UNIVERSITY OF SOUTHAMPTON

FACULTY OF BUSINESS AND LAW

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Accounting Practices in the Tanzanian Local Government Authorities (LGAs):

The Grounded Theory of Manipulating Legitimacy

by

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ABSTRACT

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ACCOUNTING PRACTICES IN THE TANZANIAN LOCAL GOVERNMENT AUTHORITIES (LGAs): THE GROUNDED THEORY OF MANIPULATING LEGITIMACY

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This research investigates accounting practices in four Tanzanian Local Government Authorities (LGAs). It seeks to understand how accounting is practiced and the situations which sustain its undertaking. The peculiar role of local governments in the delivery of public services and the influence of accounting on the same has motivated this study (Lapsley & Mussari, 2008). It has also been driven by the inadequacy of interpretive theoretically based informed studies into public sector entities, and the limited accounting research in the emerging economies (Goddard, 2010).

The study applies an interpretive approach to investigate accounting in the organisations in which it operates (Ahrens & Mollona, 2007), and executes a grounded theory method to develop a theory systematically from the raw data (Glaser & Strauss, 1967). In order to ensure the general application of the emergent theory beyond the case studies, the development of a formal grounded theory was sought.

This research revealed that the operations of the Tanzanian LGAs were constrained by factors such as deficient regulatory systems, political interference, donors' influences, and funding uncertainties. These conditions forced the technocrats to use important accounting practices, such as budgeting, auditing, financial reporting, and performance measurement to manipulate the organisational legitimacy. The process of legitimacy manipulation ensured the availability of resources for the LGAs and the attainment of the individual interests of the Councils' officials.

This study contributes to the interpretive approach in emerging economies. Also, meta-coding, intra-relationships of categories, and development of formal grounded theory, add new insights to the grounded theory analysis. It is also worth noting that the study integrates the emergent theory within the New Institutional Sociology (NIS) framework. It was not intended to test NIS, but rather, to adopt it as a theoretical lens that assisted interpretation of the research findings. In the NIS framework, the study establishes the simultaneous achievement of legitimacy and efficiency, recognises multiple sources of loose coupling, and the influence of performance management on shaping accounting practices in the public sector organisations. It also offers the micro reactions of the Councils' officials, and recognises the different patterns of the officials' responses across Councils and service deliveries. The study argues that in emerging economies considerations of a country's local contexts has the potential to minimise any counter-productivity of reform programs. Moreover, this research appeals for a holistic approach to the reform programs, harmonization of laws and regulations, the institution of efficient financial management and reporting mechanisms, and the improvement of employee welfare in the Tanzanian Councils.

Dedication

I dedicate this work to the memory of my beloved mother the late Ngano bint Amani.

Table of Contents

List of Tables

List of Figures

List of Appendices

Declaration of Authorship

I, Siasa Issa Mzenzi, declare that this thesis entitled *Accounting Practices in the Tanzanian Local Government Authorities (LGAs): The Grounded Theory of Manipulating Legitimacy* and the work presented in it are my own, and have been generated by me as the result of my own original research.

I confirm that:

1. This work was done wholly or mainly while in candidature for a research degree at this University;
2. Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
3. Where I have consulted the published work of others, this is always clearly attributed;
4. Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
5. I have acknowledged all main sources of help;
6. Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
7. None of this work has been published before submission.

Signed: ………………………………………………………………………………

Date: …………………………………………………………………………………

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The executives and the Councillors of the four LGAs visited (KAMC, KBDC, MCDC, and MDMC) deserve special appreciation. I would like to extend the same appreciation to the staff of the PMO-RALG, the MoHSW, and the MoEVT as well as the members of the Parliamentary Committee. They all dedicated their valuable time to respond to my 'interpretive' questions, offer clarifications, provide access to the meetings, and supply relevant documents. Thank you for your immeasurable support.

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Abbreviations

ABC	Activity Based Costing
AG	Attorney General
ALAT	Association of Local Authorities in Tanzania
BOQ	Bills of Quantities
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CCHP	Comprehensive Council Health Plan
CCM	Chama Cha Mapinduzi
CDG	Capital Development Grant
CHF	Community Health Funds
CHMT	Council Health Management Team
CMT	Council Management Team
DED	District Executive Director
DEO	District Education Officer
DMO	District Medical Officer
DRG	Diagnosis Related Group
EPICOR	Computerised accounting package
FGT	Formal Grounded Theory
FIU	Fraud Investigation Unit
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GFS	Government Financial Systems
GoT	Government of Tanzania
GP	General Practitioners
GPG	General Purpose Grant
HBF	Health Basket Fund
HIV	Human Immune Virus
HLGs	Higher Local Governments
IAS	International Accounting Standards
IFMS	Integrated Financial Management Systems
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LAAC	Local Authority Accounts Committee
LAAM	Local Authority Accounting Manual
LAFM	Local Authority Financial Memorandum
LGAs	Local Government Authorities
LGCDG	Local Government Capital and Development Grant
LGOs	Local Government Organisations
LGRP	Local Government Reform Programme
LGRT	Local Government Reform Team
LGWP	Local Government Working Group
LLGs	Lower Local Governments
MCs	Minimum Conditions
MDG	Millennium Development Goals
MoEVT	Ministry of Education and Vocational Training
MoF	Ministry of Finance
MoFEA	Ministry of Finance and Economic Affairs

MoHSW	Ministry of Health and Social Welfare
MPs	Members of Parliament
NAO	National Audit Office
NBAA	National Board of Accountants and Auditors
NGO	Non-Governmental Organisations
NIE	New Institutional Economics
NIS	New Institutional Sociology
OC	Other Charges
OIE	Old Institutional Economics
PCCB	Prevention and Combating Corruption Bureau
PE	Personal Emoluments
PEDP	Primary Education Development Programme
PER	Public Expenditure Review
PI	Performance Indicators
PlanRep	Planning and Reporting Framework
PMO-RALG	Prime Minister' Office-Regional Administration and Local Government
PMs	Performance Measures
PMP	Performance Measurement Practices
PPPs	Public Private Partnerships
PSAR	Public Sector Accounting Research
PSC	Primary School Committee
PSRP	Public Sector Reform Programme
RAS	Regional Administrative Secretariat
RC	Regional Commissioner
RFMSs	Regional Financial Management Specialists
RHMT	Regional Health Management Team
SDUs	Service Delivery Units
SGT	Substantive Grounded Theory
STD	Standard
SWOT	Strength, Weaknesses, Opportunities and Threats
TANAPA	Tanzania National Parks Authority
TANROAD	Tanzania Road Agency
TASAF	Tanzania Social Action Fund
TCE	Transaction Cost Economics
TSSAPs	Tanzania Statement of Standard Accounting Practices
TZS	Tanzanian Shillings[1]
URT	United Republic of Tanzania
VEO	Village Executive Officer
VFMA	Value for Money Audit
WB	World Bank
WDC	Ward Development Committee
WEO	Ward Executive Officer

[1]'Tanzanian Shillings' is the country's local currency.

Chapter One

Introduction

1.1 Background Information and Rationale of the Research

This research investigated accounting practices in the Tanzanian Local Government Authorities (LGAs). The lack of attention given to public sector accounting research in emerging economies motivated this study. The premise of this study was that despite the increase of public sector accounting research in the developed countries, the same has not been effectively extended to the emerging economies (Goddard, 2010). Because public sector accounting research is context specific (Broadbent & Guthrie, 2008), its inadequacy in the emerging economies has limited theoretical and practical understanding of how accounting has been implicated in these countries. When compared to the developed countries, the emerging economies have very different political, social, economic, and cultural settings, all of which equally affect the actual undertaking of accounting practices (Hopper, Tsamenyi, Uddin, & Wickramasinghe, 2009; Tambulasi, 2007; Tsamenyi, Onumah, & Tetteh-Kumah, 2010; Uddin, Gumb, & Kasumba, 2011). Arguably, some of the observations originating from the developed countries cannot adequately explain the way in which accounting has been practiced in the emerging economies (Hopper et al., 2009), and its potential role in the development of these countries and their communities (Alawattage & Wickramasinghe, 2008). Thus, the main focus of this research was to understand how accounting is practiced in the context of emerging economies.

Also, this research recognised a number of reforms introduced into the public sector entities in the wake of New Public Management (NPM) and their related impacts on the organisational operations (Hood, 1991, 1995). Given their unique position, local governments were highly affected by these reforms (Chandler, 2008; Chandler, 2010). The reforms generally modernised the Local Government Organisations (LGOs) through the adoption of the private sector management practices, such as benchmarking, balanced score cards, and competitive tendering (Ball, Bowerman, & Hawksworth, 2000; Bowerman, Ball, & Francis, 2001; Bowerman, Francis, Ball, & Fry, 2002). Accounting has been actively involved in these reforms, and in some cases, has reinforced them (Kurunmaki, Lapsley, & Melia, 2003; Lapsley & Mussari, 2008; Lapsley & Wright, 2004). Therefore, Local Government Organisations, such as the ones studied in this research, provided an interesting setting in which to investigate the accounting practices.

It is also important to note that this study investigated accounting practices as implemented in the delivery of primary education and health services in the Tanzanian Councils. This is attributed to the fact that these services consumed substantial financial resources of the Tanzanian Councils. For example, in the FY 2009/10, the actual expenditures of primary education and health services accounted for about 58.5% of the total Councils' expenditures (LOGIN)[2]. Also, the provision of these services constituted major and traditional functions performed by all Councils in Tanzania. Importantly, effective undertaking of these services which are regarded as basic needs, promises the overall improvement of the livelihood of local Tanzanians (Ngwilizi, 2001). Therefore, in line with other studies which focused on education and health services (see, for example, Broadbent, Jacobs, & Laughlin, 2001; Järvinen, 2006; Modell, 2005; Nyland & Pettersen, 2004; Scarparo, 2006), it was thought important as well to investigate how accounting practices were implemented in the delivery of primary education and health services in the context of Tanzania.

1.2 Aims and Objectives of the Research

The overall objective of this research was to understand how accounting practices were actually implemented in the Tanzanian LGAs. Therefore, the study was designed to obtain in-depth understanding of the accounting practices and the conditions which sustain their undertaking. The specific objectives of this research were:

i. To understand the perceptions of the Councils' officials on the accounting practices as implemented in the Tanzanian LGAs;

ii. To assess how actual undertaking of accounting practices differ among the LGAs, and between the primary education and health services;

[2] http://www.logintanzania.net/monitor6b.asp accessed on 1st February, 2012

iii. To provide practical and theoretical explanations of the operational changes which normally occur in the LGAs from the view point of the Councils' officials; and

iv. To analyze influences of the external bodies such as the Government of Tanzania and donors, on the accounting practices as implemented in the Tanzanian LGAs.

1.3 Significance of the Research

Local Government Organisations (LGOs) are important public sector entities, highly involved in the provision of public services such as education, health and sanitation, water, and urban planning. The overall aim of their involvement is to improve the quality of, and access to, public services through increased citizen's participation at the very local levels where the services are provided (Ngwilizi, 2001). The particular role of the LGOs in public services provision was further broadened by the emergence of public sector reform programs such as New Public Management, Best Value, and New Public Financial Management (Bowerman et al., 2001; Hood, 1991, 1995; Kuhlmann, 2009, 2010). Therefore, it was considered to be worthwhile to investigate how accounting has been implemented in these environments and its corresponding consequences on the organisational operations.

Attempts have been made to study the accounting practices in the public sector in general, and local governments in particular. These studies have focused on areas such as accountability and governance, performance measurement, financial reporting, management accounting, and performance auditing. However, there are concerns that developing countries have not been sufficiently represented (Broadbent & Guthrie, 2008; Goddard, 2010; Hopper et al., 2009). Because the public sector entities of the emerging economies are highly involved in the delivery of public services (Ngwilizi, 2001; Rahaman, 2010), the inadequacy of accounting research in these countries has limited the understanding of how actual undertaking of accounting has facilitated and/or constrained the efficient delivery of public services. The current study is an attempt to fill this gap.

Recognizing the particular role of public sector organisations in general, and local governments in particular, this study broadens the theoretical and practical understanding of how accounting practices are implemented in Local Government Organisations. For example, in Tanzania where this research was undertaken, more than 20% of the public funds are spent by local governments (URT, 2005). In this context, it was vital to investigate the role of accounting when discharging accountability for public funds, and its potential implications for the livelihoods of the common Tanzanians. Therefore, the current research is equally relevant to the policy makers, the funding agencies, the academicians, the practitioners, and the general public.

1.4 Overview of Theoretical Foundation, Findings, and Contributions

This section discusses briefly the theoretical foundation of the current research, the main research findings, and the contributions of this study to the methodology, New Institutional Sociology, accounting research in emerging economies, together with specific recommendations to the Tanzanian LGAs. A detailed discussion of each of these is provided in their respective chapters.(Hopper & Major, 2007)

1.4.1 Theoretical Foundation

This research is a qualitative based study, situated within the interpretive paradigm of the Burrell and Morgan's (1979) sociological framework. It stresses the subjective elements of social science research and assumes that society is in a state of order. It also stresses the inductive approach, which seeks explanations from individual consciousness without imposing any statistical generalizations (Creswell, Plano Clark, Gutmann, & Hanson, 2003). The interpretive approach applied in this research is a response to the repeated calls for the need to study accounting practice in the social context in which it operates (Baker & Bettner, 1997; Baxter & Chua, 2003; Parker, 2008). Therefore, by using the interpretive approach, the current research is not only contributing to the interpretive literature in general, but also extends the approach to the emerging economies, which generally receive less attention in the extant literature.

The current research was carried out through case studies of four (4) Local Government Authorities which consisted of two Municipal Councils (KAMC and MDMC) and two District Councils (KBDC and MCDC) located in Tanzania. The fieldwork was divided into two phases. The first phase was conducted from July 2010 to January 2011, whilst the second phase was carried out from August to October 2011. In-depth interviews, non-participant observations, and documents, were used as data sources. Since empirically rich case studies hold the potential for the development of a theory (Eisenhardt, 1989; Humphrey & Scapens, 1996; Llewelyn, 2003), this research falls into the classification of Theory-building Case Studies. It executed a grounded theory approach to develop a theory systematically from the raw data (Glaser & Strauss, 1967). This approach provides an appropriate mechanism for studying a complex phenomenon, such as accounting, as practiced in the public sector organisations (Locke & Locke, 2001). The grounded theory informed case study, which was applied in this study, increased the theoretical sufficiency of the investigated phenomenon (Llewelyn, 2003). Data analysis was carried out through the three coding processes (open, axial, and selective), recommended by Strauss and Corbin (1998).

1.4.2 Research Findings

The main findings of this study are expressed in the emergent theoretical framework around a central phenomenon named manipulating legitimacy. The emergent theory represents the deliberate actions employed by the officials of the Tanzanian LGAs to cope with operational uncertainties. Manipulating legitimacy ensured the availability of resources for the operations of the Councils as well as attainment of the individual interests of the Councils' officials. The process comprised two main strategies, namely, building the organisational image and managing the organisational performance. Whilst the former focused on creating an externally favourable image of the Councils in order to attract more resources from the Government and donors, the latter concentrated on controlling the internal problems which threatened the performance of the Councils. The combination of these two strategies depicts the external and internal oriented tactics employed by the Councils' officials to influence organisational legitimacy and obtain resources from a variety of stakeholders. The central phenomenon was situated within its conditioning contexts, namely, political interference, deficient regulations, funding uncertainties, and donors' influence.

The process of manipulating legitimacy led to the subordination of accounting practices in the internal decision making processes. Accounting was primarily undertaken to satisfy the requirements of the Government and donors, and had little relevance internally. The phenomenon of manipulating legitimacy also resulted in the emergence of fraud and corruption, as well as professional conflict between accountants and medical practitioners. The emergent theory also suggests a need for the active involvement of the accounting regulatory board in the public sector. Because the process of manipulating legitimacy ensured the availability of funds for the Councils' operations, it also boosted social and political legitimacy of the Councils, the politicians, the ruling party, and the entire Government.

The phenomenon of manipulating legitimacy differed across Councils and service deliveries, in that the degree of manipulating legitimacy was higher in the District Councils than the Municipal Councils. The extent of the manipulation by the District Councils had been increased by less pressure from the regulatory bodies due to their distant location, inadequate financial knowledge of the Councillors, and the weakness of the accounting establishment. Similarly, the degree of manipulation was higher in the Lower Local Governments (LLGs), such as Wards and Villages, than the Higher Local Governments (HLGs). This was partly contributed to by the shortage of competent staff and the absence of a statutory audit at the LLGs. Furthermore, because donors were highly involved in the Health Services, the extent of manipulation was relatively low when compared to the Primary Education sector.

The discussion of the substantive theory within the NIS theoretical framework proposed the formal grounded theory of manipulating legitimacy, which suggests that the extent of the manipulation of organisational legitimacy is mediated by the interactions between the degree of institutional pressures and the internal and/or external arrangements. The theory hypothesized that when institutionalized organisations face high institutional pressures and when the internal and/or external organisational arrangements are weak, high levels of manipulations are likely to occur in order to maintain organisational operations. Therefore, drawing on the institutional theory, this research established that the actual undertaking of the accounting in the Tanzanian Councils has been affected by the interactions between the institutional influences from the Government and donors and the responses of the

Councils' officials (see also, Moll & Hoque, 2011; Oliver, 1991; Tsamenyi, Cullen, & Gonzalez, 2006).

1.4.3 Research Contributions

This research makes a number of contributions to the methodology, New Institutional Sociology, accounting research in emerging economies, and offers specific recommendations to the Tanzanian LGAs. The use of the interpretive approach in the current research explicates it in the context of emerging economies, where research into public sector accounting has rarely been undertaken. The current research also makes three specific contributions to the canons of grounded theory. Firstly, the research establishes that main category (ies) can be sufficiently explained by the sub-category (ies) of another main category (ies). This is especially the case when the categories are closely related and theoretically dense. Secondly, the emergent theory establishes the possibility for using meta-coding in the inductive coding processes, an approach which provides broader meanings of the concepts and still remains grounded from raw data. Finally, moving from substantive to formal theory, and the techniques employed in the process, contributes to the approach in accounting research, which has experienced a very limited number of formal grounded theory studies. In general, the detailed descriptions of the grounded theory offered in this thesis, represent a response to the concerns raised by Chesler (1987) about the absence of detailed descriptions of the data analysis approach in grounded theory studies:

> "Careful reading of substantial literature in qualitative methods indicates that there are far too few details provided in most works as to why and how scholars code and analyze their data. While the methods of contextual coding and constant comparison are often invoked, they are seldom described in detail" (Chesler, 1987, p. 7).

The integration of the research findings within the extant literature revealed a number of contributions which this research makes to the New Institutional Sociology (NIS). Firstly, unlike other NIS studies which assumed that organisational actors are passive adopters of the institutional pressures, this study established that the actors are strategic in their responses to the institutional pressures (Modell, 2001; Oliver, 1991). Also, in contrast to the majority of NIS informed studies, the current research establishes that the responses of the Councils' officials differed across Councils and service deliveries, depending on the effectiveness of the supervisory bodies, and the internal and/or external arrangements. This adds a theoretical level of analysis of the actors' strategic responses and provides proof of the strategic nature of the actors' responses.

Interestingly, the emergent theory posits the possibility of the public sector entities, even in emerging economies, achieving both external legitimacy and technical efficiency (see also Okike & Adegbite, 2012). Thus, the current study also contributes to the contemporary NIS theorists, who ignored the strict dichotomy between legitimacy and efficiency (see for example, Collier, 2001; Hopper & Major, 2007; Modell, 2003; Okike & Adegbite, 2012). However, the emergent theory shows that legitimacy was achieved not only by mere adoption of the external structures, but also through the internal techniques of the Councils' officials. This supports Moll and Hoque's (2011) argument that the internal actors are also significant legitimating agents. In contrast, technical efficiencies emerged automatically in the course of undertaking the adopted initiatives. Furthermore, as the funding of the public sector entities depended on performance, the current study revealed the influence of performance management initiatives on shaping the legitimating role of the accounting practices in the public sector. Finally, the current research establishes that loose coupling/decoupling may originate from a variety of sources, such as informal resistances, conflicting pressures from the external environment, the laxity of the regulatory bodies, and the absence of supporting environment. The multiple sources of 'loose coupling' found in this study suggest a need for a detailed assessment of the institutional pressures, the actors' responses, and their corresponding consequences for the organisational operations. Also, this study found the influence of self-interested behaviour of the Councils' officials in the decoupling of the formal structures to be stronger than that found in the extant literature.

This research also offers a number of contributions to accounting research in the emerging economies. Firstly, there is a need for the reformers of public sector entities to consider context specific factors, such as social, political, economic and cultural environments, before executing accounting related reform programs. As evidenced in this study, failure to take into account the contextual factors had contributed to the undesirable consequences (see also Hopper et al., 2009). Secondly, there is a need for a broad range of organisational performance criteria which take into consideration the livelihoods of local communities. It appears that the current evaluations of public sector performance tend to concentrate more on financial transparency than on improving public welfare. As a result, whilst public sector organisations in emerging economies report improved financial performance, the corresponding improvement in the livelihoods of communities has not been evidenced (Rahaman, Lawrence, & Roper, 2004; Tsamenyi et al., 2010; Uddin & Tsamenyi, 2005). Also, without ruling out other anti-corruption mechanisms, this study appeals for a wider societal engagement to address the corrupt practices eminent in the emerging economies. Finally, this research has the broader appeal of having a comprehensive overview of development programs in the emerging economies, prime amongst which are the professional development programs for the organisational members. This has the potential to address the low competencies facing the majority of public sector officials in the emerging economies.

The current study also makes a number of recommendations to the Tanzanian LGAs. Firstly, the research suggests the need for a holistic approach to the public sector reform programs. The current reforms carried out in the Tanzanian LGAs have put more emphasis on fiscal issues and have ignored other important aspects such as legal, human resources, and political reforms. This partial nature of the reforms had contributed to the operational uncertainties which had forced the Councils' officials to be manipulative. Secondly, harmonization of the LGAs laws with other principal laws and review of the same has the potential to minimize the contradictory provisions and would enhance the effective undertaking of the Councils' operations, including accounting practices. Also, strengthening the Councils' self-generated incomes has the potential to minimize funding uncertainties facing the Councils. In this regard, addressing the political and hierarchical interference, collusion, lobbying, and the inherent weaknesses of the internal revenue systems might significantly reduce the LGAs' financial dependence. Furthermore, it is important to improve fund disbursement and the reporting mechanisms in order to minimize the unspent fund balances which are prominent in the LGAs. Finally, the current research appeals for reform of employee welfare systems. Improving working conditions and incentive schemes would assure an increase in working morale and reduction of fraud and corruption. The arrangement of this thesis is presented in the following section.

1.5 Structure of the Thesis

This thesis has nine chapters in total, including the introduction chapter. Chapter 2 reviews New Public Management (NPM) practices applied in the local governments and their implications for the accounting practices. Chapter 3 provides descriptions of the Tanzanian Local Government Authorities (LGAs), while the methodology employed in this research is discussed in Chapter 4. Chapters 5, 6 and 7 report the empirical findings of the current study, through a grounded theory approach. Chapter 8 integrates the empirical findings within the extant literature, while the last chapter (Chapter 9), offers the conclusions and recommendations of the current research. A detailed summary of each chapter is given below.

Chapter Two

This chapter reviews the relevant literature regarding the NPM practices applied in the local governments and their related consequences. The premise of the chapter is to evaluate a number of management reforms borrowed from business organisations and introduced into local governments in the wake of NPM (Hood, 1991, 1995). In this regard, the chapter discusses some of the common NPM initiatives applied in local governments such as Public Private Partnerships, fiscal decentralization, privatisation, and performance management. What emerged from the discussion was the interaction between accounting practices and these initiatives, indicating that accounting is influencing, and being influenced by, these reform initiatives (Lapsley & Mussari, 2008; Lapsley & Wright, 2004). In order to position the current research within the context of the emerging economies, the chapter also reviews the nature of public sector accounting research in the emerging economies. The review not only shows that there has been limited research into the emerging economies, but also reveals that local governments in emerging economies have also not been sufficiently studied. The chapter also offers a synthesis of the accounting research into local governments and suggests the need for an interpretive theoretically based study that focuses on the context of emerging economies. The chapter finally presents the research questions which were used to investigate accounting practices in the Tanzanian LGAs.

Chapter Three

The chapter starts with brief background information about the Tanzanian LGAs, focusing on the territorial and legal positions of the organisations and their related responsibilities. Then, discusses the different levels of LGAs (urban and rural), and their political and administrative structures. It then explains the rationale behind the selection of the case studies, before providing their specific information, which falls into the following general sub-headings: biographic characteristics; own revenues and expenditures; accounting establishment; and education and health information. The chapter also highlights the major stakeholders of the Tanzanian LGAs and suggests that the operations of the Councils were highly influenced by the external stakeholders, an aspect which is discussed further in the analysis chapters. The chapter finally provides an overview of the Tanzanian Local Government Reform Programme (LGRP).

Chapter Four

Chapter four discusses the methodology employed in the current research. It starts by drawing a clear distinction between methodology and methods, with the overall aim of differentiating between the broad frameworks of conducting research (methodology) and specific research techniques (methods). The chapter then discusses the social science research paradigms provided in Burrell and Morgan's (1979)'s sociological framework, namely, functionalist, interpretive, radical structuralist, and radical humanist. It then discusses specific research paradigms that have been applied in accounting research, namely, mainstream, critical, and interpretive. The chapter then adopts an interpretive approach to investigate accounting in organisational settings in which it operates (Ahrens & Dent, 1998; Ahrens & Mollona, 2007). This chapter also discusses the grounded theory approach used in the current study. The chapter finally describes the specific research methods employed under the following sub-headings: research process, sampling method, in-depth interviews, non-participant observation, and documentary sources, data management, data analysis, validity and reliability, and research ethics.

Chapter Five, Six, and Seven

These chapters report the empirical findings of the current research within the grounded theory data analysis framework. The analysis was informed by the Straussian approach of grounded theory (Corbin & Strauss, 2008; Strauss & Corbin, 1990; Strauss & Corbin, 1998). Chapter 5 discusses open coding, a process which involved examination of the raw data 'word by word', 'sentence by sentence', 'line by line', and 'paragraph by paragraph' (Strauss & Corbin, 1998). The output of the process was the emergence of 21 open categories, which describe incidences pertaining to the accounting practices in the Councils. The chapter discusses these open categories in detail and their patterns within the Councils visited. Chapter 6 discusses the axial coding process, which involves elevating categories to a higher level. The discussion suggests that the core categories and sub-categories were closely related in both their properties and their dimensions. The discussion also revealed theoretical patterns which were further integrated into Chapter 7 to form a substantive theory.

Chapter 7 integrates the main categories discussed in Chapter 6 around the central category of the study. This was accomplished by using a paradigm model, which relates all categories to the central phenomenon in the form of conditions, strategies, or consequences (Strauss & Corbin, 1998). Manipulating legitimacy emerged as the central phenomenon of the study, and described the process used by the Councils' officials to overcome the operational uncertainties through 'harsh' techniques. The chapter also discusses four conditioning contexts which facilitated the process of manipulating legitimacy, namely, funding uncertainties, political interference, donors' influences, and deficient regulatory systems. The process of manipulating legitimacy ensured the availability of funds for the operation of the Councils and the attainment of the individual interests of the Councils' officials. The chapter also discusses the two main strategies which illustrated the process of manipulating legitimacy, namely, building the organisational image and managing the organisational performance. It also discusses the consequences of manipulating legitimacy, which revolved around social and political legitimacy, subordination of accounting practices, professional conflict, fraud and corruption, and the role of the accounting board. A presentation of the manipulating legitimacy model concludes the chapter.

Chapter Eight

This chapter integrates the empirical findings presented in the analysis chapters within the extant literature. It starts by integrating the central phenomenon, manipulation strategies, and the other issues of interest which emerged from the research into the extant literature. The chapter then provides an overview of institutional theory and its three branches, and then adopts New Institutional Sociology (NIS) to interpret the current research findings. Within the integration of the emergent theory into NIS framework, the chapter discusses the institutional pressures imposed on the Councils, the technocrats' reactions, and their corresponding consequences on the operations of the Councils in general, and accounting practices in particular. It finally presents the formal grounded theory of manipulating legitimacy, which was enabled by the presence of coercive pressures from the Government and donors, deficient regulations, and funding uncertainties, and, was illustrated through the legitimization games, managing the organisational performance, and loose coupling. Interestingly, the chapter establishes the simultaneous achievement of organisational external legitimacy and internal technical efficiency.

Chapter Nine

This chapter provides the concluding remarks of the current research. The chapter starts with an overview of the research and then details its research contributions under four sub-headings, namely, methodological contributions, theoretical contributions, contributions to accounting research in the emerging economies, and contributions to the Tanzanian LGAs. The methodological contributions revolve around the use of the interpretive approach to investigate accounting practices in emerging economies, a meta-coding approach, establishing the close intra-relationship of categories, and the development of a formal grounded theory. It also offers contributions to NIS in areas such as the nature of the actors' responses, the multiple sources of loose coupling, the influence of performance management in the public sector entities, and the intertwining of legitimacy and efficiency. Based on the empirical findings, the chapter also presents its contributions to accounting research in the emerging economies and specific contributions to the Tanzanian LGAs. Recognising the incomplete nature of the research, the chapter presents the potential the potential limitations of the current research and the mechanisms used to address them. It finally offers areas for further research.

Chapter Two

Local Governments and New Public Management

2.1 Introduction

This chapter discusses public sector reforms in Local Government Organisations (LGOs), and specifically highlights the impact of New Public Management (NPM) on accounting practices in LGOs. The chapter is divided into eight major sections. Section 2.2 provides brief descriptions of LGOs, while section 2.3 provides an overview of NPM as applied in the public sector in general, and local governments in particular. Section 2.4 summarises the implications of NPM practices in the management of LGOs in general, while section 2.5 provides a summary of previous accounting research into LGOs. Accounting research in emerging economies, the synthesis of accounting research into local governments, and problem statements are covered in section 2.6, 2.7, and 2.8 respectively. Research questions (section 2.9) conclude the chapter.

2.2 Local Government Organisations-An Overview

Despite an increasing interest in LGOs, there is currently no consensus on its global meaning. As Mackenzie (1961) claimed half a century ago, "…there is no theory of local government. There is no normative general theory from which we can deduce what local government ought to be" (p.5). As a result, what constitutes local government differs between one country and another, and sometimes differs within a country (Chandler, 2010). This is associated with the structural differences between central governments, which then permeates different formations, sizes, and functions of local governments (Wollmann, 2012)-thus complicating the universal meaning of local governments even further. To escape universal definitions, the literature describes local governments in terms of their functions, boundaries, and leadership structures. Ostrom, Tiebout, and Warren (1961) describe local governments as formal structures located at the very grass roots level, with political jurisdiction and independent decision making addressing community interest. Others view local governments as those institutions which exist at a very low level of communities which aim not only to serve the interests of the central government (an expediential role), but also to foster the development of the local populace whom they represent (ethical role) (Chandler, 2008; Chandler, 2010). From these explanations it can be deduced that local governments represent a form of public entity which acts virtually between the central government and general public, having responsibilities to both. Therefore, regardless of their national and international differences, virtually all local governments share two basic functions: ensuring the efficiency of the public service provisions and maintaining stability within their area of jurisdiction (Chandler, 2010). Depending on the level and the country of origin, LGOs have variety of names such as provinces, municipalities, communal, federal states, counties, departments, regions, villages, and towns (Wollmann, 2012).

Notwithstanding the unique role played by LGOs, there is some debate about their relationship with central governments, in particular, whether local governments should stand alone or central government should interfere their operations. Chandler (2008) argues that when local governments exist merely to serve the interest of central government (expediential role), the former has the right to interfere, in order to ensure that local governments functions are in accordance with its demand. On the other hand, when local governments exist solely for community liberty (ethical reason), central government has no mandate to interfere with their structures and functions. Despite this position, the current trend shows that the existence of LGOs is more expediential than ethical. Thus, the high influence of central government to local governments is not something to be surprised at (Chandler, 2008). These influences have different 'labels' such as New Public Management (Hood, 1991, 1995), New Public Financial Management (Olson, Guthrie, & Humphrey, 1998), and Best Value (Bowerman et al., 2002; Lapsley & Wright, 2004). Despite having different labels, all these initiatives advocate the implementation of modern management practices into local governments. These initiatives are discussed in the following section under the general heading of New Public Management.

2.3 New Public Management Practices in Local Governments

The emergence of New Public Management (NPM) in the 1980s has had a great impact on the operational aspects of public sector organisations (Hood, 1991, 1995). NPM, as a new mode of public sector governance, emphasizes "hands-on professional management in the public sector', 'explicit standards and measures of performance', 'greater emphasis on output controls', '[a] shift to disaggregation of units in the public sector', '[a] shift to greater competition in public sector', 'stress on private sector styles of management practice' and 'stress on greater discipline and parsimony in resource use" (Hood, 1991, pp. 4-5). Service (1995) provided a detailed explanation of NPM, as applied to public sector organisations:

> "New Public Management (NPM) includes a greater focus on results and increased value for money, devolution of authority and enhanced flexibility, strengthened accountability and control, a client and service orientation, strengthened capacity for developing strategy and policy, introduction of competition and other market elements, and changed relationships with other levels of government" (Service, 1995, p. 37).

