

**ASSESSMENT OF SHORTAGES OF FUNDS ON EFFECTIVE BUDGET
IMPLEMENTATION OF AN ORGANIZATION THE CASE STUDY OF:
TANZANIA FOOD AND DRUGS AUTHORITY (TFDA)
HEADQUARTERS, DAR ES SALAAM.**

BY:

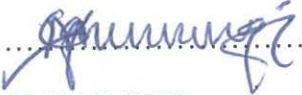
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**A RESEARCH REPORT TO BE SUBMITTED TO COLLEGE OF APPLIED
ECONOMICS AND MANAGEMENT SCIENCE IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE AWARD OF BACHELORS
DEGREE IN BUSINESS ADMINISTRATION OF
KAMPALA INTERNATIONAL
UNIVERSITY**

MAY 2012

DECLARATION

This research work is my original work and is from my own findings and has never been submitted to any university for the same award.

Signature..........

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Date.....18/10/2012.....

APPROVAL

This research report on Assessment of Shortage of Funds on effective budget implementation of an organization, a case study of Tanzania Food and Drugs Authority Dar es Salaam Headquarters has been under my supervision in the Department of Business Management in the school of Business and Management and is ready for submission with due approval.

Signature.....

Mr. BARASA HENRY

(SUPERVISOR)

Date.....

DEDICATION

I fully dedicate this research report to my beloved mother Mrs Rachael wamugi who has struggled a lot for my future and prosperity with tireless support for the entire period of my studies. Without forgetting my aunt Mrs. Margaret Waitwika , My brother Mr. Antony wamugi and my supervisor Mr. Barasa Henry.

ACKNOWLEDGEMENT

I thank the almighty God for protecting and granting me his grace to stay healthy to the completion of my first degree and this research report as well.

I am grateful to the TFDA staffs and Management for allowing me to carry out my research at their organization and the cooperation they offered to me during the research period. In particular I am thankful to the Chief accountant, Mr. Kajuna, the in-charge of the revenue reconciliation unit Josephine Mathew who was my host supervisor, the Budget officers Mr. Chrispin Severe, Mr. Hiiti Silo, Grace Mng'ong'o, Yonah Hebron and other accounting unit staffs who supported me in my research.

My sincere gratitude to my supervisor Mr. Barasa Henry for his efforts towards guiding to the right direction from the beginning to the end of this report and contributed in making differences on my performance.

Great thanks to my beloved mother Mrs. Rachael Wamugi and my father Mr. Joseph Wamugi for their tireless effort in sponsoring and counseling me while undertaking this course.

I must recognize the efforts of the entire staff of Kampala International University School of Business and Management especially my lecturers for their support throughout my course.

I also wish to thank my course mates especially Esther, Antony Mariam and Alfred.

ABBREVIATIONS USED

- CSRP - Civil Service Reform Program
- LAN - Local area network
- MIS - Management Information System
- TFDA -Tanzania Food and Drugs Authority
- MTEF - Medium Term Expenditure Framework
- MHSF -Ministry of Health and Social Welfare
- NORAD - Norway Aids Development Program
- PMS - Performance Management Systems
- PRSP - Poverty Reduction Strategy Paper
- PSRP - Public Service Reform Program
- BBA (Acctng) - Bachelor of Business Administration majoring in Accounting..
- RA - Revenue Accounts
- EA - Expenditure Accounts
- OPRAS -Open performance appraisal system

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ABSTRACT

This research was carried out to assess the shortages of funds on effective budget implementation of an organization. The research was carried out in Tanzania food and drug authority Dar es Salaam headquarters

The objectives of the study include the following: to establish the relationship between shortages of funds and effective budget implementation of an organization, to find out what types of funds are available for budgeting of an organization and to examine the effects of shortages of funds on effective budget implementation of an organization.

The methodology used include, the information generated from the field and secondary sources of data like the journals. Theories in available literature and also empirical literature were critically reviewed and findings revealed that availability of funds has a great impact on effective budget implementation of an organization.

The implication is that when good budget are prepared and enough funds are timely released as per approved budget, all activities in and targets will be accomplished in an organization and resulting to the effective budget implementation.

Recommendations that emerged from the findings include among others; the need for education o the budget implementers so that a concise interpretation of the activities to be carried out is achieved and efficient use of resources is effected hence reducing the problem of shortages of funds resulting from uneconomic use of resources and purchasing goods and services without considering the value for money.

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2. Prescribe standards of quality, safety and effectiveness for food, drugs, herbal drugs, cosmetics and medical devices and inspect manufacturing facilities, product outlets and inlets to verify compliance to set standards and practices.
3. Evaluate and register food, drugs, herbal drugs, cosmetics and medical devices before approval for use and collect data of adverse health effects related to the use of the products regulated by the Authority
4. Provide education and information related to food, drugs, cosmetics, herbal drugs, medical devices and related products to relevant stakeholders and general public.
5. Controls the conduct of clinical trials.

PHILOSOPHY

TFDA strives to offer quality regulatory services in the pursuit of protecting public health and environment by using competent and dedicated staff.

1.1.1 How is TFDA Organized?

TFDA is headed by the Director General who is responsible for the day to day operations of the Authority. She is accountable to the Permanent Secretary, Ministry of Health. Under the Director General there are four Directorates. The Product Evaluation and Registration directorate which has a role to ensure that regulated products are correctly evaluated for quality, safety and effectiveness before being approved for use in the market. The Inspection and Surveillance with a role of conducting inspection, monitoring and surveillance of the market to ascertain compliance with the standard requirements for food, drugs, herbal drugs, cosmetics and medical devices and their handling practices. The third directorate is Laboratory Services which provides analytical services on controlled products before registration and from the market for enhancing decision making.

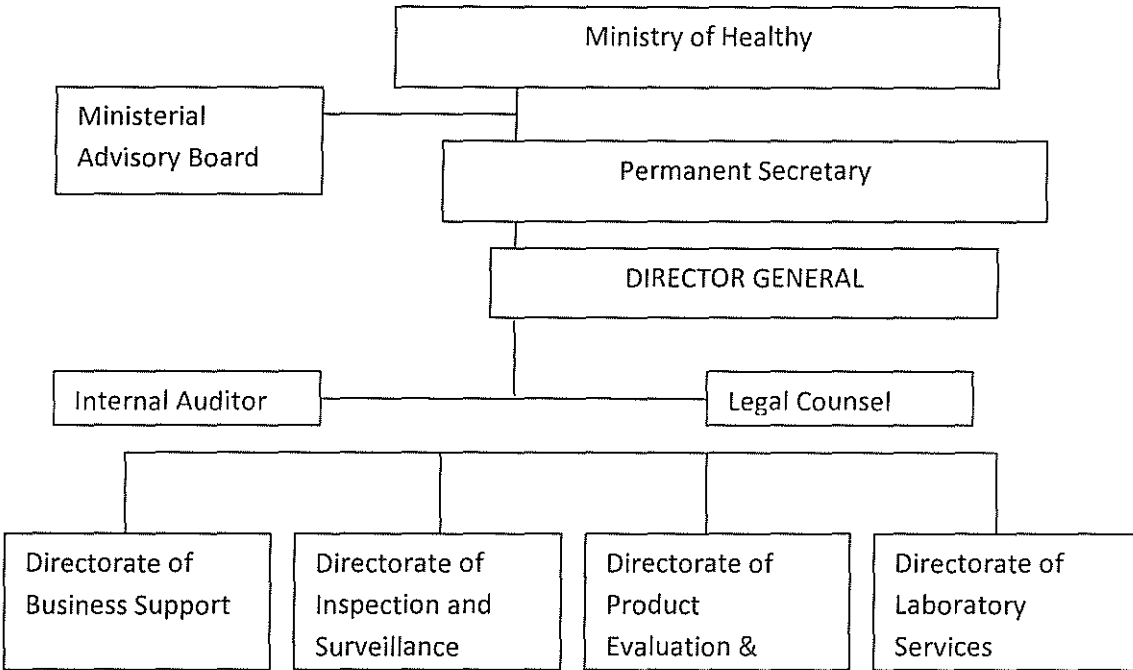
The fourth one is Directorate of Business Support which is responsible for administration and good management of TFDA resources and provision of supports to all technical operations to ensure smooth running of the Authority. Resources managed include personnel, finance,

information system and fixed assets. DBS is divided into four sections; -Public Education (PE), Planning Section (PLS), Information Communication and Technology Section (ICTS) and Accounts Section (ACS) which are headed by qualified personnel to ensure support required by technical departments are timely provided. TFDA collaborate with other stakeholders law enforcers including the Regional and Local Authorities in enforcing the Food, Drugs and Cosmetics Act, 2003

TFDA Stakeholders

- Product manufacturers, processors, distributors, wholesalers and retailers
- Law enforcers
- Practitioners/Researchers
- Health care providers
- International Organizations
- Non-Governmental Organizations
- Media
- Consumers and general public

TFDA ORGANISATION CHART



1.1.2. Organization of Finance Section

TFDA finance Section is divided into two major subsections; Expenditure Accounts (EA) and Revenue Accounts (RA) both headed by qualified accountants, assisted by Accounts Assistant cum cashiers. RA and EA are supervised by the Chief Accountant (CA) who reports to the Director of Business Support (DBS). Duties and Responsibilities of each personnel in Accounts section are well-defined in their job descriptions. In addition to job description, every staff sign an agreement with respective supervisor on annual performance targets to be achieved subject to respective job description and approved work plan which are evaluated biannually under open performance appraisal system (OPRAS) .

The finance section main responsibility is to manage the authority's financial resources which include but not limited, the collection of revenues, advising Director of Business Support on optimum utilization of financial resources and planning. Preparation of Financial and management accounting reports on weekly, monthly and quarterly basis. The Chief Accountant sits on Management and Ministerial Advisory Board (MAB) meetings as financial expert.

