciary risk management through effective financial control, compliance with legal regulations and a proper oversight of public finances improves service delivery in local governments.
- IV. Governance through creation of policies and an effective structure, accountability and transparency has improved services delivery in local governments.

## **1.7 Significance of the Study**

Decision makers and policy formulation processes are strategies of improving service delivery, therefore the research findings are aimed at aiding decision making through fully understanding the financial management implications on service delivery in Moyo district local government administration.

Secondly, this study is intended to provide researched information that will enable district authorities to embrace and practice good financial management as a tool to improving service delivery in the district.

## **1.8 Justification of the Study**

Foremost, this research is done as a prerequisite to attaining an award of bachelor's degree in Business Administration and Management of Uganda Martyrs University.

Second, the study seeks to evaluate the role good financial management plays on service delivery in local governments.

It is hoped that the information generated from this study shall be very useful for any managers and especially Moyo district local government administration.

## **1.9 Scope of the Study**

### **1.9.1 Content Scope**

The research focused on good financial management and service delivery in local governments especially in Moyo District. The aim was to establish a relationship between these two variables and how they affect each other in the process of ensuring an effective and efficient service delivery in local governments.

### **1.9.2 Geographical scope**

The research was conducted in north western part of the country, precisely Moyo district. The choice of the case study is the ease with which the researcher was able to access to the required information, the location of the administrative headquarters and the positive attitude of targeted respondents.

### **1.9.3 Time scope**

The study focused on three year period of financial years of 2011/2012, 2012/2013 and 2012/2014 respectively.

In summary, for every organization to have a firm to survive the tide, skillful management of finance is important and can lead to effective service delivery and value for money to both the service provider and the recipient of the service therefore every organization must develop a good financial management strategy which requires a careful consideration of the sources of funds and analysis of the uses of these funds.

## **1.10 Definition of key terms**

### **Good financial management:**

Good financial management is the managerial activity concerned with planning and controlling of a firm's financial resources.

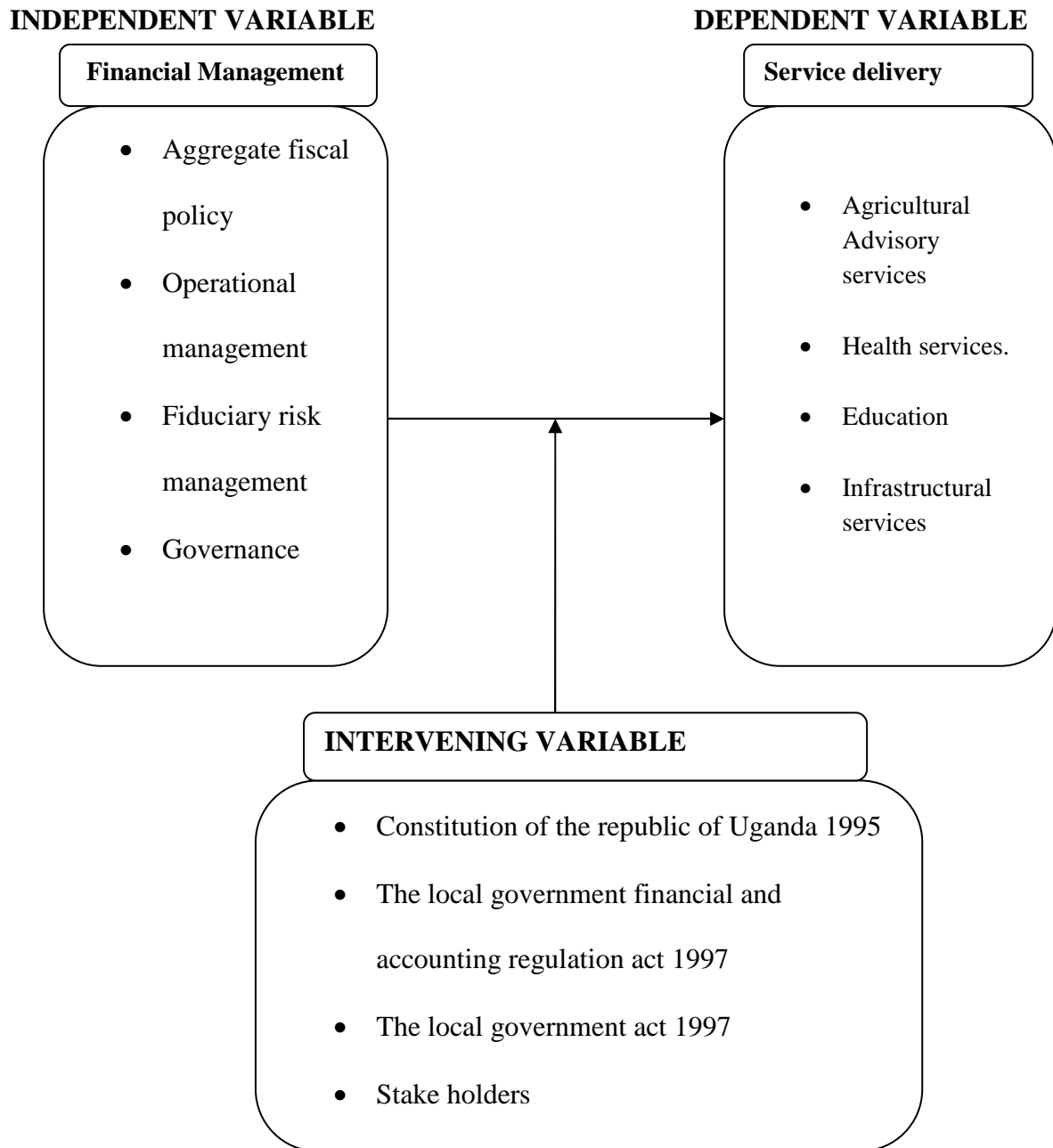
Financial management is a mix of finance, accounting, and management concepts<sup>2</sup> used to assess, predict, and minimize economic loss and to achieve stated goals in organizations.

### **Service delivery:**

Service delivery is a set of principles, policies and not constraints used to guide the design, operation and retirement of service delivery by a service delivered by a service provider with a view to offering a consistent service experience to a specific user community in a specific place.

## 1.11 Conceptual Framework

Figure 1: conceptual framework



**Source:** Adopted and modified from: HORNE;J; C; V. (2001). *Financial Management and Policy*. 12<sup>th</sup> Edition. New Jersey: USA. Prentice Hall. Upper Saddle River.

### **1.11.1 Explanation of the Conceptual Frame work**

The conceptual framework establishes a relationship between the independent and dependent variables of a topic to evaluate the effects the independent variable has on the dependent variable with the influence of the intervening variable. The independent variable in this case is good financial management which is the managerial activity concerned with planning and controlling a firms resources and its dimensions are: Aggregate fiscal policy, fiduciary risk management, governance and operation management which has a significant effect on service delivery. A fundamental requirement of every government is to manage its finances at the aggregate level through monitoring, controlling and ultimately managing the finances.

On the other hand, the depended variable is service delivery which is the process of extending basic services to the public and the dimensions of service delivery are: Education, health services, infrastructural services and agricultural advisory services to the public.

Intervening variable is a variable that influences the relationship between good financial management and service delivery. Its dimensions are the constitution of the republic of Uganda 1995 (amended), the local government act 1997 and stakeholders that influence the performance of public finance in enhancing services delivery to the public. While focus is put on the relationship between independent and dependent variables, the intervening variable should not be disregarded since it has bearing on the whole process.

In conclusion, service delivery and good financial management are synonymous and therefore, managers of different organizations must look critically in to the role that good financial management plays in organization if they are to improve on the quality of the services delivered.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section lays the foundation for the study by revising findings from other authors and researchers on the role of good financial management on service delivery in local governments. The literature review is particularly based on how good financial management has affected accessibility, utilization and performance of public services in local governments. In reviewing the literature, material shall be sourced from textbooks, scholarly articles, newsletters, abstracts, written government documents, academic journals and from internet sources.

#### **2.1 Operation Management and service delivery in Local Governments Administration**

Operations management is the administration of business practices to create the highest level of efficiency possible within an organization. Operations management is also concerned with converting materials and labor into goods and services as efficiently as possible to maximize the profit of an organization. Operation management has dimensions such as effective performance management and one of the objectives of public finance management (PFM) must be an effective performance management system established which links useful performance measures to the resources used to achieve the performance objectives; however, a major constraint of PFM is that the accounting model of “not for profit” activities does not provide an input-output model for the public sector. In local governments; inputs can be expressed in monetary units but outputs are typically service delivery, this however contrasts with the commercial sector where accounting is a universal input-output model using a common measure of money (Broadbent; and Cullen.1999)

Inputs (costs) and outputs (sales) which are measured in money units and the difference of profit, also in money units, providing a comprehensive basis for performance management. The development in the public sector of performance measures and management is an attempt to address the gap by developing nonfinancial measures of performance. According to the ministry of Local Government, the permanent secretary has developed ways and methods of good financial management in local governments by setting key output time measures within a specified period, doing performance appraisal of all employees, and setting performance targets which must be accomplished within the specified time frame (Ssenkono2003)

It is further urged by Butananya 2012 that delivering a value for money approaches that looks at the effectiveness, efficiency and economy of an organization. Effectiveness is using the most appropriate PFM methodology and tools, for example the appropriate use of automation and this is to ensure that measures and comparisons are made to identify opportunities to improve effectiveness. Efficiency is ensuring that funds for operations are available promptly when required and the effect of these is the information on budgets and resources which is made available to enable efficiency in operations. And economy is minimizing transaction costs and delays and the effect of these on the organization is ensuring minimal resources used to process transactions. All the afore mentioned looks at the financial management of an organization directly and improper financial management will not make an organization realize its full potential of realizing value for its money which is the case in most public institutions.

