The Role of Budgeting in Promoting Corporate Governance on Constituency Development Funds Allocation: A Case of Nairobi County.

By

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DECLARATION

This project is my original work and has not been presented for a degree in any other University.

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This project has been submitted for examination with my approval as the university supervisor.

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Last and all important the ALMIGHTY GOD for free life and friendship in this wonderful world.

DEDICATION

To my dear wife Wambui, son Eddie and daughter Joy, my dear brothers Eliud, Ken and Mike and my sister Wanjiru.

ABSTRACT

The purpose of this study is to present a case for the need for budget committee in Constituency Development Fund to promote corporate governance and accountability in constituency development fund management in Nairobi Province.

The paper provides an analysis and a survey of 8 constituencies of Nairobi province in the field of cooperative governance and accountability in constituencies development fund management of the extent of engagement research in the field of corporate governance and accountability in constituency Development Fund management and present case for further research that may be directed to constituencies outside Nairobi province.

The study found out that the budget committee should be established in constituency development fund in Nairobi province to improve corporate governance accountability and management. It recommends budget committee to enhance CDF performance and improve relationships among the major players in CDF governance.

This paper recommends that the budget committee can play a great role in promoting corporate governance and accountability in CDF, improve the relationships among the major players in CDF corporate governance.

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LIST OF ABBREVIATION

ABB	Activity Based Accounting
CDC	Constituency Development Committee
CDF	Constituencies Development Fund
CDFNB	Constituency Development Fund National Board
CEO	Chief Executive Office
CMA	Capital Markets Authority
IMF	International Monetary Fund
KASNEB	Kenya Accountants and Secretaries National Examinations Board
KCC	Kenya Cooperative Creameries
KNAC	Kenya National Assurance Company
LATF	Local Authority Transfer Fund
MP	Member of Parliament
NARC	National Alliance Rainbow Coalition
NGO	Non- Governmental Organization
NSE	Nairobi Stock Exchange
NTA	National Tax Payers Association
SEC	Securities Exchange Commission
WB	World Bank

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It has become increasingly evident that our continued prosperity as nations, as communities and even as dignified individuals is closely linked with our ability to create, strengthen and maintain profitable, competitive and sustainable enterprises. The viable, competitive and sustainable modern enterprises require organization of basic resources (capital, materials, and human) concentrated in large aggregations giving the men and women entrusted to run those enterprises power over people, recourses etc, such that their decisions have great impact upon the society, the very lives of entire communities and can shape the future of nations. To achieve their objectives and effectively discharge their responsibilities corporations must have quality and effective leadership which is responsive, transparent and accountable and which has the focused intelligence to acquire and apply knowledge and know-how for the production and creation of wealth. Good corporate governance is thus the lifeblood of a prosperous society (Gatamah 2005).

In the present Global economics corporate governance has become a topical issue in the modern world following many corporate failures. The fall of Kenya Co-operative Creameries (KCC), Kenya National Assurance Company (KNAC) in the 1990s and early 2000 (KASNEB Newline, April 2010) and the collapse of big organizations has cast doubts in the way corporations are managed and made accountable. Enron, a Houston based energy trading company collapsed in early 2002 after reporting huge capital gains resulting from fraudulent accounting where billions of dollars were hidden in off- balance sheet special purpose entities (Kelly, 2002). WorldCom was caught hiding USD $ 3.85b in expenses after failing to wring story earnings after its merger and was sued by SEC for fraud (Newsweek, July 8, 2002). This have brought to the center stage the issue of corporate governance and intensified the need for improved governance of business enterprises.

According to the private sector corporate Governance Trust (1999) corporate governance is defined as the manner in which the power of a corporate is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholders value and satisfaction of other stakeholders in the context of its corporate mission. Corporate governance is about promoting fair, efficient and transparent administration of corporations to meet well defined objectives and also about promoting systems and structures of operating and controlling corporations with a view to achieving long-term strategic goals that satisfy the owners, suppliers, customers and financiers, while complying with legal and regulatory factor. It deals with ways in which the suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer&Vishny, 1997).Budgets in corporations are critical to effective corporate governance, accountability and management of funds.

1.1.1 Constituency Development Fund (CDF) in Kenya

The Kenyan CDF history can be traced to the 2002 general election where the National government created a new fund where the 210 constituencies will be allocated 5 percent of the National revenue as devolved funds. In the New constitution of Kenya promulgated on

27th August 2010, Kenya is divided into 47 counties based on districts created in 1992. In the New Law the County governments will be allocated 15 percent of national revenue in addition to the CDF. Politically then, there is concern over the power that the governors and senators will have over MPs and over control of devolved funds. There are 294 proposed constituencies with smaller units than the 47 counties. That means that one county could have more than four constituencies and therefore, that one governor will have larger constituency to control and govern than a member of parliament (MP). The county governments will consist of a county assembly and a country executive committee. The executive committee will implement the country and national laws bringing the conflict of interest in CDF funds allocation, accountability and Management.

1.1.2 Functions of Constituency Development Funds

According to the CDF Act 2003there is a board known as the constituencies Development Fund Board (CDFB) as a body corporate with perpetual succession and a common seal and shall in its corporate name perform the following functions: sue and sued; take purchasing or otherwise acquiring, holding, charging or disposing of movables and immovable property; borrow money or making investments; and doing or performing all other acts or things for the proper performance of its functions (CDF Act 2003).

1.1.3Constituency Development Fund National Board of Management (32 members)

The CDF board is currently administered by a board of management consisting of:- the Permanent Secretary of the Ministry of Economic Planning; the Permanent Secretary Ministry of Finance; the Clerk of the National Assembly; the Attorney General; eight persons, qualified in matters relating to finance, accounting, engineering, economies, community development, or law, appointed by the Minister; four persons, qualified in matters of relating to finance, accounting, engineering, economist, community development or law; the CEO as ex-officio member and Secretary to the Board; the Minister then shall appoint the Chairperson of the Board from amongst the eight persons appointed; four nominees, two of whom shall be men. The total of 32 (thirty two) names taking into account regional balance of the people of Kenya; appoint nine (9) persons, at least one from each of the eight organizations and at least a third of the appointees to be from either gender, to be members of the board. The name of the person proposed to be appointed as the CEO to be submitted to parliament for approval before the appointments are made. (CDF Act, 2003).

1.1.4 Composition of the Constituency Development Committee (CDC) 15 members

The CDF Act 2003 provides for the establishment of CDF for every constituency, which shall be constituted and convened by the elected member of parliament, to have a maximum of fifteen (15) members, comprising of elected Members of Parliament; two Councilors in the constituency; one District Officer in the constituency; two persons representing religious organization in the constituency; two men representatives from the constituency; two women representatives from the constituency; one person representing the youth from the constituency; one person nominated from among the active NGOs in the area if any; a maximum of three other persons from the constituency such that the total number does not exceed fifteen (15); and an Officer of the Board seconded to the CDF committee by the board who shall be ex-officio.

1.1.5 Corporate Governance

Corporate governance refers to the processes by which organizations are directed, controlled and held accountable. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in organizations. Good corporate governance is essential for all successful organizations. The principles of good governance, openness, integrity and accountability are not just optional extras, but are fundamental foundations on which effective organizations are built. In the public sector, governance is more important than it is in private sector (Eastern, Central and Southern African Federation of Accountants, 2004). Tsumba (2002) observes that governance structures cascade down from state to the private sector. He notes that there is need to have well developed institutions that support the working of a private market economy. He expounds on importance of governance issues and adds that without the establishment of adequate institutional structures, even if institutions are privatized, it will not lead to sustainable economic development.

Corporate governance is a field that has been evolving due to increased demand for transparency and accountability by various stakeholders. Among the earlier developments in this field include the Hampel Committee (1998) that outlined rules on corporate governance in a report entitled

"Combined Code on Corporate Governance". In 1999, the Turnbull report entitled "Internal Control: Guidance for Directors on the Combined Code" was published to offer guidance to Directors on how to comply with combined code on corporate governance. The report on the Financial Aspects of Corporate Governance (The Cadbury Report) identified three fundamental principles of corporate governance as openness, integrity and accountability (Owuor, 2008).

1.2 Statement of the Problem

Since the introduction of CDF in Kenya in 2003 by government to devolve funds to the constituency for development, there has been a lot of public outcry on allocation, accountability, mismanagement and embezzlement of CDF funds by various CDF boards.

According to the report by the lobby group, National Taxpayer Association(NTA) 2010 taxpayers have lost about Shs. 445 million in the financial year 2006/2007 and 2007/2008. The stakeholders in various constituencies continue to view CDF as an alternative institutions and main channel with the ability to provide public services while at the same time exercising some control over governance, allocation and accountability. The research question was why do these governance issues still persist, has budgeting played its role?

A number of surveys and empirical tests have been carried out on budgeting practices. Kiringa (2009) and Mungai (2009) investigated budgeting practices in National Oil Corporation and challenges of operational budgeting in the Ministry of Finance respectively. They found out that budgets enhance accountability and management of funds in organizations. Several studies have been carried out in the area of corporate governance and accountability of CDF. Mokaya (2010) examined the functions of audit committees in promoting governance and accountability and Keya (2010), studied the role of internal audit in accountability, governance and management of CDF funds in Kenya. They concluded that audit committees and internal audit play a crucial role in enhancing accountability and management of CDF funds. Nyamori (2009) did a critical analysis of systems of accountability for CDF in Kenya. He found that CDF systems of accounting and accountability are skewed towards the needs of centralized national planning and development, contrary to its expressed aim of bringing about citizens' participation in development. While the novelty of CDF has been widely acknowledged (Okungu, 2008), not much empirical study has been undertaken on its systems of accounting and accountability (Nyamori, 2009).

There have been public outcry as reported in the press that the budgeting systems are weak with little linkage between the budget and project implementation and that there is little information about which projects are implemented, how much they cost and their status. The MPs have faulted the NTA reports in a bid to clear their names and their constituencies from corruption allegations and to prove how their constituencies have allocated and used the CDF funds transparently. Therefore, this survey sought to study the role of budgeting in promoting corporate governance on CDF funds allocation in Nairobi County in Kenya.

1.3 Objective of the Study

This study investigated the role of budgeting in promoting corporate governance on CDF funds allocation in Nairobi County.

The Specific Objectives were:

1. The role of budgets in allocation of funds,
2. The role of budgeting in promoting accountability,
3. The role of budgets in promoting management of CDF fund.

1.4 Significance of the Study

This study is beneficial to a number of stakeholders including:

Government

CDF budgets are likely to lead to reduction of administrative burdens on CDF programs and projects implementation, allocation and accountability among constituencies of the country. The CDF budgets would inform the government on achievement made so far on CDF funds allocations and management in service delivery.

Potential Investors

Local investors and internal investors interested in purchasing/funding CDF owned projects will use the findings of this study and turn around these cash drained CDF projects into profit making programs/ projects through effective management through improving CDF budgets.

Policy Makers

Policy makers require information to enable them put in place sound policies that would enhance financial discipline and mobilize managerial and financial autonomy aimed at having CDF programs and projects operate on commercial principles. This study would provide such relevant information for policy formulation in CDF sector.

Academia

The study would add to the wide academia gap of knowledge in this area of CDF governance, allocation and accountability which will in turn be used to trigger subsequent studies in the sub areas of Tocal Authority Transfer Fund (LATF) of the same topic.

Regulators

The findings would give regulators information that would facilitate their ability to put in place appropriate regulations for CDF programs and projects in order to enable them operate like programs and projects in the private sector.

The International Monetary Fund (IMF) and World Bank (WB)

The IMF has been pushing governments in developing countries to give up commercial goods productions and services provision including CDF programs and leave them in the hands of the stakeholders/citizens. The findings of this study will give them an opportunity to review the effectiveness of this conditioning especially in the CDF sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a range of documented literature related to the study's proposed problem and to provide a basis of developing understanding and establish appropriate scope in order to align objectives to existing knowledge. The areas considered important for the review include a general description of corporate governance theory, budgeting and accountability theories, mechanisms of ensuring accountability in the CDF corporate failures, analysis of budget processes and the empirical review.