1.2 BACKGROUND OF THE PROBLEM

Tanzania government has no enough funds to meet its entire ministries requirement due to its budget deficit, which is the result of financial constraints facing the country. The country's budget is still highly depending on donor funds, which are in form of Aids, Grants and loans. The funds are used for supporting ministries to meet their planned objectives. It is the aim of the government to support TFDA in its effort to develop the health resources. Therefore in order for the agency to carry out its responsibilities, the timely release of funds and release according to approved budget are very important aspects in carrying out the planned activities of the agency. It is from the above challenges that the researcher will have to carry out the research on the "assessment of shortage of funds on effective implementation of the budget of an organization".

1.3 STATEMENT OF THE PROBLEM

Planning is a very important aspect in any organization. For any activity to be carried out effectively and efficiently it should first be planned for. Generally in all organizations, activities to be carried out are planned in advance so that all requirements for their accomplishments are laid out. Despite this practice, it has been a common observation that many organizations do not accomplish all the planned activities for a given period in time. This observation has been blamed on a number of factors some of them being; unrealistic budgets, untimely release of funds, the discrepancy between the proposed budget and the approved one, and the difference between the released funds to the approved budgets. In this research, the researcher intends to find out whether there is any relationship between shortages of funds and effective budget implementation in an organization and as a result bring to bear the resulting effects.

1.4 PURPOSE OF THE STUDY

The purpose of the study was to assess the shortages of funds on effective budget implementation of an organization.

1.5 OBJECTIVES OF THE STUDY

1.5.1 General objective

The main objective of this study is to carefully assess the shortage of funds on effective budget implementation at the TFDA

1.5.2 Specific objectives

These are as follows;

- ❖ To establish the relationship between shortages of funds and effective budget implementation of an organization
- ❖ To find out what types of funds are available for budgeting of an organization
- ❖ To examine the effects of shortages of funds on effective budget implementation of an organization

1.6 RESEARCH QUESTIONS

- i. What is the relationship between shortages of funds and effective budget implementation of an organization?
- ii. What types of funds are available for budgeting of an organization?
- iii. How the shortage of funds does affect the budget implementation of an organization?

1.7 SCOPE OF THE STUDY

.7.1 Geographical scope

Due to limited time and financial resources the study was conducted at TFDA Head quarters long Mandela Road as a case study, and specifically the study concentrated in department of accounts and finance, policy and planning department.

.7.2 Contextual scope

The study covered only the relationship between the shortages of funds and effective budget implementation of an organization, in TFDA Headquarters.

1.8 SIGNIFICANCE OF THE STUDY

The study will be useful to the management by informing them on the existing problem on budget implementation through the findings of the study.

The study will also be useful in enabling the Organization to use its resources effectively and efficiently by recommending on effective ways of budget implementation

The study will help in providing the adjustments in budgetary system and implementation to the industry in general where the same problems exist and hence bring about efficiency in the whole industry

The study will also help to provide up to date literatures for academicians and administrators in the departments of Accounts and Finance, Planning and Policy which also will be used for future literature review.

The study will contribute to the researcher fulfillment of the requirements for the award of bachelors' degree in business administration.

The research findings will be used by other researchers, students of Kampala International University, lecturers and administrators for further references.

CHAPTER TWO
LITERATURE REVIEW ON ASSESSMENT OF SHORTAGES OF FUNDS ON
EFFECTIVE BUDGET IMPLEMENTATION

2.0 Introduction

The purpose of this chapter is to identify various literatures and researches done on this topic. This will enable the researcher to have more knowledge and become more familiar with the problem studied.

2.1 THEORETICAL LITERATURE REVIEW

(Drury, 1985) The budget is often called an operating plan. It is used to plan expenditures and in guiding an organization through the upcoming fiscal year. The budget serves as the basis for financial reporting to the general assembly, ministry of finance and the citizens. A budget is a powerful tool for allocating limited resources among competing priorities within the community. Because needs always exceeds available funds, funds that are allocated to one activity must be denied to another activity. Budgeting means making choices.

A budget includes:

- ❖ Planned activities, projects and services;
- ❖ Estimates of the resources or revenues available; and
- ❖ Estimates of public expenditures necessary to finance planned activities

In its simplest form, a budget consists of a comprehensive listing of anticipated revenues and proposed expenditures for each function of government for a future twelve –month period, or fiscal year. Ideally, the budget represents a comprehensive allocation of limited resources among potential users. In this chapter the following concepts are covered:

- Meaning and types of funds

Due to the fact that the research was carried out at TFDA it is only fair that the researcher concentrated on Government accounting of funds.

- Cash Management

In order to cater for daily transactions in running an organization, funds are normally changed into cash. However cash is susceptible to loss and fraud. Hence a minimum level of cash is required at a time to reduce fraud and misappropriations.

- Budget and Budgetary control

It is with the budget that any organization communicates its future plans. Hence a budget is a very essential tool for running any organization.

- Internal controls

Internal controls for any Organization have to ensure that all rules and regulations, policies and procedures are adhered to.

After having explored these concepts, a conclusion is drawn basing on the reviewed literature.

2.1.0 MEANING AND CLASSES OF FUNDS

2.1.1 FUND DEFINED

The American National Council on Governmental Accounting has defined fund as; “.... A sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. (Arora, 2000)

2.1.2 Classes of funds

According to (Arora, 2000) et al in their Book titled Government Accounting and Financial Reporting Procedure (Tanzania); there are three classes of funds:

- Governmental funds:

These accounts for all activities except those assigned in Proprietary funds and Fiduciary funds.

2. Proprietary funds:

These account for sales of goods or services for which a fee is charged e.g. a public utility concern

3. Fiduciary funds:

These account for those resources for which the government unit is acting as a trustee.

❖ Governmental funds:

Accounting for governmental funds is mainly concerned with working capital i.e. inflows and outflows of working capital. The difference between inflows and outflows is called fund balance, which is also available for expenditure. The fixed assets are dealt with in General Fixed Assets Account group. Long –term debts are included in General Long-term debt Account group

Government funds further include: -

- General Fund: All the financial resources are accounted for, except those are which required to be accounted for in another fund.
- Special Revenue Funds: The proceeds of specific revenue sources are accounted for that is legally restricted to expenditure for specified purposes.
- Capital Projects Funds: Financial resources to be used for acquisition or construction of major capital facilities are accounted for.
- Debt Service Funds: To account for the accumulation of resources for, and the payment of, general long-term debt principal interest
- Special Assessment Funds: To Account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

❖ Proprietary Funds

1. Enterprise Funds- to account for operations: a) That are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs of

providing goods or services to the general public on a continuing basis be financed or recover primarily through user charges; or

b) Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and /or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

2. Internal Service Fund – to account for the financing of goods or services provided by one department or agency to other department or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis.

❖ Fiduciary Funds

Trust and Agency Funds – to account for assets held by a governmental unit trustee capacity or as an agent for individuals, i.e. Expendable Trust Funds, Pension Trust Fund and Agency Funds. Governments all over the world normally raise huge amounts of resources from various sources for the purpose of maintaining their operations for the benefit of the nationals of the country. The sources from which governments obtain resources include taxes, grants and aids, loans, dividends from government owned business ventures (or parastatals in Tanzania), income from investment, rents, rates, etc. The use of resources collected by the Government may be divided into two main categories depending on the purpose for which the revenue is going to be utilized, namely:

❖ Recurrent Revenue:

Refers to that revenue raised by the Government specifically for the purpose of meeting its day to day operating expenses E.g. payment of employees' salaries, office expenses, etc. The main sources of such revenue include taxes, fines, fees, rates, rents, etc.

❖ Development Revenue:

Refers to that revenue collected by the Government to meet its long-term development projects e.g. construction of roads and dams, etc. The main source of such funds is normally from long-term loans, grants and aids. The expenditure of the Government is classified into three sections

namely, the Consolidated Fund Services or Statutory Expenditure; Recurrent Expenditure; and Development Expenditure.

- Statutory Expenditure or Consolidated Fund Expenditure;

Is that type of expenditure, which has been provided in the Constitution of Tanzania or any other Act of Parliament to be paid directly from the Consolidated Fund without requiring the annual approval of the National Assembly in the form of Appropriation Acts or Supplementary Appropriation Acts. Examples of such items of expenditure include the following: -

1. Salaries, allowances, pensions and gratuity (if applicable) of the following officials
 - a) Judges of the High Court and Court of Appeal;
 - b) The Chairman and Members of the Permanent Commission of Enquiry;
 - c) The Controller and Auditor General.
2. Salaries, allowances, pensions and gratuity of the President of the United Republic and all expenses to be incurred in connection with the State House.
3. Repayment of Public debts including interest payable thereon, if any.
4. Pensions for Pensionable officers of the Government and contract gratuity payments.

- Recurrent expenditure;

Means the expenditure incurred by the Government in its day-to-day operations. This type of expenditure has probably assumed this nomenclature because of its recurring nature. Examples are salaries and wages of government employees, office expenses, purchased of drugs, running expenses, etc.

- Development expenditure;

Means expenditure incurred by the government in long term projects like the construction of dams, roads, bridges, building hospitals and schools, etc.

2.1.3 CASH MANAGEMENT

2.1.4 Introduction

Cash management is required because cash may be readily misappropriated. In managing cash, the cash budget is important; because it forecasts revenue to be collected, inventory requirements and time when payments must be done.

According to (Meigs, 1995) the basic objectives of cash management are:

- a. Providing accurate accounting for cash receipts, cash disbursement and cash balance.
- b. Preventing and minimize losses from theft or fraud. Cash is more susceptible to theft than any other asset
- c. Anticipating the needs for borrowing and assuring the availability of adequate amounts of cash for conducting operations. An organization must have sufficient cash to meet financial obligation as soon as they come due, otherwise, its creditors may lose their trust on the organization's ability to pay the dues.
- d. Prevent unnecessary large amount of cash from sitting idle in bank account, which produce no revenue. Well managed organizations frequently review their bank balances for the purpose of transferring any excess cash into equivalents or other investment that generate revenue.