The third, Management within the budget is a rational budgetary tool for control which is the process of monitoring the consumption of financial resources against the budget in order to ensure that spending is in accordance with the budget.

Budgets are at the heart of every organization, they are requests for and subsequently an authorization to spend public money and they are funded through taxation mostly.

The constitution, the PFAA (2003) and the Budget Act, (2001) provide the basic legal platform for budget formulation process and for any budget to be effective, it must be quantified CIMA (2008). The public sector is budget driven and without a budget government lacks legal authority to raise revenues or to make expenditures; when a sum is allocated within a budget it is intended to be spent for the purpose indicated. In case of over spending, government has made it mandatory that the deficit be corrected either by reallocation, virements or by a supplementary budget. On the other hand under spending represents a failure to utilize the allocated resource which spells managements failure to deliver services effectively.

According to the auditor general's and PAC report (2013), in Moyo district there has been poor financial management manifested in the financial years 2011/12 backwards where for example the district had to send back to the treasury monies estimated to amount to approximately over five hundred million Ugandan shillings. The objective of many public sector managers to spend the budget, neither more nor less, is in fact logically consistent with a budget driven process. Thus for the public sector manager operating within the budget is a constant challenge, made more difficult by the constraint of an annual budget cycle. This affects the efficiency and effectiveness of service delivery in districts by the local government authorities to the public (CIMA 2008)

According to Rowan and Pendleybury (2010) managing within the budget requires timely information on budget allocations, commitments and actual expenditures. It will also require determining budgeted expenditure and income, setting a standard for evaluating financial reports, motivating budget holders and coordinating the finances of the organization as a

whole and hence an efficient budget, commitment management and accounting system providing timely and relevant reports as an essential tool for budget management, in turn contributes greatly realizing value for money.

## **2.2 Aggregate fiscal policy and service delivery in local governments**

Fiscal policy can be defined as government's actions to influence an economy through the use of taxation and spending. A policy is a set of rules that have been set by an individual or a group of individuals for the smooth running of an entity. Therefore; fiscal policies can be said to be the guidelines developed by government to govern its actions. It defines the scope or spheres within which decisions can be taken by the by local governments within the main government system. These permit the local authorities to deal with the problems and issues without necessarily consulting central government every time for decisions and define the limits within which decisions must be made (Thomson. et al 2005). Conversely aggregate fiscal policy is used when policy makers believe the economy needs outside help in order to adjust to a desired status. Typically every government has a desire to maintain steady prices, increase employment level, and ensure a growing economy. If any of these areas are out of sorts, some type of fiscal policy may be in order and necessity.

Aggregate fiscal management comes in various dimensions; for example through fiscal sustainability or public finance sustainability which is the ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or evasion on some of its liabilities or promised expenditures (Ssenkono 2003) Traditionally; aggregate fiscal policy has focused on budget and levels of borrowings but in the future governments will require more sophisticated tools such as closer monitoring of fiscal outturns consequently requiring increased and more sophisticated use of public

financial management (PFM) tools at the sovereign government level such as at local governments.

The second dimension of aggregate fiscal policy is the concept of maximizing resource mobilization in public institutions such as local governments. Almost all entities are constrained by limited financial resource nevertheless, these limitations in finance can be minimized by preparation of credible financial statements that have a positive impact on perceived sovereignty of local governments debt risk and hence the capacity for and cost of borrowing. According to Parry (2010), there is a the possibility that in the future audited government financial statements will play an increasingly important role in assessing sovereign debt risk and hence in mobilizing resources. Good financial management will be a factor in encouraging investment and for poor countries such as Uganda; this will encourage support from development partners such as IMF, World Bank and many other development partners. In addition enhanced public financial management can be one element in improving the ability to absorb and utilize external aid, effectively increasing resource availability.

The third dimension of aggregate fiscal policy is resource allocation in accordance with policy priorities. Resource allocation is a core of the budget planning process, and developments such as budget reviews are attempts to effectively link budgets to policy objectives over a time frame longer than the traditional annual budget usually three to five years in local governments. Public financial management has been seen as policy neutral; that is, providing the mechanism for implementing whatever policies a government adopts with no responsibility for the policies, he argues that such view are naive. By deciding what to measure and how to present information, the accounting officer influences policy decisions by ensuring budgets capture gaps in service delivery so that the budget is spread across to cater all sectors without bias.

Therefore, decisions about budget allocations and the key policy focus are intertwined with decisions about budget and financial statement classification, identification and presentation. Furthermore the effectiveness of civil society participation is dependent on the transparency with which information is presented and resource allocation decisions identified within this public entities. PFM through the budget process should provide a mechanism for linking policy objectives with the constraint of financial resources. However, whilst the objective of resource allocation in accordance with policy priorities seems simple, it is in fact difficult to achieve because of the problem of articulating policy priorities, the interdependence between the measurement system and the identification of priorities, and the difficulty of making reliable forecasts extending several years into the future (Parry (2010))

### **2.3 Fiduciary risk management and improving service delivery in local governments**

This is the risk of public money being stolen, used for purposes other than those intended for, or used corruptly. In most cases, when money is diverted for other uses other than what is intended for, it affects public service delivery in local governments. Money intended for health care, education, infrastructural developments or agriculture when diverted has a negative impact on the community reducing the trust of the community on the government.

According to Parry (2010) there is a steadiness in fiduciary risk management between the cost of avoiding risks and the cost of such risks crystallizing. Therefore, as a risk management tool, PFM is part of the solution and provides important tools through the use of effective financial control measures where all public sector entities should have in place a structure of internal and external controls so as to reduce fiduciary risk to acceptable levels. However, it also needs to be recognized that some risks extend beyond the financial system and will require other forms of control outside the domain of PFM.

These could be done through internal controls within an organization, such as use of payment authorization process, working in line with the budget, reconciliation of all the books of accounts by the end of every period, keeping proper records of all cash receipts and so on. These controls should be specifically designed to minimize the risk of loss. There should also be a strong internal audit system established by the management of an organization in accordance with international standards of internal audit and the local government financial and accounting regulation act. In addition to the above, external audit which is the independent scrutiny should be employed to manage all activities of public sector organizations to provides an additional element of risk management.

Secondly, compliance with constitutional, legal and regulatory requirements should be made mandatory to all public servants. Naturally governments operate within a rule bound environment where there is a hierarchy of regulation starting with the constitution and moving down through laws to the detailed financial rules, instructions and procedures. This bureaucratic structure is another element of fiduciary risk management and is designed to minimize the scope for activities which are not in accordance with public policy majorly to minimize fiduciary risk. As with controls, there is equilibrium between the cost of bureaucracy and benefits in terms of ensuring consistency and further reduction of fiduciary risk.

The last element of fiduciary risk management is oversight of public finances, particularly by the legislatures. On average a committee of the legislatures such as District Executive Committee (DEC), Public Accounts Committee (PAC) and so on will review financial and audit reports of lower local government department by departments to assess the performance of these authorities whether it is to the required standard or they are underperforming and in many cases the reviews will be supported by technical staff such as the internal auditor or accounting officer.

Also in local governments, work plans are expected of every civil servant and performance indicators which is an individual's output in a financial year are used as measures to appraise an employee. This serves as an important tool of fiduciary risk management.

These oversight processes vary between countries, however an open and powerful oversight process can be a powerful tool in fiduciary risk management. This is because, it lends power to the auditor to use constitutional privileges to identify issues and make pronouncements on findings together with an active and strong system can be a powerful incentive for effective control procedures. At a local government level a similar system should exist through local government public account committees, audit committees and similar tools.

#### **2.4 Governance and service delivery in local governments**

The term Governance is the exercise of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences (Ngabirano et al 2011).

The republic of Uganda has adopted decentralization in 1993 as a tool to ensure that service delivery is effectively and efficiently done by vesting power to the local authorities by central government. Uganda's decentralization falls under the devolution concept and devolution is the exercise of political authority by lay, primarily elected institutions within areas defined by community characterized through the legal conferment of powers upon formally constituted local authorities to discharge specified or residual functions (Smith 2005).

According to Ngabirano, et al (2011), the decentralization policy outlined in the constitution of the republic of Uganda (1995, cap 1), detailed and made operational in the local government act of (1997) has resulted in the devolution of functions, powers, responsibilities



and service provision from the central government to all levels of local governments. Decentralization was aimed at ensuring good governance, people's participation and democratic control, decisions, planning and mobilization of resources for development. Sectors like health and education among others is fully decentralized, therefore by the local government act of (1997), district authorities and all stake holders have been empowered to govern the local governments in order that public services reach all and benefit all. This is a good move since through this even the most remote and venerable people in the community are able to access services.

The governance dimension has great significance in government because of the concept of government acting according to the will of the people. Whilst the people, the civil society which is the primary stakeholder, there are other external stakeholders such as lenders, multilateral organizations that have tasked public sector governance to meet the needs of all these groups at all levels of government. These can be done by instituting governance structures that reflect the interest of stake holders. In theory a democratic government should reflect the will of the people and hence provides its own governance, (Crawford 2009).