Of particular interest to this research is the adoption of private sector management practices, such as accrual accounting, balanced score card, benchmarking, best value, and Key Performance Indicators (KPIs), by the public sector organisations. The use of private sector instruments has been favored because, as Metcalfe and Richards (1990) argued, they "offer a set of readymade solutions to public management problems" (p.20). As a result, NPM with its emphasis on private sector management practices have been applied to majority of public sector entities in majority of countries regardless of their economic development. Therefore, NPM is regarded as "global" (Hughes, 1998, p. 58), "inevitable" (Osborne & Gaebler, 1992, p. 325), and "a public management for all seasons" (Hood, 1991, p. 3). These suggest that NPM is a global phenomenon which is advocated and applied in developed and developing countries. Whilst developed countries experience NPM led practices, such as benchmarking (Bowerman et al., 2002), privatization and the corporatization of publicly owned entities constitute the main agenda in developing countries (Chand & Moene, 1999; Livingstone & Charlton, 1998; Thomas, 1996). However, there are concerns about the appropriateness of private sector techniques in the domain of the public sector in general. For instance, Robinson (2003) claims that there are fundamental differences between private and public organisations, which make the application of private sector management techniques to the public sector too complex. The same observation was made by Polidano and Hulme (1999) and Tambulasi (2007) in the context of emerging economies. Similarly, Watkins and Arrington (2007) criticise the NPM initiatives for placing more emphasis on efficiency, as propounded by the private sector entities. As a result, public resource allocations are based on economic calculations rather than public values. Generally, NPM practices are criticised for being unable to change the modes of public sector operations, their failure to lower unit costs, and the irrelevance of its claim of universality (Hood, 1991). Nevertheless, public sector organisations, especially local governments, continue to apply the NPM led initiatives such as public private partnerships, fiscal decentralization, privatization, and performance management. Each of these is briefly discussed below.

2.3.1 Public Private Partnerships

Public Private Partnerships (PPPs) have attracted various definitions in the extant literature. Van Ham and Koppenjan (2001) define public-private partnerships as "co-operation of some durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products or services" (p. 598). As Lonsdale (2007) argued, this definition can be applied to virtually any other buyer-supplier relationship and that the element of partnership between the public and private sector is flawed. Without specifically defining it, Lonsdale (2007) holds the view that private partnerships represent arrangements which entail private actors undertaking the activities which were previously perceived to be the responsibility of the public sector entities. PPPs have also been defined as the institutional relationships and cooperation between public and private sector entities (Hodge & Greve, 2007). Others, such as Kettl (1993), regard PPPs and contracting-out or outsourcing as synonymous terms. In general, these explanations share the common theme of the PPPs which is the involvement of private sector actors in various public engagements. These engagements normally involve contractual arrangements, such as BOT (build-own-transfer) and sale-and-lease-back agreements, between the public sector and private actors (Savas, 2000). PPPs also include "institutional cooperation, long-term infrastructure contracts, public policy networks, civil society and community developments, and urban renewal and downturn economic development" (Hodge & Greve, 2007, p. 547).

The involvement of the private sector in public services through PPPs has led to operational changes in the public sector. As Broadbent and Guthrie (2008) noted, PPPs and other private elements in the public sector have permeated a shift from "public sector provision to the provision of public services" (p. 137). As a result, there is an increasing amount of accounting literature focusing on PPPs arrangements and their related consequences in the provision of public services. In general, the literature records positive and negative results from the use of PPPs (see for example, English, 2007; English & Guthrie, 2003; Hodge & Greve, 2005, 2007; Newberry & Pallot, 2003). This suggests a need for thorough investigations of the PPPs arrangements, with the aim of not only contributing to the existing literature, but also to feedback the policy makers and other stakeholders. This study is one of such initiatives.

2.3.2 Fiscal Decentralization

Fiscal decentralization is a by-product of local government reforms introduced in different countries (Smoke, 2001). It represents the NPM initiatives, which advocate the transfer of financial power and responsibility to the low levels of government (Cameron, 2002). The act of transferring power and responsibility is normally accompanied by devolving some of the government revenue and expenditure functions to the lower tiers of the government (De Mello, 2000). Fiscal decentralization has been applied in developed and developing countries at different times and magnitude. It is mainly reflected in the government budgeting and planning decisions, where funds mainly flow from the top to bottom (Wunsch, 2001). The political and economic emphasis on fiscal decentralization has contributed to the increase of accounting studies in local governments (Goddard, 2004, 2005a; Kloot, 1999; Robinson, 2003).

Fiscal decentralization is normally implemented in the belief that the act of transferring government functions to the very lowest levels increases efficiency, accountability, and transparency, and at the same time reduces the operational costs of public service delivery (De Mello, 2000). Despite these promising benefits, there are concerns about its effective coordination:

> "Given the increased complexity in coordinating government actions when lower levels of government enjoy greater autonomy in policy-making, the key policy challenge in decentralization programs is to design and develop an appropriate system of multilevel public finances in order to provide local public services

> effectively and efficiently while, at the same time, maintaining macroeconomic stability" (De Mello, 2000, p. 366).

Therefore, achieving the desired results of the fiscal decentralization depends, among other factors, on the effectiveness of the institutional framework to properly coordinate the fiscal relations between the central government and low levels, and between the low levels themselves. This, as De Mello (2000) noted, has only been limitedly achieved by the majority of countries, including developed ones. Similarly, Prud'Homme (1995) argued that ill-formulated decentralization programs can increase disparities, jeopardize stability, and undermine efficiency. In China, for instance, Wong (1991) evidenced that Post-Mao fiscal decentralization lacked appropriate coordination at the central level, as well as in local governments, and became counter-productive. It had contributed to the government deficit and local governments had to transfer the burden of increasing functions to the communities through local taxes (Wong, 1991).

In African context, majority of African governments lack appropriate mechanism for fiscal coordination and are unwilling to implement fiscal decentralization effectively (Wunsch, 2001), the main reasons being the need to retain authority as well as financial resources (Olowu, 1990). In Tanzania, for example, Gilson, Kilima, and Tanner (1994) noted that fiscal decentralization in Tanzanian local governments failed to provide sufficient financial resources to the district health financial managers to effectively undertake the transferred responsibilities. Of particular interest to this study are the changes of the accounting practices in local governments as a product of fiscal decentralization. As the autonomy and responsibilities of local governments increase, the extent and nature of accounting practices change to accommodate the evolving nature of the decentralized operations. The most affected accounting aspects for local governments are budgeting, financial reporting, auditing, and performance measurement practices. A detailed discussion of these aspects is offered under section 2.5.

2.3.3 Privatization

Privatization represents one of the common forms of local government reform programs (Bel, Hebdon, & Warner, 2007). It normally involves partial, or complete, sale of local government assets to the private sector entities (Wollmann, 2012). It is applied equally in developing and developed countries, with different results and modalities. In developed countries, privatization normally involves the transfer of local government functions to outside parties, such as corporate units and municipal corporations, which are still owned by local governments (Wollmann, 2012). This is mainly used as a defensive mechanism against partial or complete sale of the local government assets. As Tavares and Camöes (2007) observed, out of 308 local governments in Portugal, 269 have formed municipal corporations. Partial and/or complete sale of assets is the common approach for privatisation in developing countries (see Chand & Moene, 1999; Livingstone & Charlton, 1998; Thomas, 1996).

In general, privatization has been regarded as a means of reducing the operational costs and increasing the efficiency of local governments (Bel et al., 2007; Domberger & Jensen, 1997; Domberger & Rimmer, 1994). There are also external pressures from interest groups, which reinforces the privatization process in local governments (Bel & Fageda, 2007). As a result, some of the privatization decisions are taken without due consideration of the desired outcomes. In developing countries, privatization has been characterized by uncertainties and financial malpractices, and has become more rhetoric than practice (Polidano & Hulme, 1999). Anecdotal evidence shows that the privatization agenda in the public sector in general, and local governments in particular, is challenging and requires both internal organisational support and appropriate external institutional arrangements, which are difficult to achieve simultaneously. It has also brought management challenges for the local governments, which have contributed to the reluctance of some countries to initiate the privatization process (Hefetz & Warner, 2007). As Wollmann (2012) claimed, "the position and role of traditional local government has been questioned by the emergence and expansion of actors and institutions that, resulting from 'hiving off', outsourcing and privatizing local government functions to external actors and organisations, constitute local governance networks essentially operating outside the immediate realm of local government" (p. 65). This study has examined these challenges in the context of Tanzanian LGAs.

2.3.4 Performance Management

NPM also advocates the use of performance management in the public sector in general, and local governments in particular. The overall aims of performance management systems are to increase organisational efficiency (Hoque, 2008), to assess the ability of the organisations to provide public services outside of the market conditions (Ševic, 2005), and to enhance public sector accountability and transparency systems to the multiple stakeholders (Broadbent & Guthrie, 2008; Lapsley & Mitchell, 1996). In fact, as Ghobadian and Ashworth (1994) argued, local governments need performance management badly when compared to other public sector organisations. This is associated with a "lack of alternative supplier in most cases; the absence or low risk of liquidation; a large, long-life asset base; continuous government pressures; lack of apparent direct connection between services and cost to electors; wide range of services with varying degree of tangibility; and the powerful role of staff *vis-à-vis* the line managers" (Ghobadian & Ashworth, 1994, pp. 36-37). Additionally, performance management in local governments aims to improve the quality of the service offered, reduce operational costs, and make local governments more responsible to both central government as well as the general public (Bowerman et al., 2001). Others regard the introduction of performance measurement and management systems into local governments as a form of indirect control by the central government and other financiers (Pollitt, 1986; Rose & Miller, 1992). This is especially the case where the practice is used for funding purposes (Benington, 2000). However, as Ševic (2005) claimed, without being performance based "it would have been very difficult to justify the major changes in the public sector" (p.587).

Performance management in local governments normally involves the use of Key Performance Indicators (KPIs) in the main functional areas of local governments and performance measurement exercises, which are usually carried out and/or supervised by central government (Broadbent & Guthrie, 2008). It also involves the use of various techniques, including compulsory competitive tendering, balanced score cards, zero base budgeting, and benchmarking. The application of performance management and measurement in local governments has generated huge interest in accounting researchers in both developed and developing countries. The studies tend to concentrate on areas such as adoption, implementation, and evaluation of the performance measurement and management practices. These studies are reviewed in section 2.5.2.

2.4 Implications of NPM Initiatives on Accounting Practices

Undoubtedly, the application of the NPM initiatives discussed above changes major aspects of local governments' management and technical functions, including their accounting practices (Hodges & Mellett, 2006). This is attributed to the fact that traditional accounting information "may not generate useful reports for management decision making when there are significant government policy changes" (Sciulli & Wise, 2004, p. 5). Therefore, accounting has been involved in, and has become, an important ingredient of the changes (Pilcher, 2011). In fact, from all of the public sector entities, accounting practices in local governments have been those most affected by the NPM initiatives. This is attributed to the peculiarities and importance of local governments:

> "We see local government as *significant* because of the central position which it occupies in the arrangement and delivery of public services; the impact of local government on the everyday lives of its citizens; the influential role occupied by local government as the custodian of key community assets and resources; the complexity of local authority relationships – direct, indirect and diffuse – with citizens and other stakeholders; and with local government as the locus of an interaction between political voice, management action and accountability to citizens" (Lapsley & Mussari, 2008, pp. 207, emphasis in original).

In general, local government organisations experience changes in accounting practices as the result of NPM. The changes are claimed to be able to accommodate the changing nature of local government operations and, at the same time, to legitimize the organisational operations to the external funds providers (Anessi-Pessina, Nasi, & Steccolini, 2008). Therefore, accounting aspects such as adoption of the accrual basis of accounting, performance audit, performance measurement, accountability and transparency, accounting for infrastructures, and the adoption of management accounting techniques, such as ABC, has become widespread in local governments. A detailed discussion of these is provided in the following section.

2.5 Accounting Researches in Local Governments

The literature evidences substantial and frequent changes in accounting practices in LGOs. This is partly associated with the massive financial and management reforms introduced into public sector organisations in general, and local governments in particular (Broadbent & Laughlin, 2005). It is therefore not surprising to find that the majority of accounting research has concentrated on the adoption, implementation, and evaluation of the reforms introduced into LGOs, and their related impact on accounting practices (Broadbent & Guthrie, 1992, 2008). Thus, studies into local governments' accounting practices tend to put more emphasis on the accounting changes brought about by the volume of the public sector reform programs (Lapsley & Mussari, 2008; Monsen, 2006; Yamamoto, 1999). Despite this, there has been continuing debate as to whether the changes have been beneficial or not. Whilst some regard accounting changes as necessary steps to enhance the efficiency of the changing local governments (Lapsley & Mussari, 2008), others regard them to be fiscally driven, and externally imposed, with no relevance for the internal decision making processes (see Yamamoto, 1999). This debate has increased research interest into local government in areas such as governance and accountability, performance measurement, financial reporting, management accounting, performance audit, and accounting for infrastructure assets. The next six sub-sections discuss each of these in detail.

2.5.1 Governance and Accountability

Governance, being a global theme, attracts a great deal of attention in both private and public entities. It started in the private sector and was brought to the public sector as a mechanism to safeguard public entities against financial scandals (Broadbent & Guthrie, 2008). As a concept borrowed from private entities, its adoption and implementation in public sector entities, including local governments, is a contentious issue (Collier, 2005; Langlands, 2004), and that's why in some cases, governance structures in public sector are less appealing (Goddard, 2005a). On the other hand, the accountability of the public sector in general, and local governments in particular, has also attracted the attention of many stakeholders, although there has been a debate as to where the accountability of the local government lies. The problem increased even more following the introduction of the NPM related reforms. Following the adoption of a NPM related agenda, there is a need to identify whether the accountability of local government lies with central government, the local community, and/or the shareholders (Pollitt, 1993). Others, like Cochrane (1993), argue for a reduction in the hierarchical financial accountability to the central government, an attempt which will enable local governments to concentrate on improving the quality of the local public services. In general, as Goddard (2004) commented “accountability and governance are contentious concepts” (p. 543), and has led too much research into the ways in which these concepts have been implemented by local governments (Devas & Grant, 2003; Goddard, 2004, 2005a, 2005b; Goddard & Powell, 1994; Kloot, 1999; Ryan, Stanley, & Nelson, 2002).

In emerging economies where this research is situated, accountability is normally in an upward form (Devas & Grant, 2003). Central performance monitoring and grants conditions have forced local governments to be more accountable to foreign aid agencies and central government, and less, if at all, to the local citizens. Devas and Grant (2003) also observed that accountability in Kenya and Uganda, which supposedly represent most of the emerging economies, was constrained by inadequate information and resources. Since quality of information and, more specifically, annual reports are necessary for local government’s accountability (Ryan, Stanley, et al., 2002), any inadequacy limits mechanisms by which local governments convey accountability information. In general, local government’s accountability and governance measures are skewed to the central government and other financiers, which can be attributed to the substantial funds which local governments accrue from these sources. As noted by Devas and Grant (2003), local governments have yet to demonstrate accountability effectively to the local citizens.

2.5.2 Performance Measurement

The term ‘performance’ attracts different meanings depending on the nature of organisations and context in which it has been used. Rogers (1994) defines performance as an outcome of the interaction between organisational goals, customer satisfaction and the economic contribution which the organisation plays. To Otley (1999), performance is the degree of outcomes achieved in undertaken activities. In public sector, the term ‘performance’ is usually associated with the effectiveness, economy, and efficiency in the delivery of the public services (Hood, 1995; Otley, 2001). On the other hand, Mwita (2000) raises the issue about whether performance entails result, or outcome, behaviour, or both. He reiterates the importance of the organisation to be clear about the measurement and argues for the need for the organisation to state clearly whether it intends to measure outcome (result/output), behaviour (process), or both (outcome and behaviour). Regardless of what constitutes performance, the need for performance measurement is claimed to be high in the public sector in general, as opposed to its private counterparts (Lapsley & Mitchell, 1996). This is attributed to the nature of the service offered, and to the ownership structures of the public sector organisations. Because public sector entities are mainly deal with intangible products, and accountable to multiple stakeholders, performance measurement increases their ability to discharge accountability obligations. Likewise, as Ševic (2005) noted, consumers of public services rarely pay the market price for the service offered. Therefore, there is an immense need for the public sector organisations to continually measure performance in order to assess the capacity of providing them outside the market conditions. Since local governments occupy a middle position between central government and the general public, they are highly involved in the delivery of public services. As a result, there are increasing trends towards the adoption and implementation of performance measurement practices in local government organisations (Brignall & Modell, 2000; Ghobadian & Ashworth, 1994; Modell, 2009).

Using four government departments in Australia as a case study, Hoque (2008) concludes that performance measurement practices not only enhance organisational performance, but also shape the strategic plan and management framework of organisations. Also, performance measurement provides important information for budgetary decision making and other operational aspects of local governments (Melkers & Willoughby, 2005). Therefore, when performance measurement practices are successfully adopted and implemented, they have the potential to foster organisational management and accountability (Coates, 2004). However, there are cases where the use of performance measurement to enhance organisational efficiency is questionable. For example, Heinrich and Marschke (2008) argued that the complexities of public sector entities make performance measurement a difficult exercise to undertake. They also raised the possibility that the performance games to be played by the public sector entities made the entire exercise to be worthless. Also, Kurunmäki and Miller (2006) found that public sector performance assessments are limited and fail to take into account the multiple issues involved in organisations. In general, these concerns suggest that there are operational difficulties associated with the development, implementation, and evaluation of performance measurement in public sector in general, and local governments in particular (see Bowerman et al., 2001; Johnsen, 1999; Pollanen, 2005).

Also, studying performance measurement in Canadian municipalities, Pollanen (2005) observed that the municipalities put more emphasis on the efficiency criteria and ignored effectiveness, which is important to public sector entities. The study also identified the gap between the actual and the desired use of the performance measures, and therefore, the performance measures were of little use to improve the organisational performance. Furthermore, Hernandez (2002) claims that performance measurement practices in the public sector in general, and local government in particular, are normally misused. As a result, the exercise becomes a data collection tool and a normal reporting exercise with little use to the strategic management of the organisations. As Bowerman et al. (2001) noted, the application of benchmarking as performance measurement tool in the UK local governments is "frequently limited to a compulsory and defensive mode rather than an improvement one" (p. 322). In general, despite the importance of performance measurement practices to local governments, its implementation is surrounded by numerous challenges and difficulties. As a result, local governments, like other public sector organisations, merely adopt and implement performance measurement for external legitimacy and have little relevance for improving internal organisational efficiency (Robinson, 2003).

The review of performance measurement practices in local government organisations reaches three main conclusions. Firstly, there has been an increasing trend of studying performance measurement practices in public sector in general, and local governments in particular. The studies mainly focus on the development, adoption, implementation, and evaluation of performance measurement as applied to public sector organisations. Secondly, the literature records different and opposing views about the outcome of the exercise for the public sector in general and more particularly in local governments. Despite the claimed benefits of the exercise, the majority of the studies show that performance measurement has not successfully achieved its claimed benefits. Poor involvement of the key stakeholders, inadequate technical capacity, and weak institutional arrangements represent major obstacles. Lastly, little is known about the performance measurement of local governments located in emerging economies. There have only been a few performance measurement related studies undertaken in emerging economies, and these have focussed on state owned enterprises (Abdel Aziz, Dixon, & Ragheb, 2005; de Waal & Augustin, 2005; Uddin & Tsamenyi, 2005), public sector banks (Kumar & Gulati, 2009), and education colleges (de Waal, 2007). The few local governments' studies tend to concentrate on financial analysis and managerial performance (Jaber & Sabri, 2010; Sabri & Jaber, 2007). As a result, it is not known, for example, how performance measurement is practiced and what factors influence its undertaking? As local governments in emerging economies depend heavily on central government and donors (Devas & Grant, 2003), little has also been recorded about the manner in which officials justify their performance, in order to accrue resources from these, and other sources. These concerns are addressed in the current study.

2.5.3 Financial Reporting

The financial reporting practices of local government organisations receive much attention in the accounting literature. This is associated with the structural changes brought about by the NPM reforms and the corresponding commentary on the need to investigate financial reporting in local governments (Christensen & Yoshimi, 2001; Pilcher, 2011). This, in part, is a product of frequent changes to local governments' financial reporting frameworks. The notable, and probably the most discussed one, is the introduction of private sector financial reporting mechanisms into the public sector organisations. This can be attributed to two main reasons: the involvement of private sector elements in public service delivery, and arrangements between public and private entities, such as public-private partnerships (Broadbent & Guthrie, 2008). These arrangements require comparable financial information, which has led the public sector to adopt private sector financial reporting practices, such as accrual accounting as imbedded in International Financial Reporting Standards (IFRSs).

The introduction of accrual accounting into the public sector in general, and local governments in particular, can be traced back to the 1980s, when the public sector reforms were pioneered for the first time, with New Zealand and Australia among the early adopters of the practice (Arnaboldi & Lapsley, 2009; Funnell & Cooper, 1999; Pallot, Chan, & Xiaoyue, 2002). Later, the adoption of accrual accounting spread to other countries as a result of the NPM agenda (Blondal, 2003). Currently, accrual accounting is commonly used in various decisions such as budgeting and planning, public private arrangements, and evaluation of health and education related projects (Ball, 1994; Likierman, 2000). Those who support accrual accounting in public sector entities are of the view that the practice enhances efficiency, effectiveness, transparency, and the accountability of public entities (Lye, Perera, & Rahman, 2005; Pilcher, 2011). This is accomplished by "providing a complete picture of resources, debt and revenues, [so that] public accounts may achieve better communication with stakeholders, who include service users, citizens, oversight bodies and other interested bodies" (Arnaboldi & Lapsley, 2009, p. 813). Also, accrual accounting is praised for providing full cost information, which is claimed to be useful for decision making (Arnaboldi & Lapsley, 2009). However, there are concerns about the appropriateness of accrual accounting in the public sector in general (Arnaboldi & Lapsley, 2009; Guthrie, 1998; Pilcher, 2011; Pilcher & Dean, 2009a). For example, Guthrie (1998) questions the appropriateness of the business focus and the outdated management accounting techniques embedded in accrual accounting. Pilcher and Dean (2009a) are also of the view that aspect of accrual accounting, especially IFRSs, increases financial, political, and social costs to local governments. They claim that local governments spend too much time complying with the reporting requirements, which are not always relevant. They further argued that IFRSs place more emphasis on bottom up reporting which loose political and social identity of local government organisations to the communities. Similarly, Pilcher (2011) observed that local governments are forced to adopt IFRSs which have less value internally. The practice is also regarded as time consuming and costly, and there is a high possibility of accounting manipulation (Pilcher, 2011). Accrual accounting is also criticised for having little impact to users of public sector financial information (Arnaboldi & Lapsley, 2009). Pilcher and Dean (2009b) went further and argued that there are massive legislation requirements facing the public sector organisations, and the adoption of accrual accounting increases the reporting burdens for local governments. As a result, important management accounting issues are ignored.

Despite these concerns, accrual accounting, as one of the private sector reporting practices became popular in the public sector generally (Lapsley, Mussari, & Paulsson, 2009). It has been applied in both developed and developing countries with different results and time-scale and the debate on its relevance to the public sector entities, including LGO, is far from over. As evidenced in the discussion above, IFRSs as one of the components of accrual accounting is also penetrating LGOs and further reaction to its impact is expected. It is in this context that some accounting researchers have appealed for comprehensive and effective regulations of the financial reporting practices in the public sector in general, as opposed to piecemeal adoption of the private sector reporting mechanisms (Lye et al., 2005; Mack & Ryan, 2006; Mayston, 1992).

2.5.4 Management Accounting

Management accounting is regarded as the most researched topic in public sector accounting literature (Broadbent & Guthrie, 2008), and the introduction of public sector management reforms is partly attributed to this trend. The reforms mainly involve the adoption of private sector management accounting techniques, such as ABC, benchmarking, the balanced score card, and target costing (Lapsley & Wright, 2004; McAdam & Walker, 2003). These techniques are normally diffused into the public sector entities through professional membership, management accounting publications, central governments' recommendations, and with legislations (Lapsley & Wright, 2004). These techniques, which are highly influenced by central government, play an important role in the implementation, and subsequent evaluation, of the NPM related reforms (Tambulasi, 2007; ter Bogt, 2008; Van Helden, 2005). Notwithstanding the impact of NPM reforms on the introduction of management accounting into the public sector, there are also rationality arguments behind the practice, as reflected by Likierman (1994):

> "…the influence of management accounting techniques in central government has developed dramatically in the past ten years. From being at the fringes of administrative practices, such techniques are increasingly an essential part of key

> managerial developments. There can be doubt that these initiatives have required management accounting…without them implementation of the key reforms would not have been possible" (p.109).

Thus, management accounting is not only a product of the public sector reforms agenda, but also an important agent which facilitates the reform programs. Additionally, management accounting is an important aspect of development programs (Hopper et al., 2009). It is also interesting to note that management accounting techniques, such as ABC, benchmarking, and balanced score cards receive considerable attention in LGOs (Arnaboldi & Lapsley, 2003; Ball et al., 2000; Bowerman et al., 2001; Bowerman et al., 2002; Kloot & Martin, 2000; McAdam & Walker, 2003). Within the public sector management accounting research, budgetary practices and performance measurement receive the highest attention, followed by cost accounting, especially in schools and hospitals (Broadbent & Guthrie, 2008; Van Helden, 2005).

There is also a growing interest in studying management accounting research in the context of developing countries (Alawattage, Hopper, & Wickramasinghe, 2007; Hopper et al., 2009; Tambulasi, 2007; Uddin & Tsamenyi, 2005). Despite this promising trend, the literature records mixed reactions to the impact of these modern management accounting techniques on the public sector entities. For instance, Nyland and Pettersen (2004) found that the accounting information available in the Norwegian University hospital was irrelevant to decision making. Investment budgets and salary, which were the main accounting activities, were controlled at the top, leaving the lower levels with little freedom. As a result, management decisions were made without accounting justification. Related findings were reported by Scarparo (2006) in NHS hospitals in Scotland and hospitals in Sweden. Examining interactions between management accounting methods and clinical practices, Scarparo (2006) observed that evaluation of medical care and cost control was highly needed by participants. Despite a general recognition of the importance of accounting information for decision making, doctors, nurses, and managers in Scotland opposed a move to integrate management accounting methods and clinical practices. They were of the view that the two issues were different and should not be integrated. In contrast, doctors, nurses and managers in Swedish hospitals welcomed the integration of management accounting methods and clinical practices. In fact, “the availability of costing information to medical professionals is perceived as a way of strengthening clinician’s sphere of governance” (Scarparo, 2006, p. 153). Likewise, Järvinen (2006) observed that that institutional pressures and efficient criterion were driving forces towards the adoption of management accounting techniques (in this case ABC) in Finnish university hospitals. Contradictory observation was made by Pendlebury and Algaber (1997). In a survey about the cost of central support services in UK universities, they found that half of the universities visited were using t*op-slicing* rather than appropriate cost allocation. Other Universities replaced cost allocation with service level agreements, internal market prices, and market testing.

As a result, management accounting had little value within the decision making processes. As these studies demonstrate, there are mixed results regarding the impact of modern management accounting techniques within public sector organisations, and this warrants further investigation. In general, management accounting has been applied in the public sectors of both developing and developed countries to a varying degree. Within the public sector, the practices are highly used by LGOs. Because public sector accounting research in general, and management accounting in particular, is context specific (Broadbent & Guthrie, 1992, 2008; Hopper et al., 2009), the current study adds to our understanding of the manner in which aspects of management accounting, such as budget and performance measurement, are practiced in Tanzanian LGAs.

2.5.5 Performance Auditing

Performance auditing, or value for money auditing (VFMA), is one of the important components of the public sector accountability mechanisms (Jacobs, 2000). Whilst there has been considerable research into performance auditing in central government, little attention has been paid to local governments (Johnsen, Meklin, Oulasvirta, & Vakkuri, 2001). This limits our understanding of the practice as applied in LGOs. The sparse performance auditing research carried out on local governments has tended to concentrate on the examination and evaluation of the various NPM initiatives, such as Public Private Partnerships (English, 2003; Johnsen et al., 2001; Pollitt, 2003; Torres & Pina, 2001). For example, the survey carried out by Torres and Pina (2001) into the EU, and Spanish local governments, observed that performance audit is very important when evaluating the projects carried out under PPP arrangements. This is attributed to the fact that most of the projects were not captured in the organisations' balance sheets. Therefore, the absence of an effective value for money audit would cast doubt on the efficiency and transparency of the projects. Similarly, local governments in Finland and Norway, though portraying different patterns, have extensively made use of the performance audit reports (Johnsen et al., 2001). Performance auditing practices were not decoupled and were actually used in the daily operations of the municipalities and counties studied. The practice is also important for cost saving and enhancing efficiency in the public sector modernisation agenda (Lapsley & Pong, 2000).

Despite its potential, there are concerns about the effectiveness of performance auditing in the public sector in general, and local governments in particular. Johnsen et al. (2001) are of the opinion that the effectiveness of the performance auditing in local governments is dependent on the clarity of the goals. They asserted that when the local governments' goals are neither clear nor audit oriented, performance auditing becomes challenging and its value is debatable. A related concern was raised by Lapsley and Pong (2000), who were of the opinion that performance audit in the public sector is constrained by clear determination of best practices and the unreliability of performance indicators. As a result, the practice is problematic and becomes more operational than strategic. Furthermore, performance auditing is also criticised for putting more pressures and demands on the auditee (Pollitt, 2003). This casts doubt on the efficiency of the exercise, and the possibility for the compliance games to be played is high. Lack of independence facing the public sector auditors also minimises the full potential of the performance audit within public organisations (Pollitt, 2003). As with any other audit, performance auditing is also regarded as a post-mortem exercise, which is sometimes ignored during the planning phase (Johnsen et al., 2001). Notwithstanding these concerns, performance audit is an important ingredient of the accountability and efficiency of public sector organisations. It is even more important in the current reforms to public sector organisations "especially in the development of performance reporting and whole-of government financial statements and to this extent can be regarded as legitimating them" (Pallot, 2003, p. 151). That's why government auditors are consistently consolidating their claims to expertise to undertake performance audit through professional networks (Gendron, Cooper, & Townley, 2007). By providing descriptions of the performance auditing in the Tanzanian Councils, the current study contributes to this literature.

2.5.6 Accounting for Infrastructure Assets

Accounting for infrastructure assets is an emerging issue in public sector financial accounting (Broadbent & Guthrie, 2008). The deterioration of infrastructure assets and the adoption of accrual basis of accounting are claimed to be the major reasons for the growing interest of accounting for infrastructure assets in public sector organisations (Pallot, 1997). The practice is more important to local governments as compared to the rest of public sector organisations, because in most countries, local governments own a substantial portion of the total public assets in the form of infrastructures (Pallot, 1997). Therefore, appropriate accounting for infrastructure assets has the potential to improve the management of public assets overall. However, there has been debate about the appropriate mechanisms to be used to account for infrastructure assets. Pallot (1997) categorizes the debate into three camps. The first group regards infrastructure assets to be the same as any other assets, and thus argue that normal depreciation should be charged, while the other extreme group argues that infrastructure assets are completely different from other assets and should be treated completely different. Between these two extremes, he also identifies another camp who argue for a middle range. This group recognizes a peculiar feature of infrastructure assets which requires special considerations (see Pallot, 1992). In general, there is a continuing debate about how the infrastructure assets of public organisations should be accounted (see Aiken, 1994; Christiaens, Rommel, & Barton, 2006; McCrae & Aiken, 2000; Pallot, 1992).

Regardless of the current debate about accounting for infrastructure assets, the practice has been applied and some research has been carried out on the subject. For instance, in New Zealand, Pallot (1997) reports successful accounting for infrastructure assets by the country’s local governments. Despite the fact that organisations had insufficient standards to accommodate the practice, they were able to account for infrastructure assets, which satisfied not only the technical requirements but also the political context. Similarly, reporting on the state of infrastructure in Australian local governments, Walker, Clarke, and Dean (1999) observed that the Councils not only accounted for assets as per required by standards, but also detailed additional information concerning infrastructure assets in the form of supplementary reports. The additional information included the physical condition of the assets, an estimate cost of bringing it to a satisfactory condition, and an annual maintenance cost thereafter. Though there were concerns over the reliability of the cost estimates and insufficient understanding of the guidelines, the additional information presented by the local governments was found to be more relevant to external parties and local government asset managers than that which was needed by the legal accounting standards (Walker et al., 1999). Despite this promising trend, Pallot (1997) is of the view that the political dimensions of accounting for infrastructure assets could be strengthened by adopting a comprehensive view of the ownership and control of public assets.