2.1.5 General Rules regarding cash security.

As stated earlier in this report, the research was conducted at the Tanzania Food and Drugs Authority headquarters which is operating under the Ministry of Health and Social Welfare, then it is worthwhile reviewing the General Responsibility regarding security of cash in Government accounting. Every officer having government cash in his possession is held fully responsible for it during the whole period of such possession and he must be able at any times to account in full for the cash held as follows: -

1. Disbursement of cash – by producing cash and properly authenticated paid vouchers equal to the total cash issued to him for payment purposes.

2. Cash Receipts by producing duplicate receipts or in the case of receipts having no official copy, a statement of issue

- Safe Custody

Every officer who is required to hold Government cash must ensure that the means of cash storage available to him are both secure and adequate. Where it is not so, he must immediately report to the accounting officer. It is the duty of every accounting officer to ensure that the cash security arrangements in force throughout his organization are fully satisfactory, that his officers are fully instructed in all aspects of cash handling and that no officer is made responsible for holding cash without being provided with suitable means of safeguarding it.

The cash security arrangements of an organization must be frequently reviewed to ensure that changing circumstances have not rendered particular security measures obsolete or unsound. The methods of cash storage used at a particular time will depend largely upon the value and quality of cash to be stored; the length of time it is necessary to store it and the circumstances in which collecting or handling officer operates. Accounting Officers should pay particular attention to mobile cash and issue suitable instructions. (Arora, 2000)

- Cash Boxes- Safe and Strong Doors

The following aspects should be observed in respect to the cash boxes, safe, or strong doors; supply, anchorage, use, keys and loss of keys. The researcher chose to discuss in details the aspect of loss of keys in respect to cash boxes, safe and strong doors; If the key of a cash box, safe, or a strong room is lost, the following action will be taken: The officer responsible to hold the key will report the loss without delay to his immediate superior and the police. His superior will arrange to obtain the duplicate key, and the cash box, safe or strong room concerned will be opened in the presence of suitable witness and the contents verified.

The loss will be reported as soon as possible to the accounting officer and the treasury where the lost key relates to the cash box, fresh key will be cut before the box is again brought into use. Further the box would be transferred to another part of the region under intimation to the holder of the holder of the duplicate key. Where the key relates to a safe or a strong room, it will be necessary for the wards of the lock to be exchanged. The cost of the new key or wards change

will be recovered from the officer responsible for the loss of the key. (Details to the other aspects are clearly spelt out in the financial orders)

- Loss of cheque:

If a cheque is reported lost stop order will be placed on the bank. Replacement cheque will not be issued unless the bank has certified non-payment of the lost cheque and confirmed noting of the stop order. (Arora, 2000)

- Loss of cash/ stamps:

No action is required to be taken in the case of a minor loss of cash arising out of the normal hazards of cash handling provided that the shortage side made good. All other losses or suspected losses of cash stamps, promissory notes etc. will be immediately reported to the officer in local charge of the department who will arrange for an investigation. Where fraud or theft is apparent or suspected the police will also be informed. If the amount of loss is in excess of Shs 10000/= the Treasury will also be informed on the day of the loss or the discovery of the loss.

A full loss report on the lines of Appendix H to the Financial Orders part 1 will be sent to the above officers (Treasury in the case of loss of over 10000/=) subsequently but in any event within ten days of the occurrence. All cases of the loss of cash will be pursued energetically till finalized. No cases will be closed till the issue of a "Loss Finalization Certificate" A copy of the loss report (for each loss) and copies of all correspondence must be sent to the Exchequer and Audit Department also.

- Handing over procedure

Following action will be taken when handing over charge of cash: -

- a) The cash book revenue and stamps registers etc. will be balanced and both the outgoing and incoming officers will sign them for the amount handed over. Vote books will be written up to date and totaled.
- b) Both the outgoing and the incoming officer will physically check the amount of cash stamps in the cash box, safer, or a strong room and see that it agrees with the amount shown in the cash book registers etc.

c) A handing over statement will be prepared in which the following articles documents records will be noted: -

- Keys of the cash boxes, safes, etc. handed over,
- Revenue stamps, official postage stamps embossed paper etc.
- Trophies viz. elephant tusks, rhino teeth, and animal skins etc. as per trophies register
- Accountable document as per “Counterfoil Register”
- Copies of all orders, circulars, financial ordered and books of regulations.

This statement will be signed by both outgoing and incoming officers and a copy thereof will be sent to the Principal Secretary of the Ministry /Regional Development Director.

2.1.6 BUDGET AND BUDGETARY CONTROL.

(Mugittu, 1988) defines budget as the annual estimates of both revenue and expenditures of the government, it is a document, which contains detailed estimates of both revenue and expenditure of the government for a particular financial year. From this definition, budgeting is the whole process of preparing the government’s revenue and expenditures and finally approving them

2.1.7 Budget Concept

According to Oxford Advanced Learners Dictionary, the word budget may mean any of the following,

- ❖ An estimate or plan of the money available to and how it will be spent over a period of time.
- ❖ An amount of money needed or provided for a specific purpose
- ❖ An annual government statement of a country’s income from taxes and how it will be spent.

From those three definitions, the third one is preferred to others due to nature of this study as it defines budget from the government or federation point of view. According to (Drury 1998), the

various activities within a company should be coordinated by the preparation of plans of actions for future periods; these detailed plans are usually referred to as budget. Short term planning or Budgeting must accept the environment of today and the physical, human and financial resources at present available to the firm.

A budget is a short-term financial plan or an action plan to guide managers in achieving the objectives of the firm or it may be defined as a compressive and coordinated plan expressed in financial terms for the operations and resources of the firm for some specific period of time. (Mwisho, 2002) Budget is a quantitative expression for a set time period of a proposed future plan of action by management. It can cover both financial and non-financial aspects of these plans and acts as blueprint for the organization to follow in the upcoming period. (Horngren 1997).

2.1.8 Budget Cycle

According to (Horngren, 1997) the following aspects should be emphasized in the budget cycle of a well-managed organization;

- ❖ Planning the performance of the organization as a whole as well as its subunits, the entire management team must agree to what is expected.
- ❖ Providing a framework of references, a set of specific expectations against which actual results can be compared.
- ❖ Investigating various variations from plans if necessary, corrective actions follow investigation and planning again, considering feedback and changed conditions.

In explaining the budget cycle in government institution, IFMS manual states that, Budgeting forms part of the annual financial management cycle i.e. planning, budgeting and continuous monitoring during the financial year. The planning commission prepares annual performance review to assess the strength and weaknesses for previous year. This start in July each year, hereafter in august it prepares the macroeconomic frame with details of economic policy and resources projections and recommended allocation. The policy analysis department at the treasury in September each year prepares the national planning and budget guideline, indicative expenditure ceilings, revenue targets and mid-year review directives.

The inter-ministerial technical committee (permanent secretaries) submits the guidelines to the cabinet secretariat for security and approval. There after the budget guidelines are submitted to the cabinet for final approval. Meanwhile, the organization and independent departments start preparation of organization guidelines and estimate in October and November each year. In January each year the planning commission prepares consolidated and coordinated overview and seeks guidance/approval from the cabinet. The approved budget frame distributed to the independent departments.

The accounting officer should prepare in discussion with the ministry/independent department management team and submit the budget to the treasury budget department for defending and approval of the budget not later than three months before the end of each early part of May and get approval.

2.1.9 Purposes of Budgeting

The IFMS manual, states that a budget is a plan of action expressed in monetary terms in order to achieve specific objectives, it is thus a management tool for steering central government towards the objectives and it also facilitates possibilities to control and evaluate its performance. In order to be effective, budgets holders should be given sufficient financial training to give them adequate tools for effective participation in setting of budget and monitoring actual performance.

The budget should be based upon a thorough assessment of the performance in the previous years, the current situation and basing on the objectives and strategies for the future, as set out in the long term plan for government. Budgets should be prepared under performance budget principles within the context of overall central government's policy framework. The budget must ensure that sources of funds are realistic and provide adequate cover for the budgeted expenditure without budget period.

2.1.10 Reasons for Producing Budget

According to (Muggitu, 1988) the purpose of budgeting in government institution includes provision to government with a regular and systematic reconsideration and re evaluation of government plans and objectives from the efficiency, economy, and effective point of view, to

provide a guide for allocation of resources, to serve as a device for communicating to the public of the government's intention towards the achievement of its objectives through use of public funds. Budget also provide basis information discussion and control of government financial operations within government institution and establish an authority for both collection of and expenditure against public revenues. (Drury1998) explains the benefits of budgeting under the following headings; planning, coordinating activities of various parts of organization, communicating plans to various managers, motivating managers, controlling activities and evaluating the performance of managers

- To aid planning,

Budgeting process aid planning because the major planning decisions will already have been made as part of long term planning process. However the annual budgeting process leads to the retirement of those plans. The budget serves as a vehicle through which the action of the different parts of an organization can be brought together and reconciled into a common plan.

- Budget enhances communication

So as to function effectively, there must be definite lines of communication so that all the parts will be kept fully informed of the plans polices and constraints to which the organization is expected to conform

- Budgets Motivates Managers

The budget is a useful device for influencing managerial behavior and motivating manager to perform in the line of organization object.

- Controlling Activities

Budget assists managers in managing and controlling the activities for which they are responsible. The controlling aspects relates to comparing actual performance with the budget investigating the deviations (if they are significant) and making the corrective action whenever possible.

The performance of segments and individuals are normally evaluated by measuring the budgeted performance.