2.2 Theoretical Review

2.2.1 Corporate Governance Theories

Corporate governance is the system by which organizations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board, Managers, Shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also gives the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance. (OECD, 1999).Corporate governance explains how to promote fair, efficient and transparent administration of corporations to meet well defined objectives. It is also about promoting systems and structures of operating and controlling corporations with a view of achieving long term strategic goals that satisfy the owner's suppliers, customers and financiers while complying with legal and statutory requirements. Further it involves meeting environmental and society needs and an efficient process of value-creating and value adding. (CMA guidelines on corporate governance issue 2002). Establishment of an audit committee and internal audit function represent an important step towards promoting good corporate governance. A board that works together with its internal audit will have access to fresh and independent perspective on some of the issues that really matter to the business.

The guidelines of corporate governance developed by the CMA require that the board of directors regularly review the company processes and procedures. This will ensure the effectiveness of the company's internal systems of control and that the accuracy of its reporting and financial results is maintained at a high level all times. The internal audit department perfectly performs this role for the board of directors as it discharges its responsibilities by reviewing and evaluating the effectiveness of internal control systems and providing assurance to the management that the systems of internal control are adequate, effective and reliable (effective corporate governance framework CMA 2002).
The guidelines by CMA recommended"that all state-owned enterprises establish audit committees and internal audit functions as part of enhancing good corporate governance as detailed by the CMA guidelines. The state corporations advisory committee, which among other duties is mandated to review and investigate the affairs of state corporations and advice on the appointment, removal or transfer of officers and staff of state corporations should the CMA guidelines and make them mandatory requirements for public enterprises. Failure to do this, the public sector's contribution to the economic development will continue falling short of expectations, output growth will be sluggish,

quality and productivity levels will be low, and the sector will continue imposing heavy financial and managerial burdens on government and the general Kenyan public.

2.2.1.1 Main players in Corporate Governance

The main players in corporate governance include the Board of Directors, board committees, Company Secretaries, external and internal auditors, management team, shareholders and other stakeholders. The Board of Directors has a duty of setting up the company's strategic aims, providing the necessary leadership and supervising the management of the business. It also reports to the shareholders on their stewardship and appoints the CEO and Senior Managers particularly the Head of Finance and the Company Secretary. The composition of the board should be balanced in terms of executive and non-executive directors of diverse skills or expertise in order to ensure that no individual can dominate the Board's decision making process. There should be formal and transparent procedures of appointing directors to the board. All directors should disclose any potential area of conflict that may undermine their individual position or service as a director. Executive directors should have a fixed service contract with a provision for renewal subject to performance appraisal.

2.2.1.2 Corporate Governance and Budget Effectiveness

Following high profile corporate governance failures there have been proposals and actions in a number of countries concerning the responsibilities and powers of budget committees, their mandatory or voluntary status, membership and independence. This trend of development can be seen as part of a wider agenda regarding the potential 'globalization' of corporate governance. Corporate governance of all organizations whether commercial, not for profit, or governmental (such as local authority or the public sector) is primarily about the interface of the board (council) and the executive and the accountability to shareholders (citizens). Johnstone (2002).

A typical example of this concern is the following reaction to the USA case of Enron, where the budget committees has been criticized for failing to identify or prevent certain practices within the company. Owuor (2008), captured corporate governance practices in state corporations in Kenya, Ngumi (2008) studied corporate governance practices in Housing Finance Company of Kenya. And Kiamba (2008) studied the effect of corporate governance in the performance of local authorities.

2.3 Accountability Theories

Accountability requires an account of the extent to which the objectives for which the resources were entrusted have been achieved. This accountability is described as a contract between an agent and a principal and arises from a duty upon the agent and the rights of the principal (Gray, et al., 1987). The principal can be entirely passive and this will not matter to the agent whose duty nevertheless is to account - the passive principal is merely waiving his or her rights to the information (Stewart, 1984). On the other hand, it has been argued by Tricker (1983) that the agent only has a duty to account to principals who demand information and are willing to enforce the contract.

Much of the research on corporate accountability suggests that regulation is the only way to ensure that companies provide complete and comparable reports. Gray *et al.* (1987) suggest a compliance with standards approach, and the proliferation of reporting guidelines mainly on environmental issues. Many academics consider that only mandated standardized reporting will produce the comprehensive information needed to assess corporations' performance. Support for such a regulated approach is provided by evidence that voluntary disclosure levels are much lower than those for mandated disclosure (Guthrie & Parker, 1990). A more persuasive argument for the use of legislation in making companies more accountable is that social and environmental matters are too complex and crucial to be left entirely in the already over-burdened hands of corporations. Thus, by opening up organizations in order to inform stakeholders, it enables the stakeholders, rather than management of organizations, to express their choices about critical issues. One of the problems associated with reporting against mandatory standards however, is the question of who ensures compliance with those standards and what penalties apply for non-compliance. For implementing agencies it can be argued that accountability should be more focused on accounting for their actions and effects on society, rather than accounting for their financial performance (Babington& Gray, 1993).

According to Ibrahim (2003), agency accountability is a dynamic concept and arguably more complex than simply making agents transparent and allowing public scrutiny, which highlights the issue of competing stakeholder interests. Organizations must deal with competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders first and often at the expense of secondary stakeholders' needs as their principle goal is aligned with the needs of these primary stakeholders. Brown & Moore (2001) postulate that since agencies are not coherently aligned with one another they must, like other organizations, also prioritize their stakeholders. This can have dire consequences for their existence as their goals to provide welfare may not always be aligned with the goals of their donors.

The issue of multiple stakeholders, while at best making accountability more complex can be additionally problematic for agents because such competing demands can actually lead to poorer performance - satisfying clients and donors can sometimes be in conflict with the organization's long term goals. While this is in some part true for companies also, for donor dependent agents it is the primary goal that is often subverted (Brown &Moore, 2001). Brown and Moore (2001) suggest that these agents should commit themselves to more accountability to their clients rather than donors. They argue that if they provide assessments of their performance to clients, the clients will only be prepared to talk about problems if donors are not also evaluating the program, for fear of losing future funding if they criticize the program. Ironically however, if they resist the demands for accountability made by funding bodies and donors, they may lose funding anyway.

2.3.1 Stakeholders Theory of Accountability

Creating accountability in public service is extraordinarily complex. There is a complex web of policymakers and providers in such responsibility. The issue of accountability is also complicated by the difficulty in defining and measuring financial outcomes. Extensive research suggests that about two-thirds of the variation in achievement is the product deliberate neglect and slim commitment to account (Ladd, 1996). The stakeholder theory has been used quite extensively in the management literature since Freeman's landmark book "Strategic Management: A Stakeholder Approach" was published in 1984. He proposes that current approaches to understanding the business environment fail to take account of a wide range of groups who can affect or are affected by the corporation, its stakeholders. He further argues that in order to manage effectively in turbulent times which typifies the dynamic nature of the business environment of today, the stakeholder theory offers a way to address the ever changing demands brought about by different groups having legitimate stakes of varying degrees from the organization (Jensen &Meckling, 1996).

The basic proposition of the stakeholder theory is that the organization's success in the attainment of accountability standards is dependent upon the successful management of all the relationships that it has with its stakeholders. When viewed as such, the conventional view that success is dependent solely upon maximizing shareholders' wealth is not sufficient because the school entity is a nexus of explicit and implicit contracts. Furthermore, the stakeholder theory assumes that organizations have the ability to influence not just society in general but its various stakeholders in particular. In developing the stakeholder theory, Freeman incorporates the stakeholder concept into categories: planning and policy model; and corporate social responsibility model of stakeholder management (Jensen and Meckling, 1996).

The stakeholder analysis focus on developing and evaluating the approval of the organization's strategic decision by groups whose support is required for continued existence. The stakeholders in this model would include the Government, CDF, Audit Committee target groups and general public. Although these groups are not adversarial in nature, their possibly conflicting behavior is considered a constraint on the strategy developed by management to best match the resources with the environment. In the second model, the corporate planning and analysis extends to include external influences which may be adversarial to the firm. These adversarial groups may include the regulatory, environmentalist and/or special interest groups concerned with social issues. The second model enables organizations to consider a strategic plan that is adaptable to changes in the social demands of nontraditional stakeholder groups (Chan and Kent, 2003)

2.3.2 Role Theory of Accountability

Role systems theory was originally seen as a way to describe how organizations manage to inculcate or produce reliable behavior on the part of their members (Katz & Kahn, 1998). Moreover, role theory places a great deal of emphasis on interpersonal relationships. Furthermore, it postulates a central role for interpersonal expectations, emphasizes the importance of the consequence of compliance, and links tasks and activities to individuals (Ferris *et al,* 2000). Besides these striking similarities regarding the structure and functioning of role systems and accountability systems in organizations, the former perspective provides what people feel are important new insights regarding when and where accountability is produced and the organizational systems that are relevant. This seems to be a deficiency in current views of accountability theory. Thus, people feel that a role systems theory perspective adds value to any treatment of accountability in work settings.

At its essence, accountability in organizations can be viewed as involving elements of role taking and role making as these unfold in the context of a history of role episodes. While accountability refers to the building of self-actions-standards perceptions (Schlenkcre/ *al.,* 2004), role theory also deals with such linkages, but in the form of role expectations. Accountability has tended to focus on opinions, decisions or behaviors related to moral or ethical issues (Dose & Klimoski, 2005) as noted, and role theory also has included these as well as issues of a more mundane sort. Moreover, at its base, accountability implies the anticipation of an accounting, having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing an accounting as well, in this case, having to respond in the future to the expectations of role senders, albeit, perhaps on shorter and recurring cycles. In many ways, role theory explicates the essential components and relationships central to accountability.

2.3.3 Mechanisms for Accountability

Brown and Moore (2001) state that there is no single accountability structure that is right for all organizations. The need of a transparent and standardized reporting and accounting mechanism for large scale service delivery, conflict with the requirements of providing the services and voice to those in need. Edwards and Hulme (1996) describe the need for standardized delivery mechanisms, structures that can handle large amounts of external funding, and systems for speedy - and often hierarchical -decision making but emphasize that effective performance as an agent of democratization rests on organizational independence, closeness to the poor, representative structures, and a willingness to spend large amounts of time in consciousness-raising and dialogue. Moreover, reporting alone is insufficient, as there must also be access to the information (Neligan, 2003).

In view of Ebrahim (2003), NGOs and other agencies already engage in disclosure and reporting by undertaking performance assessment, engaging in community participation and through self-regulation. There are various reporting requirements in law in many countries and these requirements are directed at providing accountability to the public at large and often require quite detailed information about finances, organizational structure and programs. Donors to NGOs also require performance assessments, and often employ experts and impose technical criteria to assess the data collection and analysis for particular programs. The NGOs are in turn accountable to respective donors as a matter of prudence, as a matter of law and as a matter of ordinary morality (Brown & Moore, 2001).

Other than reporting, participation with the community is emphasized by NGOs as an important means of accountability (Cronin &0'Regan, 2002). This can include public meetings, surveys, or a formal dialogue on project options or actual involvement of community members in the project. Finally, self -regulation, as described by Ebrahim (2003), is the efforts undertaken by NGOs to develop their own standards or codes of conduct.

2.4 Budgeting

2.4.1 Introduction

As students we budget our study time and our money, families budget income and expenses, governmental agencies budget revenues and expenditures and

Business enterprises use budgets in planning and controlling their operations.