2.6 Public Sector Accounting Research in Emerging Economies

Although there has been widespread accounting research in developed countries, less has been undertaken in emerging economies (Broadbent & Guthrie, 2008; Goddard, 2010; Hopper et al., 2009; Rahaman, 2010). The few studies conducted in emerging economies tend to focus on the privatisation of state owned enterprises (Rahaman et al., 2004; Uddin, 2005; Uddin & Hopper, 2001, 2003; Uddin & Tsamenyi, 2005; Wickramasinghe & Hopper, 2005). These studies show that accounting practices are highly influenced by the funding agencies such as the World Bank (WB) and the International Monetary Fund (IMF), as well as the political and economic environments of these countries. For instance, Uddin and Tsamenyi (2005) and Tsamenyi et al. (2010) found that management and privatisation, and consequently accounting practices, in the Ghanaian public sector entities were highly influenced by the World Bank and International Monetary Fund (IMF). As a result, whilst the privatised entities reported improved performance, Tsamenyi and his colleagues established that the trend had not effectively benefited the Ghanaian population. A similar observation was made by Rahaman et al. (2004), where accounting processes (environment management and reporting) in an electric company in Ghana saved the interest of the World Bank at the expense of the social population through increasing the price of electricity. It is also interesting to note that accounting in emerging economies is not only affected by the influence of transnational organisations such as the Word Bank and IMF, but also affects the policies underpinning these organisations. This has manifested in various Less Developing Countries (LDCs) where accounting had affected and been affected by, the Structural Adjustment Programme (SAP) (Neu, Rahaman, Everett, & Akindayomi, 2010; Uddin et al., 2011). For example, it was observed in Nigeria that accounting was not only used symbolically to legitimize the structural adjustment policies, but also to provide important milestones for the effective implementation of the programme (Neu et al., 2010).

The influence of colonization on the accounting practices in emerging economies also receives considerable attention (Alawattage & Wickramasinghe, 2008; Gujarathi & Dean, 1993; Hammond, Clayton, & Arnold, 2009; Hammond, Clayton, & Arnold, 2011; Sian, 2006, 2007, 2011a; Uddin et al., 2011). These studies reveal the under-developed nature of the accounting profession in emerging economies, which constrain its effective undertaking. The shortage of competent accounting staff and ineffective accounting regulations were highly cited reasons for the under-development, and these were mainly attributed to colonization. For example, Sian (2006) found that Kenya had only 6 locally qualified CPA's in 1973 (i.e. 10 years after its independence). These anomalies constrain the effective undertaking of the accounting practices in emerging economies.

Furthermore, there has been a growing interest to study accounting history in the developing countries (Carmona & Ezzamel, 2007; Ezzamel, 1997, 2009; Ezzamel & Hoskin, 2002; Maltby & Tsamenyi, 2010). These studies focus on the relationships between early civilizations and accounting practices. For instance, Ezzamel (2009) noted that the accounting in ancient Egyptian culture was used to legitimize authority in the early years, by intertwining space and time to create a systematic and orderly society. Thus, accounting had an impact on the social, political, and economic order of the early Egyptian civilizations. Similarly, Maltby and Tsamenyi (2010) revealed the manner in which financial reporting had been used as a tool for domination and agent for exploitation in the Gold Coast, Ghana (see also Alawattage & Wickramasinghe, 2008). Therefore, combining privatisation and accounting history provides an important means to understand accounting practices in emerging economies in both colonialist and imperialist periods. Whilst the state owned enterprises of the emerging economies have received the attention of researchers, the same has not effectively extended to central and local governments, with the exception of few studies such as Tambulasi (2007), Jaber and Sabri (2010), and Sabri and Jaber (2007). The limited research about the central and local governments of emerging economies constrains our understanding of how accounting is implemented in these countries. The current study, which investigated accounting practices in the Tanzanian Local Government Authorities (LGAs), is an important step to address this lacuna.

2.7 Synthesis of Accounting Research in Local Governments

The literature documents a wide spread of research conducted into LGOs. The research has been mostly focused on areas such as governance and accountability, performance measurement, financial reporting, management accounting, performance auditing, and accounting for infrastructure assets. These studies, to a large extent, have been driven by the reforms introduced into local governments as part of the overall public sector reform programs advocated and embraced by NPM. Parallel to what Likierman (1994) noted in central government, accounting is also an important element of local governments' operations. Accounting has been involved throughout the adoption, implementation, and evaluation of the various reforms introduced into local governments. It has acted as an agent of the reforms, while, at the same time, 'legitimating' them (Kurunmaki et al., 2003). Furthermore, accounting in local governments is affecting, and being affected by, social, political, economic, institutional arrangements, and the cultural settings of organisations. It is in this context which accounting, and its related output, varies amongst the local governments both within the country and outside. In general, there is a growing interest in researching accounting practices in local governments, and the frequent changes in the operations of local governments will increase research interest even further.

2.8 Problem Statement

Accounting information has been used by the public sector organisations for different purposes. The nature of the usage is normally changes responding to, and facilitating, the operational changes of the public sector organisations (Marwata & Alam, 2006; ter Bogt, 2008). This has expedited the increase of public sector accounting research which focuses on aspects such as financial reporting and management accounting. Of the public sector entities, local government organisations are highly affected by reform programs (Arnaboldi & Lapsley, 2003; Lapsley & Pallot, 2000; Tambulasi, 2007; ter Bogt & Jan van Helden, 2000). This is attributed to the fact that local governments are accountable to both central government and their community (Lapsley & Mussari, 2008). Therefore, accounting has been regarded as an important communication vehicle, and, as a result, there have been increasing trends to study accounting practices in local governments. Despite this, there are three related concerns. Firstly, the majority of the empirical accounting research into public sector entities has originated from the positivistic tradition (Goddard, 2010), normally using quantitative instruments such as questionnaires, survey, and database for data collection. The ability of these instruments to capture accurately the complex meanings of accounting attached to multiple stakeholders in the public sector entities is questionable (Parker, 2008). As a result, little is known about how accounting is actually practiced in public sector entities in general, and local governments, in particular.

Secondly, there are concerns that the majority of the public sector accounting research is descriptive and lacks theoretical foundations (Broadbent & Guthrie, 2008; Goddard, 2010; Van Helden, 2005). For instance, a recent review of the public sector accounting research done by Goddard (2010) shows that public sector accounting research without theoretical foundations comprised about 42.5% (descriptive and normative) of the total 188 papers reviewed. Despite the fact that the review had a wider scope than previous studies (see Broadbent & Guthrie, 1992, 2008; Scapens & Bromwich, 2001; Van Helden, 2005), there was still a high proportion of descriptive studies. This limits the theoretical understanding of accounting practices as applied in the public sector organisations.

Thirdly, public sector accounting research has paid little attention to the emerging economies (Broadbent & Guthrie, 1992, 2008; Goddard, 2010). Exemplifying the lack of engagement of critical accounting research in Africa as one of the highly marginalised domains of the emerging economies, Rahaman (2010) commented:

> "[ ] since its inception in 1990 Critical Perspectives on Accounting has published 651 articles in 108 issues, of which only *nine articles* [9] are focused specifically on African issues"(pp. 420-421) (emphasis added).

Since public sector accounting research is context specific (Broadbent & Guthrie, 1992, 2008), lack of research about the emerging economies constrains our understanding on the manner in which accounting has been applied in these countries. This may be attributed to the cultural, ideological, institutional, economic, and political differences between developed and emerging economies, which arguably influence accounting practices differently (Hopper et al., 2009; Wallace, 1990). Also, unlike developed countries, where most of the public services have been privatised, public sector entities in emerging economies are highly involved in public service provisions such as water, electricity, health, and education (Ngwilizi, 2001). Therefore, lack of research into accounting practices in the public sectors of these countries reduces the practical and theoretical understanding of the role of accounting to address poverty and governance issues, which are regarded as the main problems of emerging economies (Hopper et al., 2009).

The study under consideration has addressed the above concerns. The interpretive approach used in this study allowed full understanding of accounting in the public sector organisations in which it is practiced. The current study also integrates grounded theory and institutional theory, which increases the theoretical 'depth' of the research findings by offering various theoretical explanations of the adoption of accounting practices and related consequences in the organisational operations. Also, by locating this study in Tanzania, it is hoped to increase the body of research into public sector accounting in the emerging economies, and also to address the unique issues pertaining to these countries.

2.9 Research Questions

This study investigated accounting practices in Tanzanian LGAs. It adopted the interpretive mode of investigation. This enabled the researcher to solicit the perceptions and shared meanings of the Councils' officials on accounting practices. It also enabled to obtain multiple realities of accounting as practiced in the Councils. The tenet of the current research was that a full understanding of accounting practices can be effectively achieved by reference to the particular settings in which it is operated (Creswell et al., 2003). It was in this context that the field based research approach was considered to be appropriate. Therefore, the current research studied accounting practices from the lived experience of the Councils' officials (Parker & Roffey, 1997). Drawing from the interpretive line of inquiry, the study was guided by the following main research questions:

1. How do the members of LGAs in Tanzania perceive accounting practices in their daily activities?

2. How do accounting practices differ among the levels of the LGAs, and between primary education and health services?

3. How do the members of LGAs in Tanzania describe the operational changes occurring in their organisations?

4. How do the external bodies influence undertaking of the accounting practices in the Tanzanian LGAs?

2.10 Summary

This chapter has reviewed the impact of NPM on local governments. The overall aim of the review was to obtain a deep understanding of the changes introduced into the public sector in general, and local governments in particular, and their impacts on the accounting practices. The literature shows that accounting is both an agent and an outcome of NPM practices. This has increased research interest in local governments in areas such as financial reporting, management accounting, auditing, and performance measurement. Despite this positive trend, the chapter has highlighted three inherent limitations of public sector accounting research, which are that it has been positivisticly based, that there has been without theoretical foundations, and that there has been little research into accounting practices on local governments in the emerging economies. Based on these inferences, the research problem was formulated to investigate the accounting practices in the Tanzanian local governments. The research questions concluded the chapter. The following chapter provides detailed descriptions of Local Government Authorities in Tanzania.

Chapter Three
Tanzanian Local Government Authorities

3.1 Introduction

This chapter offers a general overview of the Tanzanian Local Government Authorities (LGAs) and detailed descriptions of the four LGAs visited. It specifically covers the background information, levels as well as the political and administrative structures of the Tanzanian Councils. The chapter also discusses profiles of the main research sites. These include biographic characteristics, trends of own revenues and expenditures, the accounting establishment, and their education and health information. It concludes with brief descriptions of the Councils' stakeholders and the Local Government Reform Programme (LGRP).

3.2 Background Information of the Tanzanian LGAs

The United Republic of Tanzania (URT) is the union of the two former countries, Tanganyika and Zanzibar, which occurred on 26th April, 1964. Tanganyika and Zanzibar separately obtained their independence from the British Protectorate System on 9th December, 1961, and 10th December, 1963 respectively. As at the end of the fieldwork, October 2011, the country had 26[3] regions comprising 21 in Mainland Tanzania and 5 in Zanzibar. All local governments are located within these regions. However, local government affairs are not included in the articles of union and each part, Mainland Tanzania and Zanzibar, has its own system of local government. The study under consideration was conducted in Mainland Tanzania (henceforth Tanzania). The establishment of Local Government Authorities in Tanzania can be traced back to 1962, following the enactment of the Local Government Ordinance (Amendment) Act No. 4 of 1962. The Act was enacted to introduce local governments and overturn the power given to the local leaders in the administration of local government by the African Chiefs (Special Powers) Ordinance. The local governments were then abolished in 1972, but gradually reintroduced from 1976-1982. The establishment of the local governments then received its mandate from articles 145 (1) & (2) and 146 (1) & (2) of the Constitution of the URT (URT, 1977). As operationalization of these articles, the Local Government (District Authorities) Act No. 7 of 1982 and the Local Government (Urban Authorities) Act No. 8 of 1982

[3] Sometimes later after the fieldwork, (i.e. March, 2012), 4 more regions were established making a total of 30 regions (Government Notice No. 72 of 2012).

were enacted. According to these acts, the main functions of the LGAs are "to maintain and facilitate the maintenance of peace, order and good governance within its area of jurisdiction, to promote social welfare and economic well-being of all persons within its area of jurisdiction, and subject to the national policy and plans for rural and urban development, to further the social and economic development of its area of jurisdiction" (Section 111(1) of the Local Government (District Authorities) Act No.7 of 1982 and Section 54(1) of the Local Government (Urban Authorities) Act No. 8 of 1982).

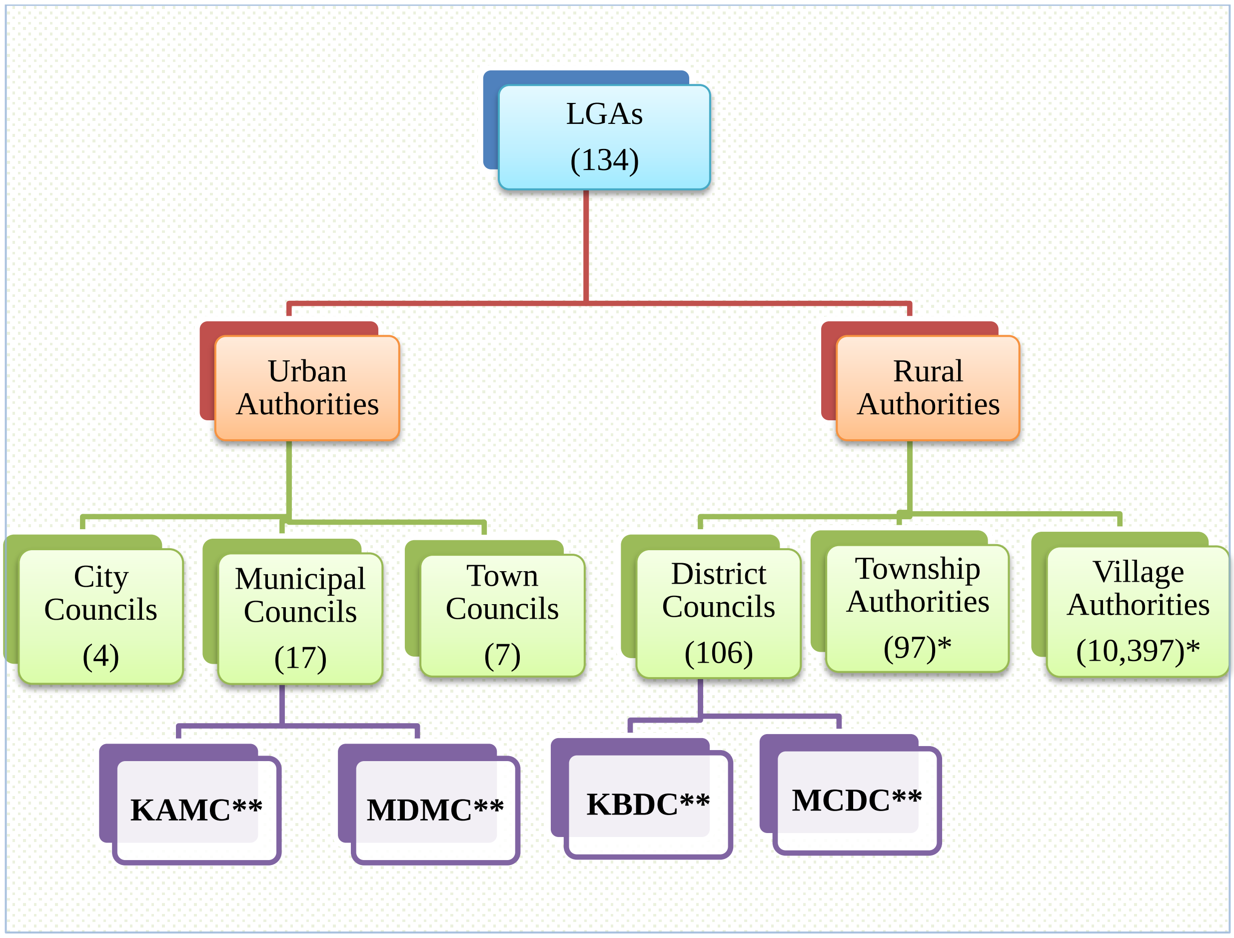
3.3 Levels of the Tanzanian LGAs

There are two main levels of local governments in Tanzania; rural and urban authorities. Rural authorities comprise Village Authorities, Township Authorities, and District Councils. They are governed by the Local Government (District Authorities) Act No. 7 of 1982. Urban authorities form the other level, and include City, Municipal, and Town Councils. They are governed by the Local Government (Urban Authorities) Act No. 8 of 1982. Rural and urban authorities have power to enact by-laws, prepare annual budgets, and collect specified taxes within their area of jurisdiction. The following paragraphs provide brief information about rural authorities (Township, Village and District Councils), followed by urban authorities (City, Municipal, and Town Councils).

Section 13(1) and section 22(1) of the Local Government (District Authorities) Act No. 7 of 1982 provides a legal mandate for the establishment of Township and Village Authorities respectively. Administratively, Township Authority is headed by Executive Director, while Village Authority is headed by a Village Executive Officer (VEO). They consist of various departments for discharging various functions. Full Council and Village Assembly form the highest organs of the Township Authorities and Villages respectively. Section 35 of the same act also provides for the establishment of Village Committees dealing with matters such as planning, finance, economic affairs and social services. The Village Councils have a responsibility to propose the Village by-laws to be adopted by the Village Assembly, before being submitted to the District Council for approval. A Ward Development Committee (WDC) provides a link between Villages/Suburbs and Districts/Municipals. The Village Authority is the lowest level of rural authority in Tanzania. Below the Village level, there are hamlets which are not recognised as Councils and are directly supervised by the Village to which they belong. On the other hand, the establishment of the District Councils is provided under section 5(1) of the Local Government (District Authorities) Act No. 7 of 1982. Full Council, which consists of elected and appointed Councillors, form the supreme organ of the District Council. It is headed by the Council Chairperson from amongst the Councillors. Administratively, the District Council is managed by a District Executive Director (DED), who reports to the Full Council on a quarterly basis. District Councils are responsible for the supervision of all social and economic plans within their jurisdiction. They are also responsible for approving the Village by-laws and coordinating the Villages' plans, projects, and programmes.

Urban Councils form the second level of the Tanzanian LGAs. Section 5(1) of the Local Government (Urban Authorities) Act No. 8 of 1982 gives power to the minister responsible for local governments to establish urban Councils. Tanzanian urban authorities include City, Municipal, and Town Councils. As with District Councils, urban authorities are managed by Council Directors and supervised by the Full Council. They are responsible for undertaking a variety of social and economic development activities in their areas of jurisdiction. Their departments cover the functions of finance, administration, planning, procurement, education, health and legal. The neighbourhood or suburb is the lowest level of urban authority in Tanzania. All LGAs are responsible to the Prime Minister's Office-Regional Administration and Local Government (PMO-RALG). The various levels of the Tanzanian LGAs are represented in the figure 1.

Figure 1: Main Levels of Tanzanian LGAs



Source: Internal Documents

NB: *Township and village authorities were under city, municipal, town, or district Councils.

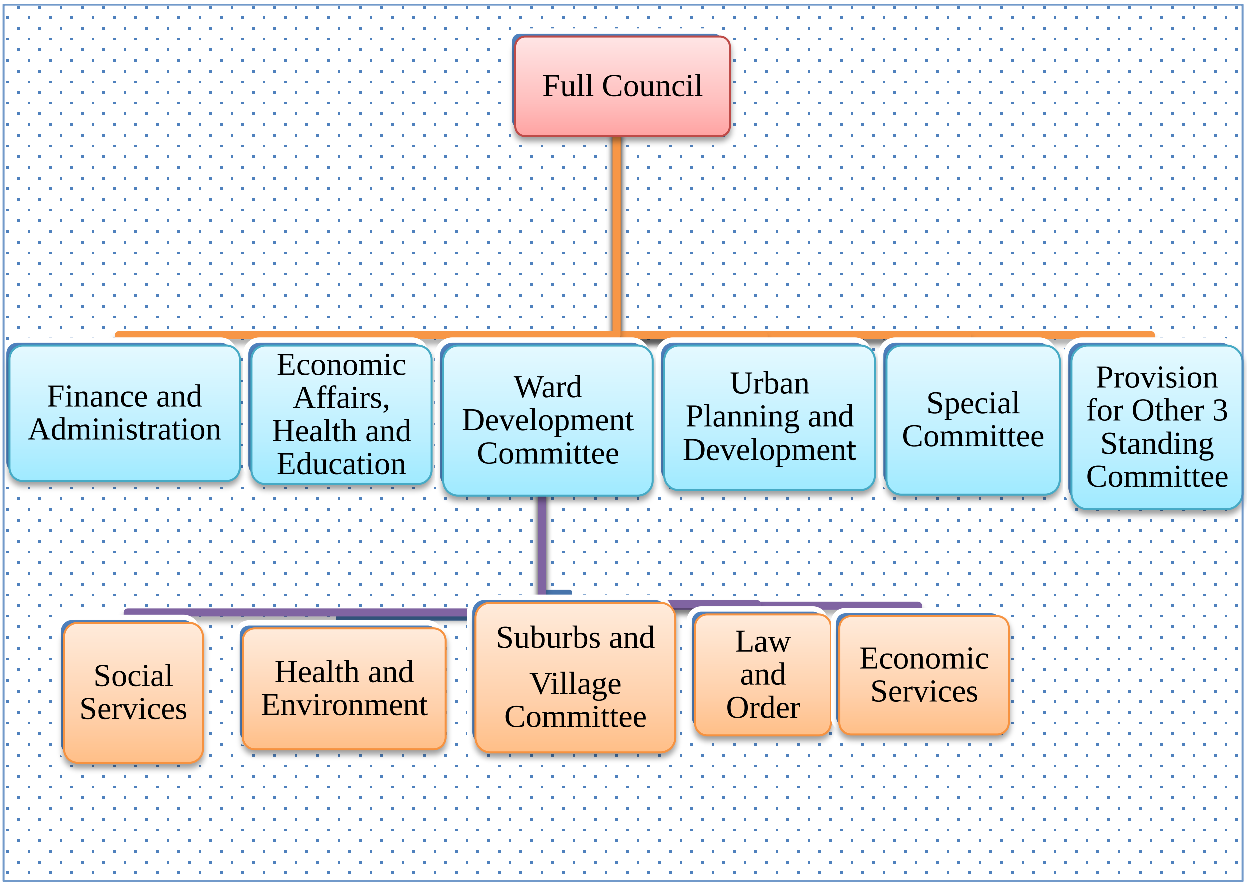
** Selected LGAs

At the end of fieldwork, October 2011, there were 134 local governments in the country, which comprised 4 City Councils, 17 Municipal Councils, 7 Town Councils, and 106 District Councils. There were also 97 designated Township Authorities, 10,397 registered Villages, 2555 division Wards, 1755 Suburbs, and 50836 Hamlets which fall within 134 LGAs. The classification of the local government authorities depends on factors such as population, location, level of economic development, and the size of the territory. It is also important to note that some City Councils, such as TGCC (pseudonym) had no sole jurisdiction and were not actively involved in social and economic activities. Also, Town Councils and Township Authorities depend on the Councils in which they are located for financial support. Therefore, because District and Municipal Councils have an independent jurisdiction, local specified taxes, and are actively involved in social and economic development activities, this study investigated accounting practices in two District Councils (KBDC and MCDC) and two Municipal Councils (KAMC and MDMC), all located in Mainland Tanzania.

3.4 General Structure of the Tanzanian LGAs

Tanzanian LGAs are subjected to two structures, which fall into political and administrative arrangements. Politically, all Councils are supervised by the Full Council, which is formed by elected and appointed Councillors, as well as Members of Parliament located in the Council's jurisdiction. The Full Council is the supreme body of a Council and is headed by the Council Chairperson, who is elected from amongst the Councillors. Each Council has three permanent standing committees, namely, Finance and Administration, Economic Affairs, Health and Education, as well as Urban Planning and Development. There is also a special committee for HIV/AIDS and ethics. All committees meet on a monthly basis to discuss the Council's progress reports in their respective sections, and report to the Full Council on a quarterly basis. The Finance and Administration committee (henceforth, Finance Committee) is charged with all Council's financial related matters. At the Ward level, there is a Ward Development Committee (WDC), which is chaired by a Ward Councillor. The WDC is made up of the social services, health and environment, law and order, economic services committees, and suburbs/village committee. The general political structure of the Councils is shown in the following figure.

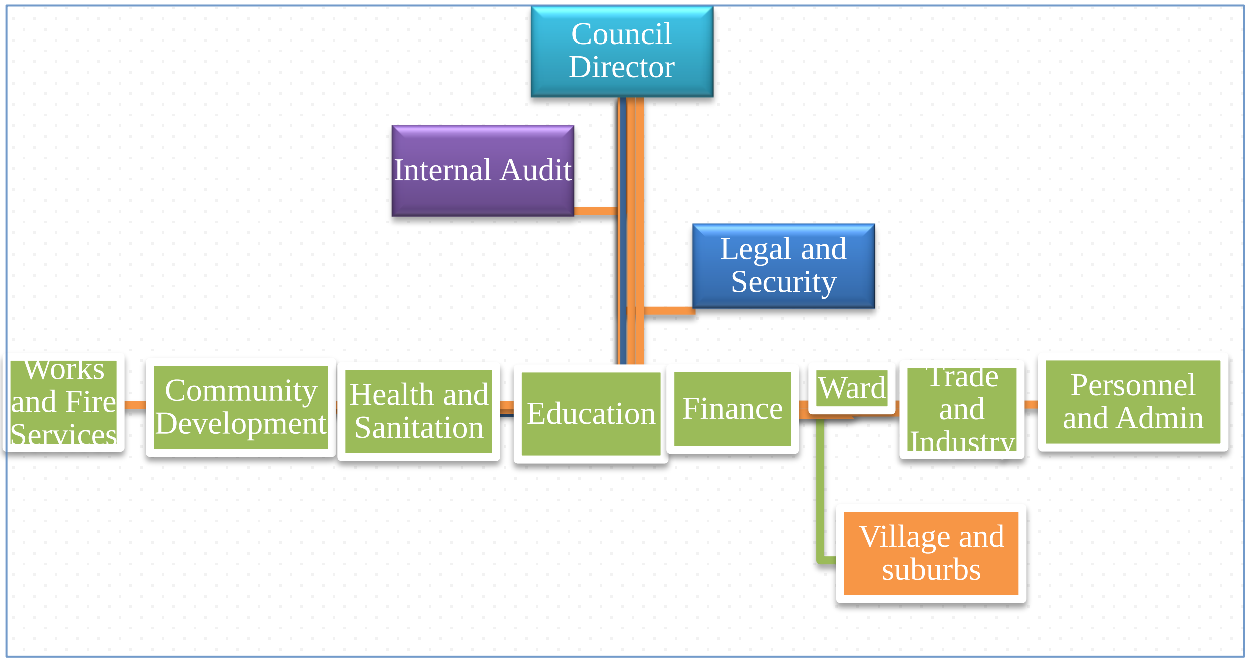
Figure 2: Council Political Structure



Source: Internal Documents

Administratively, all Councils are headed by a Council Executive Director. The Directors are responsible for the coordination and supervision of the day to day operations of the Councils. The usual departments of the Councils are: Internal Audit, Legal and Security, Fire and Works services, Community Development and Social Services, Education and Culture, Finance, Trade and Industry, and Personnel and Administration. The administrative functions of the Councils are supervised by a Council Management Team (CMT), which consists of Heads of Departments and Sections, and it is headed by a Council Director. The CMT meets daily and usually reports to the standing committees on a monthly basis. The general administrative structure of the Councils is shown in the following figure:

Figure 3: Councils' Administrative Structure

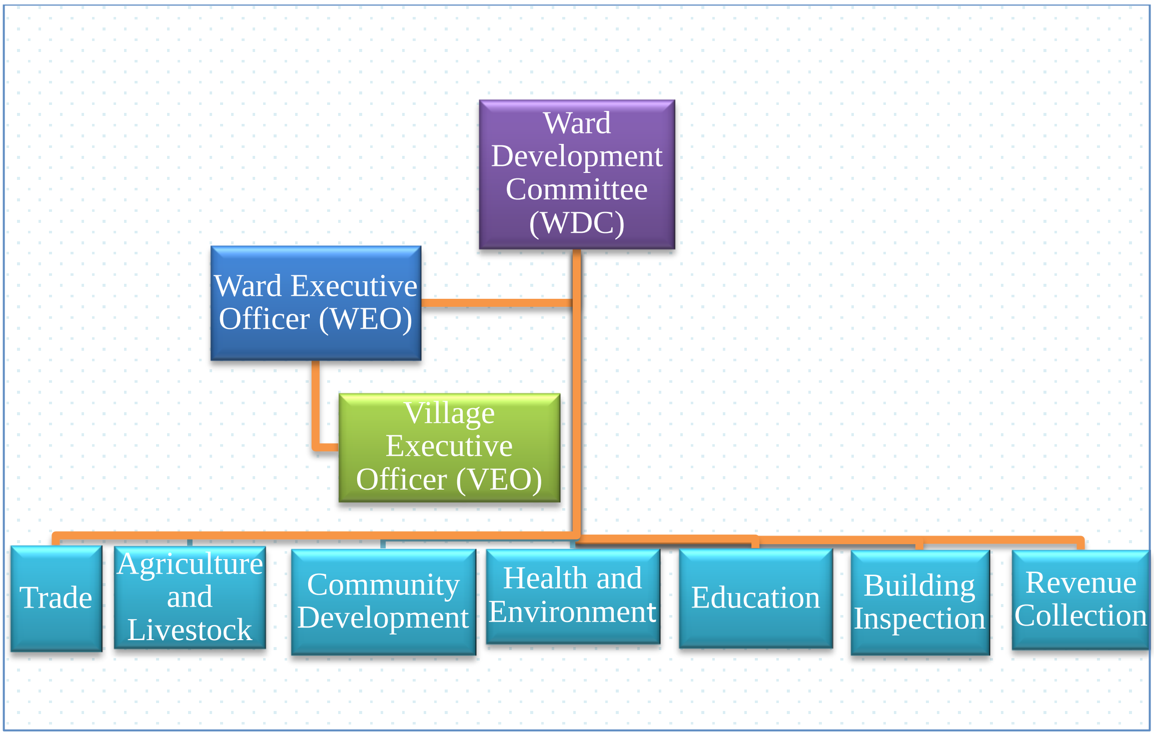


Source: Internal Documents

The operations of the Councils at the lower levels are closely monitored by a WDC, which acts as a link between the Council and Villages or Suburbs. WDC is headed by a Ward Councillor and administered on a daily basis by a Ward Executive Officer (WEO). Each WDC is composed of a Councillor, Chairpersons of all the Village Councils within the Ward, member(s) of the District Council who reside in the Ward, and invitees from any other voluntary groups involved in the development of the Ward[4]. WDC has a number of functional Departments, such as Trade, Agriculture and Livestock, Community Development, Health and Environment, Education, and Revenue collections. WDC is responsible for developing and subsequent monitoring of the general development plans of the Ward as well as reviewing and approving the projects to be executed at the Village level. However, the final approval of the Village's projects is made by District Development Committee (DDC). Suburbs/Village Executive Officer reports to the WEO about social and economic matters pertaining to a particular Suburb/Village. The following figure shows the Ward administrative structure.

[4] Section 31, Local Government Laws (Miscellaneous Amendments) Act No. 6 of 1999.

Figure 4: Ward Administrative Structure



Source: Internal Documents

3.5 The Profiles of the Main Research Sites Visited

This study was undertaken in four LGAs located in Mainland Tanzania. These were KAMC, KBDC, MCDC, and MDMC. The actual names of the research sites have been withheld for confidential reasons. KBDC was added at a later stage of the fieldwork, the study having had to drop BEDC due to the financial scandal within the Council, which led to the resignation, and subsequent prosecution, of key Council's officials, including the Council Director, the Internal Auditor, and the Treasurer. The timing of the fieldwork coincided with the financial investigation, which created a hostile environment, and necessitated the dropping of the Council as a research site. In order to obtain in-depth understanding of the Tanzanian Councils in general, all four Councils covered in this study were located in different regions. The two district Councils visited acted as rural representatives, while the Municipal Councils represented the urban contexts. All the Councils fell within the political and administrative structures shown in figure 5, 6, and 7. The biographical characteristics, patterns of each Council's self-generated incomes and expenditures, each Council's accounting establishment, and statistics of the education and health facilities of the Councils visited are provided in the following sub-sections.

3.5.1 Biographic Characteristics of the Councils

As at October 2011 (the end of fieldwork), KAMC had 4 divisions, 34 wards, and 127 suburbs. According to the 2002 National Census, the Council had a population of 1,088,867 inhabitants (549,929 males; 538,938 females) with a growth rate of 4.1%. It had an area of 531 square kilometres and the population density was estimated at 2051 people per square kilometre. In contrast, MDMC was the smallest Municipal Council in the country with an area of about 58 square kilometres only. It had 2 divisions, 16 administrative wards, and 60 suburbs. According to the 2002 National Census, the Council had 143,799 inhabitants (70,678 males; 73,121 females). Of the District Councils visited, KBDC was located in a peripheral area, although not very far away from a city centre. It had an area of 4464 square kilometres covering 4 divisions, 14 wards, and 77 registered villages. The National Census of 2002 shows that the Council had a population of 95,323 inhabitants. Another District Council, MCDC, was located in a very peripheral area in 'up country'. It was a newly established Council, which started its operation as a full-fledged Council only in 2005[5]. The Council land area was 7325 square kilometres constituting 4 divisions, 17 wards, and 101 registered villages. The Council estimated population was 259,347 inhabitants (131,256 males; 129,269 female) in 2005, with an annual population growth rate of 1.7%[6]. Table 1 summarizes the biographical characteristics of the Councils visited.