2.1.11 Process of Setting a Budget

According to (Muggitu, 1988) The United republic of Tanzania has adopted an institutionalized system of budgeting. The system is an appropriate and systematic one in executing plans and accounting for revenue and expenditures. The process, which is performed on an annual basis, involves the determination of sources of revenue and the utilization of such revenue in the running of various government operations in accordance with the predetermined priorities and in compliancy with legal provisions. The process of budgeting is basically completed with the main aim of achieving government objectives; the process is normally completed in or through major stages, which are: review, formulation and authorization stages,

2.1.12 The Review Stage

This is the first stage in preparing a budget, in this stage, both revenue and expenditure performance during the past year is reviewed. The review of the past performance on revenue collection and the performance of the economy in general have to be carried out before estimating for revenue collection the year of budget. The review exercise is carried out on the basis of the nature of revenue to be collected. Expenditure on government activities falls into development and recurrent expenditure, the review of these is made by the treasury on the previous year's actual performance.

2.1.13 Budget Formulations stage

Procedures, which are followed in the preparation of these estimates, are as follows.

2.1.14. Revenue estimates Procedures

The Treasury issues a circular letter to all Receivers of Revenue sometime between the month of December and January, requesting them to compile draft estimates of revenue for the financial year commencing from the next July. The draft estimates are to be compiled and submitted to the Treasury in a prescribed format along with full details. Internal Revenue Officers are also required by the Treasury to submit estimates of revenue to be collected by them during the financial year basing them on the existing rates of taxes. The draft estimates of both the Receivers of Revenue and the Internal Revenue officers are then consolidated by the Treasury

for the purpose of getting the full picture of the total revenue the Government may raise in the issuing financial year on the basis of the existing taxes rates, etc.

At this point the Treasury would also compile the consolidated draft estimates of expenditure for the same period as will be explained below. Since Revenues during the year is to approximately match the expenditure, some revision in the existing rates of taxes, levying of new taxes etc, may be necessary. Proposals for the same are drawn up by the Treasury “Confidentially” and draft estimates of revenue will then be worked out. It is only during the budget day that proposal for changes in the taxes or the Minister of Finance reveals introduction of new taxes to the public and the members of parliament. (Arora, 2000)

RECURRENT EXPENDITURES ESTIMATE PROCEDURES

In the case of estimates of expenditure likewise, the treasury initiates action by rendering a circular letter to all Accounting Officers. The circular is issued normally in January and it contains detailed instructions regarding the preparation of the draft estimates including the format. Upon receipt of the circular, the various Accounting officers issue instructions to various heads of division under them to compile the estimates relating to their divisions. The divisional officers likewise write to their functional officers, who in turn, ask the officers directly concerned with the execution of schemes, performance of services- (warrant holders) to do the needful in respect of work /services with which they are concerned. Before the estimates are approved the following procedures are followed:

i. Rendition of draft estimates to the accounting officers

The warrant holders submit the draft estimates to their functional officers, who consolidate them and after adding the estimates relating to their own offices pass on the same to their divisional heads. Divisional draft estimates are being consolidated and passed to the appropriate accounting officers.

ii. Action of the Accounting Officer.

The accounting officer is duty bound to see to it that Divisional draft estimates are received well in time. These estimates should then be critically examined. The accounting officer will by then have received from the Treasury "ceilings" within which estimates of the ministry are to be prepared, and will ensure that the estimates are framed within those limits. The draft estimates of the ministry should then be consolidated and submitted to the Treasury.

iii. Action in the Treasury

The Treasury checks the draft estimates received from all ministries, extra ministries departments and regions. In so doing some services included in the draft estimates may come to light for which the Treasury may feel either that the expenditure that can be postponed or that the amount can be reduced. Such matters are normally discussed with the appropriate accounting officer and on a mutually agreed to basis the draft estimates may be amended. The Treasury then consolidates the estimates of all the ministries, departments /regions (including their own) and gets proof copies prepared which are submitted to the Finance and Economic Committee of the National Assembly.

iv. Approval of the Estimates

The Finance and Economic Committee critically examines the estimates. It may in some circumstances be necessary to call upon an accounting officer to explain / defend the provisions made by him in his estimates. The committee may propose amendments, which will reduce the amounts. After the Committee has completed its thorough examination the annual estimates are submitted to the National Assembly. The Minister for Finance, who requests the National Assembly to resolve itself into a committee of supply and approve the estimates, again does this during the budget day.

The minister, on this day reveals any decrease / increase in the existing rates of taxes or levying of the new taxes. The estimates are discussed in the National Assembly and after the completion of the debate an Appropriation Bill and Finance Bill is introduced. If the National Assembly approves these Bills they are submitted to President for assent and on such assent being given,

the bills takes the form of Acts giving power to the government to incur expenditure and to collect revenue as provided in the estimates.

v. Release of funds to Accounting Officers

After the coming into force of the Appropriation Act, the Treasury, will by warrant, make a request to the Controller and Auditor General for the release of funds. If the Controller and Auditor General is satisfied by the correctness of the warrant he grants credit on the exchequer account for the amounts: -

- a) Becoming payable during the ensuing three months on account of the consolidated funds services.
- b) Not exceeding in whole, the sum applied by the appropriation Act for the services of the financial year

Every such credit granted is enough authority for the Bank of Tanzania to issue from the Exchequer Account in accordance with the instructions of the Treasury, amounts specified. (Arora, 2000)

vi. Allocation of Funds to Warrant Holders

Upon receipt of the Exchequer issue notification from the Paymaster General the Accounting Officer proceeds to allocate funds to his departmental officers. He issues warrant of funds to the heads of Divisions / units under him specifying therein amounts to be spent for various services. The process is repeated until they come to the officers who are responsible for the execution performance of services. All officers who are allocated funds are called "Warrant Holders". Each one of them is assigned with a warrant holder number, which he is required to quote all payment vouchers they submit.

1.15 Budgetary Control

Arora, 2000) has defined Budgetary Control as follows: "Budgetary control of expenditure means the control exercised over government moneys against the budget provision in order to

ensure that there is neither over-expenditure nor unnecessary large savings". Treasury, Accounting officers and Warrant Holders themselves exercise the control.

Chartered Institutes of management Accounts (CIMA) defines budgetary control as the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and continuous comparison of actual with budgeted results either to secure the individual action, the objectives of the policy of the policy or to provide a basis for the revisions. Therefore it involves establishment of budget, comparison with actual figure so obtained and revision of budget.

(Horngren and Foster, 1997) defines budgetary control system as the use of comprehensive system of budgeting to aid management in carrying out its functions like planning coordinating and control. So it may involve.

- Division of organizations of its functional basis
- Preparation of separate budget for each other
- Consolidation of all functional budgets
- Reporting these variances with proper analysis

Since the research is carried out at the Government institution let us revisit the Definition by (Arora, 2000) examine how the treasury, Accounting Officers and the Warrant holders exercise the budgetary control:

The control by the Treasury is done through the following provisions

- a) Funds in the form of exchequer issued are released to Accounting Officers quarterly.
- b) Monthly-itemized statements of expenditure are obtained from which progress of expenditure against budget provisions are watched and action to warn the officers for excess or to freeze or withdraw funds, if there is expected to be large savings is taken.
- c) Flash reports submitted regularly are examined.

The control by accounting officers include

- a) Issuance of warrant of funds on quarterly basis
- b) Issuance of strict instructions to the warrant Holders not to spend more than the allocated funds
- c) Reviewing of monthly statements of expenditure and taking corrective steps.

The controls by the Warrant holders consist of;

- a) Ensuring that the vote books are properly maintained by their offices and that regular reconciliation are made with the statements of accounts received from the central Account Unit / Machine Room
- b) Abstaining from incurring expenditure not provided for in the estimates and take timely action for obtaining funds for any unforeseen and urgent expenditure
- c) Surrendering at the earliest opportunity any amount provided in the estimated but not expected to be expended during the year

The aim of budgetary control is to provide a formal basis for monitoring the progress of the organization as a whole and of its component parts, towards achievement of the objectives specified in the planning budget. The budgetary control system provides some of the feedback necessary to be able to make corrections to current operations and activities in order to meet the original objectives and plans. (Lucey, 1988)

(Saleemi, 1990) mentioned the main objectives of budgetary control as, formulating the policy of the business, to coordinate the activities of the business in order to achieve a specific target; To control each functions so that the best possible results may be achieve

2.1.16 Budget Administration

Effective budget administration requires the identification of an individual to coordinate the exercise of teamwork in the preparation of budgets and clear guidelines about what is required; these issues are settled by selection of budget officer, who is responsible for the following tasks;

- a) To control budget administration,
- b) To act as a secretary to the budget committee,
- c) To offer advice and assistance on the financial implications of plans being considered by the committee of financial budgets,
- d) To prepare a budget manual.

Other responsibilities include, designing and implementing a program for the completion of the budgetary procedures and ensure adherence to such programs, and acting as a coordinator between the different executives on the committee.

2.1.17 Budget Committee

The Budget committee should consist of high-level executives who represent the major segments of the organization. The committee is responsible for the implantation and maintenance of suitable procedures for the preparation, approval and revision of budgets. The committee is responsible for the following;

- ❖ Specifying the dates and procedures for submitting functional budgets for approval
- ❖ Receiving and examining the functional budgets to ensure that they conform to corporate objectives.
- ❖ Identifying any limiting factors and suggests revisions to budgets and prepares the master budget
- ❖ Specifying the dates and procedure for the submission of statements of comparison between budgeted and actual performance
- ❖ Receiving comparison statements and explanations of significant deviation

2.1.18 Budget Manual

A budget manual is a collection of instructions governing the responsibilities of person and the procedures, forms and records relating to the preparation and use of budget data. The manual contents includes, The duties and responsibilities, The budget operating procedures, the budget committee composition and its function, the responsibilities and duties of budget officer, reports and forms, report periods and the indices.

2.1.19 Internal Controls

- The system of internal control includes all the measures taken by an organization for the purposed of;
- Protecting its resources against waste, frauds, and inefficiency;
- Ensuring accuracy and reliability in accounting and operating data;
- Securing compliance with company policies; and
- Evaluating the level of performance in all divisions of the company.