In practice the most democratic systems put intervening barriers between public will and government policy, and specific mechanisms are required to overcome such barriers. The issue applies at national government and local government levels, and particularly to government agencies managed by unelected officials. Governance issues can be addressed through a number of different approaches, for example through actively encouraging participation of stakeholder representatives, particularly in the management of unelected agencies, ex-ante involvement in resource allocation decisions, ex post involvement in scrutiny and oversight.

Governance is linked to PFM through the budget and financial reporting processes; budgets are the ex-ante resource mobilization and management plans and financial statements are the ex post reports on delivery. As such they are both tools in the governance process (Parry 2010).

Secondly, transparency can be used as a governance tool regarding financial information by publishing budgets, financial statements and audit reports as well as other financial information published by central government such as Auditor General's report (IG), Inspectorate of government (IGG) report and so on. As indicated, transparency is not just about provision of data but rather the messages within the data must be made plain; this requires judgments as to the appropriate messages, and hence the provision of relevant financial information.

The same issue as noted above on budget allocations, there is an interdependent relationship between the information and judgments based on the information. Financial information will identify specific issues depending on the way it is classified and aggregated. In addition, accountability should be employed as one of the tools of governance since it goes beyond transparency and involves identification of individual responsibility for actions. Thus it can be seen as the end point of a participative and transparent process. Once more accountability extends beyond accounting issues, the level of accountability interacts with the basis on which budget holders are rewarded, and that affects the level of central control that is necessary. Hence it has a profound effect on the design of the budget preparation, execution and accounting systems. PFM systems must have clear in built assumptions about exactly how accountability will work and these will need to be progressively redesigned as accountability improves. Therefore it must be either flexible or in expensive, an expensive inflexible system will hold up progress and affect the effectiveness of service delivery. One of the tools for accountability is monitoring and evaluation of these government projects.

Monitoring is the systematic and routine collection of information from projects and programmes; this is done in order to have an internal and external accountability of the resources used and the results obtained for future references as regard the matter in question.

According to Bartle (2011), monitoring is a periodic and recurring task that runs from the beginning of a project to its end and data acquired through monitoring is in most cases later used for evaluation purposes, Monitoring and evaluation go hand in hand and evaluation can be explained as, assessing systematically and objectively a completed project which put emphasis on appraisal of data and information to enhance strategic decisions making by top management which in turn improves the project in the future. Most organizations carry out monitoring, and evaluation to better understand their own performances and develop strategies to address issues that ultimately lead to improved performance. Monitoring and evaluation are undertaken to ensure a common undertaking of programmes by stake holders to enhance accountability, improve performance and plan, this generates more knowledge and is the best feedback method to be used in organizations like local government.

According to MoFPED (2004), monitoring and evaluation enables government to make decisions that will keep implementation of government projects on tract like PEAP/PEP. The relevance of it is that, it keeps stake holders informed about the progress that is made about the implementation of the said projects and these enables an informed decision on matters that need further implementation. Relating this to Moyo district, local councilors schedule these activities to monitor the progress of government projects within the district like NUSAFII, NAADS, CDD, which are all aimed at alleviating poverty in the district but also to account for all funds that have been sent by central government to the local governments for these kind of projects.

Over the years, Governments sought to improve the functioning of the local governments through regular monitoring and inspection processes which is aimed at improving service delivery in all government facilities such as health centers, education (UPE and USE), NAADS programmes and the infrastructural facilities like roads. For instance (Okidi and Guloba 2008) believe that, delivery of health services is a success story and they report an increase in access to health centers over time which they attribute to monitoring, evaluation and follow up. I suppose this is not exactly true with Moyo district where there is still a lot to be desired in the health sector as a result of the inadequate health workers especially doctors who can handle the patient load effectively and hence reducing efficiency.

According to Vandalez and Micheal (1994), monitoring systems are mainly done to track progress of projects and assess its outcomes and impacts on the indicators. In relation to Moyo district local government, monitoring, evaluation and follow up are done so as to enforce effective services in government facilities that deliver services and also to enable projects like construction work to be completed in time. Nevertheless, service delivery standards must be set that shall be monitored through; Performance audits, inspections and other quality assurance mechanisms at the local level, through client surveys and National service delivery surveys. These standards will enable the local authorities to be able to measure their performance against the achievement of the mission of the district that is in line with that of the central government. This is believed, will minimize unnecessary costs incurred by the district and reduce sordid work done by contractors hired to do such jobs.

However, according to Katoroobo (2000), monitoring progress of activities is a challenge which he attributed to the current leaders' failure to maintain colonial established reporting systems which were stringently set. He further stated that action planning and results oriented management depends on feed back which is got from monitoring of projects and activities in public sectors. These I believe is true even with most districts not excluding Moyo, where

monitoring is done routinely but feedback is inadequate since most councilors do not see the importance of feedback when all they want is to sign their allowances.

Tucungwirwe, et al, (2010) said that most leaders monitor programmes, but they do not write reports and there is limited formal feedback on monitoring of the projects and facilities as a result of inadequacy and underfunding of monitoring programmes among other factors. In the same vein, Ssemakula, et al, (2010), said these monitoring and inspection processes have not adequately focused on the local government councils as the mandated executive and legislative organs of the local government but rather it has been misdirected against the technocrats employed by the authorities. For example; in the Auditor General's report (2013) about NUSAF projects in northern Uganda, it was found out that only 33% of the 642 CDIs i.e. 212 of the Subprojects were monitored by the NDTO on a monthly basis.

According to the World Bank (2013) many countries in sub-Sahara Africa (SSA) do have existing service delivery structures function sub-optimally but do not reach the required outcomes due to specific weaknesses such as inadequate health personnel, lack of evaluation of fragmented categorical programs, and lack of strategies to identify alternative service delivery models. In addition, service delivery is often hampered by poor governance and accountability mechanisms exemplified by a lack of required frameworks and institutions, little involvement of the community, and few transparent and effective financial reporting mechanisms. The focus on strengthening service delivery, governance and accountability structures in Sub-Saharan Africa is a key objective of many governments.

From the above literature, there has been strong emphasis put by the many authors whose work was visited about the role of good financial management for the effectiveness and efficiency of service delivery in institutions. It is evident that a successful organization derives strength from keeping good financial records and adhering to policies that regulate financial management.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter is made up of ten sub sections that encompass introduction, research design, area of study and population, sampling techniques, research methods and instruments, data management and quality control methods, ethical considerations and limitations of the study. The desired information for the research was obtained by the aid of two sets of questionnaire, that is, for management and service beneficiary.

#### **3.1 Research design**

The research used case study approach for the study which limited the research to a specific area (Moyo district administration). According to “Yin (1984, p. 23) cited by (Soy 2006), case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. The researcher’s reason for using a case study was to gain an in depth understanding of the context of the research.

In this case study research, both qualitative and quantitative approaches have been used. This was to enable the researcher obtain the necessary information and to be able to make analysis of the collected data. The qualitative approach used was a structured questionnaire for the service beneficiary and for the quantitative approach, the researcher used closed ended questionnaire which enabled analysis and conclusions to be drawn.

### **3.2 Area of the study**

The research was carried out in Moyo District with Moyo District Local Government Administration (MDLGA). According to reports by *NEEMA (2004)* Moyo is located in north western Uganda bordered by the Republic of the Sudan in the north, Adjumani district in the east and Yumbe District in the west. Physically, the district lies approximately between 30' N and 40 N, Longitudes 310 31'E and 320 E. The district covers approximately a total area of 2059 Km<sup>2</sup>, 92 Km<sup>2</sup> of which is river and swamp, 172Km<sup>2</sup> of which is gazette forest and game reserve. 78.9% of the district land is arable and suitable for cattle grazing. The district is made up of the two counties of West Moyo and Obongi counties respectively. Obongi lies in the West Nile –Low lands area and this is further subdivided into nine sub-counties (Moyo, Metu, Lefori, Itula, Gimara, Aliba, Dufile, Laropi and Moyo Town Council). These sub-counties all have government facilities where services are delivered. However, the research is limited to Moyo District Local Government Administration (MDLGA) only.

### **3.3 Study population**

A population is a complete set of individuals or objects that share some common characteristics from which a study sample is derived (Mugenda & Mugenda 1999). In this research, the study population was management team and staff of Moyo district local government. This included senior employees of the district, middle level and lower level. The study population also included a few non civil servants who have benefited from the service offered by local government.

According to the management of Moyo district headed by Omondha Granfield (Chief Administrative Officer), the district has a population of 194,778 (UBOS 2012) as per the latest censuses and this is a very small size since this constitutes both the remaining refugees

and nationals. This population shall be categorized in to three categories for easy penetration thus; elected leaders (politicians), civil servants (technocrats) and the beneficiaries (masses).

The choice of civil servants (technocrats) as respondents is because they deal directly with the funds that government sends in to the district and also because they deal with both politicians and beneficiaries of services governments offers; they know how government systems function and what role governance plays and the masses targeted are the beneficiaries whose view on service delivery is crucial being the direct concerned.

### **3.4 Sample size**

A sample is a subset of the targeted population and it is used to represent population of the study. The sample size for the research was 55 and was obtained by using the Yamane's method for finite populations. From about 100(N) service beneficiaries, the researcher shall select participants as follows, from 95% confidence interval and a margin of error of +/-5%, the sample size (n) shall be estimated from the formula;

$$n = \frac{N}{1+N(e)^2} \qquad n = \frac{100}{1+100(0.05)^2},$$

Therefore;  $n = 80$

The researcher distributed questionnaire to two categories of people that is management and service beneficiary. A total of 80 questionnaires were distributed but only 55 were received for both management and service beneficiary.