Table 1: Biographic Characteristics of the Research Sites

LGAs	Area (Sq Km)	Population	Divisions	Wards	Village/Suburbs
KAMC	531	1,088,867	4	34	127
MDMC	58	143,799	2	16	60
KBDC	4464	95,323	4	14	77
MCDC	7325	259,347	4	17	101

Sources: United Republic of Tanzania Population and Housing Censuses: 1978, 1988, 2002, and Regional Commissioner's Office, 2006.

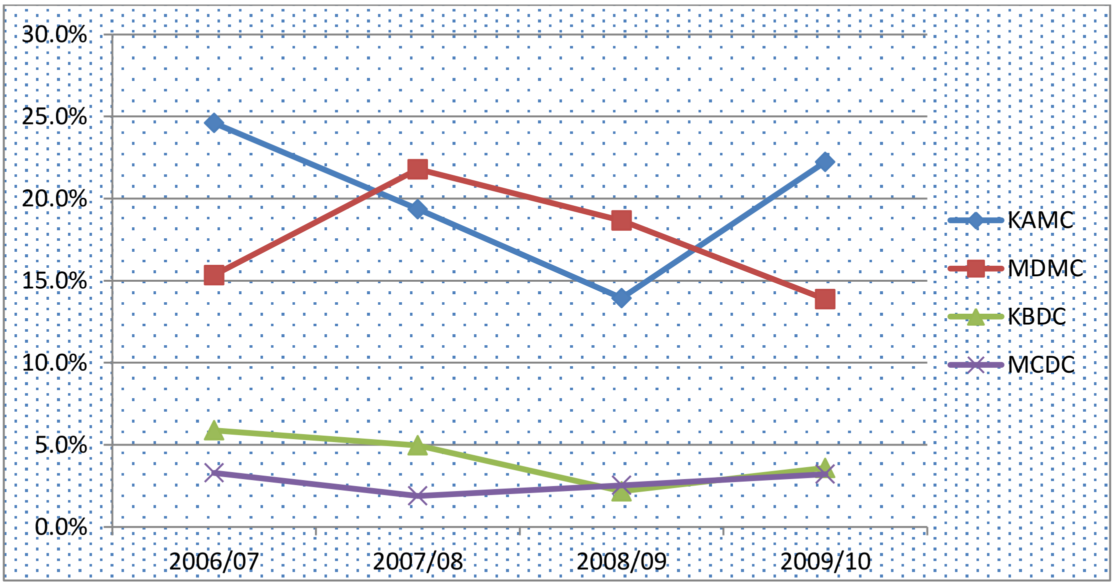
[5]Government Gazette No. 366/02 of 02/08/2002.

[6] Regional Commissioners' Office, 2006

3.5.2 Self-Generated Incomes and Expenditures

The Councils' self-generated incomes were mainly obtained through specified sources, such as property taxes, service levy, crop cess, forest produce cess, guest house levy, billboard fees, and fines and penalties. The revenues obtained from these sources were locally referred to as 'own sources'. In general, the own sources of the Tanzanian Councils were not sufficient to meet even their recurrent expenditures (see section 7.6.3). That's why the Councils depended heavily from the Government and donors. An examination of own sources of the Councils visited compared with their total income (i.e. own sources and total funds from the Government grants and donors) revealed the same trend. The self-generated incomes of the Councils visited did not reach even a third of their total sources, as shown in the following figure.

Figure 5: The Councils' Own Sources as % of Total Sources



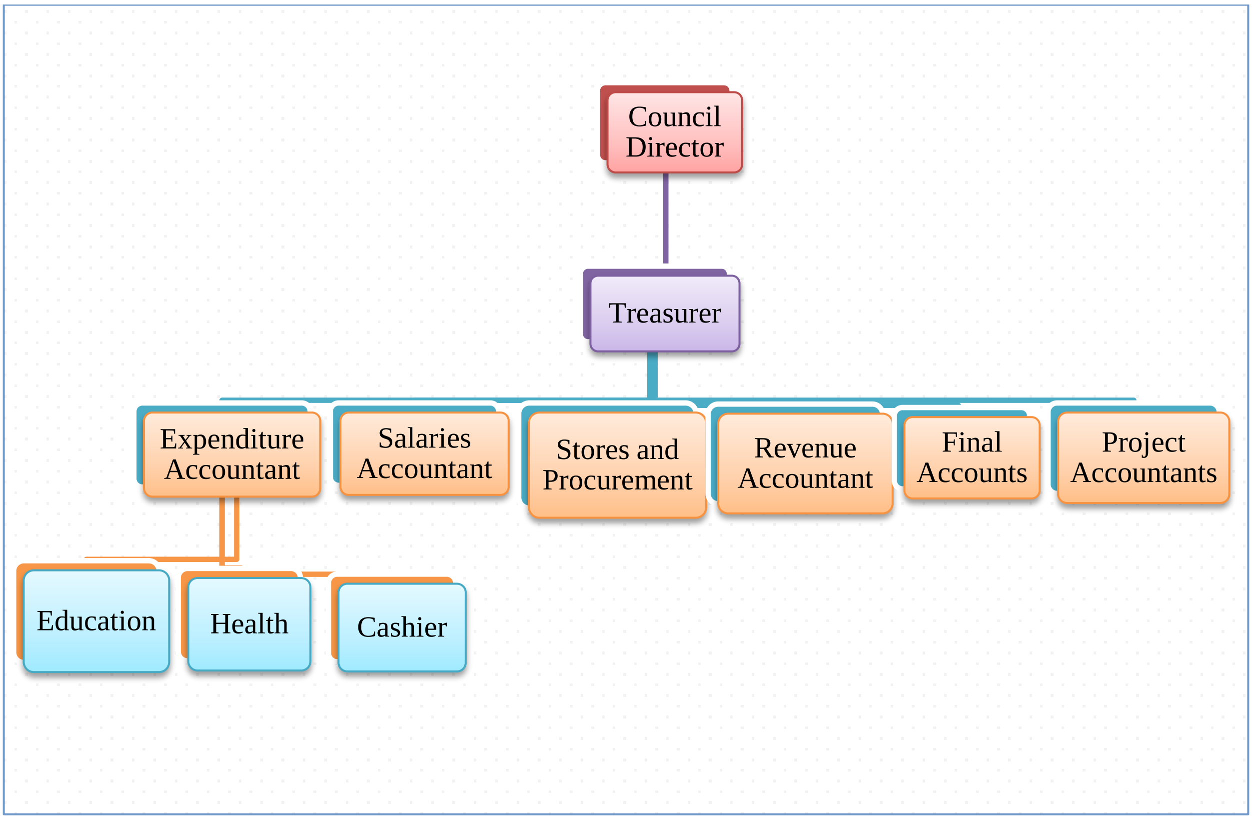
Source: Annual General Report of the CAG, FY 2006/07 to FY 2009/10.

When compared to District, Municipal Councils had had high proportion of self-generated incomes to their total incomes for each of the four years. Their location contributed to this trend. Being located in urban areas, KAMC and MDMC were able to raise substantial income from various internal sources, such as billboard fees, property taxes, city service levies, and hotel levies. The implications of this for the operation of the Councils in general, and the undertaking of the accounting practices in particular, are discussed further in the analysis chapters.

3.5.3 Accounting Establishment

Accounting was well established in the Councils' structures and operations. In terms of structure, accounting was undertaken and supervised by the Finance Department which was headed by a Council Treasurer. The Treasurer was indirectly accountable to the Finance Committee through the Council Director, reporting to him/her on a monthly basis. The Finance Department had five main sections which are Expenditure, Revenue, Stores and Procurement, Final Accounts, and Salaries. The Economic and Planning Department was also involved in accounting related matters, especially those associated with the budget. Accountants were also formally attached to the education and health departments. Other Departments, such as Agriculture and Works, had informal special accountants dealing with matters related to their departments. Figure 6 shows the general structure of the Councils' finance department.

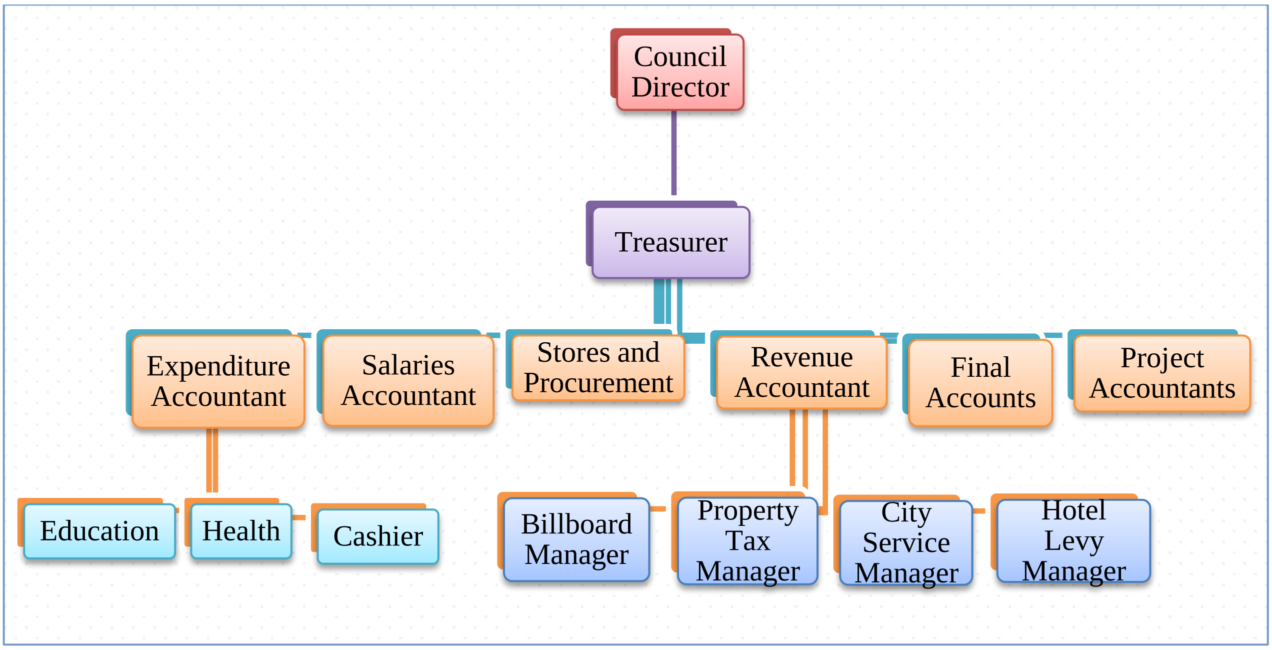
Figure 6: General Structure of Councils' Finance Department



Source: Internal Documents

In addition, KAMC had some informal structures within the Finance Department, where its revenue section had been divided into four major. These revenue subsections were billboard fees, city service levies, property taxes, and hotel levies. Each of these subsections was headed by a revenue accountant, who informally known as *Manager*. Each revenue manager had a minimum of three accounting staff to monitor and follow up revenue collection from each particular source. The revenue managers reported to the Council's Revenue Accountant on a daily basis. The informal structure of KAMC's finance department is shown in the figure that follows.

Figure 7: Structure of the Finance Department at KAMC



Source: KAMC Internal Documents

The structure shown in the figure above was claimed by KAMC representatives to be responsible for the increased collection of its own sources[7]:

> "You know, our Council is very different. We have huge collections in terms of own source revenue. The internal sources of our Councils are more than any other Council in the country. Here, we have created the position of revenue managers for each

[7]The KAMC's self-generated revenues (own sources) doubled from TZS 5,396,044,237 in the FY 2008/09 to TZS 11, 614,289,853 in the FY 2009/10 (LOGIN). The average exchange rates of Tanzanian Shillings (TZS) to USD were 1280.30 and 1313.29 for the period ended 31st December 2008 and 2009 respectively (BOT, 2011).

> major source. This helps to strengthen the revenue collections. You may not even find these positions in the Council's organisation structure" (Rela, Assistant Revenue Accountant: KAMC).

High number of accountants in KAMC facilitated the practice. Being located in a business city where all essential services were easily obtained, the Council was able to attract large numbers of workers, including accountants. As at the end of fieldwork, October 2011, the Council had 45 accountants of different ranks. The study recorded the lowest number of accountants employed was by the MCDC (17), while KBDC and MDMC had 21 and 28 accountants respectively. Most of these were assistant accountants.

3.5.4 The Councils' Education and Health Information

In terms of health and education statistics of the Councils visited, KAMC had 227 primary schools as at October 2011, comprising 137 public owned schools and 90 private schools. The Council also offered education to students with special needs, such as the mentally retarded, the deaf and the blind. For two years in a row (2007 and 2008), KAMC emerged as the leading Council in the standard seven examination results. The Council also had 101 health facilities, of which 34 were owned and operated by the Council, with the remaining 67 owned and operated by parastatal and private entities. The Council's owned health facilities comprised 1 Hospital, 2 Health Centres, and 31 Dispensaries. There were also 34 Reproductive and Child Health Clinics. On the other hand, MDMC had 48 Primary Schools (35 public, 13 private), 85 Dispensaries, 4 Health Centres (2 public, 2 private) and 4 Hospitals (1 public, 3 private). Of the District Councils visited, KBDC had 74 Primary Schools in total, and all were public owned schools. It also had 1 Hospital, 3 Health Centres, and 15 Dispensaries (13 public, 2 private). MCDC had 137 Primary Schools. It also had 43 Dispensaries (35 public, 8 private), 4 Health Centres, and 3 Hospitals (1 public, 2 private). Table 2 summarizes information of the primary schools and health facilities of the Councils visited.

Table 2: The Councils' Primary Schools and Health Facilities

Councils	Primary Schools		Dispensaries		Health Centres		Hospitals	
	Public	Private	Public	Private	Public	Private	Public	Private
KAMC	137	90	31	0	2	0	1	0
MDMC	35	13	85	0	2	2	1	3
KBDC	74	0	13	2	3	0	1	0
MCDC	137	0	35	8	4	0	1	2

Source: Councils Organisational Profile (2005-2010) and Regional Commissioner's Office, 2006.

What emerged from the above statistics was the fact that the supply of social services in rural areas depended primarily on the facilities owned by the Councils. KBDC experienced the worst situation, as it had no private Primary School, Health Centre, or Hospital. This, together with other considerations, suggests that the LGAs and hence the Government remain the major source of public services in Tanzania.

3.6 Major Councils' Stakeholders

In general, line ministries, Regional Administrative Secretaries (RAS), donors, the Controller and Auditor General (CAG), the Local Authority Accounts Committee (LAAC), and the general public were the major stakeholders of the Tanzanian Councils. Meeting expectations and requirements of these stakeholders ensured organisational legitimacy, which in turn boosted the Councils' access to the resources necessary for their operations. The manner in which the Councils were able to manage pressures from these stakeholders is discussed in Chapter 7. Brief descriptions of each of these stakeholders are given in the following six sub-sections.

3.6.1 Line Ministries

The Government controlled the operational affairs of the Councils through the Prime Minister's Office, Regional Administration and Local Government (PMO-RALG). The transfer of activities from the line ministries to LGAs also enabled a wide spread of other ministries, such as Ministry of Education and Vocational Training, the Ministry of Health and Social Welfare, to have influence over the Councils' operations. In general, the Government through line ministries normally issue circulars, policies, and guidelines, which govern the operation of the Councils. The Government was also responsible for financing of the Councils' development and recurrent expenditures. The relationship between the Government and the Councils and the reactions of the Councils' officials on the same, are discussed in detail in Chapters 5, 6, and 7.

3.6.2 Regional Administrative Secretariat

The Regional Administration Act No. 19 of 1997 provided a legal basis for the relationship between Regions and Councils. Each Region, through the Office of the Regional Administrative Secretary (RAS), provided a link between the Councils located in a particular Region and the Government. The Central Government's policies, directives, and guidelines were normally channelled to the Councils through the RAS's Office, the same to some of the development funds. The Office was also the custodian of the Councils' financial and technical progress reports. Each Council's budget was also required to be sent to the RAS's Office for consultation before being submitted to the Treasury for scrutinization. A detailed discussion of the relationship between the office of RAS and the Councils is given in Chapters 5, 6, and 7.

3.6.3 Donors

Donors were the major financial stakeholders of the Councils. These donors were: the World Bank (WB), International Monetary Fund (IMF) and individual countries such as Belgium, Netherland, Sweden, Ireland, Germany, Japan, and Finland, which jointly formed a 'basket funding' arrangement. There were also other independent donors who financed earmarked projects in specific areas, such as Education, Road, HIV, and Water and Agriculture. Donors were directly and/or indirectly involved in financing various Councils' projects in different areas, such as education and health. They were also involved in a variety of initiatives, such as the introduction of EPICOR accounting package, the adoption of International Public Sector Accounting Standards (IPSAS), the introduction of the Comprehensive Council Health Plan (CCHP), and the introduction of conditionally based performance grants under Local Government Capital and Development Grants (LGCDG) Systems. The detailed discussion of the donors' influence on the Councils' operations is included in Chapters 5 to 7.

3.6.4 Controller and Auditor General

Section 45 (1) of the Local Government Finances Act No. 9 of 1982 (amended 2000) gave legal mandate to the National Audit Office (NAO) under the Controller and Auditor General (CAG) to be the statutory auditor of all LGAs. Therefore, the relationship of the CAG and Councils is that of auditor-auditee. The CAG normally conducted two types of audit; transactions and a financial statements audit. The transaction audit was conducted throughout the year, while the financial statements audit was normally carried out after 30th September annually. Apart from the transaction and the financial statements audits, the CAG was also involved in the monitoring and evaluation of the Councils' projects. It is important to note that the Councils' officials attached high importance to the statutory audit. This can be attributed to the fact that adverse opinion restricted the Councils from obtaining discretionary grants under the LGCDG Systems. The techniques employed by the officials to ensure the Council obtained clean opinion for grants purposes are discussed in Chapter 7.

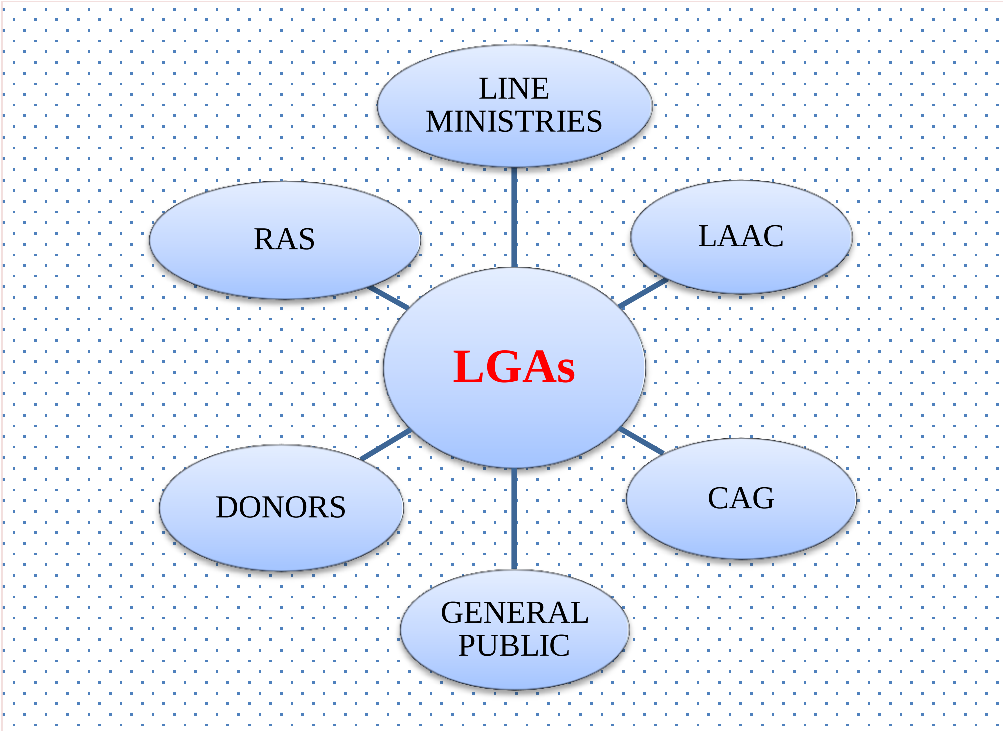
3.6.5 Local Authority Accounts Committee

The Local Authority Accounts Committee (LAAC) was involved in monitoring the Councils' accounts, and reported its findings to the National Assembly for adoption and implementation. To hasten the accountability further, the Parliamentary regulations were amended in 2007 to allow Members of Parliament from the opposition party to lead the committee. The committee also undertook physical monitoring and evaluation of the Councils' projects. High amount of publicity received by the Committee, and its ability to take disciplinary measures instantly, led the Councils' officials to attach great importance to the Committee assessment. The strategies used by the Councils' officials to impress and/or supress the Committee are discussed in Chapter 7.

3.6.6 General Public

The general public were the beneficiaries of the Councils' projects, while at the same time being partners in public service provision. The introduction of a *decentralization by devolution policy* fostered the beneficiary relationship, whilst the NPM related practices introduced, strengthened the partnership strand. The public were also involved in planning and reporting arrangements. In some cases, the general public were highly involved in subsidizing the Councils' projects through physical contribution. Recognizing this, all the monthly financial reports of the Councils visited contained section titled *'Receipt In Kind'*, reflecting the community contributions as part of the Councils' income. Regardless of this fact, the influence of the general public on the Councils' operations was minimal, one of the greatest contributory reasons for this being the low level of education of the general public, especially in the Councils located in rural areas. The trend was also associated with unwillingness of the Councils' officials to involve the general public in the Councils' decision making process. Figure 8 shows the major Councils' stakeholders.

Figure 8: Major Councils' Stakeholders



3.7 Tanzanian Local Government Reform Programme

The recent changes in the operations of the Tanzanian LGAs were considered to be a product of the Local Government Reform Programme (LGRP), which started in 1998 as part of the country's Public Sector Reform Programme (PSRP), started in the late 1980s as part of the Structural Adjustment Programme (SAP). The overall objective of the LGRP was to improve the quality of, and access to, the public services through increased citizen's participation at the local level (Ngwilizi, 2001). It was spearheaded by the Local Government Reform Agenda (1996-2000), CCM[8] Election

[8]CCM, which stands for Chama Cha Mapinduzi, is the country's ruling party.

Manifesto of 1995, and Government Policy Paper on Local Government Reform of 1998. The Policy Paper on Local Government Reform summarizes the Government vision of reforming Local Government Authorities:

> "Local governments will be holistic, i.e. multi-sectoral, government units with a legal status (body corporate) operating on the basis of discretionary, but general powers under the legal framework constituted by the national legislation. Local governments have the responsibility for social development and public service provision within their jurisdiction, facilitation of maintenance of law and order and issues of national importance such as education, health, water, roads and agriculture. Local governments are constituting a unitary governance system all over the country based on elected Councils and committees and a professional administration" (Policy Paper on Local Government Reform, October 1998, p. vi).

The Government vision gave rise to the key elements of the LGRP. These were: decentralization of authority and responsibilities, strengthening accountability, increasing the availability of resources, clarifying the framework for delivery of services, and building capacity for effective resource management (Ngwilizi, 2001). These elements were further categorised into systematic and non-systematic reforms. Systematic reforms were concerned with the fiscal decentralization, legal harmonization and human resources autonomy, while non-systematic reforms concentrated on governance, restructuring, capacity building, and programme coordination. The actual implementation of the reforms started in 2000 under the Local Government Reform Team (LGRT), which came under PMO-RALG. The reform programme was divided into two phases. Phase I covered 10 years period from 1st July 1998 to 30th June 2008 and was mainly focused on fiscal reforms, human resources autonomy and political decentralization between the Local and Central Government bodies. The establishment of the Office of WEO, the introduction of the formula based conditional grants in the FY 2004/05 for education and health, followed by agriculture, roads, and water in the FY 2005/06, are regarded as products of the LGRP I. Instead of having a special reform team, Phase II, which covers 6 years period from 1st July 2008 to 30th June 2014, aims to mainstream the reform activities into sectorial ministries and Councils. This, as reform Coordinator at the PMO-RALG claimed, "promises positive results".

3.8 Summary

The chapter has given a general overview of the Tanzanian LGAs, and specific information about the four Councils visited. It has also offered brief descriptions of the Councils' main stakeholders and the LGRP. The descriptions offered in this chapter provide the organisational context of investigating accounting practices in the Tanzanian LGAs. The methodology used to execute this study is discussed in the following chapter.

Chapter Four
Research Methodology

4.1 Introduction

This chapter discusses the methodology employed in this study. It is divided into five major sections. Section 4.2 provides brief background information on the research methodology and the research methods. Research paradigms in social science are covered in section 4.3, providing brief explanations of the functionalist, interpretive, radical humanist, and radical structuralist paradigms. Of particular interest to this study is section 4.4, which discusses the research paradigm in the accounting discipline, exploring the mainstream, critical, and interpretive accounting research and their respective philosophical bases. Recognizing the alternative approach to undertaking accounting research and the paradigmatic debate, this study positioned itself in the interpretive paradigm. The section specifically provides a detailed discussion of interpretive accounting research, covering the rationale for its application, empirical studies, and its underlying research methods. Section 4.5 provides detailed discussion about grounded theory. The section covers background information, the rationale for its application, empirical studies which adopted grounded theory, and the alternative approaches to its application. Specific research methods employed in the current research are covered in section 4.6. The section provides discussion of the research process, the sampling method, data collection and analysis techniques, and the data management tools. It also discusses the validity and reliability issues related to the current research. The section concludes with brief descriptions of the ethical arrangements undertaken prior to, and after, the fieldwork as well as throughout the presentation of the research findings.

4.2 Research Methodology and Methods-An Overview

The terms research 'methodology', and 'methods' are sometimes used interchangeably. This approach creates a narrow definition of the research methodology, which ignores at the very outset the researcher's ontological position (Ahrens & Chapman, 2006). This study recognises the differences between the two, and research methods are regarded as part of the wider concept of research methodology. Therefore, the study has adopted the comprehensive view which regards the research methodology as a general approach to conducting research, comprising not only research methods but also the related ontological and epistemological positions of the researcher (Elharidy, Nicholson, & Scapens, 2008; Silverman, 2006; Tomkins & Groves, 1983). In this sense, the choice of methodology reflected the researcher's philosophical stand point, which in turn affected the mode of investigation (research methods) (Burrell & Morgan, 1979). The current research subscribes to the view of Burrell and Morgan (1979) who regard the research methodology as the product of the researcher's ontology, epistemology, and human nature assumptions. Therefore this chapter offers detailed discussion on the general approach (methodology) used to undertake the study under consideration. The specific techniques (research methods) used are briefly described in section 4.6, within the general framework of research methodology.

4.3 Research Paradigms in Social Science

Various scholars offer different explanations of the nature of the research paradigm in social science research. For instance, Bassey (1990) regards the research paradigm as the broad framework which connects theorists having common ideas about the nature of the social world. The paradigm is also linked to a belief and values which are shared by members within the paradigm (Schwandt, 1997). Additionally, Burrell and Morgan (1979) describe paradigm as a mode of theorizing which dictates the investigation techniques. The current study adopted the Burrell and Morgan (1979) sociological framework, as it appreciates the uniqueness of each paradigm in terms of the theory generated, the concepts and the analytical tools used. A detailed discussion of the framework is provided in the following section.

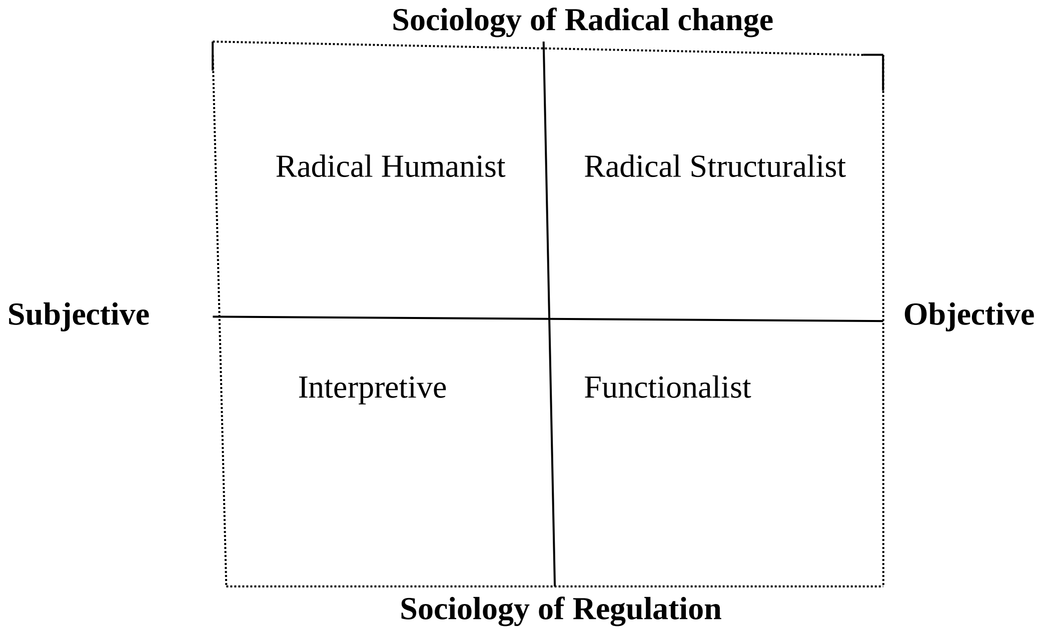
4.3.1 Burrell and Morgan's (1979) Sociological Framework

Burrell and Morgan (1979) identified four different philosophical assumptions about the nature of social science. These were ontology, epistemology, human nature and methodology. Ontological assumptions constitute assumptions about the nature of reality: whether the reality is something objective and whether it is external to the individual, or subjective and the product of one's mind. Nominalism and realism are equated to subjective and objective positions respectively. Epistemological assumptions are connected to the ontological position and elaborate the source of knowledge and how to communicate to others. These assumptions raise questions as to whether the knowledge is hard, real and can easily be transferred, or whether it is soft and subjective, cannot easily be transferred in a tangible form, and is the function of personal experience. Positivism, which seeks the causal relationship of the phenomena as in natural science, subscribes to the former, while non-positivism, with the emphasis on the subjective nature of social science, subscribes to the latter. Human nature assumptions deal with the relationship between human beings and their environment. At one extreme, human beings are regarded as determinist, in the sense that their behaviour and activities are completely determined by their situation and environment. Voluntarist constitutes the other extreme, which views human beings as completely autonomous and with free will.

A methodological assumption is the function of the ontological, epistemological and human nature positions. It seeks to establish general ways of investigating or approaching social phenomenon. Methodologies which seek to establish the causal relationship of items (nomothetic) assume that reality is objective and independent (ontology), that knowledge is hard and real (epistemology) and that human beings respond automatically to situations (human nature). Therefore, the task of the social scientist is to investigate the universal laws which explain established reality. On the other hand, ideographic methodology regards reality as subjective (ontology), soft knowledge (epistemology), and that human beings are independent (human nature). Combining all four assumptions about nature of the social science, Burrell and Morgan (1979) located objective and subjective dimension of the social science research.

Also, based on the study done by Dahrendorf (1959), Burrell and Morgan (1979) categorized two assumptions about the nature of society; the sociology of regulation and the sociology of radical change. The sociology of regulation represents the writings of the social theorists who are reluctant to change. The status quo is favoured, with the emphasis placed on unity and cohesiveness. In contrast, the sociology of radical change represents theorists who criticize the status quo. The sociologies of regulation and radical change constitute another dimension of the framework. Combining the two dimensions, *objective-subjective* and *the sociology of regulation and the sociology of radical change*, Burrell and Morgan (1979) located four research paradigms within social science, as shown in the following figure.

Figure 9: Research Paradigms in Social Science



Source: Burrell and Morgan (1979)

Theorists under the *functionalist* paradigm view social science objectively and assume that society is in order. This is a paradigm which applies a deductive approach to social science research and focuses on establishing causal relationships for the sake of generalization. It is the paradigm which is shared with the interpretive paradigm, on the assumption that the status quo is favoured at the expense of change. It is also similar to the radical structuralist paradigm, with an objective assumption of social science. The functionalist paradigm is related to the deductive/scientific approaches to social science research, which entails the researcher developing prior theories before approaching the researched phenomenon. The functionalist paradigm and its emphasis on scientific approaches is highly criticized by supporters of naturalistic approaches (Chua, 1986; Glaser & Strauss, 1967; Hopper & Powell, 1985; Ryan, Scapens, & Theobald, 2002; Tomkins & Groves, 1983). For example, Hopper and Powell (1985) criticised the application of scientific or positivistic methods to social science research. They claimed that the scientific approach limited the understanding of the researchers on how, for instance, accounting is applied in practice. Also, Ryan, Scapens, et al. (2002) argued against the application of a causal approach to explain human behaviour. They were of the opinion that social science research deals with human actions which are mainly derived from shared meanings and interpretations, which are difficult to model and capture in a scientific mode of investigation. The criticisms of the functionalist paradigm have led to the emergence of other views about approaching social science research, such as the interpretive approach.