It is particularly important to maintain strong internal controls over transactions involving cash receipts and cash payments. In fact, the concept of internal control is so important that it affects all the assets of the organization, all liabilities, the revenue and expenses, and every aspect of operations. The purpose of internals is to aid in the efficient operation of an organization.

2.1.20 Internal control as a two way communication system

The decisions made by the management become the organization's policy. To be effective third policy must be communicated throughout the organization and followed consistently. The results of the policies – the consequences of managerial decisions must be reported back to the management so that the soundness of the organization policies can be evaluated and continuous updating process carried out.

Among the means of communication included in the system of internal control are organization charts, manuals of accounting policies, and procedures, flow charts, forecasts, internal audit

reports, job descriptions, purchase orders, interim financial statements, operating reports, and many other types of documentations.

2.2 EMPIRICAL LITERATURE REVIEW

In this section the researcher reviews the works done by other researchers that in one way or other relate to the topic discussed. It aims at relating the theoretical literature review with the findings of other researchers. The research done by Mtwale (2000) titled Effectiveness of Budget in achieving organization objectives reveals that the organization budget control involves the following:-Establishment of budget Continuous comparison of actual with budget for achievement of target and responsibility for failure to achieve the budgeted figures. Revision of budget in this light of changed circumstances.

The research done by (Obonyo,2000) titled Effectives of Budget in achieving organizational objectives reveals that; Formulating objectives helps as a means of managing people and allocation of resources objectives, also act as a basis of control. The objectives formulated are then translated into budgets within this budget, the revenue to be earned and cost to be incurred in generating revenue are estimated and ascertained. Participation of managers in formulating and preparation of budgets, usually affects their willingness to participate in implementing the budge.

Participation increase the probability that goals of the budget will be internalized by the involved individual i.e. they will accept these goals as their own. Participation of managers and other staff from different department in an organization, in formulating and preparation of budgets usually affects their willingness to participate in implementing the budgets. O'Dea, W.A (1999:9-11) reveals that, "Participation in the Budgetary process is very important, a range of rationales are used to justify the introduction of participation in the budgetary process".

Some advocates see it as causing employees to feel part of a team, to feel respected and feel that they are an important part of the process-other look on it as an instrumental for improving morale, for making work activities more meaningful and increasing personal commitment to argets. In order for the organizations to meet its objectives needs to formulates plan for what will be going to be achieved in financial year. By identifying the objectives of the organization

will help to manage and well use of the available resources. This view also shared by Obonyo, (2000: 9) as follows, “formulated objectives helps as a means of managing people and allocation of resources objectives, also act as a basis of control”.

The objectives formulated by the organization are then translated into budgets within this budget, the revenue to earn and costs to be incurred in generating revenue are estimated and ascertained. Also Manfred, N (2001:32) added that, any organizations need to be managed effectively and efficiently so that it can achieve its objectives by optimizing the use of the available resources. The process of managing the resources is facilitated when the management plans its future causes of action and takes decisions in a professional manner. Budget is a basic tool for planning future causes of action and implementation of various activities in the organization as it acts as a bridge between plans and performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology is a systematic attempt or procedures that will help a researcher to avoid self-deception. The researcher aiming at providing accurate descriptions and explanation on the things he will observe on the field. Thus, this chapter describes how the study is designed and how it will be carried out. It also gives the sampling procedures, data collection methods and data analysis techniques.

3.1 RESEARCH DESIGN

The research design is a blue print that guides the researcher in the process of organizing, analyzing, and interpreting data found. It is a framework for providing answers to the research questions in the best possible way, within the constraints put to the researcher such as time, budget and skills. Different types of research designs exist depending on the nature of a particular study. These comprise of experimental research design, sample survey study design and case study research design. Due to the nature of the “research problem” in this study of evaluation of the effects of shortages of funds on effective budget implementation of an organization, a case study design was employed. This design was selected because of its flexibility in terms of data collection and analysis methods as its ability to provide in-depth study of the variables. The design allows an investigation (study) of the unit of study over a range of variables.

3.2 AREA OF THE STUDY

The research was conducted at TFDA organization plant. The researcher selected a sample that was believed to present the general view of the organization; however the area of concentration was Accounts and Finance, Policy and Planning department.

3.3 RESEARCH TECHNIQUES

The researcher used simple Random Sampling Technique in the course of selecting a sample of individuals to be interviewed and in distributing the questionnaires.

This technique was chosen because the study is a qualitative study design. This same technique was employed in obtaining a list of relevant department on which the study was carried out.

3.4 SAMPLING TECHNIQUES

The researcher used Simple Random Sampling Technique in the course of selecting a sample of individuals to be interviewed and in distributing the questionnaires. This technique was chosen because the study is qualitative study. Also the research used observation technique that is systematic watching and recording the behaviors and other characteristics of living being the information obtained to be used to complement the data collected by other techniques

3.5 SAMPLING SIZE

The research was conducted at Tanzania Food and Drugs Authority (TFDA) Head Quarter Dar-es salaam. The offices are allocated along Mandela Road at external mabibo. The sample size comprised of twenty (20) respondents. This is the size found affordable and adequate for the purpose of the study.

3.6 DATA COLLECTION METHODS

In carrying out the study the researcher will employed documentary, interview and questionnaire as instrument for data collection.

a) Documentary:

The researcher passed through the documents kept by TFDA such as manuals, annual financial reports and budgets, cash related documents, office files and other document deemed necessary as per topic under consideration to substantiate secondary data.

b) Interview:

The researcher employed unstructured interview to solicit the information from different staff member in order to obtain necessary information for the study. The method seemed to be proper as it helped to explore more information from the interviewees

c) Questionnaire

The researcher designed both open and close-ended questions; The former type are useful in obtaining information which the research is not familiar with such opinions, altitude, suggesting from the information where as closed questions will offer a list of possible time or answers from which the respondent must choose. Also the research used observation technique that is systematic watching and recording the behaviors and other characteristics of living being the information obtained to be used to complement the data collected by other techniques. Questionnaires were distributed to different staff member of TFDA in order to get information about the topic under investigation.

3.7 TYPES OF DATA TO BE COLLECTED

Both primary and secondary data were collected: Primary data were collected through Interview, questionnaires and observation. Secondary data were collected by reviewing literature through memos, letters as well as documents in the organization.

3.8 DATA ANALYSIS TECHNIQUES.

The researcher analyzed the data by using both methods, qualitative and quantitative techniques. These methods were used in order to make the report simple and understandable.

3.8.1 Quantitative techniques.

The researcher analyzed data in respect of the research design. The elements of each variable of the study were thoroughly analyzed by checking to what percentage the element achieved. The researcher chose 90% as an optimal achievable result letting 10% to be a variation allowance from the effectiveness. This means that if the element will be achieved by 90%, it is effective. The elements were set in such a way that they prove one of the research assumptions and in that way the objectives of the study were fulfilled. The elements of the independent variable (shortages of funds) were:

- Timeliness of the release of funds
- Release of funds as per approved budget

The dependent variable was effective implementation of the budget of an organization.

3.8.2 Qualitative technique

This method use logical statement to analyze the data collected on interview, observation and documentation during the study. Thus the researcher employed this technique in order to make clear the real situation prevailing at TFDA.

3.9 DATA PRESENTATION.

This part deals with explanation of the research finding which means what was found after the research is being completed, statistical tables, charts and figures were used to present information and make the report read and interpreted properly.

CHAPTER FOUR

RESEARCH FINDINGS, DISCUSSION AND INTERPRETATION

4.0 PRESENTATION OF THE FINDINGS

This chapter put forward research findings based on the questionnaire, interview, observations and documentation. The findings confined with the TFDA and the projects under the organization. The findings cover the following;

- Situation analysis of the TFDA
- Control procedures over funds
- Interpretation of the findings

4.1.1 Situation analysis of the TFDA

4.1.2 Recent history

Tanzania Food and Drugs Authority (TFDA), is a regulatory body under the Ministry of Health and Social Welfare which is responsible for controlling the quality and safety of food, drugs including herbal drugs, cosmetics and medical devices. It was established under Tanzania Food, Drugs and Cosmetics Act No. 1 of 2003, which repealed the Pharmaceuticals and Poisons Act No. 9 of 1978 (which established the Pharmacy Board) and Food (Control of Quality) Act No. 10 of 1978 (which established the National Food Control Commission).TFDA became operational on 1st July, 2003.

Functions of TFDA

1. To regulate importation, manufacturing, labelling, distribution, storage, promotion and sale of food, drugs, herbal drugs, cosmetics and medical devices
2. To inspect manufacturing facilities, product outlets and inlets to verify compliance to set standards and practices
3. To prescribe standards of quality, safety and effectiveness for food, drugs, herbal drugs, cosmetics and medical devices
4. To evaluate and register food, drugs, herbal drugs, cosmetics and medical devices before approval for use

5. To issue licences and permits for dealing in products regulated by the Authority
6. To analyse food, drugs, herbal drugs, cosmetics and medical devices to determine their quality, safety and effectiveness
7. To collect data of adverse health effects related to the use of the products regulated by the Authority
8. To promote rational use of drugs, herbal drugs, cosmetics and medical devices
9. To educate and provide unbiased information to the stakeholders and the general public on the products regulated by the Authority.

Mission

To protect and promote public health by ensuring quality, safety and effectiveness of food, drugs, cosmetics and medical devices.

Vision

To become the best regulatory authority in regulating food, drugs, cosmetics and medical devices in Africa by 2015.

Philosophy

TFDA strives to offer quality regulatory services in the pursuit of protecting public health and environment by using competent and dedicated staff.