2.4.2 Meaning of a Budget

According to the Institute of Management Accountants (CIMA), "A budget is a quantitative statement for defined planned revenues, expenses, assets, liabilities and cash flows." "A budget is an organization's financial plan for the future in which it describes how will use its resources to meet its goal". Kreitner et. al. (1990). Weygaudt et al (1996) define a budget as a formal written summary (or statement) of management's plans for a specified future time period, expressed in financial terms. According to David J.C, (1993) a budget is not a unitary concept but varies from organization to organization. The basic concept of budgeting involves estimating future performance, comparing actual results with the estimated and analyzing the difference between them. He continues to say that the final aspect of budget include better planning, coordination, implementation, control, evaluation of events and a basis by which efforts are rewarded.

2.4.3 Advantages/Benefits of Budgeting

The process of budgeting is often called financial forecasting. Careful planning and preparation of a formal budget benefit a firm in many ways: There are enhanced managerial perspectives. Budget preparation forces managers to consider all aspects of a company's internal activities and to make estimates of future economic conditions, including costs, interest rates, demand for company's products, and the level of completion. Thus budgeting increases management's awareness of the company's external environment. Advance warning of problems. Budgets show the expected results of future operations, management is forewarned of financial problems. If, for example, budget shows that the company will run short of cash the management has advance warning of the need to hold down expenditure or to obtain additional funds. Coordination of activities. Budgets provide management with an opportunity to coordinate the activities of various departments within the business. A written budget shows departmental managers in quantitative terms exactly what is expected of their departments during the upcoming period. Performance evaluation. Budgets show the expected costs and expenses for each department as well as the expected output, such as revenue to be earned or units to be produced. Thus, budgets provide a yardstick with which each department's actual performance may be measured (Meigs & Meigs et al 1996). Motivates managers and employees. Most individuals are motivated to work more intensely to avoid failure than to achieve success and as individuals get closer to a goal, they work harder to achieve it. General Electric's former CEO, Jack Welch, describes setting challenging budgets as energizing, motivating, and satisfying for managers and employees while unleashing out of box and creative (Horngren, T et. al., 2003).

2.4.4 Budget Committee

Public organizations are more concerned with provision of public goods. Their intension is therefore mainly intended for authorizing actions and providing ceilings for management actions (Horngren et. al., 2003). Budget committee consists of representatives from all major areas of the firm (such as sales, production and finance).The head of the budget committee is usually the firm's financial controller.

2.4.5 Functions of the Budget committee

The budget committee coordinates the preparation of the budget (s), initiate budgets procedures, collects and integrates datairom various organizational units, supervises the review and modification of original estimates, directs the implementation of the budget, incorporates all departments in formulating the budget, formulates acceptable and reasonable standard budget for performance.

2.4.6 Types of Budgets

2.4.6.1 Operating budgets: Related to daily recurrent activities of the firm e.g. sales, production, inventory and income and Finance Budget: State of the firms financed in assets liabilities inflow, outflows.

2.4.6.2 The Master Budget

Consists of a number of separate but interdependent budgets e.g. Sales budgets - operating. Cash budget - financial, Production budget- operating, Manufacturing overhead budget- operating ,Selling and administrative expenses Budget - operating, Direct materials budget- operating , Ending inventory budget-financial, Budgeted balance sheet- operating and Budgeted income statement.

2.4.6.3 The Sales Budget (Operating)

A schedule of expected cash collections on credit sales made to customers plans collections on sales made in the current period. Sales budget is constructed by multiplying the budgeted sales in units by the selling price.

2.4.6.4 The Production Budget (Operating)

It lists a number of units that must be produced during each budget period to meet sales needs and to provide for desired ending inventory.

2.4.6.5 The Direct Materials Budget (Operating)

Details the raw materials that must be purchased to fulfill the production budget and to provide for adequate inventories.

2.4.6.6 The Direct Labor Budget (Operating)

Developed from the production budgets only for the company to know whether sufficient labor time is available to meet production needs, to knowing in advance how much labor time will be needed throughout the budget year and develop plans to adjust the labor force as the situation required.

2.4.6.7 The Manufacturing Overhead Budget (Operating)

To provide a schedule of all costs of production other than direct materials and direct labor. Determined by dividing the total budgeted manufacturing overhead for the year by the total budgeted direct labor hours for the year.

2.4.6.8 The ending Finished Goods Inventory Budget (Operating)

Used to determine cost of goods sold on the budgeted income statement and to know what amount to put on the balance sheet inventory account for unsold units

2.4.6.9 The Selling and Administrative Expenses Budget (Operating)

It lists the budgeted expenses for areas other than manufacturing in large organization. It involves the compilation of many smaller individual budgets submitted by department heads and other persons responsible for selling and administrative expenses.

2.4.6.10 Cash Budget (Financial)

It is composed of four major sections; the receipt section, the disbursement section, the cash excess or deficiency section and the financing section.

The Receipt Section: Lists all of the cash inflows (except for financing) expected during the budget period. **The Disbursement Section:** Consists of all cash payments that are planned for the budget period. It includes: Raw materials purchases, direct labor payments, manufacturing overhead costs etc.

Computation of cash budget:-

Cash balance, beginning	xxx
Add receipts	xxx
Total cash available	xxx
Less Disbursements	(xxx)
Excess (deficiency) of cash	xxx
Available over disbursement	

2.4.6.11 Budgeted Income Statement (Operating)

It shows the company and planned product for the upcoming budget period and its use stands as a benchmark against which subsequent company performance can be measured.

2.4.6.12 Budgeted Balance Sheet (Financial)

Developed by beginning with the balance sheet from the beginning of the budget period and adjusting it for the data contained in the various schedules

2.4.7 Challenges to Budgeting Planning and Implementation

2.4.7.1 Functions in foreign currency exchange rates and associated budgeting problems.

Exporters may predict with some accuracy their sales in the local foreign currency - they eventually get affected by currency exchange rates that prevail at the time. Firms engaged in export operations often hedge their exposure to exchange rate fluctuations.

2.4.7.2 Government policies.

Marketing practices regulations by the government as in the case to banning exportation of scrap metals affecting budgets of companies exporting metals.

2.4.7.3 Political instability.

It affects the attainment of budgeted goals by organization - post election violence.

2.4.7.4 Political interferences during budgeting process.

Budgeting is often an *intensely political* process in which managers Jockey for resources and relaxed goals are intensely political exercise conducted with all the sharper managerial skills not taught at business school such as lobbying and flattering superiors, forced haste, regretted delay, hidden truth, half-truths and lies.

2.4.7.5 Changing market.

This is considerable gaming behavior that reduces the accuracy and usefulness of budgets which should be phased out and replaced with rolling forecasts and several other management tools instead of holding managers to a budget targets based on; Competitor's performance, Set variables, fixed costs and Operating margins. Managers should be given freedom to spend money as needed to meet the above competitive benchmarks.

2.4.7.6 Competitors in global markets their operations effects on budgets

2.4.7.7 Skills required making, implementing and evaluating budgets (example in Kenya today)

2.4.7.8 Political good will to implement good budgets hindrance from poverty, corruption etc.

2.4.8 Budgeting responsibility accounting

This is a system of accountability in which managers are held responsible for those items of revenue and cost - and only these items - over which the managers can exert significant control. The managers are held responsible for differences between budgeted and actual results e.g. deviations between budgeted goals and actual results and for any defective profit planning and control system (corporate governance). Budgeting responsibility accounting of means the following: The manager should take initiative to correct any unfavorable discrepancies, should understand the source of significant favorable or unfavorable discrepancies, should be prepared to explain the reasons for discrepancies to higher management and make sure that nothing "falls through the cracks". The organization reacts quickly and appropriately to deviations from its plans and it learns from the set-back it gets by comparing budgeted goals to actual results. The point is not to penalize individuals for missing targets.

2.4.9 Budget Planning Stages

These are the Planning stages that any suitable budget requires to undergo: Establishing objectives, Identify potential courses of action (strategies), Evaluating alternative(s) strategic options, selecting alternative courses of action, implementing long-term plan in the form of the annual budget, Monitoring actual results and Respond to divergences from plan.

2.4.10 Budgeting and Financial Management

The purpose of a Non- profit or governmental organization is to achieve their stated goals and objectives within the budget. The sole reason for the department's existence is to support the business in achieving their goals. While those in IT may enjoy technology, their only reason for drawing paychecks is because they are necessary to further the organizational goals. The questions that management must be able to answer at any moment are: How do I, or my department, help the organization accomplish its goals? What does the department contribute to shareholder value? Proper budgeting of the department gives the organizational financial management the answers (McNally, 2002, Jensen, 2001, Hilton, et. al, 2000). It's clear that proper financial management begins with a good budget. Among other things a good budget calls for an activity budget to act as a link between objectives and their realization. A faulty budget is a faulty start to the whole financial management process. Mullen, A (2001).

2.4.10.1 Cost Visibility

Proper financial management of departmental budgets provides management with visibility of costs. Cost visibility provides benefits including: The organization provides services within budgets that are negotiated with customers. The cost of providing an agreed level of service can tracked and understood and understandable. Hilton et. al. (2000)

2.4.10.2 Planning

The development of sound budget encourages and promotes better organizational planning. Customers are encouraged to be cost- conscious about the services they use and to educate individual users about the cost associated with their activities. Planning focuses attention on the organization's goals and objectives. McNally, (2002).

2.4.10.3 Value Optimization

Budgets accurate cost information provides metrics that can be used to measure performance, reliability and customer satisfaction. E.g. A report that measures actual cost against budgeted cost is a useful metric for assessing performance. Comparing performance against organization plans is the first step in optimizing performance. The optimizing phase utilizes information collected through the cost accounting activity. The optimizing phase includes processes, procedures, and techniques to manage and reduce costs while maintaining or improving service levels. McNally, (2002).

2.4.10.4 Cost Recovery

Properly implemented cost accounts facilitate cost recovery. Cost accounts must logical and easily understandable. Many organizations are utilizing cost allocations or charge-back models where units are funding their own key organizational projects. This places more accountability for the business value of organizational projects in the hands of those who must justify the expenditure and prove the benefits. Implementing cost recovery puts more pressure on organizational groups to accurately collect costs and to become more efficient and cost- effective. Prendergast, (2000).

2.4.10.5 Goals and Objectives

The goals of financial management are to be able to fully account for the cost of organizational services, to attribute the costs to services delivered to the organization's customers so that the costs can be recovered to aid decision making by the understanding the cost of organizational services and to provide business cases for changes to organizational services based on a sound understanding of the costs involved. . Prendergast, (2000).

2.4.11 The Budgeting Process in Non- Profit Making Organizations (CDF).

Non- profit making organizations carry out operation without aiming at profits. Normally begins with the managers of the various activities and then calculating the expected cost of maintaining current ongoing activities, then adding to those costs any further development of the services that are considered desirable. Examples of non-profit making organizations include: Education, Health, Housing and social services, Municipal authorities, Clubs, Societies, Charitable Organizations, CDF projects etc.

2.4.11.1 Budget Difficulties with Non-Profit Making Organizations e.g. CDF

The objectives are difficult to define in a quantifiable way to enable proper budgeting evaluation, Actual accomplishments of budgets are more difficult to measures, Output cannot be measured in monetary terms (the quality and amount of services rendered) in relation to budgetary controls, Budgets tend to be mainly concerned with the input or resources (expenditure) sales revenues are not prepared to measure output as in the case of profit oriented organization, No same emphasis on what was intended to be achieved for a given input of resources when budgeting, Budgeting process tends to compare what is happening in cash input terms with the estimated cash inputs.(Little emphasis on measures of managerial performance in terms of the results achieved), Less management accountability to budgets.

2.4.12 Conclusion

Budgeting plays a very critical role in promoting corporate governance and the failure of budgets and budgetary control can be disastrous to an organization as stakeholders will stop trusting the management of the organization. As the business world is becoming more complex, serious organizations will strive to develop a strategic plan to guide its vision and mission - align all its other plans to the strategic plan- modern organizations must plan to control costs and avoid unnecessary plans to remain competitive. A budget is critical for the success of the organization.