The *interpretive* paradigm assumes that society is in state of order and that the social world is subjective. Unlike functionalists, interpretivists stress an inductive approach and seek to understand the explanations from individual consciousness. Assuming that there is no absolute truth, the researchers under this paradigm often investigate in depth meanings associated with the everyday lives of organisational actors (Parker, 2008). Therefore, researchers within the interpretive paradigm focus on understanding the interpretations and meanings which participants share in their everyday social settings (Ahrens & Mollona, 2007). In this sense, the interpretive is regarded as the paradigm which focuses on naturalistic research methods which allows “research findings to emerge from the frequent, dominant or significant themes inherent in raw data, without the restraints imposed by structured methodologies” (Thomas, 2006, p. 238).

The *radical humanist* and the *radical structuralist* represent the last two paradigms in Burrell and Morgan’s (1979) framework. The radical humanist paradigm lies in the subjective dimension of the social world, with a view that society is in need of immediate change. It echoes the interpretive approach to the subjective nature of social science, which emphasizes human consciousness, but its view of the nature of society is different. Radical humanists criticize the status quo in favour of radical change, modes of domination, emancipation, deprivation and potentiality. It is the paradigm which is refuted by a number of social science researchers, due to differences of opinions between the Marxists and the Neo-Marxist. On the other hand, the radical structuralist paradigm advocates the sociology of radical change from an objectivist point of view. It is a paradigm which was highly influenced by later thinking by Marx and Weber after they shifted from the radical humanist paradigm. However, the separation of the radicals into radical humanist and radical structuralist, as shown in the Burrell and Morgan’s (1979) framework, has been refuted by a number of social science researchers. This and other criticisms are discussed in the following section.

4.3.2 Criticisms of Burrell and Morgan's (1979) Sociological Framework

Burrell and Morgan's (1979) sociological framework received criticism from various social science researchers (Chua, 1986; Hopper & Powell, 1985; Kakkuri-Knuuttila, Lukka, & Kuorikoski, 2008; Laughlin, 1995). Chua (1986) criticized the strict dichotomy and the mutual exclusivity of the paradigms. She was of the view that neither the objectivists nor the subjectivists supported the mutual exclusivity of the paradigms. Chua (1986) also criticised Burrell and Morgan (1979) by embracing a relative notion of scientific truth and reasoning and claimed that the choice of paradigm cannot be justified scientifically. Chua (1986) and Willmott (1990) also criticized Burrell and Morgan (1979) for separating the radical humanist and the radical structuralist. To them, separation between the radical humanist and the radical structuralist was not supported in the literature of sociology. However, to Burrell and Morgan (1979), there were major differences between earlier Marxists and Neo-Marxists which warranted the radical separation between the subjective (radical humanist) and the objective (radical structuralist).

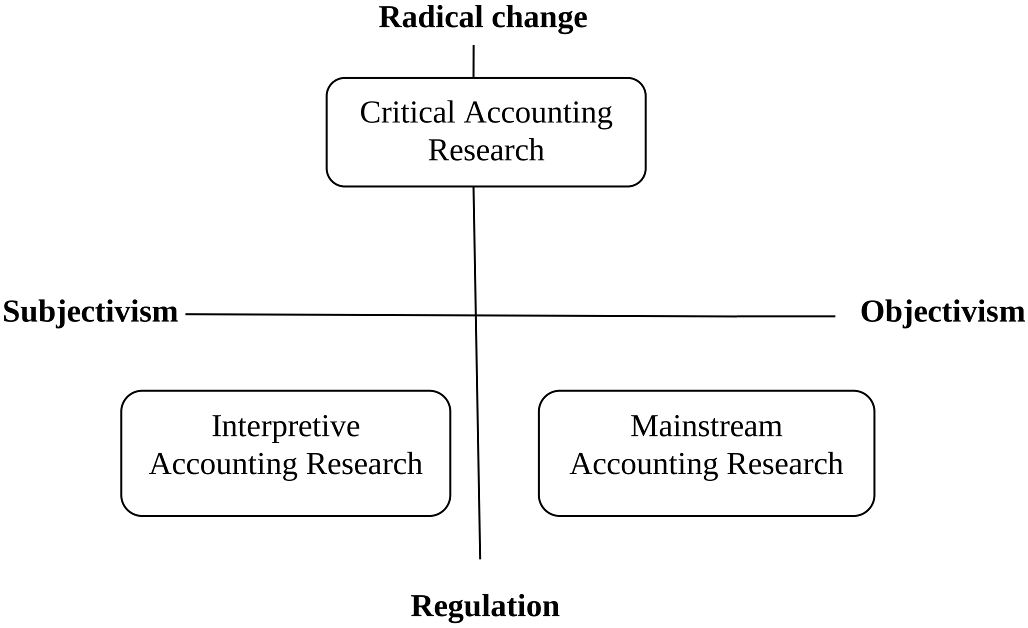
Further criticisms of the framework were raised by Laughlin (1995). He criticized the strict dichotomy of the objective and the subjective ends of the continuum, and suggested a middle range approach. His middle-range argument is associated with the claim that there are inherent weaknesses associated with the objective and the subjective ends, which can only be remedied by adopting the middle position. More recent criticisms of the framework were offered by Kakkuri-Knuuttila et al. (2008). They claimed that nominalism, which is associated with subjectivism, originated from the positivist philosophy of natural science. Therefore, they held the opinion that nominalism as presented in the Burrell and Morgan's (1979) framework contains an element of positivism, which led them to conclude that there is neither a pure objective nor subjective approach.

Despite these criticisms, the current study adopted Burrell and Morgan's (1979) framework, as it provided an appropriate foundation for discussion of the research methodology in a deeper and wider context. Therefore, the interpretive approach used in this study fits within this framework. However, it should be clear that the framework was not adopted eclectically, but rather was regarded as “a map for negotiating the subject area, which offers a convenient means of identifying the basic similarities and differences between the work of various theorists and, in particular, the underlying frame of reference which they adopt” (Burrell & Morgan, 1979, p. 24). Thus, the purpose of using the framework was to locate the research within the wider research paradigm in social science. A discussion of accounting research paradigms is provided in the following section.

4.4 Research Paradigms in Accounting

Following the criticisms of the Burrell and Morgan’s (1979) framework, some accounting scholars started to demand a peculiar paradigm for accounting research. In an attempt to find a peculiar paradigm in the context of accounting generally, and management accounting in particular, Hopper and Powell (1985) deconstructed Burrell and Morgan’s (1979) assumptions about the nature of social science into *objective and subjective* dichotomies. They also categorize society into two dimensions: *radical change* and *regulation*. Their point of difference rested on the separation of the radicals, as Hopper and Powell (1985) did not differentiate between the radical humanist and the radical structuralist. This classification led to three categories of accounting research; mainstream, interpretive, and critical. A discussion on each of these categories is preceded by Figure 10 which shows taxonomy of management accounting research.

Figure 10: Hopper and Powell's Taxonomy of Management Accounting Research



Source: Hopper and Powell (1985)

4.4.1 Mainstream Accounting Research

Mainstream accounting research represents a traditional research approach in accounting which emphasizes objective reality and the deterministic nature of human behaviour (Chua, 1986). It is based on a deductive approach, which requires the researcher to start with a theory (or model) before approaching the field (Gill & Johnson, 2002). It normally favours scientific methods of inquiry, which are based on prior theory and testing of hypotheses. Mainstream accounting research is similar to the functionalist paradigm in Burrell and Morgan's (1979) framework. Mainstream accounting research has been criticised by a number of accounting scholars (Baker & Bettner, 1997; Chua, 1986; Gill & Johnson, 2002; Parker, 2008). For example, Chua (1986) criticised mainstream accounting thinking as being inappropriate for certain problems and for providing little insights into the researched phenomenon. Also, Parker (2008) was of the view that statistical generalization, which is the major emphasis of mainstream accounting research, fails to account for intra-organisational issues, such as culture, power, beliefs, behaviours and morals. Generally, the approach abandons actors' explanations and shared meanings, which are considered to be important aspects of accounting as practiced in organisational settings (Miller &

Napier, 1993). Furthermore, mainstream accounting research has been criticised under three main grounds:

> "First, limitations exist in the fundamental assumptions underlying the research paradigms which adversely affect their ability to provide useful understandings of social reality. Second, while attempting to comply with the strict rigor of the scientific method, mainstream research has placed emphasis on measurement for measurement's sake. Third, research methods based on the analysis of quantitative data have been so exhaustively employed that they have reached a point of diminishing returns" (Baker & Bettner, 1997, p. 303).

Given the limitations of mainstream accounting research, as early as the 1980s some accounting researchers called for alternative approaches (Morgan, 1983; Tomkins & Groves, 1983; Willmott, 1983). This gave impetus to interpretive and critical accounting research. As argued by Baker and Bettner (1997), "accounting's essence can be best understood through its impact on individuals, organisations and societies. Hence, it is important that accounting research [makes] increasing use of interpretive and critical perspectives" (p.294). The following section discusses critical accounting research.

4.4.2 Critical Accounting Research

The emergence of critical accounting research can be partly associated with an attempt to combine radical thoughts in one research paradigm. This evolved after pooling the radical humanist and the radical structuralist paradigms elaborated in Burrell and Morgan's (1979) sociological framework. It was pioneered by Hopper and Powell (1985), as reflected below:

> "The mutually exclusive division of radical theories by Burrell and Morgan carries a danger that concerns of radical structural analysis are seen as incompatible or irreconcilable with those stressing consciousness, rather than seeing both as dialectical aspects of the same reality" (Hopper & Powell, 1985, p. 451).

As a result of the above criticisms, radical structuralism and humanisms were combined and labelled as the '*critical alternative*' (Chua, 1986; Hopper & Powell, 1985). Since then, accounting researchers have extensively applied and offered various explanations of the critical perspectives within the accounting discipline. Critical accounting research normally questions the role of accounting, with the aim of changing accounting practices in general (Laughlin, 1999). It normally investigates accounting information in order to constructively challenge established understanding (Broadbent, 2002). The overall aim of critical accounting research is to increase knowledge, through generating and challenging ideas about the discipline, rather than accepting them as given. However, as opposed to interpretive, the critical approach has been criticised for occupying a certain position during investigation into a researched phenomenon (Baker & Bettner, 1997). This limits thorough examination of the research phenomenon. Detailed discussion of interpretive approach, as adopted in this study, is provided in the following section.

4.4.3 Interpretive Accounting Research

The origin of interpretive research can be traced back to the works of interpretive sociology. In this regard, the interpretive approach is regarded as the philosophical tradition which focuses on the "constructive and interpretive action of people, whether it be their ability to organize sense data through forms of prior knowledge (Kantian transcendentalism), or as reflected in the essentials of their experience (Husserlian phenomenology)" (Chua, 1988, p. 60). In accounting, the approach received an impetus in the late 1970s and early 1980s following consistent calls from accounting researchers for the need to study accounting in the organisational settings where it operates (Hopwood, 1979, 1983; Morgan, 1983, 1988; Tomkins & Groves, 1983; Willmott, 1983). A more specific and clear plea for interpretive approach in accounting was made by Hopwood (1979) in the editorial note of *Accounting, Organizations and Society* Journal, Volume 4, Issue No. 3, 1979. He emphasized the need for, and importance of, the interpretive approach to study accounting in the social context where it is practiced. He concluded the editorial note with a call for more research "describing and understanding accounting systems in action" (Hopwood, 1979, p. 147). Since then, the interpretive approach has been extensively applied to understand the everyday life of the actors involved in their organisational environment (Tomkins & Groves, 1983). The rationale of using the interpretive approach in this research is provided in the following sub-section.

4.4.3.1 Rationale for Using Interpretive Approach

The interpretive research methodology was appropriate for this study for the following reasons: Firstly, the application of the interpretive methodology is a response to the early calls made by accounting researchers for the need for accounting to be studied in the organisational and social settings in which it is practiced (Hopwood, 1979, 1983; Tomkins & Groves, 1983). Secondly, the study investigated the perceptions and shared meanings of the Councils' officials on accounting practices in the Tanzanian LGAs. These subjective elements could be investigated thoroughly by using the interpretive mode of inquiry. Because Tanzanian Councils have multiple stakeholders, interpretive approach used helped to understand their relationships and influences on the accounting practices. Also, interpretive approach is normally occupying a neutral position when approaching researched phenomenon (Baker & Bettner, 1997). This facilitated a full understanding of the accounting practices in the Councils from the view point of the Councils' officials. Moreover, as Goddard and Assad (2006) argued, "accounting is a component part of social and institutional interactions, affecting and being affected by human interactions and institutional conditions" (p. 396). These interrelationships, equally evident in the Tanzanian LGAs, were effectively examined through the use of the interpretive approach.

4.4.3.2 Empirical Interpretive Accounting Studies in Local Governments

There has been an increasing trend towards the application of the interpretive approach to study accounting practices in the organisational environment. This section reviews some of these studies. Because the approach is highly used in many areas, this section focuses only on local governments. It is also important to stress that the section is aimed at appreciating the application of the interpretive approach, rather than the findings of the reviewed studies. In this regard, the review is not intended to be exhaustive, but rather elaborative, of the interpretive approach used to study accounting practices in local governments.

The interpretive approach was used by Carlin (2004) to investigate performance management in the budget papers within the Australian state of Victoria. The same approach was applied by Monsen (2006) to trace the historical development of local government accounting in Norway and ter Bogt (2008) to assess accounting changes in the Dutch public sector. Importantly, the interpretive approach used by ter Bogt (2008) facilitated to capture the actors perceptions and experiences of the public sector reforms. Pilcher (2005) also applied an interpretive line of inquiry to demonstrate the appropriateness of local government key financial indicators in New South Wales (NSW), Australia. The approach helped the researcher to elucidate the participants' views of the key performance indicators used in the organisation. The interpretive approach was also used by Christiaens (2001) to investigate NPM and accounting practices in Flemish local governments. The overall aim of the study was to get a 'deep understanding' of the complexities associated with massive reforms introduced into accounting in the public sector in general, and local government in particular. These were clearly depicted through the interpretive scheme. A related study was conducted by Marwata and Alam (2006) to investigate the process of accounting changes in the Indonesian local government. The interpretive approach was able to discover actors' views about the accounting changes, and the influence of the reforms on the same. An interpretive approach was also used by Ball et al. (2000), Pilcher and Dean (2009a), Nyamori (2009), and Kloot (1999). Ball et al. (2000) used the approach to explore the practical experience of benchmarking in the UK local governments, while Pilcher and Dean (2009a) used it to investigate the impact of IFRSs on management decision making within the Australian local government. Nyamori (2009) used a wide range of interpretive data collection techniques, such as archival data, personal encounters, and in-depth interviews, to investigate the emergence and impact of a market based approach in the New Zealand local authority. Similarly, Kloot (1999) used an interpretive approach to examine performance measurement and accountability in the Victorian local government.

In general, three main related conclusions can be derived from the above brief review of the interpretive accounting studies. Firstly, the interpretive approach has been widely used in research into local governments. Secondly, the actors' shared meanings, norms, culture, beliefs, and perceptions, and their related influences on the accounting practices can be effectively captured through the interpretive mode of investigation. Lastly, an interpretive line of inquiry puts more emphasis on unstructured data collection methods, such as interviews and observations. These allow full examination of the multiple realities involved in accounting practices. The interpretive approach used in this study is in line with these arguments. Given under representation of the emerging economies, as observed in the reviewed studies, this research helps to understand the perceptions, influences, and shared meanings, of the Councils' officials attached to the accounting practices, and the manners in which those attributes have affected the accounting practices in emerging economies in general, and Tanzanian Councils in particular. The interpretive approach can be executed by using a variety of research methods, such as cognitive anthropology, ethnomethodology, symbolic interactionism, ethnography, and grounded theory. This study adopted the grounded theory approach, a detailed discussion of which is provided in the following section.

4.5 Grounded Theory

This section discusses the grounded theory approach used in this research. The section includes background information about grounded theory and the rationale of its application in social science research in general, and the current research in particular. It also includes review of empirical accounting studies that have applied a grounded theory approach. The section concludes with discussion of alternative approaches to grounded theory and the rationale of the approach used in this study.

4.5.1 Grounded Theory-An Overview

Grounded theory represents a research approach which aims to develop a theory systematically from the raw data (Glaser & Strauss, 1967). It was initially developed by two sociologists, Barney Glaser and Anselm Strauss, in their book titled *The Discovery of Grounded Theory* in 1967. Grounded theory receives its theoretical underpinnings from pragmatics and symbolic interactionism, where researchers are interested in examining members' interactions in their everyday life (Pickard, 2007; Strauss & Corbin, 1990; Strauss & Corbin, 1998). The approach has also been praised for being able to capture complex and social phenomenon as they emerge (Strauss, 1987). As Parker and Roffey (1997) highlighted, this is achieved through an interactive process of data collection and analysis, as well as the emergent nature of concepts and hypotheses. Normally, grounded theorists approach the field without any pre-defined operational variables and allow new issues of interest to emerge directly from the data (Glaser & Strauss, 1967). As with any other interpretive research method, the grounded theory approach also uses interviews, observation, and archival data as data collection tools. Further to these, the researchers' professional experience and educational background are also employed to make theoretical sense of the data collected and generated (Parker & Roffey, 1997). In grounded theory, data analysis is carried out in three interactive processes of coding, which are open, axial, and selective coding (Strauss & Corbin, 1990; Strauss & Corbin, 1998). The focal core code, which is the product of the coding process, forms a basis for the formulation of a substantive theory. Justifications for the choice of a grounded theory approach are offered in the following section.

4.5.2 Rationale for the Use of Grounded Theory

This study adopted a field based case study using a grounded theory approach, as a response to the findings and recommendations of Humphrey and Scapens (1996) and Parker and Roffey (1997). Humphrey and Scapens (1996) advised accounting researchers to use explanatory case studies with the aim of building theory from data. In addition, Parker and Roffey (1997) made a clear plea for accounting researchers to make use of grounded theory. They praised the method for being able to develop a theory which explains the everyday life of accountants, while they criticised others for imposing theory on social phenomenon "in isolation from the real experiences of actor's involved" (Parker & Roffey, 1997, p. 216). A grounded theory approach is generally appropriate when the researcher is interested in developing a theory which explains the everyday life of the participants (Parker & Roffey, 1997), when the study involves a new area of interest which does not have a rich empirical literature base (Goulding, 1999), and when the researcher is addressing a research phenomenon which has diverse meanings (Fernández, 2004). Accounting as practiced in the Tanzanian LGAs met all of these pre-conditions. The small amount of research that has been carried out in emerging economies in general, and Tanzania in particular, as well as the diverse and complex meanings of accounting as practiced in public sector, made a grounded theory an appropriate approach for this study. It was also selected due to its ability to develop a theoretical understanding of the investigated phenomenon (Charmaz, 2006; Glaser & Strauss, 1967).

Also, the grounded theory approach used in this study allowed the issues of importance to the Councils' members to emerge directly from the data. This was consistent with the naturalistic approach of an interpretive methodology, which believes that the role of accounting in an organisation can be effectively appreciated when it is developed in the setting which it is embedded (Hopwood, 1983; Morgan, 1983; Tomkins & Groves, 1983; Willmott, 1983). In particular, it elucidated not only the perceptions of the Councils' officials on accounting practices, but also their meanings, shared values, and cultural orientations, and the way they affected accounting practices. Furthermore, the use of a grounded theory in this study helped to develop a theoretical understanding to explain the accounting practices in the Tanzanian Councils from the practitioners' point of view without imposing any pre-conceived theoretical framework. The following section provides a review of empirical accounting research that has adopted a grounded theory approach.

4.5.3 Empirical Accounting Research Using Grounded Theory

Accounting literature has recorded the growing interest in the use of grounded theory to study accounting practices in organisational settings. This is associated with the potentialities of the method to investigate accounting practices in organisations, and the consistent appeals made by some accounting researchers for the use of the approach (see Parker & Roffey, 1997). These have led to the application of grounded theory in different settings, such as religious organisations (Abdul-Rahman & Goddard, 1998; Lightbody, 2000; Parker, 2001, 2002), local governments (Goddard, 2004, 2005a, 2005b), Non-Government Organisations (Goddard & Assad, 2006), multi-national companies (Greenhalgh, 2000; Tillmann & Goddard, 2008), and public universities, health facilities, and private entities (Holland, 2002; Lye et al., 2005; Macrì, Tagliaventi, & Bertolotti, 2002; Solomon & Solomon, 2006). In general, these studies show the power of grounded theory to examine accounting as practiced in organisational settings. For example, Goddard (2005a) used a grounded theory to capture effectively the participants' meanings of accountability and governance. Also, the method helped Lye et al. (2005) to reveal the interplay between key people, axial communication ideas, contextual determinants, echos and knowledge of the process of change from cash based accounting to accrual based accounting in the core public sector in New Zealand. Furthermore, Holland (2002) developed a grounded theory model which explained the nature of corporate disclosures in the form of narratives, while the grounded theory applied by Solomon and Solomon (2006) helped to understand the manner in which institutional investors and companies in the UK integrated public and private Social, Ethical and

Environmental (SEE) disclosures into institutional investments. Moreover, the approach was successfully used by Hussey and Ong (2005) and Efferin and Hopper (2007) to examine the interplay between accounting and political, cultural, social, and environmental issues.

Four main conclusions can be drawn from the above brief review of grounded theory accounting studies. Firstly, grounded theory is widely used in the accounting discipline to investigate the actors' perceptions and shared meanings associated with accounting practices. The studies show that accounting is affecting, and is affected by the actors' interpretations and meanings attached to them. Secondly, the grounded theory approach was effectively employed to examine the complex inter-relationships between accounting and political and cultural values and norms, environmental factors, as well economic factors. It allowed these multiple, and sometimes conflicting, issues to emerge directly from the data, which consequently enhanced the understanding of the way accounting was practiced in the organisational setting. The reviewed studies also showed that intra-organisational factors, such as power and trust relationships, can effectively and theoretically be understood through a grounded theory approach. Lastly, the above review, though not exhaustive, illustrated under-representation of grounded theory applied in emerging economies. Given the potential of the approach when building theory based on the everyday lives of the actors (Parker & Roffey, 1997), a theoretical understanding on how accounting is practiced in emerging economies has been lacking to date. The application of the grounded theory in this study was congruent to these observations.

4.5.4 Alternative Approaches of Grounded Theory

There are different approaches to the execution of grounded theory. These differences emerged and were propelled by the conflicting views of the founders of grounded theory, Barney Glaser and Anselm Strauss. This section briefly outlines the main areas of dispute and provides the rationale for the approach used in this study. Even though there are different approaches to grounded theory adopted by contemporary researchers which may warrant consideration, this section is confined solely to the basic approach propagated by Glaser and Strauss separately, having ceased to co-write. Parker and Roffey (1997) and Cutcliffe (2000) regard the differences as minor and believe that they have no substantial effect on the grounded theory procedures.

However, the differences were so fundamental to Glaser and Strauss that they publicly attacked each other (see Glaser, 1992; Strauss & Corbin, 1990). The differences between them revolve around five major issues. These are the definitions of grounded theory, the role of prior knowledge, the application of analytical method, the validation of the emerging theory, and the development of a formal theory, and are discussed in the following two paragraphs.

Firstly, Strauss regarded the grounded theory as the research method (technique)[9] which is used to execute the qualitative study. Strauss's definition of grounded theory excludes the possibility of executing the quantitative study by using the grounded theory approach. On the other hand, Glaser viewed grounded theory as a general methodology which could be applied in both qualitative and quantitative study. Secondly, Strauss favoured the researcher having prior knowledge of the phenomena or issues to be studied (Strauss & Corbin, 1990; Strauss & Corbin, 1998). In contrast, Glaser recommended that the researcher should select an organisation and allow the issues or phenomena to emerge in the course of the research process (Glaser, 1992). Therefore, Glaser relied entirely on the observed data to understand the phenomenon studied, while Strauss recommended that the researcher should make use of the existing literature. Thirdly, Glaser preferred the general approach to the analytical method, which causes the issue of interest to emerge in the field (Glaser, 1992). On the other hand, Strauss favoured a more structured analytical method (Strauss & Corbin, 1990; Strauss & Corbin, 1998), which was regarded by Glaser as "forcing" issues to emerge instead of emerging themselves in the research process. In this regard, Glaser recommended an axial process as the last coding stage and to let the selective coding emerge automatically, while Strauss recommended conducting a selective coding. However, as Parker and Roffey (1997) have noted, both agree the difficulty of operationalizing the general frame of reference provided by Glaser.

[9]According to Strauss, grounded theory is "a qualitative research method that uses a systematic set of procedures to develop and inductively derive grounded theory about a phenomenon" (Strauss & Corbin, 1990, p. 24). On the other hand, Glaser regards grounded theory as "a general methodology of analysis linked with data collection that uses a systematically applied set of methods to generate an inductive theory about a substantive area (Glaser, 1992, p. 16).

Also, Glaser regarded theory developed in the grounded theory as the last process (Glaser, 1992). He was of the opinion that the subsequent testing of the theory should be left to other researchers. In contrast, Strauss allowed the researcher to undertake provisional testing in order to check the validity and reliability of the concepts established in the theory (Strauss & Corbin, 1990). Finally, Strauss regarded formal grounded theory as elevating the "concept of the study up to a more abstract level where it can have broader applicability but at the same time remain grounded in data" (Corbin & Strauss, 2008, p. 102). In contrast, Glaser described formal grounded theory as the general implications of the core categories which emerged from a substantive theory. He was of the opinion that the higher level of generality could also be available at the substantive level and, therefore, should not be used as the criterion (see Glaser, 2010).

This study adopted the Strauss view of grounded theory. It was regarded as an appropriate approach to PhD research undertakings, which require researchers to have a prior knowledge of the existing literature on the researched phenomenon. The systematic analytic method advocated by Strauss, though regarded by Glaser as 'forcing' (see Glaser, 1992), enhanced clarity during the coding process. The provisional testing of the substantive theory, as elaborated in Chapter 8, enriched the understanding of the central phenomenon beyond the studied organisations. The approach used to develop a formal theory, as recommended by Strauss, was in line with the limited timeframe available for this research project. More importantly, the current study treated grounded theory as a method which could be applied within the interpretive paradigm. The following section discusses the specific research methods employed in this study.

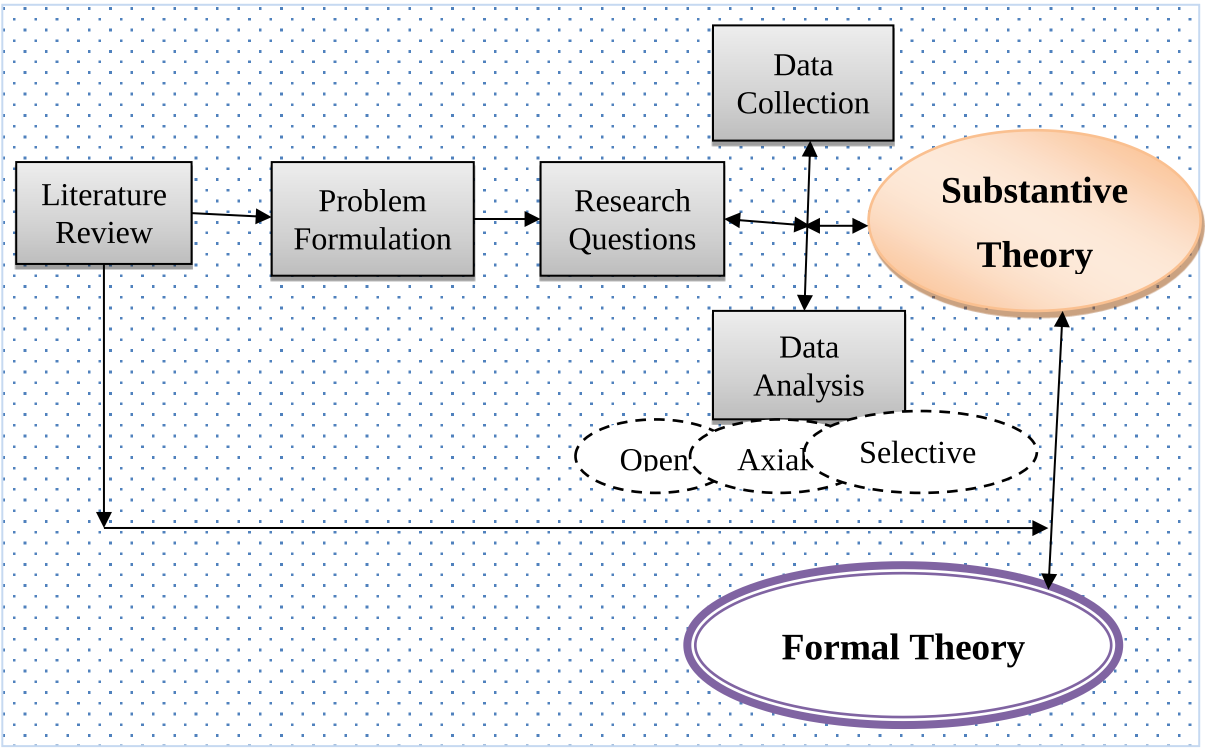
4.6 Research Methods

This section presents the research process and sampling methods used in this study. It also discusses data collection, management, and the analysis technique employed during the entire research process. Recognising potential limitations of field based research, the section also highlights the different approaches used to overcome potential problems in the research findings. Brief descriptions of the ethical issues involved in this study conclude the section.

4.6.1 Research Process

The entire process involved in this research can be loosely divided into five stages: literature review, initial problem formulation, formulation of the research questions, data collection and analysis, and integration of the substantive theory into the extant literature. As with other grounded theory studies, data collection and analysis were conducted simultaneously. It is also important to stress that the research questions, data collection, data analysis, and the substantive theory informed the formal theory iteratively. The entire process involved in this research is presented in the following figure.

Figure 11: Research Process adapted from Russell (1996)



4.6.2 Sampling Method

Purposive sampling was employed to select the Councils studied (Bernard, 2000; Mack, Woodsong, MacQueen, Guest, & Namey, 2005). Two Municipal Councils (KAMC and MDMC) and two District Councils (KBDC and MCDC) were selected as the main research sites. These Councils were actively involved in development and social activities, which allowed the manifestation of accounting practices. The selection of two sites for each category was intended to enhance comparison across the case studies. KAMC was selected due to its high level of self-generated incomes (own sources) and its special location (a business city), while MDMC was representative of Municipals with relatively low self-generated incomes. MDMC was also chosen for political reasons, as being run by opposition Councillors, it presented unique examples of the influence of different political parties on Councils' management in general, and accounting practices in particular. Of the District Councils, KBDC and MCDC represented rural Councils which depended heavily on cash crops. Given the volatility of the cash crops and the substantial number of District Councils which depend on them, it was thought important to investigate the manner in which accounting was implemented in these Councils. PMO-RALG, MoHSW, MoEVT, and LAAC were visited due to their peculiar role in administering the Tanzanian LGAs in general and more specifically in accounting practices. The PMO-RALG was the Ministry responsible for administration of the local governments in the country, while MoHSW and MoEVT were the ministries responsible for Health and Education respectively. On the other hand, LAAC was the Parliamentary Committee which was accountable to examine the accounts of local governments and report to the National Assembly. Within the Councils, theoretical sampling was used to determine the interviewees. The sampling was 'theoretical' in the sense that it included only interviewees who could potentially contribute to the development of theory (Parker & Roffey, 1997). Even though, the 'snowball' approach was used initially, the proposed interviewees were theoretically evaluated before an actual interview took place, and some were even abandoned. The interviews continued until no new insights were obtained from additional interviews; 'theoretical saturation' (Parker & Roffey, 1997; Phillips & Phillips, 2007). This was reached towards the end of the second phase of data collection.

4.6.3 In-depth Interviews

In-depth interviews were conducted with all Councils visited. Semi-structured interviews were mainly employed in the first phase of data collection which started from July 2010 to January 2011, while a combination of semi-structured and structured interviews was employed in the second phase which covered a period of three months from August to October 2011. The researcher's former students played a crucial role in facilitating the access and familiarising the researcher with the Councils' accounting practices in general. In order to obtain full understanding of the accounting practices, the interviews were conducted with the Councils' officials of different professional backgrounds and positions. The researcher stayed in the researched Councils for some days before undertaking the interviews. This enhanced trustworthiness (Lightbody, 2000). A total of 71 interviews were conducted, of which 38 were tape and digital recorded, while the remaining were hand-written. The hand-written interviews were expanded immediately after the interview session. The longest interview was with Assistant Revenue Accountant of KAMC, which took 83 minutes (1 hour and 23 minutes), while the shortest one was with Assistant Medical in Charge of KBDC which lasted for 31 minutes. The provisional analysis of the interview was done before conducting any subsequent interview.