### **3.5 Sampling techniques**

There were two types of sampling techniques used, that is purposive and snow ball. The purposive sampling technique was used to get management response mostly for heads of



department who were purposively selected because of the position and knowledge on good financial management and service delivery. The snow ball sampling techniques was used to identify the respondents of the category of service beneficiary. This was used because it easily provided the researcher with the network of tracing the service beneficiaries.

**Table 1: Sampling techniques**

<b>Respondent category</b>	<b>Sample size (no's)</b>	<b>Sampling technique</b>
Management	36	Purposive
Service beneficiary	19	Snow ball
<b>Total</b>	<b>55</b>	

*Source: Omondha Granfield (CAO Moyo district local government)*

### **3.6 Data source**

Primary data was collected using questionnaire forms that were designed for both management and service beneficiary.

Secondary data was obtained from the library and internet sources using scholarly books, journals and articles, Government documents like the constitution of the republic of Uganda and local government act 1997, dissertations done by previous researchers; policy reports especially those on education, health and Agriculture, conference papers, citations and details of publications done by various authors, abstracts which gives summary of scholarly articles.

Tertiary data if need be shall be obtained from other sources like the Auditor General's Office for reference purposes.

### **3.7 Data collection methods**

The researcher used questionnaire forms that were given to respondents to fill. The questionnaire analysis method was chosen because the study was more qualitative than quantitative (Hoie 2012; Kvale and Steinar, 2008) and it gave the opinion desired.

#### **3.7.1 Data collection instruments**

For both qualitative and quantitative data questionnaires were used that contained questions with five scale ratings using a Likert scale like strongly agree, agree, neutral, disagree and strongly disagree and open ended questionnaires. The questionnaires were both open and closed and the responses from the Likert scale were weighed from 5, 4, 3, 2, and 1. For strongly agree, agree, neutral, disagree and strongly disagree.

### **3.8 Quality assurance**

Validity and reliability are the best ways by which a researcher measures the quality of the study in terms of their credibility, truthfulness and applicability.

#### **3.8.1 Reliability**

Reliability refers to stability, accuracy and precision of measurement. These can be achieved through two approaches that is testing and retesting the tools to be used in the process of data collection like the "likert scale". Reliability can also be tested using Cronbachs Alpha scores. Any questionnaire with a score of less than 0.50 shall be considered unreliable; this too applies to deleted work or work that has been rubbed more than once.

### **3.8.2 Validity**

According to Best et al (1993) Validity is the level of truthfulness or credibility of the research data collection instruments or tools. Data collection instruments were tested in UMU among friends to ensure its validity and pretested in Moyo district among the secondary school leavers before it was finally used. This ensured the researcher developed a clear and understandable questionnaire. The researcher also employed expert advice from friends and some staff of the university.

Validity was also enhanced by the approval and opinion of the supervisor before proceeding to collect the data there after.

### **3.9 Measurement of the variables**

The researcher intends used Yamnanes method for finite population for the qualitative data, Likert scale for the questionnaire analysis, cronbachs alpha scale to test reliability and content validity index for reliability of the data.

### **3.10 Data analysis and presentation**

This explains the ways of analyzing the data both qualitative and quantitative.

#### **3.10.1 Qualitative data analysis**

Qualitative data collected through the questionnaire was entered in to a compilation sheet in which themes for the data analysis was generated. The themes identified were grouped and then transferred on to a master sheet on which analysis was done in relation to the objective of the research study. It is presented in form of graphs, pie chat, tables and bar graphs.

### **3.10.2 Quantitative data analysis**

Quantitative data was entered into SPSS software and transferred to Microsoft excel and a analysis (univariate) was done in form of descriptive statistics involving frequency distributions where percentages were got. These variables did not need correlation analysis such as socio-demographic factors like age, sex, marital status and level of education.

### **3.11 Ethical consideration and research procedures**

The ethical considerations in this matter are aspects of love, care, respect, life, privacy truth and to crown it confidentiality which the researcher must take in to account. These are very sensitive matters that when not handled with care can cost the researcher a lot of problems, therefore, as a researcher I feel it is my duty to do what is ethical.

Second, a letter of introduction obtained from the faculty of Business Administration and Management (BAM) and this letter was later presented to the management of Moyo district local government administration.

Before the questionnaires were issued out, verbal consent was got from the respondents and those who were unwilling to participate were left alone.

The researcher also assured the respondent that there was payment what so ever in kind or monetary as a result of filling in the questionnaire.

The researcher also assured the respondent of confidentiality of the information that they gave. To build the confidence of the respondents, the researcher used an interview guide that is anonymous and during analysis, verbatim quotation was not reflected so as to hide the identity of the respondents.

### **3.12 Limitations of the study**

These are mainly methodological in nature and looks at the challenges with analysis of the data.

Questionnaire designing was too tedious and it needed a lot of time especially for phrasing the question that were to be considered valid and convenient and yet time was not on the researchers side.

It has not been easy to cite the authorities whose formulas were used; this is as a result of the fact that this proposal time frame was so short to enable reading many books. However the researcher believes that the data collected was enough to get the necessary information.

Some of the targeted respondents developed bias to the researcher and this made some of them to give biased information and others did not even return the questionnaire forms.

Never the less, the research was made possible by the researcher perseverance and hard work and also owing to the fact that the researcher was once an employee of local government, some information was obtained easily through colleagues.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS**

#### **4.0 Introduction**

This chapter presents the findings from the field questionnaire responses generated during the study. The data that was collected was analyzed with the guidance of the four research objectives and the biographic data collected. It is presented in three stages of univariate, bivariate and Multivariate analysis. The different sections of the research are the biographic data, operations management, aggregate fiscal policy, fiduciary risk management and governance. The first analysis is on the biographic information of the respondents. Good Financial Management as a factor in ensuring improved service delivery was incorporated in the earlier stages and the result of these are presented in form of tables, and figures.

#### **4.1 Demographic Characteristics**

The responses gathered were categorized according to Gender, age, marital status and level of education of the respondents. It is presented in form of table, Pie Charts and bar graphs.

##### **4.1.1 Response Rate**

A total of 80 questionnaires were distributed to the sampled respondents who were part of management and service beneficiaries. 36 out of 45 of the questionnaire from management were received giving the researcher a total percentage of 80% of the responses from management, and out of 35 questionnaires given to service beneficiary, 19 responses were received bringing it to 54.2%, therefore overall response rate was 68.7%. The poor response from service beneficiaries is attributed to a misconception that the research is done to so that funding for service centers is reduced and secondly, the majority of the people were used to filling in questionnaire forms at a cost which the researcher could not afford.

**Table 2: Response rate in percentage (%)**

The response rate was obtained for both management response and for service beneficiary. It is tabulated and shows actual response and response rate in percentage.

<b>Stratum</b>	<b>Size of sample</b>	<b>Actual response</b>	<b>Response rate (%)</b>
Management	45	36	80
Service beneficiary	35	19	54.2
<b>Overall response</b>	<b>80</b>	<b>55</b>	<b>68.7</b>

*Source: Field Data January 2015*

From the table, it is evident that management was positive with divulging information regarding issues with of good financial management and performance of service delivery in Moyo district local government. However, the service beneficiaries were a bit reserved and most of them either avoided filling in the questionnaire and or did not return the questionnaire forms back to the researcher.

#### **4.1.2 Respondents Age Range**

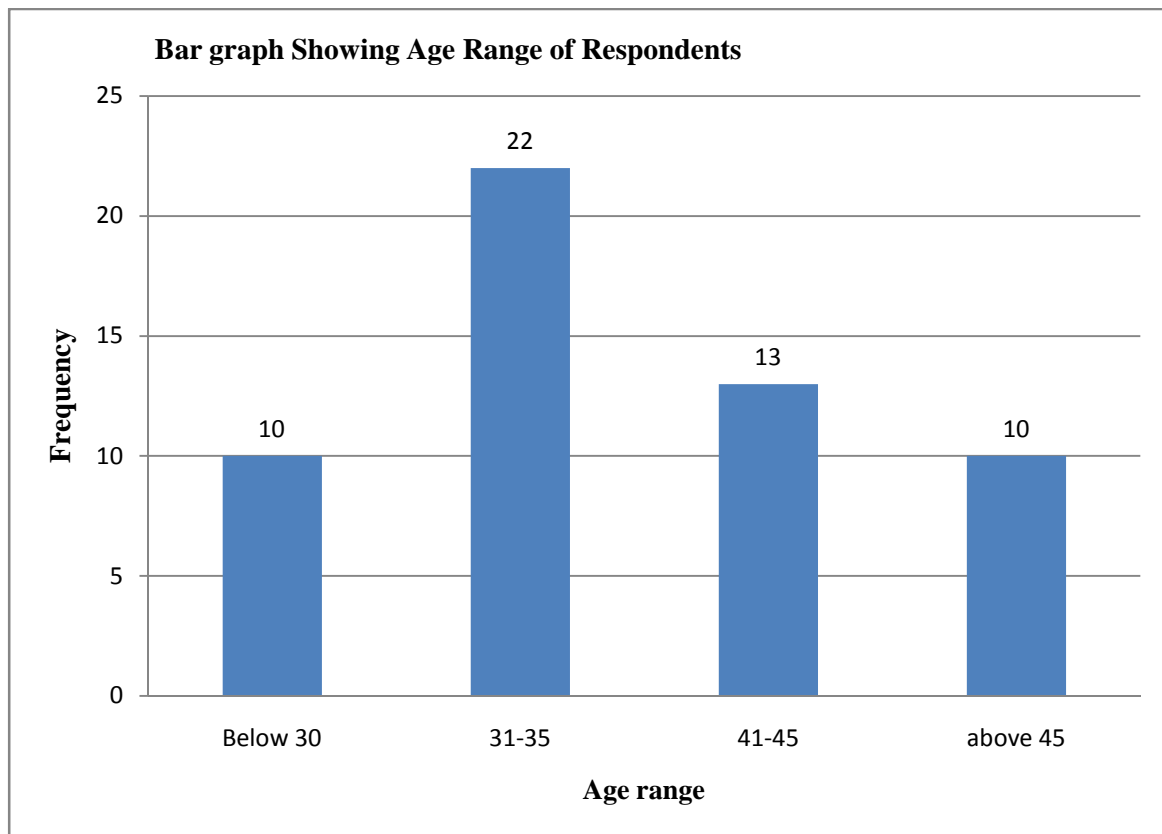
The respondent's age range is presented in a table form and a bar graph which it shows both frequency and percentage constitution of the age range.