2.5 Empirical Review

A number of scholars have shown that the problems of adverse selection and moral hazard exist in the management of diverse outlets. Outlet/agency managers have an incentive to shirk and to misrepresent their abilities since the owner of the firm cannot easily differentiate the effect of manager behavior on outlet performance from the effect of exogenous factors (Brickley and Dark, 1987). Franchising scholars have found that one way that performance of outlets can he enhanced is through the provision of residual claimancy. However, the establishment of a hybrid organizational form does not eliminate all agency costs (LaFontaine and Kauffman, 1994).

Roberts (2002) undertook a study to understand the determinants of corporate social responsibility disclosure using a sample of 80 companies drawn from a population of 130 major companies investigated in 1984, 1985 and 1986 by the Council of Economic Priorities (CEP). Roberts found that his measures of stakeholder power, strategic posture and economic performance are significantly related to levels of corporate social disclosure. The findings contribute to the knowledge on how organizations should manage their stakeholders using disclosures. However, the extent to which such disclosures are related to accountability remains debatable. For example, numerous studies from the 1980s through to 2000s report either no significant or negative relationship between disclosure and accountability (Patten, 2002).

In another related study, Fogarty (1996) examined accountability standard-setting process and found that institutionalization, through the basis of separated procedures and the formal characteristics of assessment, enables the organizations to achieve tolerable decisional freedom. He further noted that the visibility of its processes, and the consequences of its outcomes, contributed to its critical dependence on legitimacy. Further, he analyzed the peer review process of firms as a mechanism utilized by them seeking to legitimize a largely self-regulatory industry.

Studies by the National Audit Office (2001) regarding accountability practices indicated that accountability for joint expenditure requires the roles and responsibilities of partners, how their performance is to be measured and reported, and the accounting and audit arrangements to ensure propriety over public expenditure all need to be clearly set out and understood.

Finally, a report was undertaken in 2003 on the accountability of international NGOs that investigated access to online information and information on member control of governance for NGOs, inter-governmental organizations (IGOs) and transnational corporations (TNCs). Kovach, et al., (2003) did a report which concluded that international NGOs in the sample provide little online information about their activities compared with other organizations. In particular, the section of the report focusing on access to online information measured accountability by looking for the public accessibility of certain attributes in their reporting and found it lacking. This type of accountability mechanism however, is based on the assumption that accountability is the same for all types of organizations.

2.7 Chapter Summary

Stakeholders have agitated for the accountability of CDF to the population they serve and to the donors who finance their operations. On the other hand, CDF costs to monitor and ensure proper governance and accountability are high, and achieving a balance of "separation and control" has increasingly become elusive. Credible and effective accountability is quite simply a pre-condition for agency continued historical significance as global and local agents of change. Accountability should thus be seen as a way of upgrading performance and responding to the needs of beneficiaries. However, a major challenge facing partnerships is how to be more accountable to beneficiaries - the people whom they help and on whose behalf they speak. Further, they are under increasing pressure to observe the same standards of conduct that they demand from the targets of their campaigns. Indeed, the challenges of creating financial accountability in CDF are both those external and internal to the partnerships. Some of the internal and external challenges cannot be changed by the players alone. Among these challenges include low-level experience with efficiency in financial management, resultant passive behavior which reduces the voice of stakeholders, weak management practices pervading the public sector making it difficult for the management of the CDF to improve and poor public budgeting and spending practices producing unpredictable funding. In addition to these challenges, reliable information on financial performance for the CDF is almost never available other than them lacking an evaluation culture, implying that, neither partners' managers nor government who are charged with accountability roles are evaluated. Indeed, the challenges of creating accountability in public partnerships in developing countries are daunting and unlikely to be overcome quickly. However, there are many opportunities like budget and audit committees for solving specific challenges and preparing the way for greatly improved accountability. Failure to seize these opportunities will only ensure that accountability never comes easily.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprised of the research design, the population of interest, data collection instruments and the data analysis technique that were to be used to establish the role of budgets in promoting corporate governance on allocation of funds in constituency development fund in Nairobi county.

3.2 Research Design

A survey is a method of collecting data from a sample of the population that may involve gathering data either at one point in time, that is, cross- sectional studies or following a group of people over a period of time, that is, longitudinal studies (Mugenda & Mugenda,2003). Generally, surveys can be used for two purposes. First, to know how common a characteristic is, that is, a descriptive survey and, secondly to learn something about the causes, that is, analytic survey. A cross- sectional survey was used to collect primary data. The survey method was appropriate because data on the same items was to be collected across several constituencies in Nairobi County.

3.3 Target Population

The population consisted of CDF fund managers in each constituency of Nairobi County totaling eight hence a census survey applied.

3.4 Data Collection

The primary data was be collected through a structured questionnaire with both open and closed ended questions. The questionnaire was hand dropped and picked from the CDF fund Managers from each constituency in Nairobi County.

3.5 Reliability and Validity of Primary Data

The reliability and validity of data collected for research was controlled through formulation of relevant research question by considering the research questions that expressed a relationship between variables and that they were stated in an unambiguous form and questions that would be tested empirically (Black 1993); choosing the appropriate data collection method that suited the research questions.

3.6 Data Analysis

Data was edited to detect errors and omissions with a view to correct them where possible and to certify that minimum data quality standards had been met. Then coding was done. Content analysis which is a research technique for the objective, systematic, and quantitative description of the manifest content of communication was done. The aim was to obtain a quantitative description of the manifest content of communication. It uses a set of categorization for making valid and replicable inferences from data to their context (Rubin and Piele, 1996). Descriptive statistics was used to describe or summarize information about the population. The descriptive statistics used were the proportions and the mean. Qualitative data was analyzed using qualitative analysis while SPSS version 17 was used to analyse the quantitative data.

3.7 **The Model**

This was the conceptual framework of this study, comprising independent and dependent variables. Mugenda and Mugenda, (2003), define a variable as measurable characteristic that assume different values among the subjects. Kothari, (2004), defines a dependent variable as one that depends upon other variables or is as a consequence of other variables. An independent variable is defined as one that is antecedent to the dependent variable. The dependent variable, " corporate governance in CDF allocation" was the subject of this study and was the one influencing by the role of budgeting.

Conceptual Framework

Corporate Governance of CDF allocation

- Overseeing financial reporting
- Compliance with code of ethics
- Corporate appointments
- Corporate investigations

Corporate governance of CDF allocation was the dependent variable whereas overseeing financial reporting, compliance with code of ethics, corporate appointments and corporate investigations were the independent variables.

The equation for the regression model was expressed as:

$Y = a + (3,X, + p_2X_2 + p_3X_3 + p_4X_4$

Where Y=Corporate governance in CDF allocation

Xi = Overseeing financial reporting

X2 = Compliance with code of ethics

X_3 = Corporate appointments

X4 = Corporate investigations

CHAPTER FOUR

DATA ENTRY, ANALYSIS AND DISCUSSION

4.1 Introduction

The study targeted all the CDF fund managers in Nairobi totaling to eight hence a census survey was appropriate and therefore eight questionnaires were administered. The researcher managed to collect seven completed questionnaires out of the possible eight representing 87.5% response rate. The questionnaire captured major aspects of budget planning and its role on corporate governance. Respondents were majorly from Dagoreti, Embakasi, Kamukunji, Langata, Makadara, Starehe and Westlands Constituencies.

4.2 Budget planning and control process aspects

Respondents were required to indicate whether they prepared different budgets. All the respondents indicated that their constituencies prepared at least some budgets and overheads budgets. All the respondents also indicated that their constituencies did not prepare production budgets. 42.9% of the respondents indicated that they prepared purchases budgets and labor cost budgets while the remaining 57.1% each indicated otherwise. Majority (71.4%) of the respondents also indicated that their constituencies did not prepare capital expenditure budgets. The findings are as shown in table 4.1 below.

Table 4.1 Budget planning and control process aspects

Aspect	Yes		No	
	Frequency	**Percentage**	**Frequency**	**Percentage**
Preparation of any budget	7	100.0		
Preparation of production budget	0	0	7	100.0
Preparation of purchases budget	3	42.9	4	57.1
Preparation of labor cost budgets	3	42.9	4	57.1
Preparation of overheads budgets	7	100.0	0	0
Preparation of capital expenditure budgets	2	28.6	5	71.4

4.3 Preparation of other types of budgets

All the respondents indicated that they did not prepare any other type budgets other than the ones mentioned.

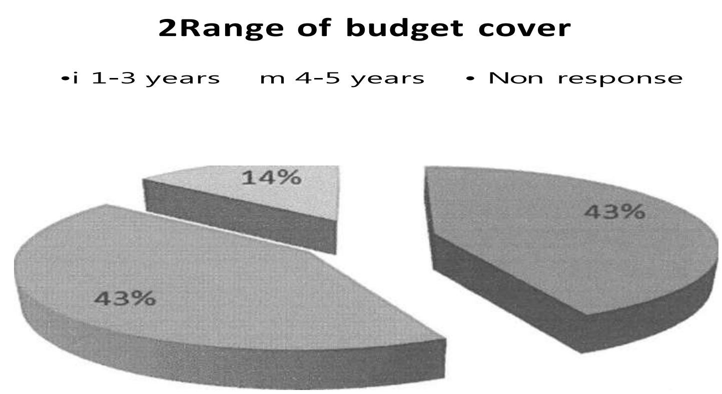
4.4 Range of budget cover

42.9% of the respondents each indicated that their budgets cover a period of between 1-3 years and 4-5 years while the one respondent did not indicate the duration which their budget covers. The findings are as shown in table 4.2 and figure 4.1 below.

Table 4.2 Range of budget cover

Range	Frequency	Percentage
1-3 years	3	42.9
4-5 years	3	42.9
Non response	1	14.3
Total	7	100.0

Figure 4.1: Range of budget cover



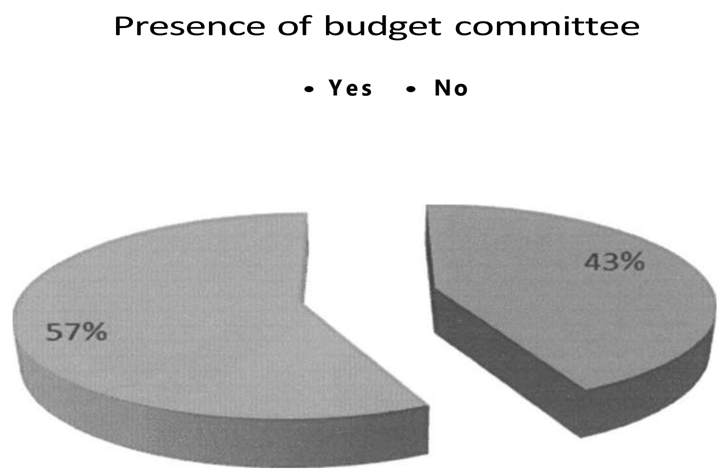
4.5 Presence of budget committee

57.1% of the respondents indicated that there was no budgeting committee in their constituencies while the remaining 42.9% indicated otherwise as shown in table 4.3 and figure 4.2 below.

Table 4.3 Presence of budget committee

Presence	Frequency	Percentage
Yes	3	42.9
No	4	57.1
Total	7	100.0

Figure 4.2 Presence of budget committee



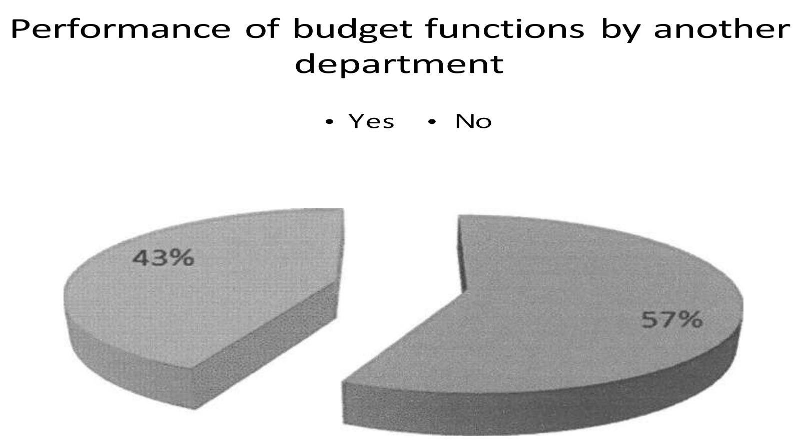
4.6 Performance of budget functions by another department

57.1% of the respondents indicated that the budget functions in their constituencies were performed by another department other than the budget committee while the remaining 42.1% of them indicated otherwise as shown in table 4.4 and figure 4.3 below. They indicated that the CDF Committees were responsible for this.

