



**THE IMPACT OF BUDGETARY CONTROLS AND FINANCIAL
PERFROMANCE IN LOCAL GOVERNMENTS
A CASE OF TORORO DISTRICT LOCAL
GOVERNMENT (TDLG)**

BY

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DECLARATION

I, Achieng Mary Immaculate, hereby declare that the content of this research report is purely my original work and it has never been submitted for any award at any higher institution of higher learning, nor any other related qualification.

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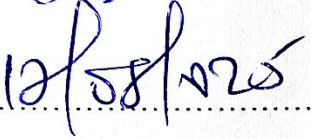
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APPROVAL

This research report is submitted as a partial fulfillment for the award of degree of Bachelors of Business Administration (Finance and Accounting Option) of Busitema University with the approval of the undersigned academic supervisor

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Mr. Okiror Ismael

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DEDICATION

I dedicate this research work to my brother **Mr. Jude Okongo**, who have been there for me all through my life they have provided me all my needs and also prayed for me all times so that I can be successful and accomplish my goals in life and not forgetting by lovely mum for her continuous support, prayers and advice towards this Journey.

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LIST OF ACRONYMS

BoU	Bank of Uganda
COVID	Corona Virus Disease
CVI	Content Validity Index
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KSHS	Kenya Shillings
LG	Local Government
LGFC	Local Government Finance Commission
M&E	Monitoring and Evaluation
MoFPED	Ministry of Finance, Planning and Economic Development
NAO	National Audit Office
NDP	National Development Plan
OBS	Open Budget Survey
OECD	Organisation for Economic Co-operation and Development
PFM	Public Financial Management
SDGs	Sustainable Development Goals
SHS	Shillings
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
TDLG	Tororo District Local Government
UGSHS	Uganda Shillings
UNDP	United Nations Development Programme
URA	Uganda Revenue Authority
USA	United states of America

DEFINITION OF KEY TERMS

Budgetary control is a financial management technique where actual financial performance is regularly compared to planned budget figures to identify deviations and take corrective actions (Saharawat, 2025).

Budget planning refers to the process of forecasting revenues and expenditures, setting financial goals, and allocating resources in a structured manner to ensure the effective implementation of an organization's objectives over a specific period (Allen et al., 2013b).

Budget review is the process of evaluating and assessing a budget's performance during its implementation period to ensure that planned activities align with actual financial outcomes (Allen et al., 2013b).

Expenditure control refers to the processes and mechanisms put in place to monitor, regulate, and manage spending within an organization to ensure that it remains within the approved budget and aligns with strategic objectives (Allen et al., 2013b).

Financial performance refers to the measure of how well a firm is using its assets to generate revenues and profits (Brigham & Ehrhardt, 2017).

ABSTRACT

The purpose of this study was to examine the effect of budgetary control practices on the financial performance of Tororo District Local Government in Uganda. Specifically, the study focused on three key dimensions of budgetary control: budget planning, budget review, and expenditure control. The research was guided by the Public Financial Management (PFM) theory, which emphasizes accountability, transparency, and efficiency in public resource management. A cross-sectional research design was employed, using a structured Likert-scale questionnaire administered to 60 staff members involved in financial and administrative functions within the district. Descriptive and inferential statistics, including correlation and regression analysis, were used to analyze the data. The findings revealed significant and positive relationships between all three components of budgetary control and financial performance. Notably, expenditure control had the strongest influence, explaining 75.4% of the variation in financial performance ($\text{adj } R^2 = .754, p < 0.01$), followed by budget review ($\text{adj } R^2 = .440, p < 0.01$) and budget planning ($\text{adj } R^2 = .384, p < 0.01$). The study concludes that effective budgetary control mechanisms are critical to enhancing the financial performance of local governments. Based on these findings, the study recommends strengthening expenditure monitoring, institutionalizing periodic budget reviews, and adopting participatory and data-driven planning processes.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, the purpose of the study, research objectives, research questions; the scope of the study; the significance of the study; the conceptual framework.

1.1 Background of the Study

In an era of fiscal constraints and heightened public scrutiny, financial performance in local governments is vital for service delivery, public trust, and sustainability (Adu-Gyamfi, 2020). Financial performance refers to the effectiveness with which a local government manages its financial resources to achieve intended public service outcomes (Kiabel & Nwukah, 2020). It contributes to improved governance, public trust, and efficient service delivery by ensuring resources are properly allocated, utilized, and accounted for (Wang & Hou, 2020). For the purpose of this study, financial performance will be measured using indicators such as service delivery and quality, transparency and leadership, and compliance with timely financial reporting. However, many local governments continue to struggle with limited revenue, poor planning, lack of transparency, and political interference, which hinder their financial efficiency and service delivery (Kayode et al., 2013).

Globally, in the United States, the U.S. Government Accountability Office (GAO) reported that approximately \$247 billion in federal spending was categorized as improper payments in 2022, indicating weaknesses in compliance and timely reporting, transparency and leadership and service delivery and quality (GAO, 2023). In the United Kingdom, the National Audit Office (NAO) highlighted in 2023 that over £21 billion in public funds were lost to fraud and error during COVID-19 support schemes, reflecting weak financial performance constructs (compliance and timely reporting, transparency and leadership and service delivery and quality) (NAO, 2023).

In Sub-Saharan Africa, Emfuleni Local Municipality in South Africa admitted in October 2024 to returning R640 million in unspent infrastructure funds to the Treasury, the municipality also failed to pay its workers due to mounting debts and experienced power cuts in several suburbs,

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