**Table 3: Showing Age of the Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 30	10	18.2	18.2	18.2
31-35	22	40.0	40.0	58.2
41-45	13	23.6	23.6	81.8
above 45	10	18.2	18.2	100.0
Total	55	100.0	100.0	

*Source: Field data January 2015*

**Figure 2: Showing Age Range of Respondents**



*Source: Field Data January 2015*

From the bar graph, the age range of the respondents is shown and out of a total of 55 respondents. Out of these a total of 10 (18.2%) of the respondents were in the range  $\leq 30$  (38.2%), the second range was for of 31-35 years 22 (40.0%). The third range was for 36-40 years which totaled 13 (23.6%). The fourth range was that of 41-45 their total was 10 (18.2%) and the last category was for those  $\geq 45$  years. As observed, the majority of the respondents fall in the range of 31-35 years with a total percentage of 40% and this is because it is the category of people who need government services most and this is because at this age range, most people are married with young family that needs health care, education.



### 4.1.3 Gender response

The table shows gender response of the respondents and is projected on a pie Chart for easy understanding.

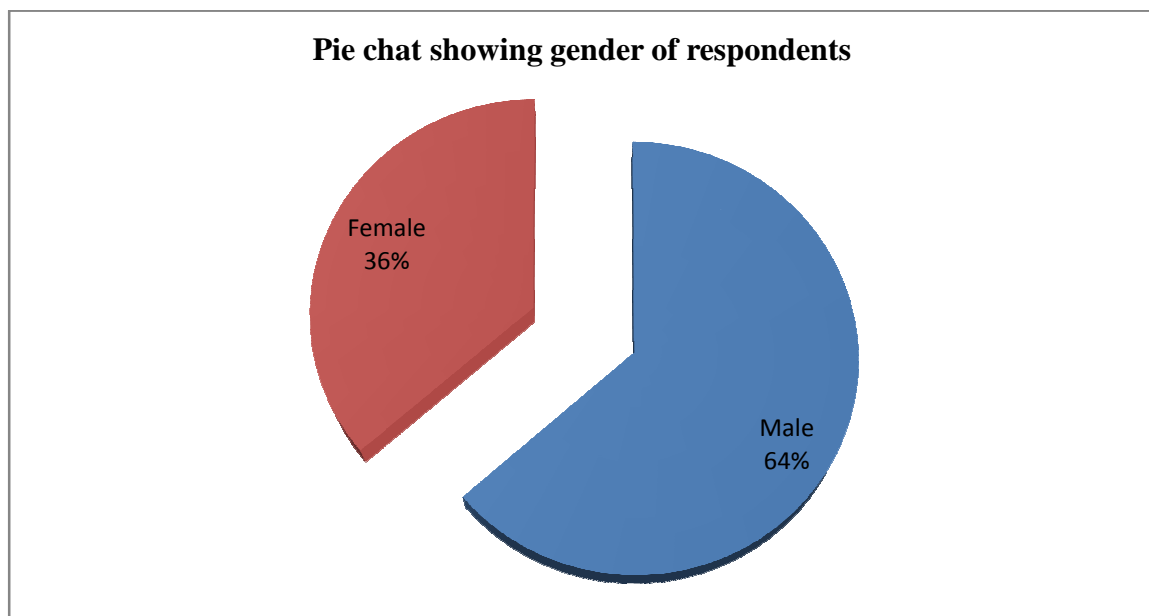
**Table 4: Showing Gender of the Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	35	64	64	63.6
	Female	20	36	36	100.0
	Total	55	100.0	100.0	

*Source: Field data January 2015*

The table is derived from the SPSS data analysis for primary data and it shows the frequency and percentage of response by gender. The male constitute the majority with a total of 35 (63.6 % which is an equivalent of 64%), and females constituted 20 (36.4%). The data is presented on a pie Chart for easy comprehension as indicated.

**Figure 3: Showing gender of respondents**



*Source: Field Data January 2015*

From the pie chat, the majority of the respondents were male 28 in number and in percentage 64%, females were 19 in number and in percentage they were 34%. This variation is as a result of the nature of occupation and gender inequality at work place. Most females in Moyo are typical housewives who do not care so much about the services they receive because they leave most of the work of educating their children to their male counter parts and therefore were not sure of what is happening beyond their homes.

#### 4.1.4 Marital status of the respondents

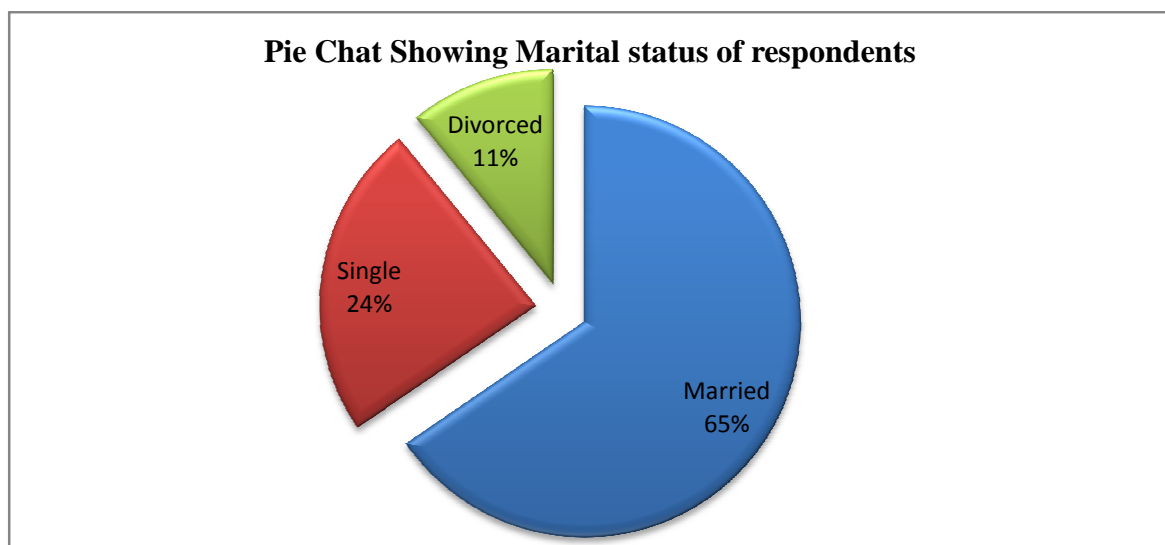
The marital status of the respondents is presented in both table and on a pie chat as indicated.

**Table 5: Showing Marital status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	36	65.4	65.0	65.0
Single	13	24.3	24.0	89.0
Divorced	6	11.0	11.0	100.0
Total	55	100.0	100.0	

Source: Field Data January 2015

**Figure 4: Showing Marital status of respondents**



Source: Field Data January 2015

From the pie chart, it is seen that the majority of the respondents were married couples both in management and service beneficiaries. The total of the married people was 36 (65%), followed by the single population of 13 (24%) and lastly, the population of the divorced stands at 6 (11%). The reason for this outcome is that the majority of the people who were in management were responsibly married and also those who benefited from service delivery were parents whose children were direct beneficiaries of these services especially education and health.