Table 4.4 Performance of budget functions by another department

Performance	Frequency	Percentage
Yes	**4**	**57.1**
No	**3**	**42.9**
Total	**7**	**100.0**

Figure 4.3: Performance of budget functions by another department



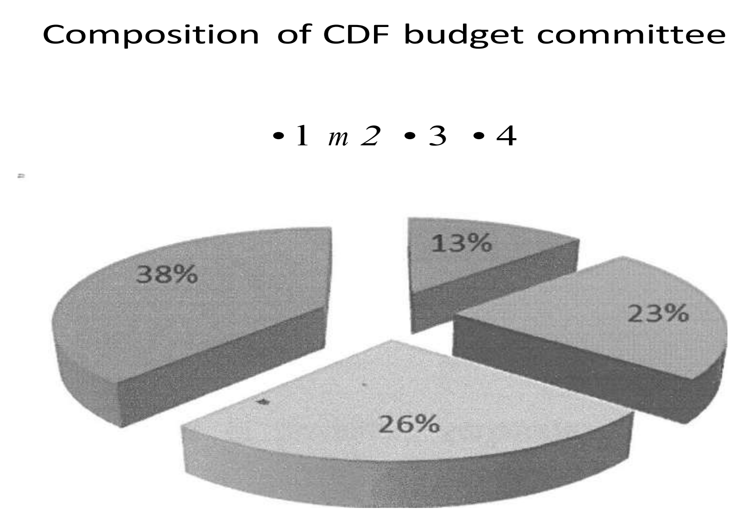
4.7Composition of CDF budget committee

Respondents were required to suggest the number of members to comprise the CDF budget committee. 42.9% of the respondents suggested 3 members, 28.6% of them suggested 15 members while the remaining 14.3% each indicated 10 and 9 members respectively as shown in table 4.5 and figure 4.4 below.

Table 4.5Composition of CDF budget committee

Members	Frequency	Percentage
5.00	3	42.9
9.00	1	14.3
10.00	1	14.3
15.00	2	28.6
Total	7	100.0

Figure 4.4: Composition of CDF budget committee



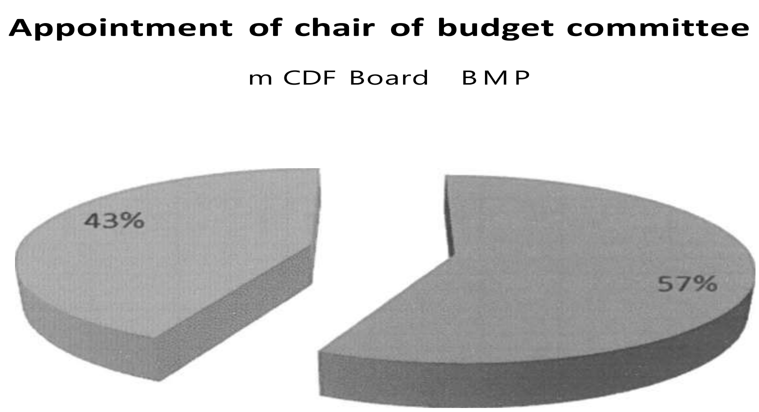
4.8 Appointment of chair of budget committee

57.1% of the respondents indicated that the CDF Board should appoint the chair of the budgeting committee while the remaining 14.3% indicated that the Member of Parliament (MP) should be responsible for this as shown in table 4.6 and figure 4.5 below.

Table 4.6 Appointment of chair of budget committee

Appointment	Frequency	Percentage
CDF Board	4	57.1
MP	3	42.9
Total	7	100.0

Figure 4.5 Appointment of chair of budget committee



4.9 Role of budget committee in promoting corporate governance on funds allocation

Majority of the respondents unanimously agree that the budgeting committee plays a great role in all the functions mentioned. However a few of the respondents were neutral on the role of the budgeting committee in enhancing corporate governance in allocation of funds in their constituencies as shown in table 4.7 below. One respondent further indicated that the budgeting committee advices on the reallocation of CDF funds in various constituencies.

Table 4.7 Role of budget committee in promoting corporate governance on funds allocation

Factor	Agree		Neutral		Disagree		Non response		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Assist in planning CDF projects	6	85.7	1	14.3	0	0	0	0	7	100
Appraisal of CDF projects	6	85.7	1	14.3	0	0	0	0	7	100
Receiving feedback on CDF projects	4	57.1	3	42.9	0	0	0	0	7	100
Accountability standards in CDF	6	85.7	1	14.3	0	0	0	0	7	100
Maintenance of accounting policies	6	85.7	1	14.3	0	0	0	0	7	100
Ensuring proper bookkeeping enforcement	5	71.4	2	28.6	0	0	0	0	7	100
Pursuing CDF projects feasibility studies	6	85.7	1	14.3	0	0	0	0	7	100
Enhance managerial perspectives	5	71.4	1	14.3	0	0	1	14.3	7	100
Advance warning on CDF failure	4	57.1	»3	42.9	0	0	0	0	7	100
Project performance evaluation	5	71.4	1	14.3	0	0	1	14.3	7	100

4.10 Purposes of enhancing corporate governance on the allocation of CDF funds by budgeting committee

Majority of the respondents agreed that the budget committees had various purposes to attain which enhances corporate governance on the allocation of funds. However two respondents disagreed that budget committees should not be engaged in the re-appointment of internal auditors and discussing with the external auditor before the CDF budgeting commences. Equally, a good number of respondents also were neutral on the purpose of budget committee in enhancing corporate governance on allocation of funds as shown in table 4.8 below.

Table 4.8 Purposes of enhancing corporate governance on the allocation of CDF funds by budgeting committee

Factor	Agree		Neutral		Disagree		Non response		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Vigilant and effective overseers of the CDF financial reporting process and internal control	6	85.7	1	14.3	0	0	0	0	7	100
Reviewing and making recommendations on CDF management	6	85.7	1	14.3	0	0	0	0	7	100

Reappointing of CDF internal auditor	**1**	**14.3**	**4**	**57.1**	**2**	**28.6**	**0**	**0**	**7**	**100**
Discussing with the external auditor before the CDF budgeting commences	**2**	**28.6**	**3**	**42.9**	**2**	**28.6**	**0**	**0**	**7**	**100**
Review of annual financial statement	**6**	**85.7**	**1**	**14.3**	**0**	**0**	**0**	**0**	**7**	**100**
Review of external communication	**6**	**85.7**	**1**	**14.3**	**0**	**0**	**0**	**0**	**7**	**100**
CDF internal investigations, budget and CDF management responses	**5**	**71.4**	**2**	**28.6**	**0**	**0**	**0**	**0**	**7**	**100**
Consider project transactions that may arise within the CDF management	**5**	**71.4**	**1**	**14.3**	**0**	**0**	**1**	**14.3**	**7**	**100**
Investigation of projects or matters within CDF requiring funding	**4**	**57.1**	**3**	**42.9**	**0**	**0**	**0**	**0**	**7**	**100**
Access CDF information for budgeting purposes	**6**	**85.7**	**1**	**14.3**	**0**	**0**	**0**	**0**	**7**	**100**

Obtain external professional advice to attend the budgeting process	**5**	**71.4**	**2**	**28.6**	**0**	**0**	**0**	**0**	**7**	**100**

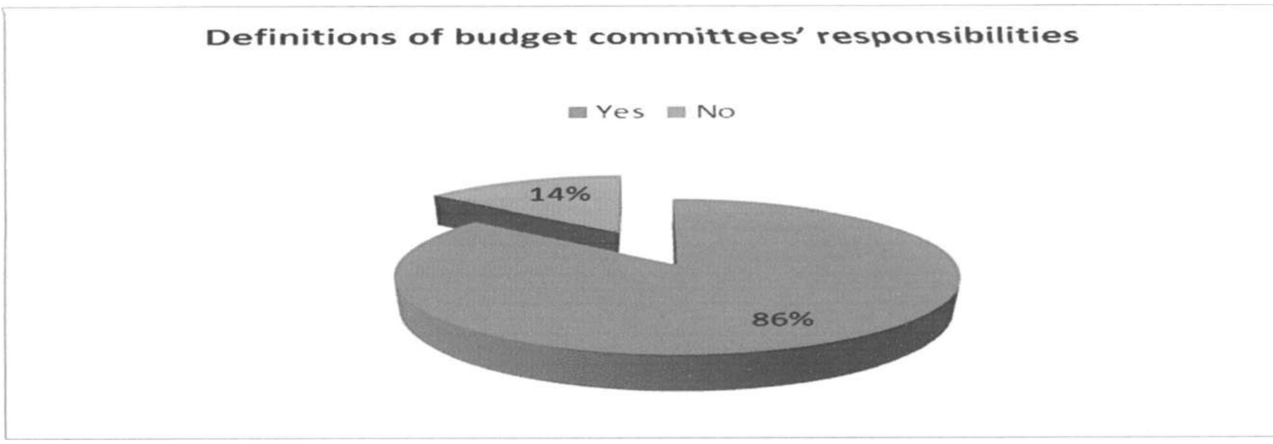
4.11 Definitions of budget committees' responsibilities

85.7% of the respondents indicated that the responsibilities should be defined in a charter while the remaining 14.3% of the respondents were of a contrary opinion as shown in table 4.9 and figure 4.6 below.

Table 4.9 Definitions of budget committees' responsibilities

Definitions	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.6: Definitions of budget committees' responsibilities



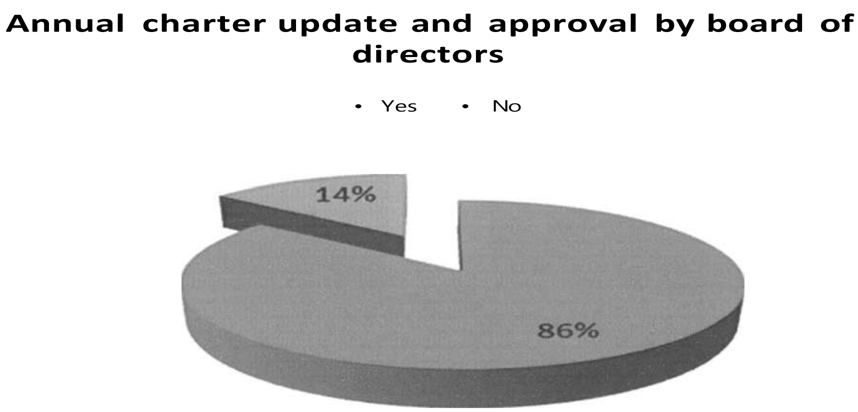
4.12 Annual charter update and approval by board of directors

85.7% of the respondents indicated that the charter should be updated annually while the remaining 14.3% were of a contrary opinion as shown in table 4.10 and figure 4.7 below.