Apart from interviews involving the Members of Parliament, where some of them were conducted at the weekend, the remainder of the interviews were conducted in normal working days. Four interviews involved more than one interviewee, and three members were interviewed twice in two different phases of data collection. The overall focus of the interviews was on the Councils' officials. However, a few interviews were conducted with three Ministries (i.e. PMO-RALG, MoHSW, and MoEVT), and a Parliamentary Committee (i.e. LAAC). The roles of these entities in LGAs' accounting practices emerged during the first phase of data collection and were thoroughly examined during the second phase. More interviews were conducted in the first research site (i.e. KAMC) to establish patterns and, as the issues became clear, less were conducted with the rest of the Councils. The profile of the interviewees and their corresponding organisations are shown in the following table.

Table 3: List of Interviews

Fieldwork-1st Phase: July 2010-January 2011 (7 months)					
I: Main Research Sites					**Total**
Interviewee's Profile	**KAMC**	**KBDC**	**MCDC**	**MDMC**	
Council Treasurers	1	1	1	1	**4**
Council Accountants	7	4	2	2	**15**
Council Internal Auditors	3	1	1	1	**6**
Council Planning Officers	1	1	1	0	**3**
Health Planners & Secretaries	2	1	1	0	**4**
Ward Education Officers	1*	1	0	0	**2**
Council Medical Officers	1	0	1	0	**2**
Head Teachers-Primary	1	2	0	0	**3**
Medical In Charges	2	2	1	1	**6**
Fieldwork-2nd Phase: August-October 2011 (3 months)					
Interviewee's Profile	**KAMC**	**KBDC**	**MCDC**	**MDMC**	
Medicals In Charges	2	0	0	1	**3**
Councils Accountants	4	0	0	2	**6**
Head Teachers-Primary	2	0	0	1	**3**
Ward Executive Officers	1	0	0	1*	**2**
Councillors	1	0	0	1*	**2**
II: Regulatory Organs					
Interviewee's Profile	**PMO-RALG**	**MoHSW**	**MoEVT**	**LAAC**	
Officials	4**	1	2	3***	**10**
Total Interviews					**71**

*Focus group (2 respondents)

**Focus group (3 respondents)

***Members of Parliament

4.6.4 Non-Participant Observation

The observation of the various Councils' activities and important meetings was done overtly. A non-participant observation mode was employed. The nature of the current research restricted the researcher from being a participant observer. Access to the important meetings was granted, and five (5) meetings were attended. These exclude briefing and debriefing meetings, which were formally and informally conducted in all organisations. The field notes were used instantly to document all relevant information and events which took place during the observation. Field notes were also taken during informal conversations and interactions with participants. The draft field notes used were expanded immediately after observation.

4.6.5 Documentary Sources

Different types of documentary sources were used, including administrative laws and regulations, financial regulations and guidelines, financial reports, and audited accounts. Councils' assessment manuals and assessment reports, as well as policy documents, were also examined. Access to the Councils' minutes was also granted and minutes of the Finance Committees and Full Councils of all LGAs visited were thoroughly reviewed. The website[10] hosted by the Local Government Working Group (LGWG) provided additional and corroborative financial information about the Councils. The list of main documents used in this research is provided in Appendix 5.

4.6.6 Data Management

The proper arrangement of data management was carried out. 38 interviews which were taped and digitally recorded were transcribed and transferred to software for further analysis. Written interviews and observation notes were also transferred to the software. Qualitative software (QSR Nvivo Project, Version 9) was used for transcription of recordings and for coding all other data sources. Apart from coding, the software was also used for ranking, summarizing, linking, graphing, and other data management activities. The software enabled the safe custody of the data and simplified the data retrieval process.

4.6.7 Data Analysis

Data analysis was conducted using the three iterative processes of grounded theory analysis advocated by Strauss and Corbin (1990), Strauss and Corbin (1998), and Corbin and Strauss (2008). These are open, axial, and selective coding processes. Open coding involved examination of the interview scripts, observation notes, and documents 'word by word', 'sentence by sentence' and 'paragraph by paragraph' (Strauss & Corbin, 1998). The open coding processes produced many concepts initially. The emerged concepts were linked each other, classified into subcategories and properties, modified, and some, especially redundant ones, were abandoned. This process reduced the provisional concepts to 67 relatively major concepts (Appendix 3). Then, the major concepts which portrayed similar themes were combined, and a theme name, a category, was assigned. This process led the emergence of 21 categories which are known as open categories (Appendix 3). The detailed

[10] http://www.logintanzania.net/monitor6b.asp

descriptions of these are given in Chapter 5. The data was later subjected to further analysis at the axial coding stage. This was done by establishing the relationships between the categories and subcategories, along their properties and dimensional range (Strauss & Corbin, 1998). The categories depicting related themes were combined and a theme name was assigned to them. Finally, this process produced 13 main categories (see Chapter 6). The final coding process, selective coding, was completed by selecting a central phenomenon for the study. The paradigm model was used to integrate the structure and process, and all other core categories were related to the central phenomenon as either conditions, strategies, or consequences (Strauss & Corbin, 1998). Chapter 7 provides detailed discussion of the selective coding and the substantive theory which emerged in this research. The validity and ethical issues involved in this research are discussed in the following two sections.

4.6.8 Ensuring Validity and Reliability

The validity and reliability of the field based research are normally disputed by some quantitative researchers. They hold the opinion that qualitative based research instruments lack rigor and scientific precision (Yin, 2003). In contrast, qualitative researchers claim that validity and reliability issues originate from the positivistic tradition and should not be embraced in qualitative research (Ahrens & Mollona, 2007; Chua, 1986; Gill & Johnson, 2002). Rather than validity and reliability, qualitative researchers normally favor "plausibility" and "trustworthiness" of the conclusions (Covaleski, Dirsmith, Heian, & Samuel, 1998). As Locke and Locke (2001) argued, "in the theory building mode, by contrast, where researchers move from empirical observation to the development of concepts and their proposed relations, claims are made about plausibility of the theorized elements-not about the extent of their expression in a population" (p.39). Regardless of the conflicting views about the reliability and validity of qualitative research, the current study undertook a variety of steps to ensure the reliability of the research findings. For example, the multiple data sources (interviews, observation, and documents) used in this research enhanced the cross comparison of the information and boosted 'theoretical sufficiency' (Dey, 1999). Also, ten months' fieldwork allowed the researcher to be treated as an ordinary member of the organisations. Without imposing bias on the research findings, this not only facilitated the interview process, but also simplified access to other information and meetings which were deemed to be confidential.

Furthermore, quotations have been extensively used in this thesis as part of the evidence of the reported findings. This not only ensures the reliability and validity of the research findings, but also explains the 'everyday life' of the Councils' officials in their normal interactions (Parker & Roffey, 1997). In addition, the preliminary findings of this research were presented to some of the Councils' officials during the second phase of data collection. The officials' reactions were integrated into the final analysis and, in some cases, additional information that would substantiate certain findings, were sought. The current research also used quantitative financial information to augment the qualitative data obtained. Moreover, cross interviews were used to counteract interview bias. This was exercised by asking the same questions to different interviewees from the same Council, and sometimes, from different Councils. In some cases, the responses of the Councils' officials were carefully checked with others for consistencies and differences and, more importantly, any related implications were investigated. This not only lifted the research validity, but also helped to establish patterns which were used during the development of theory.

4.6.9 Ethical Consideration

The current research took into consideration important ethical issues. Free consent for participation in this research was sought in advance from the potential research participants. Neither coercion nor financial rewards were used to force or attract individuals to participate in this study. Prospective research participants were fully informed about the research objectives and procedures. In this regard, a research synopsis was made available to all the organisations visited. The purposes of interviews were highlighted during the sessions and an advance request for recording was made for each interview. The timing of the interviews was decided by prospective interviewees, and every attempt was made to avoid disturbances to work or personal life. A declaration of confidentiality and anonymity was made to the interviewees before the interview, and in this thesis, all interviewees and the four Councils visited have been assigned fictitious names. Furthermore, an ethical clearance letter from the University of Southampton and a clearance letter from the University of Dar es Salaam were used to safeguard the researcher, the organisations, and the research participants against potential legal implications.

4.7 Summary

The chapter has discussed the methodology used to undertake this study. After providing brief descriptions of the various social science research paradigms, the chapter has provided deep discussion of the interpretive paradigm, covering its background, rationale, empirical studies, and the underlying research methods. The chapter also has offered a comprehensive review of grounded theory, detailing its approach as well as the rationale of its application in the current study. The empirical accounting studies reviewed under the section of grounded theory suggested the appropriateness of the approach in this study. The last section of the chapter has discussed the specific research techniques employed in the current research, detailing the research process involved, the sampling techniques employed, the data collection methods as well as the data analysis techniques. The section also highlighted tools used in the data management, strategies used to enhance the research validity and reliability, and the ethical issues which were taken into account. The next three chapters present research findings using grounded theory approach.

Chapter Five
Open Categories

5.1 Introduction

This chapter has two major sections which provide detailed descriptions of the open categories which emerged throughout the open coding process. The first section elaborates upon the procedures used in the process of open coding, while the final section offers a detailed discussion of the emerged open categories. A discussion of the open categories provided in this chapter provides the foundations for the development of the core categories in the following chapter.

5.2 Open Coding and Generation of the Open Categories

The open categories which emerged in this research were obtained through open coding, a process which involved a detailed examination of all the interview transcripts, relevant Councils' documents, and the field notes line by line, sentence by sentence, and paragraph by paragraph (Strauss & Corbin, 1990; Strauss & Corbin, 1998). The words, sentences, paragraphs, events, and the situations which demonstrated similar themes were assigned a particular name, a concept. For instance, during an interview with a member of the Parliamentary Committee, the researcher sought to understand the management of the Councils' outsourcing arrangements. The interviewee remarked:

> "The management of the Councils' revenue outsourcing arrangement was poor, because some of the Executives and the Councillors normally collude with revenue collecting agents through ill-formulated contracts. These contracts end-up benefitting the collecting agents, Councillors and the technocrats and not the Councils" (Mise, Member of Parliament: LAAC).

Self-interest and *collusion* were some of the concepts generated from the above response. The process of assigning concepts to the responses of the Councils' officials produced many concepts initially, which were subjected to modification, abandonment, and linking, a process which reduced the number to 67 major concepts (see Appendix 3). The major concepts were subjected to further analysis through the formation of clusters (Chesler, 1987). The concepts which depicted similar themes were combined and a cluster label was assigned. For example, the concepts such as 'uncoordinated funding sources' and 'inappropriate funding allocations' were clustered together into the *inefficient fund management* category. The process continued iteratively for the all concepts until 21 clusters (open categories) emerged. All the data sources described the emerged categories in terms of their properties and/or dimensions. The following is the list of the emerged open categories.

i. The role of accounting and accountants
ii. Budgetary practices
iii. Deficient financial reporting practices
iv. Outdated accounting provisions
v. Weak administrative regulations
vi. Donors' practices
vii. Inherent weaknesses of the internal control systems
viii. Unpleasant working conditions
ix. Deficient financial and administrative structures
x. Ineffective auditing processes
xi. Low fiscal capacity
xii. Inefficient fund management
xiii. Collusion
xiv. Accountability arrangements
xv. Transparency measures
xvi. Disguised participants' behaviours
xvii. Language barriers
xviii. Performance measurement practices
xix. Domination and autonomy
xx. Perceived political interference
xxi. Professional dilemmas

A detailed description of each category, as manifested in this research, is provided in the following sections, together with the testimonials of the organisational members and archive information, in order to support the general statements of each category.

5.2.1 The Role of Accounting and Accountants

Because the Councils depended substantially on external sources of finance, accounting was an important mechanism for communicating the Councils' plans, and justifying their use of the entrusted resources. In this regard, accounting practices, such as budgeting, financial reporting, and auditing were used in the bargaining for, and justification of, resources. For instance, the budgets were used effectively to seek resources, while the financial reports justified their use. Similarly, the auditing processes were utilised to ensure the Council's compliance, which in turn, attracted a variety of resources. In general, accounting practices had been used to legitimize the Councils' operations in order to obtain resources from the Government and donors. In the Primary Education, for example, accounting had been used to legitimize a Primary Education Development Programme (PEDP) through providing the necessary inputs to the programme in the areas such as reporting, monitoring, and evaluation. Similarly, in the Health Services, accounting had been highly involved, in order to facilitate the undertaking of the Cost Sharing Scheme[11]:

> "*In the past, there were no accountants.* All accounting related matters were undertaken by the Medical in Charge. *As the cash collections increases, Medical Doctors became so confused and things were very difficult for them to handle*...Then, the Council decided to allocate accountants to the dispensaries with high collections" (Meha, Hospital Doctor In-charge: KAMC) (emphasis added).

This was illustrative of the precedent role of accounting and accountants when addressing the increase in cash collections, which subsequently, extended the accountability of the funds collected and spent at the health facilities. For example, at the KAMC, accounting staff were allocated to the Municipal Hospital, Health Centres, and its two Dispensaries, all of which had shown high collections. Unexpectedly, the medical practitioners accepted the role of accounting in the Health Services but they did not accept the presence of the accounting staff within the medical facilities:

> "We don't need an accountant here. The daily collections are very low and the kinds of accounting works we are doing are very minimal, and do not require a special accounting knowledge. *Maybe the Council may arrange for the accountants to come*

[11] A Cost Sharing Scheme, where the public are required to pay for health services at the point of delivery, was introduced into the country in 1990s as part of the Structural Adjustment Programme (SAP), which was started in the country in the late 1980s under the influence of the World Bank (WB) and the International Monetary Fund (IMF).

in the specific time, handle what is available, and go" (Aia, Dispensary Medical In-charge: KAMC) (emphasis added).

The tension which existed between the accountants and the medical practitioners is discussed in general terms in section 5.2.21 of this chapter, while specific discussion of the same is given in section 6.2.12 of the following chapter. Notwithstanding the role of accounting in the Councils, its effective undertaking was constrained by various factors, including a shortage of accounting staff. The maximum number of the accounting staff was recorded in the KAMC (45), while the MCDC had only 17 accountants. The KBDC and the MDMC had 21 and 28 accountants respectively. Being located in the rural areas, the KBDC and MCDC lacked the reliable infrastructures and other essential services to attract a substantial number of accounting staff. Additionally, the accounting staff demonstrated a low level of competence to undertake their activities efficiently. Majority of the Councils' accountants held certificate of accounting. Furthermore, the Councils, especially those located in the rural areas, lacked appropriate facilities such as computers, transport facilities, and the necessary recording documents.

In general, accounting as practiced in the Tanzanian LGAs was claimed to be clerical, procedural, and reactive in nature, and performed by individuals who had insufficient competence to undertake the accounting functions appropriately. As a result, the accounting practices were limited to routine practice, while all major financial decisions were made by the politicians without accounting justifications. At the Council level, accountants were regarded as 'problem solvers', and in some cases, were used by the line managers to bend the accounting procedures. The data shows that an effective undertaking of accounting practices was also constrained by the self-interested behaviour of the Councils' officials, the presence of weak regulations, and political interference. Section 6.2.1 of the following chapter discusses the implications of these issues to the operations of the Councils in general, and to the accounting practices in particular.

5.2.2 Budgetary Practices

This category described the budgetary practices within the Councils. It describes the way in which the Councils' officials managed to use budgeting information to chase resources, with little regard for the need for planning or control. For instance, the Councils' budgets were supposed to follow a bottom-up approach, where issues of importance were raised at the very low levels of the Wards, Villages, and the Service Delivery Units (SDUs). However, effective participation by the members at such levels was constrained by their inadequate knowledge, and the financial interests of the officials at the Council level:

> "Frankly speaking, I am not aware of the information included in the budget and especially the codes [GFS codes]. Even if you give me the budget documents of my Health Centre, I am not going to use them. *The terms used in the budget documents are too technical for a Medical professional like me to understand*" (Maki, Health Centre Medical In charge: KBDC) (emphasis added).

As a result, there was only superficial involvement of the low level in the budget preparation in order to be able to comply with the budgeting requirements. Additionally, the Councils' budgetary practices were characterized by a number of problems, such as untimely and inappropriate budget guidelines, a late disbursement of approved budget documents, the existence of non-budgeted expenditures, and the presence of informal budget revisions. For example, the budget guidelines in general, and the ceilings in particular, were lately disbursed to the Councils. In some cases, the Councils were informed of the budgetary ceilings towards the end of the preparation process, a situation which significantly interrupted the budget preparation. Also related to this were the shared concerns of the Councils' officials that the ceilings were unrealistic:

> "The Government should ensure that the budget priorities and ceilings reach us on time, and, at the same time, they have to increase the ceilings. The current ceilings are not realistic at all. The figures are very small and we have huge expenditures in our Council" (Tihe, Municipal Economist: KAMC).

A similar situation was observed regarding the approved budget documents. The documents normally did not reach the Councils on time, and, as a result, the re-allocations were used for reconciliation purposes. As was noted in the all Councils visited, a re-allocation of the budgeted funds was a permanent agenda item of the

Finance Committee[12]. Furthermore, budgetary malpractices, such as informal budget revisions and non-budgeted expenditures were evident. Interestingly, Councils which were under manual systems, KBDC and MCDC, associated the presence of non-budgeted expenditures with the absence of a computerized accounting system. A Health Accountant of the KBDC commented that, "under manual systems, which we are in, it is very difficult to abide by the Council's budget". However, non-budgeted expenditures and informal budget revisions were also prevalent in the KAMC and MDMC, where the computerized accounting system, EPICOR, was in operation. In general, the presence of weak budgetary controls, political interference, deficient administrative structures, and inadequate competence constrained the Councils' budgeting processes. However, it was observed that the budgetary practices were somewhat improved in the urban Councils in comparison to the rural ones. This was associated with the improved levels of understanding of the urban actors in comparison to their rural counterparts. Also, high involvement of the donors with the primary Health Services had led the Councils' health budgets to be more open, transparent, and participatory, unlike that of Primary Education.

5.2.3 Deficient Financial Reporting Practices

This category depicted the inherent problems associated with the Councils' financial reporting practices. The frequent change of the financial reporting framework was one such problem. The Councils' financial reporting framework began as the cash basis under the Tanzania Statement of Standard Accounting Practices No. 3 (TSSAPs 3) issued by the National Board of Accountants and Auditors (NBAA)[13]. Following the wholesale adoption of the International Financial Reporting Standards (IFRSs) made by the NBAA with effect from 1st July, 2004, the Councils' financial framework was changed to the IFRSs. Again, with effect from the FY 2008/09[14], the

[12] In the MDMC, TZS 25,600,000 were re-allocated in one Finance Committee's meeting (Minute No. 31/2010 of 3rd July, 2010). An extreme situation was found in the KAMC, where in one meeting, a total of TZS 1,447,470,034 was re-allocated (Minute No. 7/10 of 27th January, 2010). The average exchange rates of TZS to USD for the year ended December 2010 were TZS 1453.54 (BOT, 2011).

[13] National Board of Accountants and Auditors (NBAA) is the supreme body of accounting regulations in Tanzania.

[14] This was in accordance with the directive from the Prime Minister's Office vide circular letter with reference No. CA: 26/307/01A/79 dated 28 September, 2009 directing all LGAs to prepare their accounts based on IPSAS the accrual basis of accounting starting from FY

Councils' financial reporting was changed to the International Public Sector Accounting Standards (IPSAS). The Councils' officials were of the opinion that the frequent changes of the financial reporting frameworks created unnecessary compliance problems, and, in most cases, the changes were not sufficiently backed up by a supporting environment. For example, regarding adoption of IPSAS, one member commented:

> "We don't have adequate knowledge to conform to the IPSAS...We are not even conversant with how certain items are recognized and disclosed in the books of accounts. As a result, we fail to include a lot of items. In my opinion, IPSAS need the support of all Departments and Sections…But also, IPSAS require a lot of disclosures. This means that we have to invest in building the Council's information base" (Gefi, Final Accounts Accountant: KAMC).

The above quote shows that the Councils' officials lacked adequate technical competence for an effective compliance with IPSAS. It also suggests that IPSAS were left solely to the Councils' Finance Department, and within the Department, the application of the framework was only evident in the Final Accounts section. The above comment also shows that the Councils lacked IPSAS' supporting environment, including training. For instance, the training for IPSAS was conducted once in the FY 2008/09 when the framework was introduced, and it was attended by the Councils' Treasurers and Internal Auditors only. Further to this was the concern that IPSAS, as International Standards, failed to take into account the Tanzanian local context. The Councils' officials were of the opinion that the effective involvement of the NBAA in the contextualization of the standards, could have increased the level of compliance. In general, the challenges facing the Tanzanian Councils cast doubt on the reliability of their financial statements, which were claimed to be fully IPSAS compliant.

In addition, there has been limited application of the Integrated Financial Management Systems (IFMS) using the EPICOR accounting package. As at October,

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2008/09. It is worth noting that the Councils' financial year ends on 30th June and the deadline for the submission of the financial statements for audit purposes is 30th September. Therefore, the manner in which the Councils complied with IPSAS, as a new financial reporting framework, within three days (28th Sept -30th Sept, 2009) remains unclear.

2011, KBDC and MCDC had yet to install the system. In KAMC and MDMC, where the system had been installed in 2003 and 2007 respectively, its application was limited to the production of the trial balance, the Councils' budget, the issuing of vouchers, and the preparation of the cheque lists. The Councils' financial statements and other accounting reports were still prepared in the Excel format. It was apparent here that this limited usage was the result of a combination of the officials' reluctance to use the system due to the self-interest, and technical problems associated with the system. For instance, the system was not capable of generating a Local Purchase Order (LPO), and it was also not configured to produce IPSAS-compliant financial statements. It is also worth noting that in the KAMC and the MDMC, Internal Auditors had no access to the system. These anomalies cast doubt on the reliability and trustworthiness of the Councils' financial reports generated from the system. This category and *budgetary practices* are discussed together in the following chapter under section 6.2.2.

5.2.4 Outdated Accounting Provisions

'Outdated accounting provisions' describes the deficient nature of the Councils' accounting regulations. In general, the accounting regulations contained provisions which were outdated and ineffective in the support of efficient and effective accounting practices. For instance, Section 41(1) of the Local Government Finances Act No. 9 of 1982 (amended 2000) and Order No. 52 of the Local Authority Financial Memorandum (1997) stipulate 31st December as the Councils' financial year end, while, with effect from 2003, the Councils' financial year end was changed to 30th June. Furthermore, the adoption of the IFRSs and IPSAS was not mentioned in any of the Councils' accounting regulations, and Order No. 57 of the Local Authority Financial Memorandum (1997) still regarded the TSSAPs as the financial reporting framework of the Councils. The changes to the financial year end introduced in 2003 and that of reporting frameworks introduced in 2004 and 2008, had not yet been incorporated into the regulations.

The outdated nature of the accounting provisions had also affected the transparency and accountability of the lower levels, such as the Villages and Township authorities. Although these Lower Local Governments (LLGs) had substantial allocations from the Central Government, the Councils' own sources, and donors, their external audit remained unclear. This was manifested in the following provision:

> "The accounts of a village council shall be audited by such public officers or organizations as the district council or as the case may be, an urban council may, in writing direct" (Section 45(3) of the Local Government Finances Act No. 9 of 1982 (amended 2000)).

In fact, there was no external audit of the Village Councils, and according to Order No. 93 of LAFM (1997), their accounting records were neither required to be incorporated into the Councils' financial statements, nor aggregated with other Village Councils. A similar situation existed in the audit of Township Authorities, where section 45 (2) of the Local Government Finances Act No. 9 of 1982 (amended 2000), did not clearly specify the auditor of the authority. Therefore, the manner in which the Village Councils and Township Authorities utilised the public funds, remained unclear.

The revenue collections had also been affected by the outdated regulations. The Councils were not allowed to charge any local tax and rates which had not been approved by the Government. Therefore, they operated under 'closed-list' of local sources, and, at the same time, revenue collection rates were observed to be unrealistic. The regulations require the changes of rates to be approved by higher organs, a tendency which was claimed to be too bureaucratic. As a result, the Councils operated within a low tax base with low collection rates, a situation which affected their self-generated incomes. Therefore, it was apparent that the Councils were utilising accounting regulations which had not been sufficiently amended to support their operations. Where amendments had been made, they were not sufficiently harmonized with the regulations themselves, and other related regulations, and this created a compliance challenge. These anomalies facilitated the occurrence of accounting manipulation.

5.2.5 Weak Administrative Regulations

As well as the deficiencies of the accounting regulations, there were also inherent weaknesses in the Councils' general administrative regulations. The regulations contained weak, repetitive, and sometimes contradictory provisions which failed to supervise the operation of the Councils. For example, the regulations specifically qualify any citizen who has attained the age of 21 years to serve as a Councillor, regardless of academic qualifications[15]. As a result, the ability of the Councillors to supervise the Councils' financial and other matters, was significantly limited. This was because the Councillors were not sufficiently qualified to undertake such work. The inherent weaknesses in the regulations were also responsible for the formation of parallel structures as observed in the KAMC, where TGCC (pseudonym), which was a City Council, existed in parallel with other three Municipal Councils. The City Council had no sole territory, and merely represented the total areas of the three Municipal Councils located in the city. It is also worth noting that there was no formal reporting relationship between the Municipal Councils and the City Council, with all entities reporting directly to the PMO-RALG. The reactions of the Councils' officials to this arrangement are given below:

> "We have three Municipal Councils and a City Council. Actually, I don't see the value of the City Council here. All development activities are done by the Municipal Councils and the City is normally involved with fire services and waste management, which we [Municipal Councils] can do as well…You may be surprised, it has a substantial budget with very little activities to do" (Muma, Municipal Treasurer: KAMC).

There had also been a dispute between the City Council and the Municipal Councils about the revenue collected from the joint sources, as well as the expenditures incurred for cross-cutting issues. The rights and responsibilities of each Council in the joint ownership were not clearly defined in the regulations, which created a loophole for one Council to undermine the others. A similar situation was noted between the urban Councils and the Tanzania Road Agency (TANROAD) regarding the fees for billboards installed on the regional roadsides. Whilst the TANROAD claimed to have sole rights for the billboard fees, as per the Roads Act No. 13 of 2007, the Councils insisted that they had full rights for the same, as per Councils

[15] Section 38(1) of the Local Government (District Authorities) Act No. 7 of 1982, Section 21(1) of the Local Government (Urban Authorities) Act No. 8 of 1982, and the Section 39 of the Local Authorities (Elections) Act No. 4 of 1979.

regulations. By the end of October 2011, the matter had yet to be resolved, and largely, the Councils continued to collect the fees. In general, the deficient regulatory systems were the main reason for problems such as political interference, low fiscal autonomy, and the language barrier. A combination of this category with the outdated accounting provisions, suggests the existence of a deficient regulatory framework. A detailed discussion of this main category is given under section 6.2.3 of the following chapter.

5.2.6 Donors' Practices

Along the Councils' self-generated incomes and the Government transfers, funds from donors also financed a significant number of the Councils' operations. These donors were: the World Bank (WB), and countries such as Belgium, Netherland, Sweden, Ireland, Germany, Japan, and Finland, which jointly formed a 'basket funding' arrangement. There were also other independent donors who financed earmarked projects in specific areas, such as Education, Road, HIV, and Water and Agriculture. Funds from donors were normally disbursed directly to the Councils, or through the donor-funded projects managed by the sectorial ministries. The donors' influence originated from these funds, and was manifested through practices such as the adoption and implementation of the Integrated Financial Management Systems (IFMS) using the EPICOR accounting package, the establishment of the Councils' Audit Committee, the introduction of the Local Government Capital and Development Grants (LGCDG) systems, and the adoption of IFRSs and IPSAS. Regarding IPSAS, one member confessed:

> "Donors are responsible for the adoption of IPSAS in our Councils. They wanted to know clearly how their funds are spent. You know, IPSAS have more disclosures than the IFRSs. So, under IPSAS, they are able to see the Councils' expenditure on an item basis for all Councils and they will be able to know clearly how their funds are spent" (Gefi, Final Accounts' Accountant: KAMC).

In the Health Services, where donors were highly involved, all planning and reporting requirements were governed by the Comprehensive Council Health Plan (CCHP), which originated from the Councils' donors after they had introduced the health basket funding arrangement. Prior to the basket funding, each donor had a separate influence on the Councils, a situation which had increased the compliance burden. Despite the fact that the basket funding had reduced the volume and frequency of the reports, the differing requirements of each donors and the Government was still burdensome for the Councils.

> "As for the Council's health budget, donors require an Excel format and not the PlanRep which is required by the Treasury. Also, the technical and financial reports needed by the donors are different from those needed by the PMO-RALG and other sectorial ministries. As a result, the work becomes very difficult and tedious due to the backlog of different reports required by different organs" (Ahm, Health Secretary: KBDC).

The reporting burden was also high when donors embarked on projects which did not pass through the Government Exchequer System. In this situation, the donors required separate reporting and budgeting arrangements, something which the Councils' officials felt to be an additional compliance burden. It was also observed that some donors required a minimum competence before disbursing funds to the SDUs, something which the Councils' officials regarded to be inappropriate in the local context, where the level of competence was generally low. It is also interesting to note that the donors' influence was not only limited to their funds, but also extended to the Councils' own funds and the Government transfers. This was exercised by the requirements of donors to combine their funds with others into one account, and subjected to the same scrutiny. As an Internal Auditor of the KBDC commented, "they want to know their funds and ours as well".

An examination of the Councils visited shows that the donors' involvement with the Councils' operations was higher with the urban Councils than with the rural ones. Because population size represented a 70% share of the allocation of some of the donors' funds, the urban Councils which were highly populated, accrued a substantial amount when compared to the rural areas. The donors were also more involved with Health Services than Primary Education, and so, in the Health Services the donors had dictated the planning, reporting, and the auditing processes, which had limitedly happened with Primary Education. This category is discussed further in the axial coding chapter.

5.2.7 Inherent Weaknesses of the Internal Control Systems

All the Councils visited demonstrated apparent weaknesses in their internal control systems, inadequate segregation of the accounting works being a major reason. For instance, in the KAMC and MDMC, where a computerized accounting system was limitedly used, all accounting activities were controlled by one person, the Final Accounts' Accountant. It was noted that the Final Accounts' Accountants were involved in the posting of the Councils' budget into the system, revising the budget allocations, authorizing the cheque lists in the system, posting the payments, and preparing the final accounts. The worst situations were found in the KBDC and MCDC, where a combination of the manual system which was in operation, and the scarcity of accounting staff allowed the same individuals to handle the multiple accounting tasks manually. Similarly, at the Ward level, all accounting activities were executed by one non-accounting member of staff, the Ward Executive Officer (WEO). A similar trend was noted at the Village level, where the Village Executive Officer (VEO) undertook all accounting functions.

Inadequate internal controls were also noted in the social service facilities, where, for example in some of the health facilities, all accounting activities were done by the Medicals in Charge. Medicals in Charge were involved in the cash collections, the recording, and the banking of the collected amounts. A related practice was also observed in the Primary Schools, where Head Teachers undertook all accounting functions. Nevertheless, the internal control systems were significantly better in the urban areas than in the rural ones. Being located in major cities and towns, the urban Councils had managed to attract a relatively large number of staff, which enabled the segregation of duties, unlike the situation with the rural Councils. Also, as opposed to the internal control systems used in Primary Education, the high influence of donors had somewhat improved the internal control systems of the Health Services.

5.2.8 Unpleasant Working Conditions

This category encompassed the unfavourable nature of the Councils' working conditions. In general, the staff of the Tanzanian Councils had been exposed to unfavourable working conditions, and more particularly in the rural Councils, such as KBDC and MCDC. Essential services such as water, electricity, a transport system, and accommodation facilities were not adequately available in the rural Councils.

Also, there were insufficient equipments and supplies, especially in health facilities, a situation which exposed the practitioners to potential health risks. Similarly, with the exception of the KAMC, which managed to have offices for each Ward, some WEOs and Ward officials in other Councils visited, were located in Primary Schools and other public places, such as markets. Furthermore, the inadequacy of the security at the lower levels of Wards and Villages/Suburbs, increased security risks for the officials of the LLGs. As the WEO of the MDMC commented, “sometimes our life is in danger”. This was the case when the WEOs were mandated to collect local taxes on behalf of the Councils without sufficient security protection. Also, there was a concern expressed by the Councils’ officials that the recruitment and promotion criteria subjected on them were unfair and discriminatory. This is when the employment and promotion criteria differ between the Councils’ officials and those of Central Government:

> “Our promotion criteria are different from those who serve at the Ministerial level of the Central Government. We have the same qualifications and sometimes we are even more qualified, but we are not promoted as compared to our colleagues in the Central Government” (Fiac, Final Accounts Accountant: MDMC).