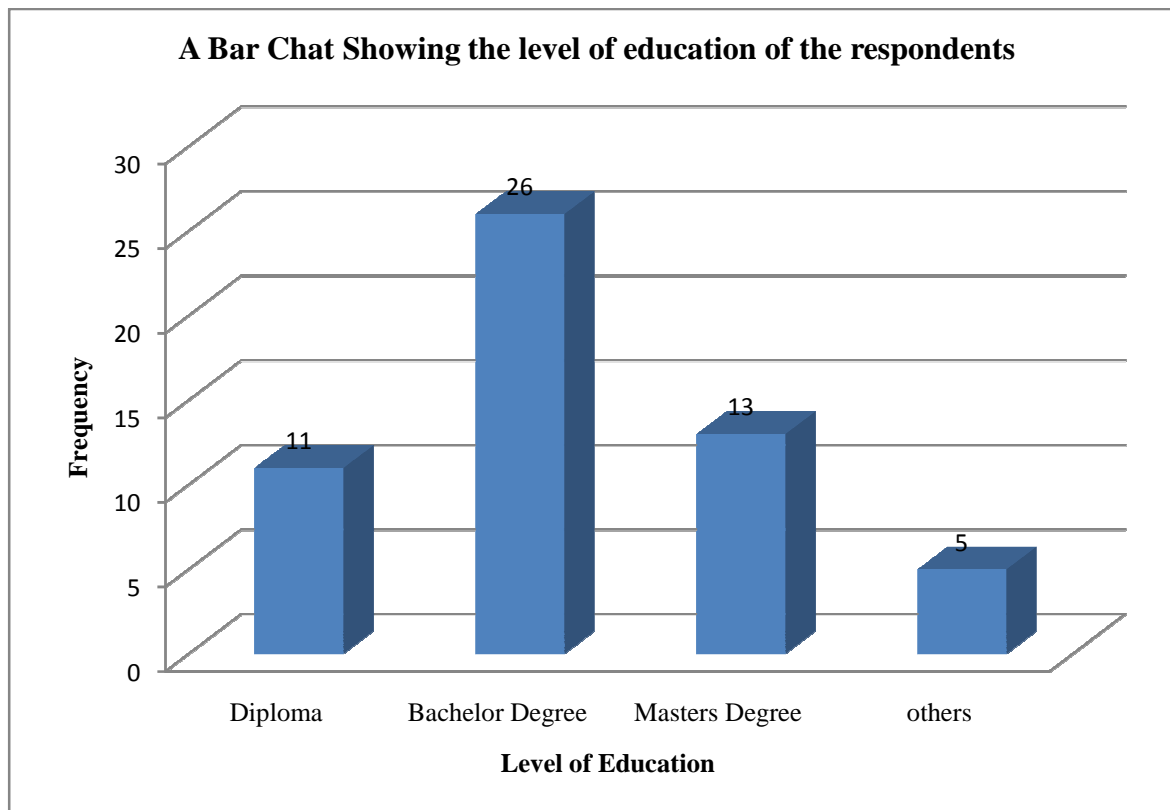
#### 4.1.5 Level of education

**Table 6: Showing level of education of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Diploma	11	20.0	20.0	20.0
Bachelor Degree	26	47.2	47.2	67.2
Masters Degree	13	23.6	23.6	90.8
others	5	9.2	9.2	100.0
Total	55	100.0	100.0	

*Source: Field Data January 2015*

**Figure 5: Showing level of education of respondents**



*Source: Field Data January 2015*

The bar graph shows the level of education of the respondents. From the graph, it is observed that the majority of the respondents were educated to a level of bachelor's degrees taking up to a total of 26 (47.3%) , This is followed by master's degree that was 13 (23.6%), diploma holders constituted 11(20%) and the category others were 5 (9.1 %.). This category "Others" constituted those who were either certificates holders or holders of professional courses such as CPA (U), ACCA etcetera. The reason in the variation is that, in local governments majority of the employees are either Degree holders or Diploma holder or Master's holders.

## 4.2 Objective one: Aggregate Fiscal Policy

Every organization is guided by policies which are rules that have been set by a group of people or an authority for the smooth running of an entity. Therefore; fiscal policies are guidelines developed by governments to govern its actions. It defines the scope or spheres within which decisions can be taken by the by local governments within the main government system. These permit the local authorities to deal with the problems and issues without necessarily consulting central government every time for decisions and define the limits within which decisions must be made (Thomson. et al 2005).

**Table 7: Showing opinion on Aggregate fiscal policy in number and percentages**

Case	Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Cumulative percentage
01	Fiscal sustainability	22 (40.0%)	8 (14.5%)	2 (3.6%)	2 (3.6%)	3 (5.5%)	36 (65.5%)	100%
02	Resource mobilization	1 (1.8%)	2 (3.6%)	2 (3.6%)	22 (40.0%)	3 (5.5%)	36 (65.5%)	100%
03	Resource mobilization	5 (9.1%)	5 (9.1%)	2 (3.6%)	22 (40.05)	3 (5.5%)	36 (65.5%)	100%

*Source: Field data January 2015*

### 4.2.1 Fiscal Sustainability

From the field research, management total percentage of 40.0% of respondents were in total disagreement about local government self sustainability. A total percentage of 9.1% were in agreement however but at least 3.6% were neither in agreement nor in disagreement.

The service beneficiaries 25.4% were in agreement and only 9.1% disagreed on this opinion. The total percentage of respondents who disagreed with local government sustainability is 63.5% and only 34.5%. This shows clearly that local governments cannot sustain itself without central government funding.

Ssenkono (2003) argued that local governments cannot sustain themselves without support from central government since they lack the ability to sustain its current spending, tax and other policies in the long run without threatening government solvency or evasion on some of its liabilities or promised expenditures.

#### **4.2.2 Resource Mobilization**

The research data shows that 45.5% of the respondents agreed that local governments maximize resource mobilization within their capacity and only 5.4% disagreed with the opinion. Among the service beneficiaries 25.5% respondent in the affirmative and 9.0% disagreed but 3.6% were neither in agreement or disagreement. This is because local governments have been given mandate to mobilize local revenue within their capacity.

Parry (2010) observed that entities are constrained by limited financial resource even though resource mobilization is maximized. However, these limitations in finance can be minimized by preparation of credible financial statements that have a positive impact on perceived sovereignty of local governments debt risk and hence the capacity for and cost of borrowing.

#### **4.2.3 Resource Allocation**

From the research 45.5% of the respondents agreed that resources are allocated equally among the departments. The reason is that each department has a budget which is incorporated in to the main budget five year development plans thus each department gets

what is needed. On the contrary, 18.2% of the respondents disagreed with this opinion but 3.6% of the respondents were in neither in agreement nor disagreement.

Furthermore, Parry (2010) observed that resource allocation is a core of the budget planning process, and developments such as budget reviews are attempts to effectively link budgets to policy objectives over a time frame longer than the traditional annual budget usually three to five years in local governments. Therefore resource allocation in local governments is done according to the policies in place and it is aimed at ensuring that service provision is spread over a period extending more than just a financial year.

#### **4.3 Objective two: Fiduciary risk management**

The researcher tried to establish a relationship between fiduciary risk and service delivery. The question is does fiduciary risk management enhance service delivery? The answer to this question is given by the research finding which suggest that to a larger extend when theft and corruption in local governments is minimized, then the quality of services offered by local governments is greatly improved.

According to Parry (2010), there is a steadiness in fiduciary risk management between the cost of avoiding risks and the cost of such risks crystallizing. Therefore, as a risk management tool, PFM is part of the solution and provides important tools through the use of effective financial control measures where all public sector entities should have in place a structure of internal and external controls so as to reduce fiduciary risk to acceptable levels.

**Table 8: Showing opinion on Fiduciary risk management by number and percentages**

Case	Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Total	Cumulative percentage
01	Effective financial control	5 (9.1%)	4 (7.3%)	3 (5.5%)	16 (29.1%)	13 (23.6%)	36 (65.5%)	100%
02	Compliance with legal requirements	5 (9.1%)	5 (9.1%)	4 (7.3%)	20 (36.4%)	3 (5.5%)	36 (65.5%)	100%
03	Proper oversight of funds	1 (1.8%)	6 (10.9%)	5 (9.1%)	18 (32.7%)	6 (10.9%)	36 (65.5%)	100%
04	Up to date accountability	4 (7.3%)	12 (21.8%)	4 (7.3%)	14 (25.5%)	3 (5.5%)	36 (65.5%)	100%
05	Minimal rate of corruption	6 (10.9%)	12 (21.8%)	4 (7.3%)	14 (25.5%)	3 (5.5%)	36 (65.5%)	100%

Source: Primary Data January 2015

#### 4.3.1 Effective financial control

The research shows that, the respondents were not sure whether there is effective financial control in Moyo district local governments. The respondent rate that was neutral was 36.4% compare to those in disagreement that constituted 12.7%.



However, 16.3% of the people agreed that there is effective financial control and therefore looking at this figures, one can know that although there are policies regarding financial control, it is not evident whether it is working.

#### **4.3.2 Compliance with the legal requirements**

The research shows that to a larger extend, there is compliance with legal requirements with a total percentage of 41.8% in agreement and those whose view was otherwise constituted only 12.7 percent from management. The service beneficiaries' opinion was also in the affirmative with up to 20% agreeing and only 14.5% disagreeing. The total percentage of those who neither agreed nor disagreed is 11%. This shows clearly that there is compliance with legal requirement on financial matters by management.

Research reveals that compliance with constitutional, legal and regulatory requirements should be made mandatory to all public servants. Naturally governments operate within a rule bound environment where there is a hierarchy of regulation starting with the constitution and moving down through laws to the detailed financial rules, instructions and procedures.

#### **4.3.3 Proper oversight of the public funds**

From the research, it is evident that there is a strong consensus on proper oversight of public funds. There is a strong agreement on this by a whopping 43.6% by management, 12.9% & disagreed however and 9.1% was neutral. Moyo district administration has agreed that as a matter of fact there is proper oversight of all public funds that is under their custody.

On average a committee of the legislatures such as District Executive Committee (DEC), Public Accounts Committee (PAC) etcetera will review financial and audit reports of lower local government department by departments to assess the performance of these authorities.

Furthermore, work plans are expected of every civil servant and performance indicators such as individual's output in a financial year is used as measures to appraise an employee, therefore this serves as an important tool of fiduciary risk management.

#### **4.3.4 Up to date accountability**

Accountability seems to be a very big issue to management of local governments. From the research, 29.1% of the respondents from management disagreed that there is an up to date accountability of the funds received. 31% agreed though that there is proper accountability and 7.3% were not sure. But since the margin is too small, as a researcher, I strongly believe that accountability is still a problem. Service beneficiaries agreed unanimously that accountability is still at large a problem with Moyo district local government with 34.5% and only 2.5% disagreed with this opinion.