Table 4.10 Annual charter update and approval by board of directors

Update	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.7: Annual charter update and approval by board of directors



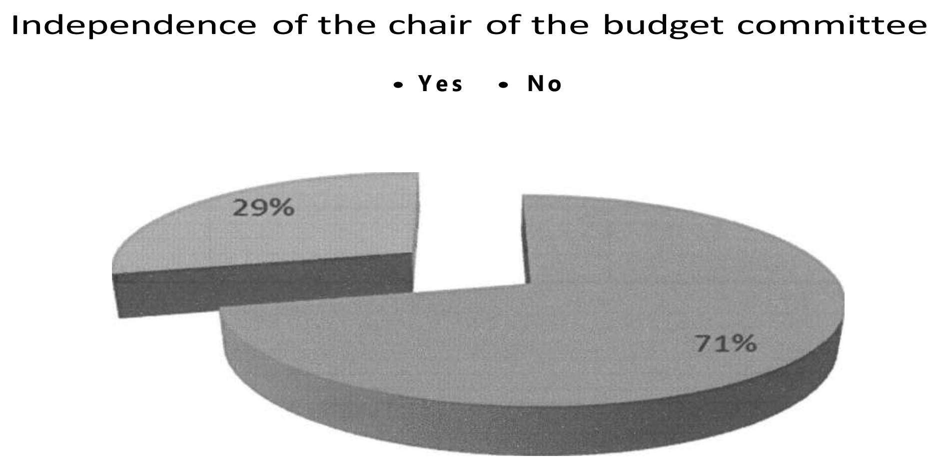
4.13 Independence of the chair of the budget committee

71.4% of the respondents indicated that the chair of the budget committee should be an independent non-executive committee while the remaining 28.6% of the respondents indicated otherwise as shown in table 4.11 and figure 4.8 below.

Table 4.11 Independence of the chair of the budget committee

Independence	Frequency	Percentage
Yes	5	71.4
No	2	28.6
Total	7	100.0

Figure 4.8: Independence of the chair of the budget committee



4.14 Accounting knowledge by members

All the respondents indicated that the budget committee members should have knowledge in the knowledge in the field of accounting and finance. All the respondents also indicated that the budget committee members should have knowledge, industry and experience and financial expertise to serve effectively in roles.

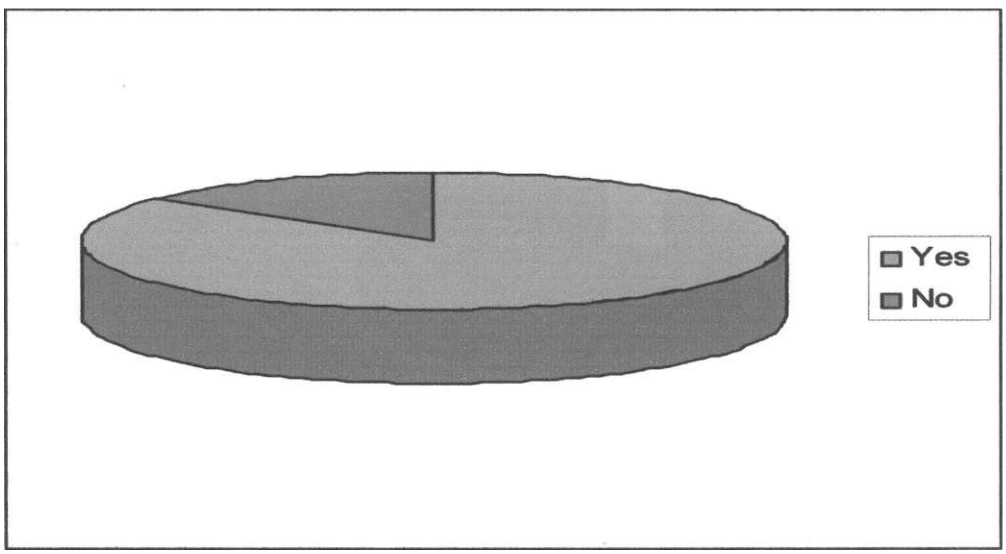
4.15 Engagement of outside expertise

85.7% of the respondents indicated that the budget committee members should engage outside expertise as appropriate while the remaining 14.3% of them were of a contrary opinion as shown in table 4.12 and figure 4.9 below.

Table 4.12 Engagement of outside expertise

Engagement	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.9: Engagement of outside expertise



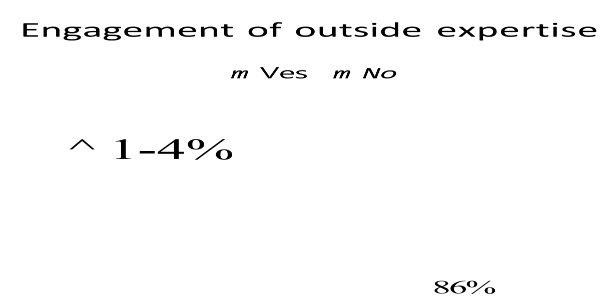
4.16 Frequency of meetings

85.7% of the respondents indicated that respondent's budget committees should be meeting twice in a month while the remaining 14.3% of the respondents that meeting should be meeting once in a month as shown in table 4.13 and figure 4.10 below.

Table 4.13 Frequency of meeting

Meeting	Frequency	Percentage
2.00	6	85.7
1.00	1	14.3
Total	7	100.0

Figure 4.10: Engagement of outside expertise



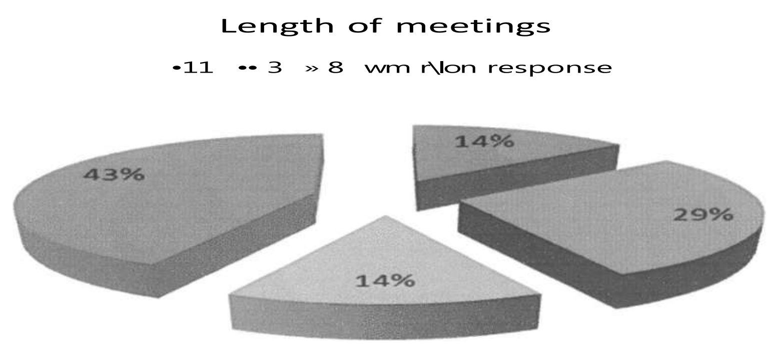
4.17 Length of meetings

28.3% of the respondents indicated that the budget committee meetings should be taking three hours, 14.3% should be taking one hour and another 14.3% 8 hours. 42.8% of the respondents did not indicate their opinion on this opinion as shown in table 4.14 and figure 4.11 below.

Table 4.14 Length of meetings

Length	Frequency	Percentage
1.00	1	14.3
3.00	2	28.6
8.00	1	14.3
Non response	3	42.8
Total	7	100

Figure 4.11: Length of meetings



4.18 Setting of agendas by budget committee

All the respondents indicated that the budget committee should be in charge of setting the agendas of the meetings.

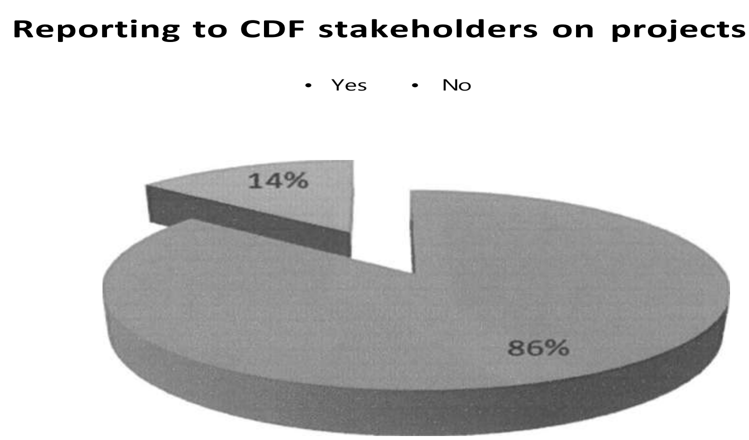
4.19 Reporting to CDF stakeholders on projects

85.7% of the respondents indicated that the budget committee should report to the CDF stakeholders on projects activities and findings while the remaining 14.3% of them were of a contrary opinion as shown in table 4.16 and figure 4.12 below.

Table 4.15 Reporting to CDF stakeholders on projects

Report	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.12Reporting to CDF stakeholders on projects



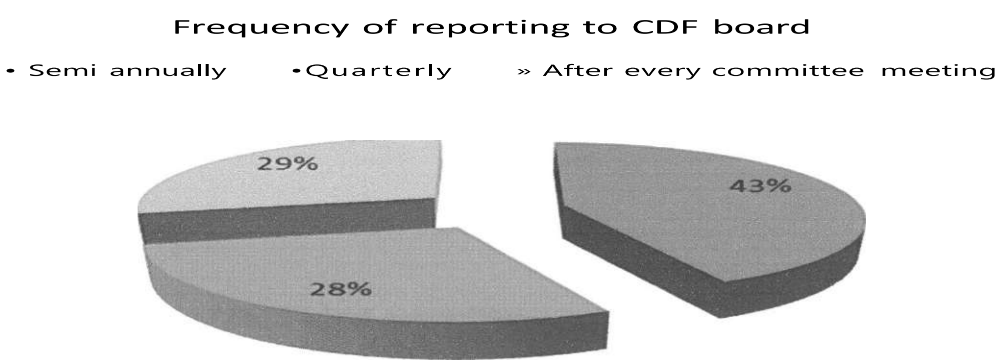
4.20 Frequency of reporting to CDF board

42.9% of the respondents indicated that the budget committee should report to the CDF board semi-annually while another 28.6% of the respondents each indicated that the budget committee should report quarterly and after every committee meeting respectively as shown in table 4.17 and figure 4.13 below.

Table 4.16 Frequency of reporting to CDF board

Meetings	Frequency	Percentage
Semi annually	3	42.9
Quarterly	2	28.6
After every committee meeting	2	28.6
Total	7	100.0

Figure 4.13:Frequency of reporting to CDF board



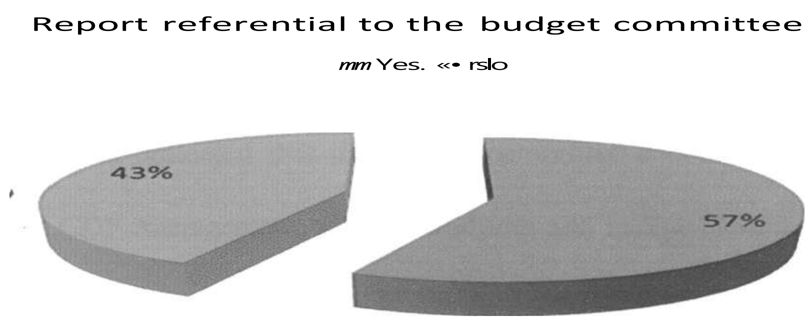
4.21 Report referential to the budget committee

57.1% of the respondents indicated that reports should include a reference to the budget committee while the remaining 42.9% were of a contrary opinion as shown in table 4.18 and figure 4.14 below.

Table 4.17 Report referential to the budget committee

Referential	Frequency	Percentage
Yes	4	57.1
No	3	42.9
Total	7	100.0

Figure 4.14: Report referential to the budget committee



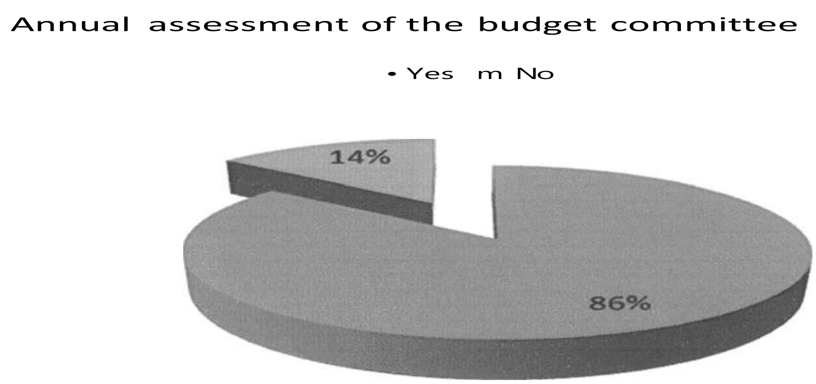
4.22 Annual assessment of the budget committee

85.7% of the respondents indicated that the budget committees should carry out annual assessment while the remaining 14.3% of them were of a contrary opinion as shown in table 4.19 and figure 4.15 below.