TFDA collaborates with the Regional Administration and Local Government Authorities in enforcing the Food, Drugs and Cosmetics Act, 2003

Roles and responsibilities of manufacturers

- ❖ Manufacturers of products regulated under the Tanzania Food, Drugs and Cosmetics Act, 2003 have an obligation to safeguard the health of consumers.
- ❖ Obtain permits and licenses to legalize their operations

- ❖ Adhere to Good Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP) including establishment of laboratories of in-process control
- ❖ Comply with standards and specifications as stipulated in the law
- ❖ Comply with packaging and labelling requirements
- ❖ Employ qualified personnel
- ❖ Report to the Authority of any contraventions of this Act
- ❖ Report to the Authority whenever there is unfit product in the market

Roles and responsibilities of distributors and retailers

- ❖ This group is very close to consumers as it links the manufacturers and consumers.
- ❖ Be well informed on how to operate their business
- ❖ Comply with the law and guidelines in carrying out their business e.g. GSP, GDP
- ❖ Employ qualified personnel
- ❖ Obtain permit or licenses for their businesses
- ❖ Cooperate with TFDA in matters related to safeguarding the health of consumers e.g. report ADRs, product quality problem etc
- ❖ Refrain from illegal dealings and malpractices

4.1.4 TFDA INITIATIVES TO PROMOTE LOCAL PRODUCTION (PRIVATE SECTOR)

TFDA has established its Zonal offices in Mwanza, Arusha and Mbeya regions for Lake Zone, Northern Zones and Southern Highlands Zones respectively in an effort to extend services closer to customers and stakeholders. Furthermore, communication among TFDA stakeholders has been improved by development of TFDA website i.e. *www.tfda.or.tz*

TFDA also (in 2006) developed the Clients' Service Charter in collaboration with its stakeholders purposely to set standards for gauging the level of service delivery in order to

establish a strong service delivery culture within TFDA. As such, the charter describes TFDA's commitment to its clients/stakeholders and sets out the standards of service that they can expect when dealing with TFDA. It also complements TFDA's Framework Document, Strategic and Business Plans as well as spelling out stakeholders' responsibilities.

In an effort to promote good governance through improved transparency, stakeholders' participation and self regulation of involved sectors, the Authority decided to establish stakeholders' forum which shall among other things discuss issues of interest that impart on interested stakeholders' business performance and consumers' protection as a result of enforcement of the Tanzania Food and Cosmetics Act, of 2003. The first such meeting was held in August, 2007 where the TORs for the forum were also presented.

It was realised that a significant proportion of food manufacturing plants is not licensed by the TFDA. Such a situation implies that quality and safety of such products cannot be guaranteed and therefore does not provide adequate protection of consumers' health.

In 2003-2008 TFDA strategic plan, a number of activities were identified, among other things were geared towards promoting compliance to Good Manufacturing Practices (GMPs) by local food manufacturers. Since the status of food manufacturing plants was not known, it was necessary to conduct a baseline survey in Tanzania mainland so that core factors affecting the industry are identified. The outcome of the survey is the basis for discussing with relevant stakeholders on strategies for developing the food industry as improving compliance to Good Manufacturing Practices is a shared responsibility among different stakeholders.

Programme to promote local industries for pharmaceuticals have led to increased capacity from 10% to 30% of meeting drugs demand in the country. The baseline survey has revealed the following findings there are at least 614 food manufacturing plants in Tanzania mainland. The number of micro and small scale food plants being higher than medium and large scale. Similarly twenty categories food types were identified, with varying proportions of number of micro, small

medium and large scale plants. The proportions of plants based on scale of operation were as follows, large (10.9%), medium (15.0%), small (28.7%) and micro scale food plants 45.4(%)

4.1.5 Recent Initiative and Development

4.1.5.1 The National Development Vision 2025

The 21st century is an era of stiff competition in development. Countries with greater technological capacity, high productivity, modern and stable infrastructure. Tanzania has put in place a new development vision 2025 to arouse, join together and direct efforts, thoughts and healthy resources towards important areas, which will enable it to reach its development targets. In pursuit of the vision, TFDA role is to develop policies, strategies and actions aimed at not only stimulating high rates of economic growth, but also promoting sustainable utilization of resources.

4.1.5.2 Poverty Reduction Strategy Paper (PRSP)

The government of Tanzania strategy to reduce poverty focuses on three critical dimensions: -

- Income poverty
- Deficiencies in human resource and,
- Extreme vulnerability faced by most vulnerable groups and areas.

Almost half of the population in Tanzania lives below the poverty line of survival over a quarter particularly in rural areas is foods poor. Although deliberate government efforts to eradicate poverty began during the 1970's, the indicators still reflect very high levels of deprivation. The major constraints towards efforts to combat poverty have been noted to be poor governance, cultural factors, illiteracy and poor condition in rural roads, poor marketing systems for agricultural products and non availability of inputs and implements as well as inadequate and poor extension services.

PRSP brings together, in coherent framework, all of the country's programs aimed at poverty reduction, thus providing opportunity to adopt a more systematic approach directed at monitoring and evaluating the impact of Tanzania's effort to combat poverty. In the case of

Organization efforts are made to come up with concrete plans and strategies aimed at systematically combating the causes of poverty and thus contributing towards reducing and ultimately eliminating it.

4.1.5.3 The Public Service Reform Program (PSRP)

The Public Reform Program, which was launched on 20 June 2000, aims at supporting the attainment of a high rate of economic growth and ensures that the delivery of public services conforms to public expectations to value, satisfaction and relevance. In response to this, MNRT is implementing the first phase of PSRP by installing Performance Management Systems (PMS) starting with the development of the first Medium Term Strategic Plan (2001/02-2005/06). The development of the strategic plan involved senior management team clarifying the ministerial vision and mission in relation to the vested mandates. It also involved development of hierarchy of objectives. (Goals, Strategic Objectives, Strategies and Service Delivery Targets). PMS leads to the establishment of individual accountabilities and proper resource management by holding individuals accountable in terms of outputs and outcomes.

TFDA will continue to re-structure itself and transfer some services to the private sector in order to focus on core functions. It will hive-off non-core functions that are considered to be the domain of Government to Executive agencies; improve decision making through introduction of effective leadership management and good governance of the ministry; improve co-ordination with other public sector reforms; and build capacity of the organization to monitor, evaluate and regulate the conservation and management of natural and cultural resources.

4.1.5.4 Local Government Reform Program

Execution of Local Government reforms was a result of the government's attempt to extend the reach of public policy at the lower administrative levels through decentralization. The goal of the policy is to bring the government closer to the people by devolving responsibilities and activities to the lower administrative organs.

In order to realize this noble goal, TFDA must devolve some of its responsibilities and decision-making powers to the local governments and civil society without causing any administration chaos. The function of MNRT in a restructured local government administration is to provide clear policies and guidelines on the development of the tourism industry, management and utilization of natural and cultural resources, clarifying responsibilities and building of institutional capacity at lower levels.

4.1.6.0 TFDA Initiatives

4.1.6.1 Formulation of policies, guidelines and Procedures

During the period 1997 – 2000, the organization had formulated, reviewed, and obtained approval of policies, guidelines and procedures for registration and bookkeeping, Laboratory, and Inspection

4.1.6.2 Training of Staff

During the same period (1997-2000) the organization had developed and implemented a training program. This program is accessible to all staff members.

4.1.6.3 Promotion of staff

- TFDA has prepared seniority list for all cadres
- The agency has taken initiative to promote staff timely, and
- Staff members with problems of delayed promotion have been identified for accelerated promotions.

4.1.6.4 Procurement of goods and services

In compliance with the new Procurement Act, a organizational tender board has been established.

4.1.6.5 Enabling working environment

The organization has already updated job descriptions for all senior staff and scheduled officers in accordance with the ongoing reforms to ensure accountability. The adoption of Performance Budgeting and development of Medium Term Expenditure Framework (MTEF), has improved resource allocation. The participation of local communities in natural and cultural resources management and effective provision of equipment have also improved performance.

4.1.6.6 Recruitment of additional Staff

Due to the fact that healthy resources are spread all over the country, conservation of these resources has been burdened on the Ministry's few officers in the field. The shortage of staff is currently being solved through obtaining permission from the Head of Public Service through CSD to employ additional staff. The Ministry practices an open recruitment system through advertising vacant positions in newspapers. An independent interviewing panel composed of external members with relevant expertise does the selection of applicants.

4.1.6.8 Management Information System (MIS)

TFDA, in collaboration with NORAD, has installed Local Area Network (LAN)

4.1.7 Critical Issues

Among critical issue the TFDA has to address is the issue of revenue collection. The organization capacity to collect revenue is low but the potential for revenue collection from various sources is so high. The Ministry cannot fully realize this potential amidst;

Non nationalized fees and tax

Loopholes in revenue collection system

Shortage of technical and professional staff especially at lower administrative levels, and Inadequate distribution of accounting documents.

4.2 DATA ANALYSIS

The researcher analyzed the data in respect of the research design. The elements of each variable of the study were thoroughly analyzed by checking to what percentage the element did achieve. The researcher chose 90% as an optimal achievable result letting 10% to be a variation allowance from the effectiveness. This means that if the element is achieved by 90%, it is effective. The elements were set in such a way that they prove one of the research assumptions and in that way the objectives of the study are fulfilled. The elements of the independent variable (shortages of funds) are:

- Timeliness of the release of funds
- Release of funds as per approved budget

The dependent variable was effective implementation of the budget of an organization,

4.3. INTERPRETATION OF FINDINGS

The interpretation of findings was based on the variables explained.

4.3.1 Interpretation of findings

The interpretation of findings was based on the variables explained in chapter three. The variables are checked using the elements established. The independent variable, shortage of funds, has the following elements;

- Release of fund as per approved budget, and
- Timeliness of the release of funds

All the elements were checked separately and findings consolidated to enable the researcher draw up a sound conclusion on the research.

4.3.2 Results from the Respondents of the Questionnaires Distributed

The questionnaires were distributed to the employees in Finance and Accounts division and the Policy and Planning division where the research was confined.