Only a limited staff development programme was evidenced in the studied Councils. Training was only provided at the introduction of a new system or programme, with no follow-up or on-going staff development. For instance, formal financial administration training was provided for all Head Teachers of the Primary Schools and Chairpersons of the Primary School Committee (PSC) on the FY 2002/03 when the PEDP I was introduced. Related to the unfavourable working conditions was the bureaucratic nature of the Councils’ operations. Because all authorization and approval of funds was made at the Council level, the technocrats of the rural Councils spent many hours in the Councils’ offices following-up their payment requests, something which was described by technocrats as “too bureaucratic and discouraging”. In general, the technocrats were subjected to low salaries and unpleasant working environments, which discouraged a sufficient number of qualified staff to work for the Councils, especially the rural ones. The unpleasant working conditions observed in the Councils demoralized working morale, and led to a high allocation of allowances in the Councils’ budget. This, and the above category (the inherent weaknesses of the internal control systems), had substantially contributed to the emergence of fraud and corruption, a core category which is discussed in section 6.2.5 of the following chapter.

5.2.9 Deficient Financial and Administrative Structures

This category emerged after careful examination of the financial and administrative structures of the Councils. The analysis showed that the structures were unable to accommodate their operations efficiently. For instance, the daily operations of the Councils were administered by the Council Management Team (CMT), which was composed of members who lacked an adequate understanding of financial matters. Excluding the Treasurer and the Internal Auditor, other members including the Council Director, demonstrated extremely inadequate knowledge of financial matters, something which suggests the deficient nature of the CMT[16]. As a result, the important financial decisions were endorsed without sufficient scrutiny. A similar trend was noted at the lower level of Wards and Villages, where WEOs and VEOs lacked adequate knowledge of the financial matters which they were entrusted to administer. An absence of statutory audit at these low levels had increased the financial administration weaknesses even further. Similarly, the Councillors, who formed the Councils' standing committee, demonstrated apparent ignorance of financial matters, a situation which cast doubts on their supervisory role. Thus, there were inherent internal weaknesses in the Councils' administrative arrangements, and the superficial supervisory role of the Councillors' Finance Committee. Only infrequently, the Councillors critically questioned the internal financial decisions made by the CMT. Furthermore, the administrative structures in the primary schools and health facilities were also weak, and the financial administration of these units rested on individuals who lacked understanding of financial matters. These anomalies had a negative impact on the reliability of the Councils' financial information overall.

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[16]This was physically observed in the CMT's special meeting held on 28th September 2010 to discuss and endorse the draft Final Accounts of the KAMC for the FY 2009/10. It was noted during the meeting that, apart from the Internal Auditor and the Treasurer, other members concentrated on issues such as SWOT analysis of their respective Departments, the construction of sentences and grammar, the physical and postal address of the Council, names of the Councillors, and the organizational profile. Within a short period of time, the Council Director confessed that *'we don't need to spend our time here while we don't know what is going on, let us leave these issues to the Treasurer'* (Researcher: Observation Notes, 28/09/10).

5.2.10 Ineffective Auditing Processes

This category was generated after a thorough examination of the internal auditing processes of the Tanzanian LGAs, which was under the control of the Internal Audit Unit. The effectiveness of the auditing practices, as one of the Councils' governance mechanisms, was constrained by a number of problems, such as inappropriate reporting arrangement, low levels of competence, outdated regulations, and the inadequate working facilities. For instance, the Internal Auditors were required to report to the Council Director, a tendency which had increased auditors' independence threats. Also, the internal audit reports were channelled to the higher bodies through the Council Director, but because the Director was the accounting officer of the Council, there remained a question about the reliability. As the Assistant Internal Auditor of the MCDC confessed, "sometimes we are forced to drop queries which involve the Council Director in order to maintain a good relationship with the boss". There was also an inadequacy of audit working tools, such as computers and transport facilities. With the exception of the KAMC, which had three computers for the Internal Audit Unit, the remainder had only one computer designated to the Audit Unit for each Council. Additionally, the Internal Audit Unit of the KBDC and MCDC had no independent transport, and they had to use the transport facilities of the audited section or department. In the MCDC, for example, the audited department was also responsible for the allowances of the Internal Auditors. These factors had compromised the independence of the Internal Auditors and limited the value of the internal audit functions.

The Councils were also faced with a shortage of internal auditors, which cast doubt on the efficiency and effectiveness of the Councils' internal audit functions. For instance, the KAMC and MDMC had four (4) Internal Auditors each, while the KBDC and MCDC had only one (1) and two (2) respectively. Related to this was the fact that most of the Internal Auditors lacked sufficient and appropriate expertise to undertake audit work efficiently. In all of the Councils visited, only the KAMC had an Internal Auditor who was a Certified Public Accountant (CPA)[17]. Therefore, the

[17] Certified Public Accountant (CPA) is the highest level of qualification given to accountants in Tanzania after passing the professional examinations conducted and supervised by the country accounting regulatory board, NBAA.

focus of the internal audit was on the financial statements based audit, where more attention was paid to vouching. The performance audit, which traditionally has been the audit emphasis of the public sector, was largely ignored and performance games were played instead (see Chapter 6, section 6.2.2). The existence of the major audit queries in the LGAs was a testimony of the ineffective nature of the Councils' internal audit functions. For instance, the absence of an effective payroll audit had led, among other things, to a huge non-remittance of unclaimed salaries to the Treasury, and a substantial amount of the funds being paid to retired, absconded and terminated employees[18]. What emerged from this category was that the effectiveness of the Councils' internal audit functions was constrained by the inadequacy of the audit working tools, the shortage of the staff, lack of sufficient expertise, and independence threats of the Internal Auditors. Unsurprisingly, donors and the CAG placed less reliance on the work done by the Councils' Internal Auditors. This and the preceding category are discussed jointly in the following chapter under general heading *fragile supervisory bodies* (section 6.2.6).

5.2.11 Low Fiscal Capacity

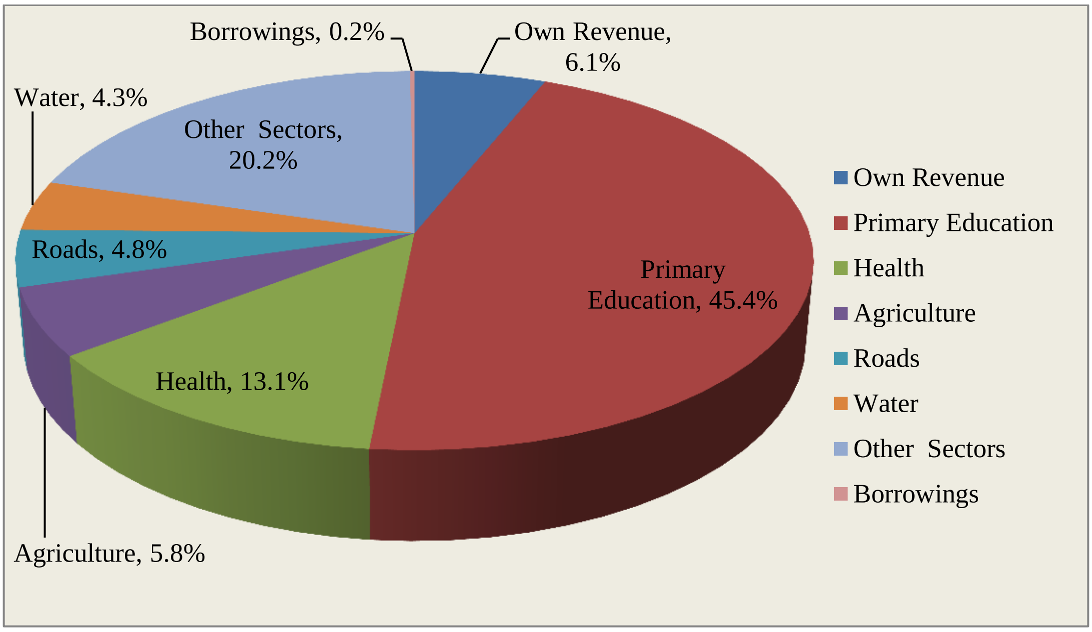
'Low fiscal capacity' was the category which depicted the financial problems facing the Councils. The research suggested that both internal and external sources of the income available to the Councils were unreliable, leaving them with an extremely low financial ability to finance their operations. For instance, funds from the external sources, such as the Government and donors, which financed more than 90% of the Councils' operations, were neither reliable nor sufficient. There were many incidences whereby donors cancelled their pledged funds during the budget implementation. On the other hand, the funds from the Government were normally disbursed to the Councils very late, which led to a substantial amount of them being unspent. It is worth noting that the 'unspent fund balances' was one of the common external audit queries for all the Councils. For instance, the report of the Controller

[18] Councils with unclaimed salaries not remitted to the Treasury in the FY 2009/10 include KBDC (TZS 15,356,114.07), MCDC (TZS 17,751,283) and MDMC (TZS 6, 604, 238). In the same period, TZS 56,014,740.38 and TZS 3,341,543 represent payments made to retired, absconded, and terminated employees of the KAMC and the MDMC respectively (Annual General Report of the CAG on the Financial Statements of the LGA for the FY ended 30th June 2010). Average exchange rates of TZS to USD for the year ended December 2009 and 2010 were TZS 1313.29 and TZS 1453.54 respectively (BOT, 2011).

and Auditor General (CAG) for the FY 2009/10 shows that out of 134 LGAs, it was only Masasi Town Council which had no unspent fund balances. Thus, the Councils made some efforts to strengthen their self-generated incomes in order to counteract the unreliability of the external sources. However, their efforts were curtailed by the presence of multiple impediments, such as the outsourcing problems, low collection rates, the abrupt directives of the Government, and the self-interested behaviour of some of the Councillors and technocrats. For example, the revenue outsourcing arrangements were highly affected by the collusion between the Councils' officials and the collecting agents, a practice which had significantly reduced the Councils' internal revenue. Related to this were the low collection rates, which were charged by the Councils in their revenue sources. Changing the collection rates required the approval of the higher organs, which was perceived to be too bureaucratic. The absence of effective revenue regulations was a problem for all the Councils visited.

In addition, some of the Government's decisions had been taken in isolation from the Councils assessments, and had had a negative impact on the internal revenue raising ability of the Councils. For instance, the amendments to the Local Government Acts made in 2003 and 2004 had taken substantial revenue sources from local, to central government, and restricted the Councils from levying any local taxes which were not listed in the regulations. Connected to this was the decision made by the Government in 2006 to ban the importation of forestry products. This source accounted for more than 80% of the total of the KBDC's self-generated incomes, and the decision was announced during the budget implementation, a situation which had a significant impact on the Council's operations. Furthermore, self-interested behaviour of the technocrats and the Councillors was one of the obstacles which constrained the self-generated incomes. In this regard, the inherent weaknesses of the Councils' revenue systems allowed dishonest individuals to tamper with the Councils' revenues. A combination of these factors had reduced the fiscal capacity of the Councils significantly, as evidenced in the figure that follows.

Figure 12: Councils' Fiscal Capacity for FY 2009/10



Source: Local Government Finance Information, Tanzania Mainland, PMO-RALG (LOGIN)[19] accessed on 1st February, 2012.

Figure 12 shows that the total self-generated incomes of the Councils for the FY 2009/10 financed only 6.1% of the total expenditures, leaving 93.7% to be gained from donors and the Government, with the remaining, 0.2%, financed through borrowings. This trend casts doubt on the ability of the Councils to attain a target of financing at least 50% of their total expenditures by the year 2025, as stipulated in the Millennium Development Goals (MDGs). In general, the unreliability of the external funds from the Government and donors, the inherent problems associated with internal sources, and inefficient management of the funds, had contributed to the funding uncertainties to the Tanzanian LGAs. Nevertheless, the degree of fiscal capacity was relatively higher for the urban when compared to the rural Councils. Being located in urban areas, the KAMC and MDMC enjoyed a substantial amount of income, in form of city service levies, property taxes, and billboard fees. In fact, KAMC's self-generated revenues were the highest of all the Councils in the country, counted separately. The success of the KAMC in this can be attributed to its location and the initiatives implemented to reform its revenue section (see Chapter 3, section 3.5.3). On the other hand, the KBDC and MCDC depended heavily on the collection

[19] http://www.logintanzania.net/monitor6b.asp

fees from sugar cane and cashew nuts respectively. The volatility of these seasonal cash crops had affected the Councils' own revenues significantly. Also, the KAMC, MDMC, and KBDC had accrued sizeable amounts of the revenues from the Cost Sharing Scheme, where patients were charged for the health services rendered. The MCDC had yet to introduce the scheme into its health facilities.

5.2.12 Inefficient Fund Management

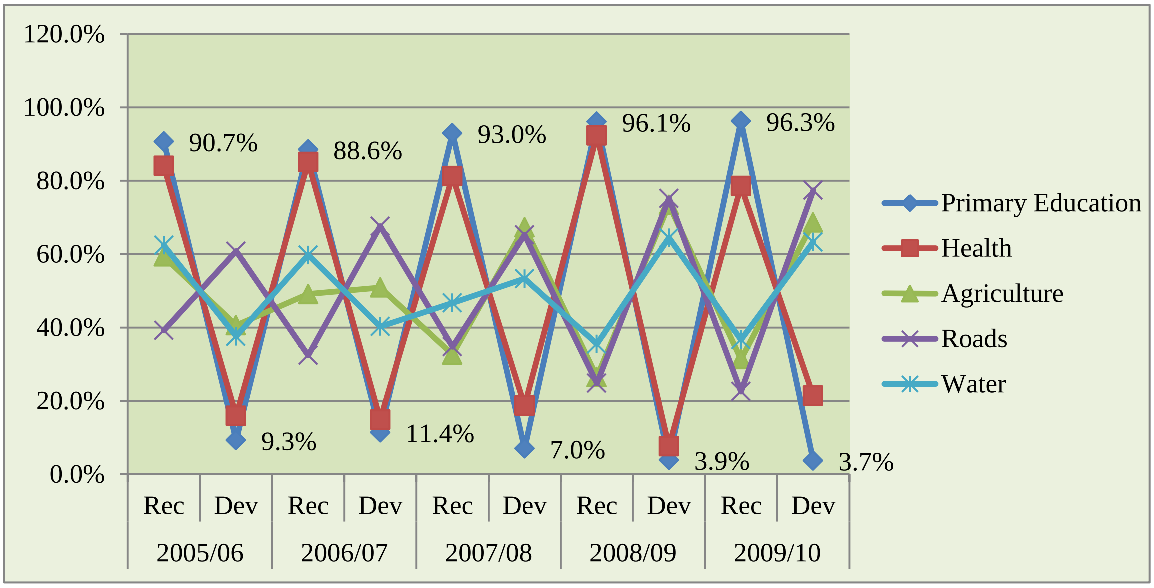
Inefficient management of the funds was evidenced through the manner in which Councils dealt with the internal and external sources of funds. The budgets of all the Councils visited demonstrated high allocations to recurrent expenditures when compared to the development expenditures. Interestingly, substantial amounts of the recurrent funds were in the form of personal allowances, suggesting that technocrats allocated a major part of the public funds for personal benefits:

> "You know, the Government is disbursing a lot of funds for the development projects. There are also Councils' own sources…But the big problem is the technocrats. They are not ethical…They allocate more funds to OC [Other Charges] when compared to the development. If you look at the nature of the expenditures, you may be surprised, there are more *allowances*…" (Mise, Member of Parliament: LAAC) (emphasis added).

A similar concern was raised by the Councils' donors, the CAG, the supervisory section of the PMO-RALG, and the Parliamentary Committee[20]. A sector-wise comparison shows that the recurrent expenditures of the Primary Education and Health Services were extremely high when compared to other sectors, while funds for Agriculture, Roads and Water, were fairly allocated between the recurrent and development expenditures.

[20] LAAC's report for the FY 2008/09 submitted to the National Assembly on 6th April, 2011, shows that out of TZS 1,418,371,855,698 disbursed to all LGAs as the Government grants, 71.6% (TZS 1,014,297,041,910) were allocated for recurrent expenditures and only 28.4% (TZS 404,074,813,788) were allocated for development expenditures.

Figure 13: Councils' Recurrent and Development Spending



Source: Local Government Finance Information, Tanzania Mainland, PMO-RALG (LOGIN)

The Councils also appeared to have a problem coordinating multiple sources of funds. This was especially the case for funds which were channelled directly to earmarked projects. For example, the Parliamentary Committee's assessment noted that one Council had claimed that it had constructed a Primary School, whereas in reality the building had been entirely financed by a Government agency. Similarly, all the Councils visited demonstrated weak coordination of internal funds between departments and sections. For instance, in a situation where one particular Village/Ward had a variety of projects, the respective departments had not synchronized their schedules, which would have minimised the costs of supervision. Motivated by the personal allowances associated with supervision, each department undertook its own supervision, something which not only increased the supervision costs, but also affected the quality of other projects which had no specific funds for supervision.

Maintenance of their bank accounts also appeared to have been burdensome for the Councils. All the studied Councils had numerous bank accounts with different banks, a practice which increased their operating costs. This practice was largely associated with the tendency of the Councils' financiers to require separate bank accounts for their respective funds. Interestingly, some of these accounts such as the Election account, the Youth Development account, and the HIV account, had nil balances. Paradoxically, the Government decision to close all accounts and fix a limit of only six, was not welcomed by some of the Councils' officials who feared a reduction in their financial power:

> "We have been told that the Councils should remain with only six accounts. I don't know how this is going to work. Currently, we have so many accounts and we still have more problems, and sometimes we are not even aware about the availability of funds in our accounts. I don't know who are going to be the signatories of those few accounts. I think this decision is going to bring more problems to the Councils' operations" (Herh, Municipal Primary Education Officer: MDMC).

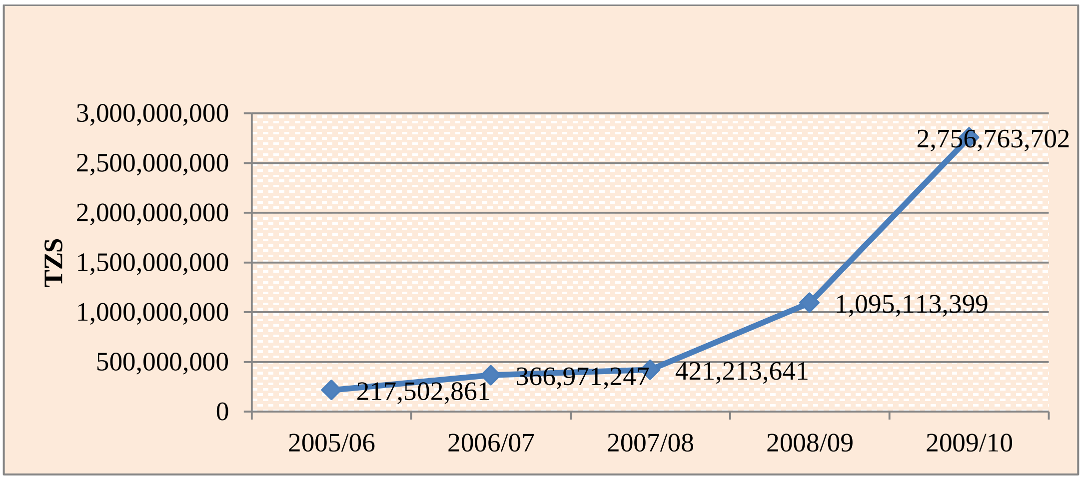
5.2.13 Collusion

Collusion was the category which described the inappropriate arrangements between the Councils' officials and third parties, with procurement arrangements being the most affected area. As part of the Public Private Partnerships (PPPs), the Councils were required to outsource some of their activities to private entities, a practice which had led some of the Councillors and technocrats to collude with potential suppliers. The revenue outsourcing arrangements were identified as having been highly affected by collusion:

> "I noted weaknesses on revenue collections outsourced to agents on behalf of the Councils. This area was noted to reflect *unfavourable contracts which benefited agents more than the Councils*. The ability of the Councils to funds its operation using internal sources of revenues is hampered by inadequate internal controls over revenues collection" (Annual General Report of the CAG on the Financial Statements of LGAs for the Financial Year ended 30th June 2010; p. 105) (emphasis added).

This indicates the existence of unfair dealings to the detriment of the Councils, something which had led to the non-remittance of the collected funds. Non-remittance of collected revenue had become a dominant practice in the Tanzanian LGAs in general, as shown in the following figure.

Figure 14: The Councils' Revenue Not Remitted by Collecting Agents



Source: Annual General Report of the CAG, FY 2005/06 to FY 2009/10.

The above graph shows an increasing trend in the revenue not remitted by the collecting agents from TZS 0.22 billion in the FY 2005/06 to TZS 2.8 billion[21] in the FY 2009/10, while in the same period, the number of the Councils involved in this anomaly increased from 14 to 43. Of the four Councils visited, the KAMC was significantly affected by non-remittances[22]. Being located in a business city, the KAMC had a high level of own revenues, which also had attracted a high level of collusion.

Collusion practices were also prevalent in construction projects, where it was claimed that the Councils' Engineers are normally provide confidential information to the private contractors. As evidence of this, it was observed during the Parliamentary Committee's supervision that the Bills of Quantities (BOQ) of the Council's Engineer was similar in all respects to that of one of the private contractors, indicative of the collusion between them. It is important to note that the issue of the low quality (substandard) of the Councils' development projects, which was partly associated with a high level of collusion, was one of the repeated audit queries for the Tanzanian

[21] Annual inflation rates were 4.4%, 7.3%, 7%, 10.3%, 12.2%, and 7.2% for the year ended December 2005, 2006, 2007, 2008, 2009, and 2010 respectively. On the same period, the exchange rates of Tanzanian Shillings (TZS) to US Dollar (USD) were 1165.51, 1261.64, 1132.09, 1280.30, 1313.29, and 1453.54 (BOT, 2011).

[22] The CAG reports show that the KAMC's revenue collecting agents failed to remit TZS 27,500,000, TZS 326,506,358, and TZS 1,132,294,000 in the FY 2007/08, 2008/09, and 2009/10 respectively.

LGAs. A related problem was also evidenced in the Councils' investments, where a contract entered into between the Council and the private investors favoured the latter. This was noted in the contract between one Council and an investor to develop the Council's property, where the contract stipulated that the Council would earn an after tax profit of 25%, while the investor would earn 75% forever. Interestingly, at the end of the fieldwork, October 2011, this investment had been existent for two years, but the Council had not yet received even the small share indicated in the contract. It was apparent that collusion practices have contributed to the funding uncertainties and poor quality of the Councils' services. The implications of the collusion practices are discussed further in the following chapter (see section 6.2.13).

5.2.14 Accountability Arrangements

'Accountability arrangements' represented the engagements between the Councils and other stakeholders, and normally included engagements such as the revenue sharing between Higher Local Governments (HLGs) and LLGs, and the Councils' responsibility for the supervision of the projects undertaken at the lower level of Wards and Villages. The rationale behind these practices was that the arrangements were part of the funding conditions of the LGCDG Systems. As the Councils experienced shortages of the self-generated incomes to finance their expenditures, an undertaking of the formal accountability measures assured them of the availability of financial resources from the Government and donors. An examination of the LGAs' Minimum Conditions (MCs) and Performance Measures (PMs) revealed that the Councils which demonstrated high level of accountability were given bonuses, while sanctions were applied to those who demonstrated low levels of accountability. Despite this, some of the Councils were unable to comply with the accountability measures:

> "As part of the requirements, LGAs are required to remit 20% of their own revenues to the village/suburbs. However, in FY 2008/2009 only 54 [40.9%] LGAs fully complied with the requirements and 14 [10.6%] LGAs did not remit any funds to the village/suburbs. The same trend for the General Purpose Grant [GPG] where only 50 [37.9%] LGAs remit 20% of the fund to the lower councils. Also, 4[3%] LGAs did not remit any amount of Capital Development Grants [CDG] to the wards" (National Synthesis Report, Annual Assessment for Council Development Grants and Capacity

Building Grants for FY 2010/2011 under the Local Government Development Grant [LGCDG] System, May 2010).

The above trend was associated with the absence of a supporting environment for enhancing the accountability measures, as well as the absence of any real intention to strengthen the Councils' accountability to the lower levels. Related to this was the lack of clarity of the Councils' accountability to the lower levels. It appeared that the *decentralisation by devolution* policy emphasized Councils' accountability to the lower levels, but the actual implementation of the policy was overshadowed by regulation deficiencies, a situation which created a loophole for the Councils to be seen not directly accountable to the lower levels. As a result, all the Councils visited were more accountable to the fund providers, and their accountability to the LLGs was limited to the point of fiscal transfers. For example, in the Health Services, where donors were highly involved, the Councils were more accountable to the donors than to the general public. The situation was noted to be different in Primary Schools, as, because the community contributions through the school fees formed a reasonable part of the finance, the Primary Schools' accountability arrangements were highly focused on the school beneficiaries, the general public. The implication of this trend for the emergent central phenomenon of this study is specifically discussed in the axial coding (section 6.2.11).

5.2.15 Transparency Measures

'Transparency measures' was the category which depicted the interactions between the Councils and other stakeholders, mainly the general public. The interactions normally took the form of practices such as the disclosure of income in kind in the Councils' financial reports, posting remittances on the public notice boards, and the translation of the financial reports into Swahili. Interestingly, as was observed in the accountability arrangements, these measures formed part of the Councils' funding conditions. In this context, the successfulness of the Councils to access discretionary grants depended on their ability to effect these arrangements. Therefore, utmost care was normally taken by the Councils' officials to ensure that the measures were undertaken, especially a posting of the remittances on the public noticeboards. Interestingly, the practice was also used as a strategy to boost the contribution morale of the general public:

> "The overall aim of announcing the remittances from the Government is to clear the public's doubt on the amount received, and at the same time, it increases the public awareness and participation…More importantly, the practice builds the public's confidence on the way the funds are managed, so that they will be able to contribute on the deficit. You know, the Government funds are not enough to cover the School operations" (Ahr, Head Teacher: KBDC).

It can be inferred from the comment that the transparency arrangements were merely aimed at addressing funding uncertainties which were prevalent in the Councils. It is also of interest to note that the accounting practices were influencing, and were being influenced by, the Councils' transparency arrangements. Across the Councils, transparency measures were, surprisingly, better in the rural areas than in urban ones. This can be attributed to the increase in voluntary contributions from the general public, and that the Councils' officials seemed to provide more information to the general public in order to attract more funds. In contrast, the urban Councils did not depend as much on the voluntary contributions from the general public, which appeared to have reduced their commitment to strengthening the transparency measures. A related pattern was noted in Primary Education where all primary schools visited had a separate bank account for voluntary contributions, and the Parents' Assembly was used to communicate financial information to the general public. This was further evidence of the attempts by the technocrats to use accounting practices to strengthen transparency measures which ensured the availability of funds from the Councils' financiers.

5.2.16 Disguised Participants' Behaviours

This category detailed the 'blaming', 'fear', and 'self-interested' behaviours demonstrated by the technocrats. 'Blaming' was manifested in the interactions between the technocrats and politicians, with each party blaming the other. Whilst the technocrats blamed the politicians for interfering with Councils' operations, the politicians blamed the technocrats for the mismanagement of Councils' funds:

> "Politicians are destroying the smooth operations of the Council. They tend to reject issues which are very crucial to our operations. As a result, instead of making important Council's decisions, we are spending more time on debate about trivial issues" (Coab, Municipal Treasurer: MDMC).

> "Lack of ethics is the main problem of our Councils' officials. The majority of these technocrats are not ethical. They are involved in fraudulent acts…Sometimes; they even report fictitious projects in the books of accounts…" (Mise, Member of Parliament: LAAC).

Because the Councils experienced apparent regulatory deficient, the 'blaming' was used as a mechanism for shifting the responsibility between the politicians and the technocrats. In the end, no-one was felt to be responsible for rectifying the operational problems which existed in the Councils. Also, the Councillors, Members of the Parliament, Central Government Officials, statutory auditors, and the LGCDG Assessment Team, were highly feared by the technocrats:

> "Let me tell you the truth, *99.99% of technocrats are not clean*. That's why they tend to fear the Councillors. Councillors know this through their Standing Committee and other Council financial reports… The Councillors have power to make resolutions against them. Therefore, they are trying to protect their employment" (Jofe, Council Mayor: MDMC) (emphasis added).

This suggests that fear of technocrats was indicative of the apparent weaknesses in the Councils' operations, and its application was intended to deflect pressure from the politicians and supervisory bodies. Another behaviour which existed in the Councils was selfishness, evidenced in a tendency of the technocrats and Councillors to give priority to their individual interests at the expense of the Council. This behaviour had negative impacts on the various dealings, including the revenue collections and the development projects. In the revenue collections, for example, the technocrats and the Councillors colluded with the collecting agents, a practice which reduced the Councils' self-generated incomes. In the Councils' development projects, the collusion between technocrats and the private contractors had led to poor quality construction projects. It is note-worthy that the self-interested behaviour of the Councils' officials was observed to be the main interactional strategy of, and the driving force for, the central phenomenon which emerged in this study.

5.2.17 Language Barriers

It was observed that language was an obstacle in the process of communicating the financial information to the Councillors and to the general public. English, being the transaction and reporting language of the Councils, was not clearly understood by the Councillors and the general public, something which necessitated the translation of the financial and other important reports into Swahili[23]. The translated financial reports were: the budget guidelines, the statutory audit reports, the Councils' budget, the financial statements, and the quarterly internal audit reports. It was further observed that the translated financial reports lost the original content significantly. Given the technical nature of accounting reports, the reliability of the Councillors' decisions which were based on the translated financial reports, is doubted. Furthermore, the translation exercise increased the workload:

> "The Council's budget and other plans are required to be prepared in two different languages, Swahili for the Councillors and English for the Government and donors. This is very challenging. Even during the implementation, we are required to prepare implementation reports in two different languages, and at the same time we don't have enough staff and facilities…" (Buh, Planning Officer: KBDC).

Inadequate working tools such as computers, and related facilities especially in the rural Councils, and the shortage of competent staff, broadened the translation problem. This, together with the previous category (disguised participants behaviours), represent the cultural attributes of the Councils, a behavioural pattern which mediates the strategies of the emerged central phenomenon. This is discussed in detail in section 6.2.8 of the following chapter.

5.2.18 Performance Measurement Practices

This category described the meanings attached to, and the actual undertaking of, the performance measurement practices in the studied Councils. As the country overall experienced low levels of development, the meaning of the Councils' performance was confined to the undertaking of development projects. In this regard, the Councils were deemed to be performing when they undertook development projects efficiently. The successful completion of development projects was also the main focus of the performance assessment exercises carried by the Parliamentary Committee, Councillors' Standing Committee, CAG, RAS, and the LGCDG Assessment Team.

[23] Swahili is the Tanzanian national language

Performance measurement exercises were initially introduced as a process for examining records, where the Councils' plans and progress reports were used to evaluate their performance. Later, following the introduction of the LGCDG systems and the effective involvement of the Parliamentary Committee in the performance assessment, the emphasis was changed to the actual physical inspection of the projects. The main reason was the unreliability of the Councils' records:

> "You know, these technocrats are very tricky. If you examine the books of accounts only, you will not find anything…If you go physically to the projects, you may surprise. There are so many forgeries and some of the projects are not existing at all" (Mise, Member of Parliament: LAAC).

Therefore, there was great emphasis on the performance measurement practices in the Councils, which was attributed to the Government decision to introduce the performance-based discretionary grants. The system started in the FY 2004/05 for Primary Education and Health Services, while in the FY 2005/06 other sectors, such as Agriculture, Roads, and Water, were incorporated into the system. Under the performance based system, the amount of discretionary grants which the Council received depended on the fulfillment of the Minimum Conditions (MCs) and the score of the Performance Measures (PMs). The Minimum Conditions comprised conditions such as filling the position of the Council Director, regular production of financial reports, and the nature of an audit opinion. They were further divided into primary and secondary conditions, where failure to meet the primary conditions disqualified Councils automatically from accessing the discretionary grants, while a Council which failed to meet the secondary conditions could still receive grants, subject to providing proof within two months following assessment that the problems had been resolved. On the other hand, Performance Measures involved the scoring of the performance indicators in nine (9) functional areas (Appendix 1). A Council which demonstrated a good performance in these areas would be given a bonus, while sanctions were applied to the poor performing Councils. It is of note that the scores of the Performance Measures applied only to the Councils which had met the Minimum Conditions.

From all of the performance measurement criteria, the audit opinion received a great deal of attention from the Councils' officials, regulatory authorities, politicians, general public, and the media. This was attributed to the fact that any Council which received an adverse opinion, was not only disqualified from accessing the discretionary grants, but also would not obtain any grants bonuses under performance measures. Because the funds attached to the performance assessment were substantial, the general reaction was that the condition was inappropriate, as it deterred the general public from enjoying development projects, as the result of mistakes made by the technocrats. Of interest to this research were the techniques used by the Councils' officials to ensure an appropriate opinion for grants purpose (Chapter 7, section 7.5.2.2). In general, the technocrats were keen to ensure that the Councils met the performance criteria required for grants purposes, something which motivated manipulation techniques such as compliance games and lobbying. In reality, performance assessment was treated as a 'resource grabbing' exercise, with little impact on the improvement of the Councils' performance. The performance criteria were not adequately integrated into the daily operations, and the Councils normally undertook a mock assessment as preparation for the annual assessment. The theoretical implication of this tendency is discussed in detail in Chapter 7 and 8.