Table 4.18 Annual assessment of the budget committee

Assessment	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.15: Annual assessment of the budget committee



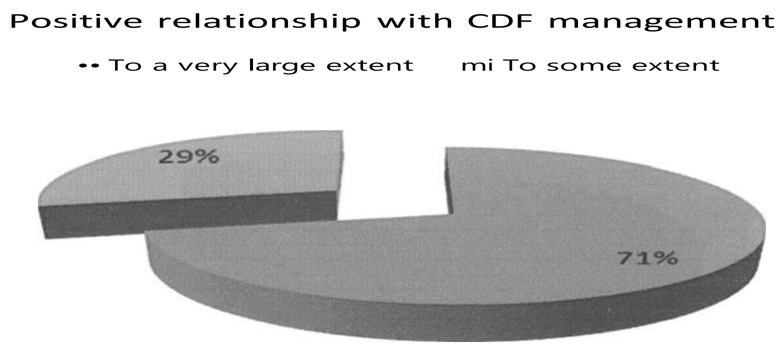
4.23 Positive relationship with CDF management

71.4% of the respondents indicated that the budget committee should have a positive relationship with the CDF management, internal auditors and independent auditors to a very large extent while the remaining 28.6% to some extent as shown in table 4.20 and figure 4.16 below.

Table 4.19 Positive relationship with CDF management

Positive relationship	Frequency	Percentage
To a very large extent	5	71.4
To some extent	2	28.6
Total	7	100.0

Figure 4.16 Positive relationship with CDF management



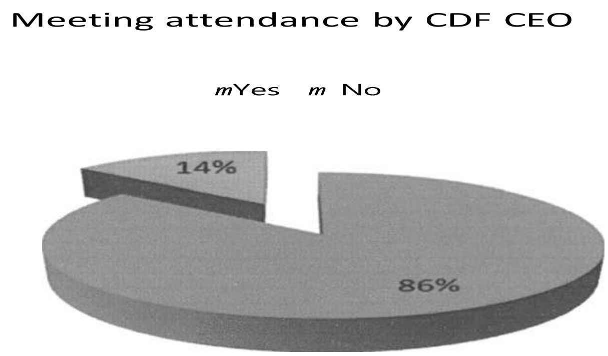
4.24 Meeting attendance by CDF CEO

85.7% of the respondents indicated that the Chief Executive Officer of CDF should attend budget committee meetings on invitation only while the remaining 14.3% of them were of a contrary opinion as shown in table 4.21 and figure 4.17 below.

Table 4.20 Meeting attendance by CDF CEO

Attendance	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.17:Meeting attendance by CDF CEO



4.25 Alternative procedures for reporting

All the respondents indicated there should be procedures in place for reporting by the budget committee significant deficiency and material weaknesses in a timely manner.

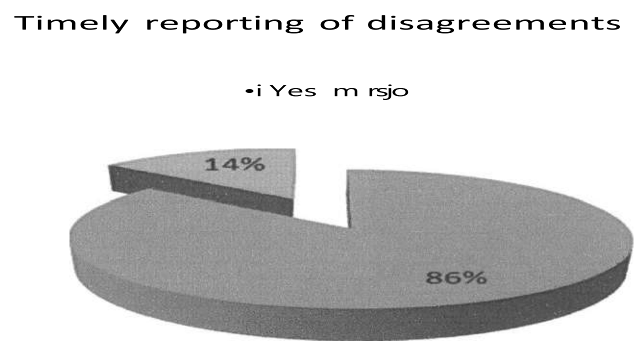
4.26 Timely reporting of disagreements

85.7% of the respondents indicated that disagreements between the CDF management and outside auditors should be reported in a timely manner to the budget committee while the remaining 14.3% were of a contrary opinion as shown in table 4.22 and figure 4.18 below.

Table 4.21 Timely reporting of disagreements

Reporting	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

Figure 4.18:Timely reporting of disagreements



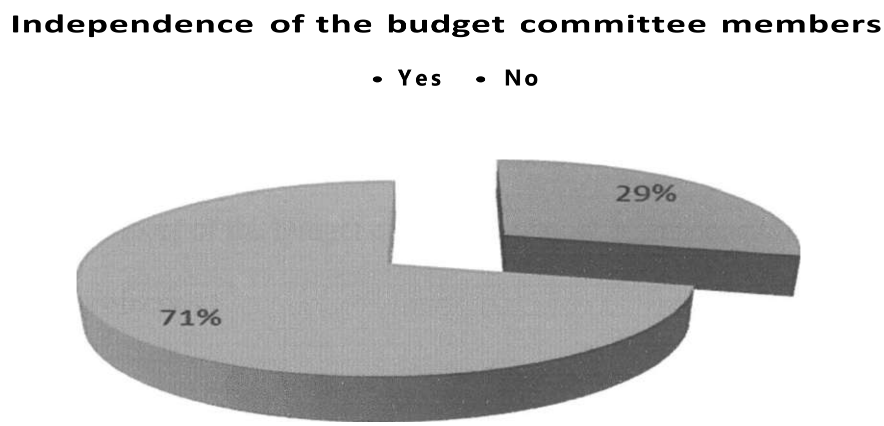
4.27 Independence of the budget committee members

Majority (71.4%) of the respondents indicated that the budget committee should not be independent CDF management while the remaining 28.6% of the respondents were of a contrary opinion as shown in table 4.23 and figure 4.19 below.

Table 4.22 Independence of the budget committee members

Independence	Frequency	Percentage
Yes	2	28.6
No	5	71.4
Total	7	100.0

Figure 4.19:Independenee of the budget committee members



4.28 Achievements of the budget committee

Respondents indicated that the budgeting committee had ensured that there was adequate allocation of funds in their constituencies, construction of welfare amenities and allocation of funds to most crucial projects within their constituencies as some of the achievements they had attained.

4.29 Challenges facing budget committee

Respondents indicated the challenges they faced as members of the budgeting committees included: delayed board budget allocation guidelines, insufficient funds, political interference and lack of accounting and financial skills amongst the members.

4.30 Comments on the functions of the budget committee and its role in promoting corporate governance on fund allocation

Respondents indicated that the members of the budgeting committee should be appointed by people from their locality so that they can be answerable to them. They were also of the opinion that the members of the budget committee should be responsible for supervising ongoing projects.

4.31 Regression Analysis

The research study wanted to establish the relationship between the role of budgeting on corporate governance on CDF allocation in constituencies. The research findings indicated that there \yas a very strong positive relationship (R= 0.965) between the variables. The study also revealed that 93.1% of corporate governance is explained by the role of budgeting represented by enhancement of accountability in CDF allocation hence the internal consistence of the variables is efficient to make conclusion on study findings. From this study it is evident that at 95% confidence level, the variables produce statistically not significant values for this study but they can be relied on to explain corporate governance. The findings are as shown in the tables 4.24, 4.25 and 4.26 below.

Table 4.23 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965(a)	.931	.793	.35806

Table 4.24 ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.458	4	.864	6.743	.133(a)
	Residual	.256	2	.128		
	Total	3.714	6			

Table 4.25 Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
				B	Std. Error	Beta
1	(Constant)	-1.013	1.159		-.874	.474
	Overseeing financial reporting	1.974	.870	1.974	2.271	.151
	Compliance with code of	-1.128	.835	-1.128	-1.351	.309
	Corporate appointments	.462	.314	.558	1.470	.279
	Corporate investigations	.038	.186	.052	.207	.855

From this study it was evident that at 95% confidence level, the variables produce statistically not significant values for this study (low t-values, $p > 0.05$). However, positive effect is reported for overseeing financial reporting ((3 =1.974), corporate appointments ((3 =0.558) and corporate investigations (P = 0.052) respectively. Further, a negative effect was reported for compliance with code of ethics (|3= -1.128

The results of the regression equation below shows that for a 1- point increase in the independent variables, corporate governance is predicted to have a difference by 1.159, given that all the other factors are held constant. The equation for the regression model is expressed as:

$$Y = a + piXi + p_2X_2 + p_3X_3 + p_4X_4$$

$$Y = -1.013 + 1.974Xi - 1.128X2 + 0.462X3 + 0.038X4$$

Where Y=Corporate governance in CDF allocation

Xi = Overseeing financial reporting

X2 = Compliance with code of ethics

X3 = Corporate appointments

X4 = Corporate investigations

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, discussions and conclusions. The researcher then presents the main limitations of the study, and recommendations both for the research as well as for the policy and practice.

5.2 Summary, Discussions and Conclusions

In summary, the response rate of the survey was 87.5%. The aim of the discussion was to establish the role of budgeting in promoting corporate governance on CDF funds allocation in Nairobi County, why the findings were the way they were and if they were consistent with or contrary to the previous empirical findings. The discussions and presentations were guided by the objectives of the study which were stated as:

1. To determine the role of budgets in allocation of funds,
2. To determine the role of budgeting in promoting accountability,
3. To determine the role of budgets in promoting management of CDF fund.

5.3 Budget Planning and Control Process aspects

All the respondents indicated that their constituencies prepared at least some budgets and overheads budgets. All the respondents also indicated that their constituencies did not prepare production budgets. Majority of the respondents indicated that they prepared purchases budgets and labor cost budgets. Majority of the respondents also indicated that their constituencies did not prepare capital expenditure budgets. It was clear from the respondents that they did not prepare any other type of budgets other than the ones mentioned. Majority of the respondents also concurred that there was no budgeting committee in their constituencies and that their budgets covered a period of 1-3 years. Respondents also agreed that the functions of the budgeting committee were basically done by the CDF committees in some constituencies. Respondents unanimously agreed that the CDF budget committee should comprise of 3 members and that the CDF board should appoint the chair of the budgeting committee.

5.4 Role of budgeting committee in promoting corporate governance

Majority of the respondents unanimously agree that the budgeting committee plays a great role in all the functions mentioned. However a few of the respondents were neutral on the role of the budgeting committee in enhancing corporate governance in allocation of funds in their constituencies and that the budgeting committee should advice on the reallocation of CDF funds in various constituencies.

5.5 Purposes of enhancing corporate governance on CDF funds allocation

Majority of the respondents agreed that the budget committees had various purposes to attain as mentioned in order to enhance corporate governance on the allocation of funds. However a few respondents disagreed that budget committees should not be engaged in the re-appointment of internal auditors and discussing with the external auditor before the CDF budgeting commences. Equally, respondents were neutral on the purpose of budget committee in enhancing corporate governance on allocation of funds.

Majority of the respondents indicated that the budget committee's responsibilities should be designed in a charter and that the charter should be updated annually. They also agreed that the chair of the budget committee should be an independent non-executive Director and that the members of the budget committee should have knowledge in the field of accounting and finance having knowledge, industry, experience and financial expertise in their roles. Respondents also agreed that outside experts can be engaged as appropriate and that two meetings lasting on average for three hours each in a month should be conducted with agendas drafted by the committee itself. They equally concurred that the budget committee should prepare semi-annual reports to different stakeholders on projects activities and findings. The reports to be prepared should include a reference to the budget committee and that the committee should assess its performance annually.

A positive relationship between the budget committee and the CDF management, internal auditors and the independent auditors was appreciated by a majority of the members. Respondents unanimously agreed that the CDF Chief Executive Officer should attend budget committee meetings on invitations only and that procedures for reporting by the budget committee should be put in place. In case of any disagreements between CDF management and outside auditors, respondents concurred that they should be reported timely to facilitate effective actions to be taken. Respondents equally agreed that the budget committee should work hand in hand with the CDF management.

Respondents indicated that the budgeting committee had ensured that there was adequate allocation of funds in their constituencies, construction of welfare amenities and allocation of funds to most crucial projects within their constituencies as some of the achievements they had attained.