#### **4.3.5 Minimal rate of corruption**

Cases of corruption abound in government institutions but the research shows that 31% agreed that the rate of corruption in Moyo district local government administration is minimal, however, 32.7% disagreed and 7.3% were neutral. Service beneficiaries however agreed that corruption is massive in Moyo district administration with a total percentage of 27.2% and those that disagree constituted 7.3% only.

#### 4.4 Objective Three: Operational management

**Table 9: Showing opinion on Operational management by number and percentage**

Case	Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Cumulative Percentage
01	Effective performance management	1 (1.8)	2 (3.6)	5 (9.1)	20 (36.4)	8 (14.5)	36 (65.5)	100
02	Adequate funding to service centers	2 (3.6)	15 (27.3)	4 (7.3)	12 (21.8)	4 (7.3)	36 (65.5)	100
03	Policies for effective performance management	1 (1.8)	4 (7.3)	3 (5.5)	16 (29.1)	13 (23.6)	36 (65.5)	100
04	Value for money services	2 (3.6)	6 (10.9)	4 (7.3)	21 (38.2)	13 (23.6)	36 (65.5)	100
05	Management within the budget	2 (3.6)	9 (16.4)	2 (3.6)	18 (32.7)	5 (9.1)	36 (65.5)	100

*Source: Field data January 2015*

##### 4.4.1 Effective performance

The study findings show that according to management 50.9% of the respondents agreed that local governments have effective performance in terms of finances, only 5.4% disagreed and from the service beneficiary's point of view, 27.2% agreed and 7.2% were in disagreement.

This brings the totals to 78.1 of those who agreed, 12.6% disagreed and 9.1 where not sure of their opinion.

According to Ssenkono (2003), effective performance can be attained by setting performance targets which must be accomplished within a specified period of time and the research findings conquer with this as shown on the table.

#### **4.4.2 Delivering value for money**

From the research, 61.8% of management agreed that there is value for money for the services provided by the local government authority such as education, health services and infrastructural development. A total of 14.5% disagreed with this opinion and a total of 23.6% agreed to with it and 7.3% were neither in agreement or disagreement

Butananya (2012) urges that delivering value for money looks at the effectiveness, efficiency and economy of an organization. Effectiveness is using the most appropriate PFM methodology and tools, for example the appropriate use of automation and this is to ensure that measures and comparisons are made to identify opportunities to improve effectiveness. The research shows that respondents were in agreement as a total percentage of 23% agree that there is value for money for the services rendered by local governments to the public.

#### **4.4.3 Adequate funding**

A total of 41.8% of the management agreed that there is adequate funding for local governments but not enough that they don't need more. 20.0% disagreed to this opinion however and 3.6% were neutral. Service beneficiaries 27.2% agreed to the affirmative and only 7.2% of the respondents disagreed to this. A total percentage of those in agreement were 69%, however 27.2% disagreed.

#### **4.4.4 Management within the budget**

From the research, a total of 41.8% of management were in agreement that funds within the local government is management within the budget, a total of 20.0% however disagreed to this opinion. The service beneficiaries opinion are 27.2% in agreement, 7.2 in disagreement and a total of 3.6% were neutral.

According CIMA (2003), management within the budget is a rational budgetary tool for control which is the process of monitoring the consumption of financial resources against the budget in order to ensure that spending is in accordance with the budget. Budgets are at the heart of every organization, they are requests for and subsequently an authorization to spend public money and they are funded through taxation mostly. The local government is budget driven and management of funds within the budget improves on the effectiveness of operational management.

#### **4.5 Objective four: Governance**

A total of 49% respondents from management agreed that governance enhances service delivery, 12.7% of the respondents disagreed with this opinion and only 3.6% did not know whether governance enhances service delivery. What the research shows is that, a great majority of the respondents agreed that governance is a very strong tool in ensuring proper service delivery. From the side of the service benefactor, 68.4% agreed that governance enhances service delivery whereas 31.5% disagreed with the notion.

**Table 10: Showing opinion on Governance by number and percentage**

Case	Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Percentage	Cumulative Percentage
01	Governances enhances service delivery	3 (5.5%)	4 (7.3%)	2 (3.6%)	17 (30.0%)	10 (18.2%)	36 (65.5%)	100%
02	Structures reflect stake holders interest	1 (1.8%)	5 (9.1%)	12 (21.8%)	11 (20.0%)	7 (12.7%)	36 (65.5%)	100%
03	Transparency in financial management	2 (3.6%)	13 (23.6%)	9 (16.4%)	9 (16.4%)	3 (7.3%)	36 (65.5%)	100%
04	Effective accountability	1 (1.8%)	6 (10.9%)	6 (10.9%)	20 (36.4%)	3 (5.5%)	36 (65.5%)	100%
05	Ease of access to service centers	1 (1.8%)	3 (5.5%)	5 (9.1%)	22 (40.0%)	6 (10.9%)	36 (65.5%)	100%

*Source: Field data January 2015*

#### **4.5.2 Structures that reflect stakeholder interest**

As from the table above, it can be seen that 32.7% of respondents on the side of management agreed that the local government structures reflect the stake holders interest 21.8% were neutral on their view and only 10.9% disagreed. The majority however agreed to this and their reasons are that, central government develops and sets structures with regard to the interest of the stakeholders and therefore interest of stake holders is catered in the system.

### **4.5.3 Transparency**

The study findings show that 27.2% disagreed that there is transparency in the way local government authority conduct their business. However 23.7 agree that to some extent, there is transparency in local government management and only 16.4% were neutral on this matter. On the contrary though, 25.4% of the service beneficiaries think that there is transparency in service delivery and 9.1% disagreed. The percentage of those in agreement on transparency comes to 49.1% and that in disagreement, their total percentage comes to 36.3%. This shows that to a larger extend, local government carry on business in a transparent manner.

Transparency is a governance tool regarding financial information by publishing budgets, financial statements and audit reports as well as other financial information published by central government such as Auditor General's report (IG), Inspectorate of government (IGG) report and so on. As indicated, transparency is not just about provision of data but rather the messages within the data must be made plain; this requires judgments as to the appropriate messages, and hence the provision of relevant financial information (Tucunguire 2010)

### **4.5.4 Accountability**

From the field data collected 41.9% of management agreed that there is accountability for public funds and only 12.7% disagreed with the idea. On the other hand the service beneficiaries disagreed strongly with a percentage of 23% and those who agreed totaled to 10.8%. Therefore, a total of 52.7% and those in disagreement totaled to 37.7% and only 10.9% were not sure.

### **4.5.5 Ease of access to service centers**

From the research, a total of 28 (50.9%) of the population agreed that there was ease of access to service centers such as hospital/health centers, schools, Agricultural service or

infrastructures such as roads. However 7.3% of the respondents disagreed with these. The service beneficiaries on the other hand were in total agreement with 34.5% out of a total of 34.5% therefore a total percentage of 85.45 agreed strongly about the ease of access to service centers and only 9.15% were not sure.

#### **4.6 Intervening variables**

##### **4.6.1 Constitution of the republic of Uganda**

The study reveals that, the policies that are derived from the constitution of the republic of Uganda have a positive impact on the provision of services by local governments. The policies regard resource mobilization, resource allocation, accessibility of service centers such as education, health services etc. The local government authority must follow what the constitution dictates regarding its management so that effectiveness and efficiency in service delivery is achieved.

##### **4.6.2 The local government financial and accounting regulation act 1997**

Financial matters in local governments are regulated by the local government and accounting regulation Act of 1997. All policies concerning finance management and revenue mobilization and allocation are done in accordance with the Act, therefore this Act has aided in the management of fiduciary risk and all financial matters. This has helped in ensuring, timely, efficient and effective service provision by Moyo district local government authority.

##### **4.6.2 The local government act 1997**

The local government Act derives its authority from the constitution of the republic of Uganda and it is the regulating body that governs local government activities. The research shows that all activities of the local government are done in line with what is stated and speculated in the Act and this evidently increases service delivery.



#### **4.6.4 Stake holders**

These are interest groups that have a say on how services are delivered by the government. They include civil society groups, donors, World Bank and political, cultural or religious leaders. These groups of people or organization influence the delivery of services such as donors who donate funds and equipments to local governments towards service delivery and most of the donations are conditional grants that are meant for specific projects and have strings attached. The research shows that management agrees to the fact those stakeholders do play an important role in enhancing service delivery in local governments.

In conclusion, financial management and its tools are very important elements in running a service organization. This is evidenced from the data analyzed which has given the researcher an insight I to how service centers operate especially local governments. It is therefore of paramount importance that good financial management is employed in running an organization like Moyo district local government.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS**

#### **5.0 Introduction**

The discussion on the chapter has been guided by the specific research objectives. It presents the summary of finding, conclusions, recommendations and suggestions.

#### **5.1 Operational management and service delivery in local governments**

The study found out that operational management is an efficient tool in the enhancement of service beneficiaries. There is value for money in the services provided by local government especially in health centers. Private surgeries cost a lot of money and other mediations and by governments providing such services through the local governments, the service beneficiaries feel that there is value for the tax payer's money. The schools through UPE and USE have been made accessible to the locals through local governments through the ministry of education and sports; this has decreased the rate of illiteracy and has also led to an improvement in standard of living of the people.

Yet in the same vein, effective performance management in local governments leads to effectiveness in the provision of service centers. One of the objectives of public finance management Public finance management (PFM) is an effective performance management system which links useful performance measures to the resources used to achieve the performance objectives. The research findings show that major resources such as finance are channeled to the service centers to achieve quality, efficiency and effectiveness in service provision.