Twenty questionnaires were randomly distributed in total, making the sample to be 60% of the whole population. All the questionnaires were filled and returned

4.3.2.1 Checking the Shortages of Funds.

Table 1 & 2 indicate the results from respondents of the questionnaires distributed

Table 1: Response to Question 6-whether there is shortage of funds

Responses	Frequency	Percentage
Yes	19	95
No	0	0
No response	1	5
Total	20	100

Source: Response from Questionnaires distributed.

Table 2: Response to Question 4. Whether there ever occurs shortage of funds

Response	Frequency	Percentage
Yes	18	90
No	2	10
No response	0	0
Total	20	100

Source: Response from Questionnaires distributed.

Basing on the decision criterion (accept at 90% and above) there was a shortage of funds.

The following are the main reasons of the shortage of funds (responses to Question 12, refer the questionnaire in the appendices);

- Inflation
- Change of interest and exchange rates
- Change of payment rates to the officers, which were not provided for in the budget, e.g. night allowances and per diems, and
- Emergence of extra activities resulting from instructions from the government, e.g. the issue of restricting the harvest of forest products particularly exportation of logs, strict security and more patrol surveillances were added in forest areas.

4.3.2.2 Checking the timeliness of the release of funds

Table 3: Response to Question 5. Whether Funds are timely released

Response	Frequency	Percentage
Yes	6	30
No	10	50
No response	4	20
Total	20	100

Source: Response from Questionnaires distributed.

30% agreed that there is timely release of funds, and 50% had responded that funds are untimely released. Following the decision criterion of 90%, there was no timely release of funds. Further more from the interviews with divisional executives it is revealed that funds are timely released from the treasury since the ministry uses the retention scheme. The problem is the delay from upcountry stations to retire revenue collected to the headquarters, to allow for the amount for retention to be distributed to different units.

4.3.2.3 Effects of funds on effective budget implementation

The respondents had cited the following as the effects of shortages of funds on effective budget implementation (Refer Question 11 of the Questionnaire in the appendices):

- Reallocation of funds from non-priority activities to prioritized activities.
- Failure to implement all activities in the financial year
- Rescheduling of non implemented activities to another financial year
- Non attainment of the targets in time and sometimes missing the target all together; and
- Difficulty in evaluating the performance of the organization.

4.3.3 Findings from Documents Kept by the Organization.

4.3.3.1 Checking the release of funds as per the approved budget in the four financial years (2004/05-2007/08)

The following table shows the recurrent budget estimates for four years, the funds released, the amount spent and the comparison in percentage terms between the budget estimate and the amount of funds released.

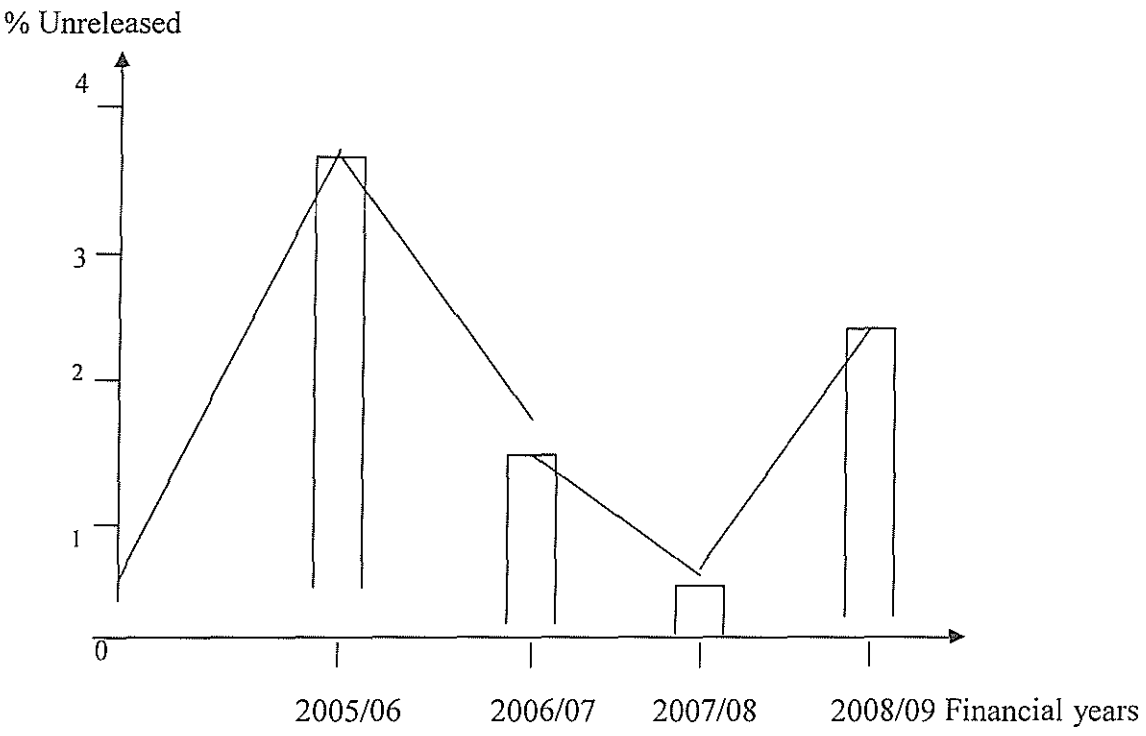
Table 4; A Summary of Recurrent Budget for Financial Year 2005/06-2008/09

Financial Year	Budget Estimate (amount in Tshs.bil)	Fund Released (amount in Tshs.bil)	% Released as %age of Budget	Deficit %	Expenditure (amount in Tshs. bil)	Spent as a %age of funds released.
2005/06	14,831,490,300	14,309,438,357	96.48	3.52	14,148,220.580	98.87
2006/07	20,540,709,000	20,249,684,438	98.58	1.42	20,243,165,501	99.97
2007/08	26,375,251,400	26,277,512,807	99.63	0.37	26,251,273,121	99.9
2008/09	28,153,392,700	27,510,605,913	97.72	2.28	27,500,664,429	99.96

Source Financial reports 2005/06- 2008/09

From the above table we find that there has been a shortage of funds in recurrent budget ranging from 0.37% to 3.52%. The following bar graph combined with the pie chart shows the pattern of his shortage.

Figure 1: Indicates the pattern of the shortage of funds in f/y 2004/05-2007/08



Source; Table 3

From the graphs above the researcher deduced that:

- o The shortage of funds has been reduced from 3.52% in 2005/06 to 0.37% in 2007/08 but again increased to 2.28% in 2008/09

This fluctuation is caused by ineffective revenue collection. The Organization recurrent budget is funded by the funds retained from the revenue collected from different sources scattered all over the country. Some of these sources being fees charged from tourism activities, lumbering activities, fisheries, game reserves, trophies and antiques. This shortage has resulted into failure in implementing some scheduled activities. For example financial year 2005/2006 which had a high fund shortage had the following performance results;

Table 5 Performance results for financial year 2005/06

Division	No. Of Objectives Set	No. of Objectives Achieved	No. of Targets Set	No. of Targets Attained	No of Activities Set	No. of activities Done	Level of attaining activities%
Administration & Personnel	4	4	7	7	28	23	82.1
Finance & Accounts	2	2	7	7	14	12	85.7
Policy & Planning	3	4	7	8	32	30	93.8
Accounts	6	6	20	20	63	54	85.7
Beekeeping	5	5	7	7	26	23	88.5
Inspection	5	5	18	18	66	57	86.4
Registration	4	4	8	8	15	14	93.3
Laboratory	4	4	9	8	20	19	95.0
Total	34	33	83	81	264	232	88.8

Average level attained by the Agency 88.8% (source annual implementation report for the financial year 2005/2006 TFDA)

4.3.3.2 Checking the timeliness of the release of funds

The financial year 2005/2006 had exhibited a large percentage of fund shortage; the researcher had closely examined the timeliness of the release of funds in this same financial year. By closely reviewing the bottlenecks that the various divisions had faced during this financial year, he was able to come up with the following

Table 6; Problems in implementation of plans

Division	Bottlenecks/constraints
Administration & personnel	<ul style="list-style-type: none"> <input type="checkbox"/> Late release of funds from source <input type="checkbox"/> Few administrative and establishment officers
Finance and accounts	<ul style="list-style-type: none"> <input type="checkbox"/> Did not face a serious problem in this financial year
Policy & Planning	<ul style="list-style-type: none"> <input type="checkbox"/> Delay in release of funds <input type="checkbox"/> Manpower shortage <input type="checkbox"/> Late procurement of goods and services due to bureaucratic procedures in the procurement
Inspection	<ul style="list-style-type: none"> <input type="checkbox"/> Untimely release of funds
Beekeeping	<ul style="list-style-type: none"> <input type="checkbox"/> Inadequate financing <input type="checkbox"/> Unreliable information
Registration	<ul style="list-style-type: none"> <input type="checkbox"/> Delay in release of funds monthly <input type="checkbox"/> Inadequate working facilities affected monitoring, surveillance and control <input type="checkbox"/> Lack of adequate staff
Laboratory	<ul style="list-style-type: none"> <input type="checkbox"/> Inadequate funding <input type="checkbox"/> Inadequate staff <input type="checkbox"/> Inadequate working facilities

(Source; the implementation report, financial year 2005/2006 TFDA)

From the table above, untimely release of funds has been the main problem encountered by all divisions except for accounts & finance division, which deal with funds directly. Therefore there was untimely release of funds which has hindered effective budget implementation

4.3.3.3 A Close look

The researcher went further in details checking the timeliness of the release of funds and the release of funds as per the approved budget (recurrent budget). The researcher had confined himself to only two divisions, Accounts and Finance, Policy and Planning. These divisions are at the headquarters of the Organization where the research was carried out. The data used are for the financial year 2008/09

1. Accounts and finance division

Action plan for other charges. The division had three objectives to attain. These were strategic objective;

A – Review development implementation enforcement and monitoring of policies, strategies, guidelines and legislations.

C – Strengthening of institutional capacity, provision of good working environment and enhancement of revenue collection and expenditure control.