Roberts (2002) undertook a study to understand the determinants of corporate social responsibility disclosure using a sample of 80 companies drawn from a population of 130 major companies investigated in 1984, 1985 and 1986 by the Council of Economic Priorities (CEP). Roberts found that his measures of stakeholder power, strategic posture and economic performance are significantly related to levels of corporate social disclosure. The findings contribute to the knowledge on how organizations should manage their stakeholders using disclosures. However, the extent to which such disclosures are related to accountability remains debatable. For example, numerous studies from the 1980s through to 2000s report either no significant or negative relationship between disclosure and accountability (Patten, 2002).

In another related study, Fogarty (1996) examined accountability standard-setting process and found that institutionalization, through the basis of separated procedures and the formal characteristics of assessment, enables the organizations to achieve tolerable decisional freedom. He further noted that the visibility of its processes, and the consequences of its outcomes, contributed to its critical dependence on legitimacy. Further, he analyzed the peer review process of firms as a mechanism utilized by them seeking to legitimize a largely self-regulatory industry.

Studies by the National Audit Office (2001) regarding accountability practices indicated that accountability for joint expenditure requires the roles and responsibilities of partners, how their performance is to be measured and reported, and the accounting and audit arrangements to ensure propriety over public expenditure all need to be clearly set out and understood.

Finally, a report was undertaken in 2003 on the accountability of international NGOs that investigated access to online information and information on member control of governance for NGOs, inter-governmental organizations (IGOs) and transnational corporations (TNCs). Kovach, et al., (2003) did a report which concluded that international NGOs in the sample provide little online information about their activities compared with other organizations. In particular, the section of the report focusing on access to online information measured accountability by looking for the public accessibility of certain attributes in their reporting and found it lacking. This type of accountability mechanism however, is based on the assumption that accountability is the same for all types of organizations.

According to Johnstone (2002), there have been high profile corporate governance failures hence need for proposals and actions in a number of countries concerning the responsibilities and powers of budget committees, their mandatory or voluntary status, membership and independence. This trend of development can be seen as part of a wider agenda regarding the potential 'globalization' of corporate governance. Corporate governance of all organizations whether commercial, not for profit, or governmental (such as local authority or the public sector) is primarily about the interface of the board (council) and the executive and the accountability to shareholders (citizens). A typical example of this concern is the following reaction to the USA case of Enron, where the budget committees had been criticized for failing to identify or prevent certain practices within the company. Owuor (2008), captured corporate governance practices in state corporations in Kenya, Ngumi (2008) studied corporate governance practices in Housing Finance Company of Kenya. And Kiamba (2008) studied the effect of corporate governance in the performance of local authorities.

Creating accountability in public service is extraordinarily complex. There is a complex web of policymakers and providers in such responsibility. The issue of accountability is also complicated by the difficulty in defining and measuring financial outcomes. Extensive research suggests that about two-thirds of the variation in achievement is the product deliberate neglect and slim commitment to account (Ladd, 1996).

Accountability has tended to focus on opinions, decisions or behaviors related to moral or ethical issues (Dose &Klimoski, 2005) asjioted, and role theory also has included these as well as issues of a more mundane sort. Moreover, at its base, accountability implies the anticipation of an accounting, having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing an accounting as well, in this case, having to respond in the future to the expectations of role senders, albeit, perhaps on shorter and recurring cycles.

Budgets provide management with an opportunity to coordinate the activities of various departments within the business. A written budget shows departmental managers in quantitative terms exactly what is expected of their departments during the upcoming period. Performance evaluation. Budgets show the expected costs and expenses for each department as well as the expected output, such as revenue to be earned or units to be produced. Thus, budgets provide a yardstick with which each department's actual performance may be measured (Meigs & Meigs et al 1996). Motivates managers and employees. Most individuals are motivated to work more intensely to avoid failure than to achieve success and as individuals get closer to a goal, they work harder to achieve it. General Electric's former CEO, Jack Welch, describes setting challenging budgets as energizing, motivating, and satisfying for managers and employees while unleashing out of box and creative (Horngren,T et. al., 2003) 3

5.6 Conclusions

From the study findings it would be safe to conclude that, the CDF budget committee plays a great role in enhancing corporate governance on Constituency Development Funds allocation. The conclusion is supported by the results the various descriptive and inferential statistics.

5.7 Recommendations

The conclusion that emerges yet again is that the CDF budget committee plays a great role in enhancing corporate governance on Constituency Development Funds allocation. This therefore calls for an appointment of budget committee who are transparent and accountable for any transaction carried by them. Respondents indicated that the members of the budgeting committee should be appointed by people from their locality so that they can be answerable to them. They were also of the opinion that the members of the budget committee should be responsible for supervising ongoing projects as a monitoring and evaluation strategy.

5.8 Limitations of the study

The researcher encountered quite a number of challenges related to the research and most particularly during the process of data collection. Due to inadequate resources, the researcher conducted this research under constraints of finances and therefore collected data from the Nairobi County only in this study. Time allocated for the study was insufficient while holding a full time job and studying part time. However the researcher tried to conduct the study within the time frame as specified. Some respondents were biased while giving information due to reasons such as privacy and busy schedules at their work place.

5.9 Suggestions for Future Research

Arising from this study, the following directions for future research in Finance were recommended as follows: First, this study focused on constituencies in Nairobi County and therefore, generalizations cannot adequately extend to other constituencies outside Nairobi County. Based on this fact among others, it is therefore, recommended that a broad based study covering all constituencies in all counties be done to find out the role of budgeting in promoting corporate governance in Constituencies Development Fund allocation. Secondary, it is important to carry out similar study in government parastatal bodies in order to find out the role of budgeting in promoting corporate governance in parastatals. Finally, it is also suggested that future research should focus on the different aspects of corporate governance on the performance of institutions.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

REF: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi, pursuing a course leading to a Master degree in Business Administration (MBA). In partial fulfillment of the requirements of the stated course, I am conducting a Management Research Project on **a survey of the role of budgeting in promoting corporate governance on CDF funds allocation:** A **case of Nairobi County.**

To achieve this, your constituency is one of those selected to participate in this study. I therefore kindly request you to fill the attached questionnaire to generate data required for this study. This information will be used purely for academic purpose and your name and that of your constituency will not be mentioned anywhere in the report. Findings of the study, shall upon request, be availed to you. Your assistance and cooperation will be highly appreciated.

Yours truly,

Muiruri M. Martin

D61 /76141 /2009

Researcher/ Student

University of Nairobi

APPENDIX II: QUESTIONNAIRE

To the Respondent

Thank You very much for your willingness to join this survey. This survey is being conducted with a view to understand the role of budgeting in promoting corporate governance on the allocation of CDF funds. The results will be used only for research purposes. The findings will be treated with utmost confidence.

CDF Budgeting Questionnaire

1. Name of the constituency (optional)?
2. Kindly answer the following questions by ticking the appropriate box.

Budget Planning & Control Process aspects	Yes	No
a). Does your constituency prepare any budgets?		
b). Does your constituency prepare production budgets?		
c). Does your constituency prepare materials/purchases budgets?		
d). Does your constituency prepare labor costs budgets?		
e). Does your constituency prepare overheads costs budgets?		
f). Does your constituency prepare capital expenditure budgets?		
g). Does your constituency prepare cash budgets?		

3. Do you prepare other types of Budgets, Please specify

   What range do your budgets cover?

   1-3 Years [ ]   1-5 Years [ ] Over 5 Years [ ]

4. Is there a budget committee in your constituency?

Yes [ ]

No []

5. Are the functions of the budget committee performed by another body?

Yes []

No []

Please specify the other body

6. How many members should you recommend to compose your CDF budget committees?

(Write the number)

7. Who should appoint the chair of the budget committee?

CDF board [ ]

CDF executive office [ ]

MP []

Councilors [ ]

Minister for Finance [ ]

Other, (please specify)

8. If your CDF does not have a budget committee or equivalent, please give reason (s)

1._

2.

3-.

4.

5.

6.

9. The budgeting committee can play a great role in promoting corporate governance on Funds allocation in your constituency.

Do you agree with this statement? Please indicate the role using appropriate scale

5. Strongly agree 4. Agree 3. Neutral

2. Disagree 1. Strongly disagree

Roles	5	4	3	2	1
Assist in planning CDF projects					
Appraisals of CDF projects					
Receiving feedbacks on CDF projects					
Accountability standards in CDF					
Maintenance of accounting policies					
Ensuring proper bookkeeping enforcement					
Pursuing CDF projects feasibility studies					
Enhance Managerial perspectives					
Advance warning on CDF failure (s)					
Project performance evaluation					
Any other please specify					

10. "The budget committee has a number of purposes in enhancing corporate governance on the allocation of CDF funds in your constituency" do you agree? Please indicate the roles using appropriate scale, 5. Strongly agree 4. Agree 3. Neutral 2. Disagree 1. Strongly disagree

	Purposes	**5**	**4**	**3**	**2**	**1**
(i)	Vigilant and effective overseers of the CDF financial reporting process and internal controls					
(ii)	To review and make recommendations on CDF management programs for compliance with code of conduct					
(iii)	Consider e appointing of CDF internal auditor.					
(iv)	Discuss with the external auditor before the CDF budgeting commences.					
(v)	Quarterly, half-yearly and year-end review of CDF financial statements.					
(vi)	Review any communication between external auditor(s), budget committee and CDF management.					
(vii)	Consider major findings of CDF internal investigations, budget and CDF management responses					
(viii)	Consider any related project transactions that may arise within the CDF management					
(ix)	Have explicit authority to investigation any project or matter within CDF requiring funding					

(X)	Have full access to CDF information for budgeting purposes					
(xi)	Obtain external; professional advice and to invite outsiders with relevant experience to attend the CDF budgeting processes projects implementation and evaluation if necessary.					
	Any other please specify (i) (ii)					

11. Should the budget committees responsibilities defined in a charter?

Yes []

No []

12. If yes, should the charter be updated annually and approved by the board of director?

Yes [ ]

No []

13. Should the chair of the budget committee be an independent non-executive director?

Yes []

No []

14. Should budget committee members have knowledge in the field of accounting and finance?

Yes []

No []

15. Should budget committee members have knowledge, industry experience and and financial expertise to serve effectively in their role?

Yes []

No []

16. Should budget committee members engage outside experts as appropriate?

Yes []

No []

17. How many times should he budget committee meet in your constituency?

(write number)

18. How long should the average budget committee meeting take in hours?

19. Should budget committee be in charge of setting the agenda of its meetings?

Yes []

No []

20. Should budget committee report to CDF stakeholders on projects activities and findings?

Yes [ ]

No []

21. How often should he budget committee report to the CDF board?

Annually [ ]

Semi- annually [ ]

Quarterly [ ]

After every committee meeting [ ]

Other (please specify)_

22. Should the CDF most recent report include a reference to the budget committee?

Yes []

No []

23. Should the budget committee assess its performance annually?

Yes []

No []

24. Should the budget committee have a positive relationship with CDF Management internal auditors and the independent auditors?

To a very large extent

To a large extent [ ]

To some extent [ ]

Not at all [ ]

25. Should the CDF chief executive officer attend budget committee meeting on invitation only?

Yes []

No []

26. Should there be procedures in place for reporting by the budget committee significant deficiency and material weakness in a timely manner?

Yes [ ]

No [ ]

27. Should the disagreements between the CDF management and outside auditors reported timely to the budget committee?

Yes [ ]

No [ ]

28. Should the budget committee members independent of CDF management?

Yes []

No [ ]

29. What are the likely major achievements of the budget committee in your constituency development fund?

30. What are likely to be the major challenges to face the budget committee in your constituency?

31. Any other comment (s) on the functioning of budget committees and its role in promoting corporate governance on fund allocation in your constituency.

Thank you for your time and cooperation

APPENDIX III: LIST OF EIGHT CONSTITUENCIES OF NAIROBI COUNTY

1. Dagoretti
2. Embakasi
3. Kamukunji
4. Kasarani
5. Langata
6. Makadara
7. Starehe
8. Westlands