According to Ssenkkono V;B (2003) the ministry of Local Government according to the permanent secretary developed ways and methods of good financial management in local governments by setting key output time measures within a specified period, doing performance appraisal of all employees, and setting performance targets which must be accomplished within the specified time frame.

In addition, the research shows that there is management of funds within the budget. This therefore means that a rational budgetary tool for control is monitoring the consumption of financial resources against the budget in order to ensure that spending is in accordance with the budget. When this is done, it leads to improvement in service delivery. According to CIMA (2008), when management within the budget is done with timely information on budget allocations, commitments and actual expenditures it will also lead to improvement in service delivery.

## **5.2 Aggregate fiscal policy and service delivery in Moyo district local government**

Under this, the researcher intended to examine the effect of aggregate fiscal policy on service delivery in Moyo district local government. From the research, the majority of the respondents The researcher established the role of government policies and regulation on financial management and how these policies and regulations affected performance of service sectors such as education and health care. A good percentage of the respondents agreed that there are policies in place regarding the financial management and that there is compliance with the policies, effective utilization of funds, adequate funding for the service sectors and accountability. However, the study shows that local governments cannot sustain themselves without central Government funding and the problem of financial control is not only regulated by policies but rather good management and leadership style.

### **5.3 Fiduciary risk management and rate of corruption and diversion of public funds**

From the results of the data, it seen that the respondents were not sure whether there is effective financial control in Moyo district local governments. The respondent rate that was neutral was 36.4%, therefore there is a null hypothesis for financial controls but there is compliance with legal requirements with a large percentage in agreement and those whose view was otherwise constituted the lesser percentage. It is also evident that there is a strong consensus on proper oversight of public funds by both the civil servants and political leaders as they are directly in charge of formulation performance plans and targets goals as regard financial management and evidence show that corruption rate is minimal.

### **5.4 Governance and service delivery in local governments**

From the study, it is revealed that governance enhances public service delivery to a greater extend. There are established structures that reflect stake holder interest because these structures are developed with priority interest of the people who will benefit from it.

According to Ngabirano et al (2011), government of the republic of Uganda adopted decentralization so that stake holder interest is catered for and as a tool to ensuring that service delivery is effectively and efficiently done. In addition, the results of the research show that the level of transparency in Moyo district local government is used as a financial management tool as seen by the publication of budgets, financial statements and audit reports as well as other financial information published by management for public consumption.

In the same vein, the research shows that the level of accountability is above average for all public funds received and there is ease of access to service centers as shown by the availability of service centers such as schools, health centers or infrastructure in every part of the district.

## **5.5 Conclusion**

Good financial management significantly impact on service delivery in Moyo district local government. If management works hard to see to it that all policies put in place are followed and resource are mobilized with maximum effort, then the services that the citizens will receive will be of quality and to the interest of the citizens.

## **5.6 Recommendation**

Based on the findings, the researcher recommends among other approaches the use of fiduciary risk management tool such as effective financial control by ensuring that funds are requisitioned and the right procedures are followed, making sure that there is compliance with the legal requirements of the government when dealing with financial matters and that management keeps a good records of all funds received and disbursed.

Also from the findings, the researcher recommends that local governments try and identify sources of local revenue that can help reduce on central government grants dependency and also increase local government sustainability. In addition, resource mobilization must be maximized by ensuring that sensitization is done prior and resource allocation is done with equity. With all the above, it is expected that there will be an improvement in public service delivery in Moyo district local government.

## **5.7 Suggested areas for further reading and research**

Due to study constraints, the researcher could not go in to details of each variable in the study. Nevertheless, it is recommended that more research should be done in details on the following suggested areas;

- The IGG, government, and diversion of public funds in Uganda. What effect does it have on the performance of government agencies in the country?

- Management role on poverty alleviation within an organization's environment.
- Evaluating the effect of aggregate fiscal policies on enhancing organizations financial performance.
- Examining the extent to which operational management increases effectiveness and efficiency of donor funding on public service provision.

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## APPENDICES

### APPENDIX I

#### Questionnaire I

#### UGANDA MARTYRS UNIVERSITY

Faculty of Business Administration and Management

RE: Questionnaire

My name is **Chandia Comfort Luga**, a student of Uganda Martyrs University pursuing a bachelors degree in Business Administration and Management and carrying out a research on the topic; **The role of good financial management on service delivery in local governments (Case study: Moyo District Local Government)**. This is purely an academic study and the information provided herein will be treated with maximum confidentiality. I therefore humbly request your assistance in answering the questions on this questionnaire to enable me complete my studies.

#### For Management

Please tick in the most appropriate box

#### **PART ONE (Demographic data)**

##### **Select your gender**

Male

Female

##### **Age range**

Below 30  30-35  40-45  Above 45

##### **Highest level of education attained**

Diploma  Bachelors degree  Masters degree  others

##### **Marital status**

Married  Single  Separated  Divorced  Others

**PART TWO:**

Evaluate the statement below by ticking under the most appropriate figure based on the scale provided below:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
5	4	3	2	1		
<b>POLICY AND REGULATIONS</b>						
S/NO		5	4	3	2	1
A01	Service centers such as education, health and infrastructural development receive enough funds for operations					
A02	Local Government Administration has put maximum effort on effective utilization of these funds					
A03	Local government administration can sustain itself without funds from central government					
A04	There are policies for effective control of finances within the Local Government authority					
A05	There is compliance with these policies and regulations set by the technocrats					
A06	There is an up to date and proper accountability for public funds received					
<b>SERVICES PROVISION</b>						
S01	Public services are easily accessed by the citizens					
S02	There is evidence of value for money in services received					
S03	The services provided by government is easily accessed					
S04	Every sub-county has a government facility from which services are accessed					
S05	The service providers are not biased with the services offered					
<b>MANAGEMENT OF FIDUCIARY RISK</b>						
M01	There is proper oversight of public funds.					
M02	Management of finance is within the budget					
M03	There is minimal rate of corruption and theft of					

	government funds					
M04	There is transparency in financial management					
M05	There is compliance with the legal requirements					
M06	There is effective procedure for requisitioning funds					
<b>GOVERNANCE</b>						
G01	Governance enhances the delivery of services?					
G02	Governance structures reflect the interest of stake holders					
G03	Governance ensures transparency in management of finance and on services offered					
G04	There is effective accountability as a result of governance					
G05	The instruments of governance are visible and efficient					

Please make your comments here in relation

Policy regulation

.....  
.....

Service Provision

.....  
.....

Management of fiduciary risk

.....  
.....

Governance

.....  
.....

## Questionnaire II

### UGANDA MARTYRS UNIVERSITY

Faculty of Business Administration and Management

RE: Questionnaire

My name is **Chandia Comfort Luga**, a student of Uganda Martyrs University pursuing a Bachelors degree in Business Administration and Management. I am carrying out a research on the topic; **The role of good financial management on service delivery in local governments**. This is purely an academic study and the information provided herein will be treated with maximum confidentiality. I therefore humbly request your assistance in answering the questions on this questionnaire to enable me complete my studies.

#### For service Beneficiary

Please tick in the most appropriate box

#### **PART ONE (Demographic data)**

##### **Select your gender**

Male

Female

##### **Age range**

Below 30  30-35  40-45  Above 45

##### **Highest level of education attained**

Diploma  Bachelors degree  Masters d others

##### **Marital status**

Married  Single  Separated  Divorced  Other

Please answer the following questions

Are there proper measures put in place to ensure that there is fiscal sustainability of local governments? Yes  No

.....  
.....

In your opinion, do you think local government authorities maximize resource mobilization within their power? Yes  No

Please explain

.....  
.....

Do you think resources such as finances are allocated with equity to the various departments and sectors within the local government administration? Yes  No

Please explain

.....  
.....

In your opinion is there effective control of finance within the local government authorities' administration? Yes  No

Please explain

.....  
.....

Is there proper oversight of the public funds sustainability? Yes  No

Please Explain

.....  
.....

In your opinion, is there effective performance management within the local government authority? Yes  No

Please explain

.....  
.....

Does the authorities in Local government administration management finances within the budget? Yes  No

Please explain

.....  
.....

Is there value for money in the services offered by the Local Government authorities?

Yes  No

.....  
.....

Do the administrative structures put in place by central government reflect the stakeholder interest? Yes  No

Please explain

.....  
.....

Is there transparency in the way local government carry on its management either in its day to day activities or project? Yes  No

Please explain

.....  
.....

Is the accountability of the funds received up to date and in line with the policies, rules and regulations? Yes  No

.....  
.....

## APPENDIX II

### INTRODUCTION LETTER

Uganda  
Martyrs  
University



making a difference

Office of the Dean  
Faculty of Business Administration and Management

Your ref.:

Our ref.:

Nkozi, 10<sup>th</sup> December, 2014

#### To Whom it may Concern

Dear Sir/Madam,

**Re: Assistance for Research:**

Greetings and best wishes from Uganda Martyrs University.

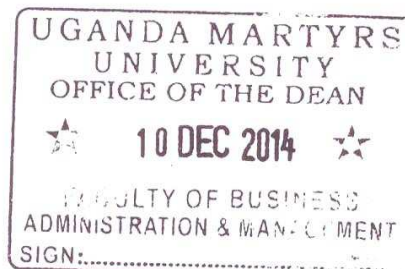
This is to introduce to you CHANDIA COMFORT LUGA who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Moses Kibrai  
Dean





**APPENDIX III**  
**MAP OF DISTRICT**