G – Improvement of quality of services

Table 7; A summary of the action plan for Accounts and Finance division

Objectives	Annual estimates	Funds allocated			
		Quarters			
		1	2	3	4
		July-Sept	Oct-dec	Jan- March	April- June
A	52,860,000	48,300,000		2,000,000	2,560,000
C	467,890,000	86,620,000	207,380,000	86,920,000	86,970,000
G	1,500,000	1,500,000			
Total	522,250,000	136,420,000	207,380,000	88,920,000	89,530,000

source; Action plan 2008/09 TFDA

The performance report for this division shows the following;

Table 8; A summary of the performance report

Objectives	Approved budget (1)	Fund released (2)	Variance (1-2)	Physical implementation	Remarks
A	52,860,000	52,860,000	0	Implemented	
C	612,055,733	612,055,733	0	Implemented	Amount of Tshs.142,017,732.99 were paid as civil servant Salary
G	1,500,000	1,500,000	0	Implemented	
Total	666,415,733	666,415,733			

Source; performance statement financial year 2008/09 TFDA

2. Policy and planning division

This division had the following strategic objectives to attain:

A - Review development implementation enforcement and monitoring of policies, strategies, guidelines and legislations.

B - Strengthening of institutional capacity, provision of good working environment and enhancement of revenue collection and expenditure control.

C - Promotion and Strengthening of Regional and International cooperation and fulfillment of obligation.

F- Promotion of effective leadership, good governance and informed decision making.

G – Improvement of quality of services

The performance report for this division portrayed the following;

Table 9; a summary of the performance statement

Objectives	Approved budget	Funds Released	Variance	Physical implementation
A	165,447,000	165,447,000	0	Implemented
C	174,678,054	174,678,054	0	Implemented
E	8,920,000	8,920,000	0	Implemented
F	33,530,000	33,530,000	0	Implemented
G	105,898,200	105,898,200	0	Implemented
Total	488,473	488,473,254		

Source; TFDA performance statement

A summarized Appropriation account for the two divisions showed the following

Table 10; Amounts appropriated.

Code	Description	Approved Estimate	Actual Expenditure	Variance	Exp. As % of App. Estimates
691002	Finance and Accounts	666,415,733	666,415,733	0	100
691003	Policy and Planning	488,473,254	488,473,254	0	100

Source; TFDA performance report for financial year 2008/09

The statement of exchequers received as at the end of the financial year, 30th June, 2009 had shown that the exchequers in relation to other charges (retention) were as follows;

Table 11; Exchequer received

Date	Exchequer Amount	Reference No
19 th July, 2008	1,612,664,700	EB/AG/159/3/17
19 th Aug, 2008	4,815,854,600	EB/AG/159/3/54
Total	6, 428,519,300	

Source; exchequer received statement financial year 2008/09.

a) Timeliness of the release of funds

The funds were timely released as shown in the statement of exchequers received; also through observation during the research time, the warrants of funds were issued in time, the researcher was not able to obtain the photocopy of one of these, because they are confidential documents

b) Release of funds as per the approved budget

The performance statement and the appropriation account for the two divisions respectively shows that the funds were released as per the approved budget

Despite prompt release of funds and release of the correct amount as shown in the approved budget the Policy and Planning division did not carry out all its planned activities;

- Client service charter guidelines formulated by June 2006; and
- Divisional staff motivated in non-monetary incentives by June 2006.

Funds for these activities were reallocated to complement other activities due to shortage of funds. This suggested that there was shortage of funds.

4.3.3.4 The Effects of the Shortages of Funds

The effects following the shortages of funds were;

- i. Failure to attain all targets set
- ii. Failure to carry out all the activities
- iii. Reallocation of funds from non priority activities to prioritized activities to enable them to be carried out
- iv. Rescheduling of activities that were not done to another financial year.
- v. Non attainment of 100% performance
- vi. Failure to effectively implement the budget.

Therefore in general shortages of funds have adverse effects to effective implementation of the budget of an organization

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter provides conclusions from the findings discussed in chapter four and provides recommendations and areas for further study.

5.1 CONCLUSION

The budget of an organization is simply the financial plan for a specific duration of time e.g. a year. Normally, the organizations prepare a budget for a period of one year after which an evaluation of the performance is conducted to find out to what extent have the organization been able to attain its planned targets in that financial year, the setbacks are revealed and the strategies are put in place to overcome the identified setbacks. In this study the researcher had concentrated on the assessment of the shortages of funds on effective implementation of budget of an organization. The researcher had found out the following:

There were shortages of funds in the recurrent budget of TFDA of the financial years 2005/06-2008/09.

The funds were timely released from the treasury to the TFDA but the problem is the release of funds from the TFDA's headquarters to the upcountry stations, the divisions at the headquarters did not experience this problem

The release of funds as per the approved budget had been effective in the divisions under study but a review on the organization showed that funds were not released as per the approved budget this hindering the carrying out of all the planned activities

The effects of the shortages of funds were;

- a) Failure to attain all targets set
- b) Failure to carry out all the activities
- c) Reallocation of funds from non priority activities to prioritized activities to enable them to be carried out
- d) Rescheduling of activities that were not done to another financial year.
- e) Non-attainment of 100% performance
- f) Failure to effectively implement the budget of the TFDA

The effects are adverse to the effective implementation of the budget of the Organization. Therefore the researcher concluded that the effective implementation of the budget of an organization depends among other things on the availability of funds and the timeliness of the release of funds.

5.2 RECOMMENDATIONS

The researcher based his recommendations on the finding discussed in chapter five. The following recommendations were given:

The Organization is advised to release funds promptly to the upcountry departments so that the planned activities are carried out in time.

Education to the budget implementers is needed so that a concise interpretation of the activities to be carried out is achieved and efficient use of resources is effected hence reducing the problem of shortages of funds resulting from uneconomic use of resources and purchasing goods and services without considering the value for money.

Another area that needs attention is the budget controls on closely related activities. The use of segment codes is excellent for activities that are not related, but for related activities the codes can be used interchangeably and still the system respond to the activity and funds released.

A detailed analysis and evaluation of the activities to be carried out is recommended in order that funds allocated to the activity suffice the activity to its completion.

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**APPENDIX A:
FIELD WORK SCHEDULE.**

This section shows the time period which was taken for this research work. It took from June to December to complete the research activities and report submission.

June to August: The following activities were carried out during the months of June, July and August.

- Familiarization/Orientation
- Research Design
- Data Collection

September to submission: During this period, the following activities were carried out

- Answering Research Questions
- Data analysis and interpretation
- Documentation and Submission

**APPENDIX B:
RESEARCH BUDGET**

Budget breakdown; the following was budget for this research work

NO.	ITEMS	AMOUNT (TSHS)
1.	Travelling expenses during data collection	200000
2.	Meal and accommodation expenses	450000
3.	Stationary expenses	150000
4.	Printing and binding expenses	150000
5.	Miscellaneous expenses	50000
	GRAND TOTAL	1000000

**APPENDIX C:
QUESTIONNAIRES**

I am called Beatus Rugarabamu, A BBA student of Kampala International University. I am conducting research on "Assessment of shortage of funds on effective budget implementation of an organization, a case study of Tanzania Food and Drugs Authority Dar es salaam head quarters. The purpose of this study is to fulfill my academic requirements. Therefore I kindly request you to answer for the following questions.

Note: Your responses will be treated with the highest degree of confidentiality

SECTION A

Back ground information

Respondents' Profile

Please tick the most appropriate box

1. Age

- | | | | |
|----------|--------------------------|-----------------|--------------------------|
| a) 20-25 | | d) 35-40 | <input type="checkbox"/> |
| b) 25-30 | <input type="checkbox"/> | e) 40-45 | <input type="checkbox"/> |
| c) 30-35 | <input type="checkbox"/> | f) 50 and above | <input type="checkbox"/> |

2. Sex

- | | | | |
|---------|--------------------------|-----------|--------------------------|
| a) Male | <input type="checkbox"/> | b) Female | <input type="checkbox"/> |
|---------|--------------------------|-----------|--------------------------|

3. Marital status

- | | | | |
|------------|--------------------------|-----------|--------------------------|
| a) Married | <input type="checkbox"/> | b) Single | <input type="checkbox"/> |
|------------|--------------------------|-----------|--------------------------|

4. Level of education

- | | | | |
|-----------------------------|--------------------------|--------------------|--------------------------|
| i) Primary level. | <input type="checkbox"/> | b) Secondary level | <input type="checkbox"/> |
| c) Professional certificate | <input type="checkbox"/> | d) Diploma | <input type="checkbox"/> |
| e) Degree | | | |

5. Department

- | | |
|------------------------|--------------------------|
|) Accounts and Finance | <input type="checkbox"/> |
|------------------------|--------------------------|

b) Policy and Planning

SECTION B

INSTRUCTIONS

Fill in the boxes by putting a tick ("√").

Briefly, fill in the blank (line) provided in some questions

1. For how long have you been an employee of the Tanzania Food and Drugs Authority?
2. What is a budget?
3. Have you ever been approached to give your opinion in preparation of the budget?

Yes	
No	

4. Are the funds allocated to your functional unit sufficient?

Yes	
No	

5. Are the funds released in time to meet the planned activities?

Yes	
No	

6. Are the funds released in conformity with the amount per activity as shown in the action plan?

Yes	
No	

7. When you request for funds to carry out an activity, are the funds released in time?

Yes	
No	

9. Have ever there happened that the funds allocated to your unit were not sufficient to carry out all the activities?

Yes	
-----	--

No	
----	--

10. What actions are taken when there is shortage of funds?

- a) _____
- b) _____
- c) _____

11. What are the effects when this situation (shortage of funds) arises?

- i. _____
- ii. _____
- iii. _____

12. What causes this situation to arise?

- i. _____
- ii. _____
- iii. _____

Thank you for filling this questionnaire