Nevertheless, the Health Services were more systematic in the application of the performance measurement practices than the Primary Education sector. The performance of the Health Services was consistently and systematically monitored from the lower level of the Dispensary up to the Hospital. In this, the Council Health Management Team (CHMT) was responsible for the performance of all health facilities located in a Council, while the Regional Health Management Team (RHMT) supervised the CHMT. There were also Cascade Supervision and Mobile Clinics, which ensured the performance of health facilities at the lower levels. The success of these practices was attributed to the sensitivity of the Health Services and the high influence of donors in primary health delivery. A further discussion of this category is provided in the following chapter (section 6.2.9).

5.2.19 Domination and Autonomy

Domination and autonomy was the category which denoted the two opposing attitudes observed in the studied Councils. 'Domination' describes the practice of the officials at the Council level, as well as the Government, to dictate important decisions to the lower levels. 'Autonomy', in contrast, portrays the desire of the members at the Council and lower levels to make their own decisions. Domination and autonomy, therefore, denotes the influence of higher levels to control the lower levels and the desires of the lower levels to be independent. For instance, despite the fact that the health facilities maintained their own banking arrangements, the use of any part of the funds, including those collected under the Cost Sharing Scheme, were required to be duly approved and authorised at the Council level. Whilst the officials at the Council level maintained that the arrangement was an important 'check and balance' mechanism, members at the low level viewed the arrangement as a form of domination which increased unnecessary financial bureaucracy:

> "For the Cost Sharing Scheme, everything in terms of the management and collection of the funds are done here. Though, expenditure of any amount should be authorized and approved by the Council Medical Officer and the Council Director… *We have teeth but we cannot bite*. This is the big problem in our Council" (Reme, Health Centre Medical in Charge: KAMC) (emphasis added).

The situation was worse in the KBDC, where all funds from the Cost Sharing Scheme were maintained in one account at the Council level[24], a practice which contradicted the financial regulations of the scheme, which required each health facility to maintain its own accounts. Despite the fact that the Council's higher officials regarded the practice as necessary in the early stage of the scheme[25], officials at the low level were not convinced. A similar trend was noted in MCDC, where a Cost Sharing Scheme had yet to be introduced, as all health funds were still maintained, authorised, and approved at the Council level. Interestingly, the same trend was noted in relation to some donor funded projects such as Health Basket Fund, where the authorisation, approval, as well as the maintenance of the funds remained at the Council level. This had led to discontent amongst the technocrats:

> "All funds [Health Basket Fund] are just maintained in a single account at the Council level. We don't know even our balances. We are not even sure as whether

[24]As at the end of the fieldwork (October 2011), the Council had 18 health facilities comprised of 14 Dispensaries, 3 Health Centres, and 1 District Hospital.

[25] The Council started to implement the Cost Sharing Scheme in 2007.

> they use our funds to finance other activities or not? It could be appropriate if we have our own funds to our own account and let Council officials come for supervision. *We have two qualified accountants here*, I don't know why they cannot give our portion of the Basket Fund" (Meha, Hospital Medical In-charge: KAMC) (emphasis added).

Among other things, the quote illustrates the legitimating role of accounting in the health facilities. When accounting practices were perceived to have improved, the technocrats felt that the Hospital were legitimate to handle, and accounted for their own funds without passing through the Council. The implication of the legitimating role of accounting is explored further in the following three chapters.

A high level of domination was noted in the MDMC, where the health practitioners were not even aware of the availability of the Health Basket Fund allocated to their health facilities. The low level of participation in the health budgets, and the absence of budget feedback contributed to this anomaly. Of the four Councils visited, it was only the MDMC where the Comprehensive Council Health Plan was not available in the all health facilities visited. In general, high levels of Councils' domination had had a negative impact on the delivery of the public services, especially in the outreach Councils, such as KBDC and MCDC. Because the primary schools and health facilities of these Councils were located in very remote areas which could not accessed easily, centralization of the payment procedures normally delays the provision of services. This was the major reason for an *'under-banking strategy'* noted in some of the health facilities. Nevertheless, autonomy was somewhat improved in the Primary Education sector. Compared with the health facilities, all primary schools maintained their own and separate bank accounts for the capitation and development grants, and schools' financial decisions were made by the Primary School Committee (PSC). However, as with the health facilities, the final authorization and approval of the funds was made at the Council level.

On the other hand, the operations of the Councils were directly and indirectly controlled by the Government. The Government, through the PMO-RALG and other sectoral ministries, exercised direct and indirect control of the Councils' operations through the enactment of relevant laws, approval of the Councils' by-laws and regulations, approval and monitoring of the Councils' budgets, issuing the relevant policies and guidelines, and the disbursement of a variety of funds. The Government was also responsible for performance monitoring, capacity building, and human resource development. The overall reaction among Councils' officials was for the Government and other regulatory authorities to refrain from interfering with the daily operations of the Councils.

5.2.20 Perceived Political Interference

'Perceived political interference' is the category which emerged following examination of the interactions between the politicians (Councilors, Members of Parliament and Higher Government Officials) and the technocrats. Political interference is an '*in-vivo* code', which reflected the perceptions of the technocrats about the involvement of elected officials in the Councils' operations. The Councillors were highly criticized for interfering with the Councils' operations, and the nature of the interference was largely associated with budget:

> "Councillors are destroying the smooth running of the Councils…After the end of the budget preparation, the Mayor normally demand certain projects to be implemented in his Ward… As a Council official, *you have to find a means* to do that, otherwise, you will enter into an endless trouble with these *powerful politicians"* (Sega, Economist: KAMC) (emphasis added).

Whilst the rest of the Councils demonstrated the similar pattern of a hostile relationship between the Councillors and technocrats, the MDMC experienced somewhat different trend. Being led by Councillors of the opposition party, the Councillors and technocrats were in constant clashes. The Councillors felt that the technocrats undermined their decisions because of their different political ideology from that of the country's ruling party:

> "We have a big problem here. Technocrats are corrupt and there is no place to make them accountable…Higher Government bodies are not ready to take actions based on our recommendations…*We are coming from a different mother* and whatever we recommend to them, is simply treated as '*politics*'. They want to show the general public that opposition is nothing" (Jofe, Council Mayor: MDMC) (emphasis added).

On the other hand, the technocrats blamed the opposition Councillors for proposing unnecessary changes to the Council's operations, and disregarded everything which had been done in the past:

> "In my view, politicians destroy our Council. Here we have the opposition party ruling the Council and their Councillors are blocking some of the development projects only for political reasons […].They abandon even already started projects and change others and, mind you, some of these projects are part of the National Development Policy, and has nothing to do with *politics*" (Coab, Municipal Treasurer: MDMC) (emphasis added).

The tension demonstrated above had had a negative impact on the Council's operations, to the extent that the Council failed to conduct some of its Finance Committee's meetings, and there was a threat from the Minister responsible for local governments that the Council could be dissolved if the tendency continued[26]. In addition to the self-interested behaviour of the technocrats and Councillors, as well as their different political ideology, it appeared also that the contradictory provisions of the Councils' regulations had fuelled a hostile relationship between them. For instance, Order No. 3(h) of the Local Authority Financial Memorandum (1997) gave power to the Finance Committee to be the Council Tender Board, while the Public Procurement Act No. 21 of 2004 in general, and Section 7(2) of the Local Government Authorities Tender Boards (Establishment and Proceedings) Regulations of 2007 in particular, limited the membership of the Council's tender board to the technocrats. As each part claimed to have the right to form the board, the clashes continued and the Councils' procurement arrangements were affected.

The Councils' operations were also subjected to political interference from the Higher Government Officials at the Regional level and the Central Government. The interference from these sources was in the form of the funding requests, which were not only budgeted for, but also in some cases, were intended for personal benefits.

[26] Section 171 (1) and 172 (1) of the Local Government (District Authorities) Act No.7 of 1982 and section 75 (1) and 76 (1) of the Local Government (Urban Authorities) Act No. 8 of 1982 gives power to the Minister responsible for local governments to dissolve authority prematurely and by default.

This category and *domination and autonomy* suggest that the Tanzanian Councils were subjected to high levels of political and hierarchical interference from the local politicians, Regions, and officials from the Central Government. This is discussed in section 6.2.10 of the following chapter.

5.2.21 Professional Dilemmas

'Professional dilemmas' is the category which emerged after examining the interactions of the non-accounting staffs who discharged accounting activities, and their related perceptions of the same. The involvement of non-accounting staff in undertaking accounting functions was associated with the shortage of accounting staff faced by the Councils in general. Apart from KAMC, where accountants were allocated in the Hospital, Health Centres, and two Dispensaries[27]; the other Councils visited, had no accountants in any of the Health Centres and Dispensaries. All accounting activities in these facilities were performed by the Medicals in Charge. Also, there were no accountants allocated to any Primary Schools in the country, and all accounting functions fell on the Head Teachers. Both the Medicals in Charge and the Head Teachers demonstrated an extremely weak knowledge of accounting functions. It was further observed that the Head Teachers and the Medicals in Charge who performed accounting functions faced deadlock. Because accounting was different from their respective professions, they lacked the necessary competence and desire to undertake it efficiently. As a result, accounting tasks were given second priority, and the quality of the accounting output was compromised:

> "As a Medical Doctor, I am not enjoying to perform accounting works. However, I am required to do so as part of my responsibility as the Medical in-Charge. After all, it is not my profession...Sometimes*, the Council needs financial reports and at the same time I have more patients to attend. I don't know what to do*. I usually, undertake the accounting matters in the late evening" (Aia, Dispensary Medical Doctor in Charge: KAMC) (emphasis added).

An impressive initiative to address the knowledge gap of non-accounting staffs was evidenced in the KAMC, where the Health Accountant, in collaboration with the

[27] As at the end of the fieldwork (i.e. October, 2011), the Council had 37 Dispensaries, 2 Health Centres, and 1 Municipal Hospital.

Municipal Medical Officer (MMO), had introduced a '*mobile accounting services'*. The arrangement involved a weekly visit by the Health Accountants to all health facilities to undertake any accounting functions which appeared to be a challenge to the Medicals in Charge. Having a relatively substantial number of accountants at the Council level facilitated the practice. It is also worth noting that some of the Head Teachers and Medicals in Charge were blamed for using their lack of knowledge as an excuse to violate what appeared to the Councils' auditors to be 'obvious' financial rules. In one case, for instance, an Auditor noted, the practice of one Head Teacher purchasing school equipments in small quantities, in order to avoid the tendering procedures. In general, a high level of distortion of accounting information was observed in the medical facilities and Primary Schools, which questions the overall reliability of the Councils' accounting information. Paradoxically, despite the fact that there were no effective daily transactions in the Primary Schools, in contrast to the health facilities, the Head Teachers evidenced a greater need for accounting staff than Medicals in Charge. What emerged during the fieldwork was the reluctance of the medical practitioners to work with accountants in the health facilities, which had led to potential conflict between the accountants and the medical practitioners. This is the subject of discussion in section 6.2.12 of the following chapter.

5.3 Summary

This chapter has described the 21 open categories which emerged throughout the open coding process. The categories were obtained following a careful examination of the interview transcripts, observation of the researched phenomenon, and analysis of the important documents. The detailed descriptions offered in this chapter create the foundation for the development of core categories in the following chapter.

Chapter Six
Axial Categories

6.1 Introduction

This chapter discusses the axial coding process and the main categories which emerged from this. Drawing upon the open categories discussed in the previous chapter, this chapter elaborates on the mechanism used to derive the core categories, and discusses the relationship of the emerged categories along with their properties and dimension range. The discussion provided in this chapter forms the basis for the development of the substantive grounded theory in the following chapter.

6.2 Axial Coding and Development of Main Categories

The development of the core categories in this research involved two related and iterative stages. The first stage involved combining the open categories which were theoretically related. In this stage, the open categories which depicted similar or related themes were combined together, and a particular name, which represented a core category, was assigned. This approach is highly recommended for efficient analysis of the data:

> "As clusters are reduced in number and combined, comparisons constantly are made at the boundaries of each cluster. Decisions about which entries go (and stay or be moved) into which cluster involve more implicit and explicit comparisons, and thus increasing level of interpretation" (Chesler, 1987, p. 12).

At the conclusion of the first stage, the 21 open categories were merged to become 13 core categories (see Appendix 3). The core categories obtained were the higher order categories, and were theoretically denser than the open categories discussed in the previous chapter. The second stage involved establishing the relationship between the core categories and the subcategories together with their properties and dimension range (Strauss & Corbin, 1998). For example, during an interview with the LGAs' Inspector from the PMO-RALG, the researcher wanted to understand the nature of the LGAs regulations. The interviewee replied that the LGAs' regulations were 'conflicting' and 'outdated'. Thus, conflicting (alignment) and outdated (timely) represent the dimensions of the main category named the *deficient regulatory framework*. Similarly, the KAMC's Health Accountant claimed that donors' financial conditions were 'excessive and inappropriate'. In this case, 'excessive' (high) and ‘inappropriate’ represent the dimensions of the funding condition, which was the property of the main category labelled *donors’ influence.* The process of identifying the dimensions and properties of the core categories, and establishing their relationship, was carried out for all core categories. A detailed explanation of each core category, and its embedded properties and dimensions, follows the list of the core categories which emerged throughout the axial coding process.

The following are the main categories which emerged from the axial coding:

i. Accounting subordination
ii. Ceremonial conformity and compliance games
iii. Deficient regulatory framework
iv. Donors’ influence
v. Emergence of fraud and corruption
vi. Fragile supervisory bodies
vii. Funding uncertainties
viii. Organisational cultural attributes
ix. Performance management
x. Political and hierarchical interference
xi. Improving accountability and governance
xii. Professional conflict
xiii. Lobbying

6.2.1 Accounting Subordination

Accounting subordination, which synthesized the *role of accounting and accountants*, was the main category to reveal relegation of the accounting practices in the Tanzanian Councils. Subordination was highly evidenced in three major aspects of the accounting functions, which were: budgetary practices, auditing processes, and financial reporting. For example, the bottom-up budget approach and the top-bottom priorities of the Government and donors, had led to informal budget revisions, which questioned the reliability of the Councils’ budgets. The high level of interference which existed in the Councils also undermined its budgetary practices:

> "You know, we are working under in a very difficult environment. Sometime, you may receive a personal financial request from the Regional Commissioner, and he knows for sure that the amount was not budgeted for, but it is very difficult to tell him so. In order to maintain a good relationship with the boss, you are forced to comply with the requests" (Muma, Municipal Treasurer: KAMC).

Also, the reliability of the Councils' financial reports was constrained by lack of segregation of duties and the absence of sufficient qualified accountants. Related to these was the presence of weak controls, both manual and computerised. In both situations, the preparation of the financial reports, and even the financial statements, was left to one individual and without appropriate scrutiny at higher levels. In general, issues such as high level of political interference, deficient regulations, shortage of the Councils' self-generated incomes, self-interested behaviour, and the presence of incompetent staff, constrained the effective undertaking of the accounting practices. As a result, accounting was merely used as a device to legitimise funding, of little value for internal decision making. This also applied to the role of accountants in the Councils. Despite the fact that the accountants were considered to be important, they were merely record keepers, while the major financial decisions were made by politicians. As the Internal Auditor of the KAMC commented, "in order to work smoothly in the Councils, you have to unlearn your profession, and follow the instructions of the politicians".

Accounting subordination was more prevalent in the Primary Education sector than in the Health Services, because the high influence of the donors over the Health Services had somewhat reduced the extent of subordination. Similarly, the presence of relatively competent staff and Councillors, as well as frequent supervision from the regulatory authorities, had reduced the degree of accounting subordination in the urban Councils. Accounting subordination, which was one of the consequences of the central phenomenon which emerged in this study, was partly contributed to by the *deficient regulatory framework, funding uncertainties, organisational cultural attributes, political and hierarchical interferences,* and *professional conflict* between the accountants and the medical practitioners.

6.2.2 Ceremonial Conformity and Compliance Games

Ceremonial conformity and Compliance games are not *in-vivo codes*. These are terms borrowed from the literature to describe the reactions of the Councils' officials regarding compliance with the regulations. In the extant literature, 'ceremonial conformity' represents attempts of the institutionalised organisations pretending to comply with external demands mainly for the sake of resources (DiMaggio & Powell, 1983), while 'compliance games' involve techniques employed by the organisational members in order to achieve a certain desired objectives (see, for example, Uddin et al., 2011; Uddin & Hopper, 2001). These explanations mirror the findings of this research. Because the Councils were the recipients of many demands from a variety of external bodies, their effective compliance with these requirements became more challenging and problematic, but necessary if they were to ensure the availability of support. It was in this context that compliance games were played in order to conform to the requirements ceremonially. Therefore, the 'compliance games' illustrated the ceremonial conformity stands taken by the Councils' officials in order to satisfy the regulatory bodies at face value, and create a favourable portfolio with them. 'Ceremonial conformity and compliance games' is the main category which synthesized the two related sub-categories, *budgetary practices* and *deficient financial reporting practices,* where ceremonial conformity and the compliance games were highly practiced.

For instance, the nature of the Councils' budgets required the active involvement of the officials at the lower levels. However, the effectiveness of this arrangement was constrained by other factors, such as the top-down priorities from the Government, the inadequate knowledge of the officials at the lower levels, and the unwillingness of the technocrats at the Council level to involve the lower levels. Despite these anomalies, the Councils' budgets were ceremonially labelled as *'Mpango Shirikishi*[28]*'*, a practice which was intended to convince the Government and donors that the Councils' budgets were participatory, as required by the regulations. Similarly, despite the fact that the effective implementation of the IPSAS was

[28]'Mpango Shirikishi' is the Swahili term which means participatory planning. In the context of the Tanzanian LGAs, it refers to a plan which would have been prepared through an effective dialog between the Council and the officials at the lower levels of Wards and Villages or Suburbs.

problematic, all the Councils' financial statements were claimed to be *fully IPSAS Compliant.* A similar situation was observed in the internal auditing practices, where the quarterly internal audit reports included statements about the effective undertaking of performance audits, although they had not actually been undertaken. These practices, which were made possible by the weaknesses in the Councils' governance structures, were aimed at building a favourable image of the Councils, in order to attract more funds from their financiers. This core category provided strategies for the emergent central phenomenon.

6.2.3 Deficient Regulatory Framework

The combination of the sub-categories *'weak administrative regulations'* and *'outdated accounting provisions'* forms this main category. 'Weak administrative regulations' indicated inherent weaknesses in the general administrative regulations, while 'outdated accounting provisions' described, more specifically, the ineffectiveness of the financial regulations. Therefore, the deficient regulatory framework revealed the existence of a feeble administrative and financial legislative framework which governed the Tanzanian Councils. This was manifested by the existence of the multiple, uncoordinated, and sometimes contradictory, provisions in the regulations. Because the majority of the laws were enacted as far back as 1982, their frequent amendments had not been sufficiently harmonised, a situation which had led to managerial and operational problems. One such problem was the hostile relationship between the Councillors and technocrats that existed in the Councils. This was partly attributable to the failure of the regulations to specify clearly their roles and responsibilities. As a result, what technocrats claimed as a *'high level of political interference'* was viewed by the Councillors as their *'legitimate role*. As one Councillor commented:

> "We have a full mandate to seek clarification on each and everything that happens in the Council. We are the representatives of the people, and we should be able to know everything, and there is no demarcation on that. What we can't do, off course, is to sign on behalf of the Council Director" (Diwe, Councillor, KAMC).

The major flaws in the Councils' legal and regulatory framework were evidenced in the accounting practices. All main accounting regulations had contained *outdated*, and sometimes *conflicting* provisions, which had *limited* the efficient undertaking of accounting practices. For example, the Local Government Authorities' Internal Audit Manual of 2005, which was the most current regulation, contained provisions which contradicted other regulations in many ways. This was partly because the Local Government Finances Act No. 9 of 1982 was amended in 2000, while the LAFM and LAAM had never been amended since their inception in 1997 and 1992 respectively. As a result, there were many contradictions in areas such as the financial reporting framework, the position of the Internal Audit Unit, the responsibilities of the Finance Committee, and the budgetary practices. The regulations anomalies had prompted a high desire for change from both the LGAs and the external stakeholders, such as the Parliamentary Committee and the CAG. In this regard, some research participants argued for an 'overhaul' of the LGAs system, thus indicating a high level of dissatisfaction with the current regulations. This category, which represents the macro conditioning context of the central phenomenon, had contributed to the *fragile supervisory bodies, political and hierarchical interference* and *funding uncertainties* which existed in the Councils.

6.2.4 Donors' Influence

Because the donor funds formed a relatively major part of the Councils' sources of finance, their influence on the Councils' operations had been clearly evidenced. The Councils' donors directly and indirectly controlled the operational affairs of the Councils through conditions such as limitations on the type of expenditure to be incurred, multiple planning and reporting requirements, and by limiting the administration of the funds at Council level. The Councils' officials regarded these, and other conditions, as unnecessary interference and inappropriate:

> "We have a problem with the donor's conditions. They normally restrict the type of expenditures to be incurred. Sometime, you may find that the funds are available but cannot be used in a certain expenditure, which is required urgently…As you know, *we are very strict on their funds*" (Meha, Hospital Medical In-charge: KAMC) (emphasis added).

It is also interesting to note that there was no dialogue between the Councils and the donors. All dialogue was done at the Ministerial level, a situation which increased the sense of domination by the donors. Additionally, at the Ministerial level, negotiation with the donors was perceived to be time consuming and costly. Related to this was the issue of disagreement with the donors' priorities as they were different from the Country's Development Plans. However, the Councils and the respective Ministries were normally forced to accept the donors' priorities in order to receive the funds:

> "You know, sometimes we have problem with some donors, especially those who financed earmarked projects. You may find their priorities are not part of our National Development Policy, and they don't like to change theirs. Since we need their funds, then we are forced to accept their priorities and conditions, which sometimes are not addressing our main budget priorities at all" (Mima, Health Policy and Planning Officer, MoHSW).

This comment demonstrated the high influence of the donors on both the Councils and the Government, and this was evidenced in all of the Councils visited. However, the extent of dissatisfaction with donors' conditions was higher in the rural Councils than in the urban ones. Their inadequate supporting environments and lack of staff, made it difficult for the rural Councils to comply with donors' requirements, which had increased their levels of dissatisfaction. Because donors had contributed a substantial amount of funds to the Health Services, they were actively involved in monitoring the various Councils' health funds through the CCHP Guidelines. Therefore, compared with primary education, donors' influence was higher in the health services. Whilst the donors' influence represents the macro conditioning context of the emergent theory, the techniques used by the Councils' officials to deal with their influences and obtain funds from them, forms the interactional strategies for the emergent theory. These are discussed in detail in the following chapter.

6.2.5 Emergence of Fraud and Corruption

Fraud and corruption was a recurring theme in the Tanzanian LGAs. The Councils' audited accounts from the FY 2005/06 to the FY 2009/10 show a number of fraud and corruption related incidences in areas such as development and social projects, revenue outsourcing arrangements, and salaries. The fraud and corruption incidences had largely affected both the efficient undertaking of the Councils' development and social projects, and the internal revenue raising ability of the Councils. For example, the CAG reports of the last five financial years showed that the majority of the LGAs' projects were below standard, and the substantial revenues of the Councils were not remitted by the collecting agents. The emergence of fraud and corruption was partly attributed to the presence of *unfavourable working conditions* and *inherent weaknesses of the internal control systems,* while the technocrats and the Councillors' personal interests facilitated its occurrence:

> "During the assessment, the Council officials are very anxious. As you know, most of our technocrats are not clean. In one of the Council, I caught two members of the Parliamentary Committee taking financial bribery from the Council's officials. You know*, the technocrats are ready to give everything in order to portray impressive performance"* (Miv, Member of Parliament: LAAC) (emphasis added).

The truth of this comment was demonstrated shortly after the end of the fieldwork, when the Prevention and Combating Corruption Bureau (PCCB) caught one of the Parliamentary Committee members taking a financial bribe from the officials of the Council which was going to be visited by the Committee[29]. Because the Councils had weak internal structures and fragile governance units, the chances of controlling the corrupt practices were negligible. As was observed in the SEDC (pseudonym), bureaucratic and weak enforcement bodies had allowed alleged individuals to collude with some of the Councils' officials and had destroyed evidence regarding the incidences of fraud. Also, there was doubt about the effectiveness of measures such as the surcharges, normally employed by the Parliamentary Committee, and employee transfer, as exercised by the PMO-RALG, taken to address the incidences of fraud and corruption.

An examination of the Councils visited showed that, for the past five years, the KAMC had had more audit queries related to fraud and corruption than other Councils. In the Social Services, the Primary Education sector was more highly subjected to fraud and corruption than the Health Services. The inherent weaknesses of the internal control systems exhibited in the Primary Schools, enabled dishonest Head Teachers to forge the Minutes of the Primary School Committee, and draw

[29]Daily News, 4th June 2012.

funds from the School account for personal benefits. There were also claims that some of the Head Teachers colluded with the suppliers of Schools' equipments. The emergence of fraud and corruption is one of the consequences of the central phenomenon which emerged in this study.

6.2.6 Fragile Supervisory Bodies

'Fragile supervisory bodies', which synthesised *deficient financial and administrative structures* and *ineffective auditing processes*, described the inherent weaknesses of the Councils' administrative and supervisory bodies. It is a core category which suggests that both, internal and external arrangements were too weak to supervise the Councils' operations efficiently. Internally, the CMT, the Finance Committee, and the Full Council, lacked enough competent individuals to make sound financial management decisions. At the Regional level, the RAS's Office, which was supposed to supervise all Councils located in a particular Region, lacked the working tools, sufficient manpower, and the appropriate competencies to monitor the Councils operations:

> "The Regional staff do not have full understanding of their Councils. It is surprising that we know much about Councils operations than RAS's Office…They don't have enough capacity to supervise the Councils. Otherwise, some of the issues could have been sorted out at the Regional levels without requiring the intervention of the Ministry" (Nas, Inspectorate: PMO-RALG).

The apparent weaknesses of the LGAs and their immediate supervisory body (i.e. RAS) suggest that the Councils' decisions remained unchecked. Related to this was the fact that the effectiveness of the external bodies, such as the Parliamentary Committee, was also low. For example, the Committee lacked members with specialised disciplines, such as law, procurement, and engineering, a situation which constrained its over-seeing role. Additionally, the Committee's power to address fund mismanagement was limited to a surcharge (15% deduction of one month's salary), the commissioning of a special audit, and verbal and written warnings, actions which were perceived to be too weak to address the high magnitude of fund mismanagement which existed in the Councils. As one member of the Committee confessed, "this Committee is powerless".

The ineffective nature of the supervisory bodies also extended to the internal audit function. Inherent problems faced the Internal Audit Unit, such as insufficient independence, an absence of appropriate competences, and a lack of audit working tools, constrained its supervisory role. For example, notwithstanding the level of competence, all the Councils visited experienced a shortage of internal auditors. The maximum number recorded was in the KAMC and MDMC, four (4), while the KBDC and MCDC had only one and two Internal Auditors respectively. Furthermore, the Councils' Audit Committee reported to the Council Director, which constrained its effectiveness. On the whole it appeared that the Councils' auditing function was maintained primarily for building organisational legitimacy rather than improving organisational performance.

Nevertheless, the KAMC and MDMC demonstrated an improvement in their internal structures. Being located in major towns and cities, these Councils were subjected to frequent supervision and visits from Government Officials, which forced the Councils' officials to improve their internal arrangements. Also, the Councillors of these Councils demonstrated relatively higher levels of financial understanding than their rural counterparts, which somewhat improved the Councils' supervisory arrangements. An examination of the Social Services revealed that the health supervisory bodies were relatively better than those for education. This can be attributed to the high levels of influence of donors in the Health Services, and the intense involvement of the Health Ministry in health delivery. The existence of ineffective supervisory bodies, which were the product of the *deficient regulatory framework*, created the opportunities for the occurrence of *fraud and corruption* in the Councils.

6.2.7 Funding Uncertainties

'Funding uncertainties' is the main category which synthesized the two related subcategories; *low fiscal capacity,* and an *inefficient fund management.* Low fiscal capacity described the internal and external funding inadequacies facing the Councils, while inefficient fund management suggested that the available Councils' funds were not efficiently managed. The combination of the two suggests that the Tanzanian LGAs were faced with internal and external funding uncertainties. The timing and amount of the external funds from the Government and from donors, which financed more than 90% of the Councils' operations, were unreliable. The funds were not disbursed in time, and, in some cases, were not disbursed at all. For instance, in the FY 2009/10, donors withdrew more than 30% of their pledged funds from the Government budget, a situation which severely affected the Councils' operations, particularly the Health Services.

Also, some of the conditions imposed by donors, such as restricting the type of expenditures to be incurred, had increased funding uncertainties. In this regard, there were incidences where funds were available but the Councils could not use them to finance important and urgent expenditures, thus facilitating the practice of *teeming and lading* (see Chapter 7, section 7.5.2.1). In addition, the introduction of the formula based conditional grants in the FY 2004/05, meant that the amount of the discretionary grants which a Council received depended on the fulfilment of the funding conditions. As a result, to ensure attainment of the conditions demanded by the grants, compliance games, aggressive fund management, and lobbying, were practiced by the Councils (see Chapter 7, section 7.5.2). Because the Councils experienced greater unreliability from the external funds, more emphasis was put on the internal sources. However, the ability of the Councils to generate their own revenues was also constrained by high degrees of collusion, political interference, weak revenue controls, a low tax base, and inappropriate collection rates. The studied Councils also depicted weak internal funding coordination, which depleted the already scantily available resources. A high allocation of allowances for the technocrats and Councillors was also evidenced. Furthermore, Government interference, such as the abolition of the local taxes made in June 2003, and the decision to ban the importation of forestry products made in 2006, had significantly reduced the revenue raising ability of the LGAs.

Funding uncertainties were more prevalent in the rural areas than in the urban ones. Located in major towns and cities, the urban Councils enjoyed a substantial amount of own sources, in the form of city service levies, billboard fees, and property taxes. The rural Councils, in contrast, depended heavily on crop cesses which were highly vulnerable and seasonally dependent. The *deficient regulatory framework, political* *and hierarchical interference*, and the *organisational cultural attributes* were partly responsible for the high level of the funding uncertainties observed in the Councils. This core category is one of the micro and macro conditioning contexts for the occurrence of the central phenomenon of this research. The actions and reactions of the Councils' officials when addressing the funding uncertainties represent strategies of the emerged central phenomenon. These are discussed in detail in the following chapter.

6.2.8 Organisational Cultural Attributes

'Organisational cultural attributes' is the core category which synthesised the two related subcategories; *'language barriers'* and *'disguised participants' behaviours'.* The 'language barriers' exposed the Councillors' language problem, while the 'disguised participants' behaviours' described the common behavioural characteristics of the Councils' officials within the Councils. The integration of the two subcategories describes the cultural attributes that existed in the Tanzanian LGAs, traits which constrained the efficient undertaking of the Councils' operations. For example, the language problem had limited the Councillors' understanding of the financial reports, while, at the same time, the translated reports were neither complete nor reliable. Thus, financial decisions made by the Councillors, based on the translated reports, were questionable.

Also, the technocrats and the Councillors were observed to be self-interested individuals, where personal goals were given preference over the organisational goals. The participants' trustworthiness was low, due to their dominating desire for quick gains, and, as the Councils experienced ineffective governance bodies, less effort was put into controlling these behaviours. Relationships across Departments and Sections were unfriendly and formal, with a high level of distrust, especially with regard to financial matters. Friendly, and sometimes informal, relationships were confined to professional peers across the Departments and Sections, largely attributable to the self-interested behaviour of the officials, and the hierarchical nature of the Tanzanian Councils.

The mode of communication was formal, with internal memos being the prime method of communication. Guidelines and instructions emanated from top to bottom, while the *dokezo*[30], followed the bottom-up approach. It is important to stress that the *dokezo* was the main source document which was normally used to initiate payments. The participants attached high importance to the *dokezo*, particularly when it was used to initiate personal payment requests. The sense of togetherness was very high in the MDMC when compared to the other organisations visited. Being under the control of the opposition political party, Councils officials of the MDMC were strongly united against the opposition Councillors. High levels of 'blaming' between the technocrats and the politicians, and the technocrats' fear were also evidenced. It is also interesting to note that accountants, who were allocated to the Education and Health Departments were culturally adapted to the respective professionals:

> "When they [Accountants] came here for the first time, *they found very difficult to cope with this [Hospital] environment*. But after we orient them and *being here for some time*, they become comfortable and even their *behaviours are changed completely. They become like Medical Doctors*" (Meha, Hospital Medical In-charge: KAMC) (emphasis added).

A change of behaviour was regarded as necessary for the seamless application of the accounting functions in the respective departments. However, in some health facilities, this behavioural change was associated with violation of the accounting procedures. In these facilities, the change in the accountants' behaviour was associated with their willingness to give out cash without following the necessary authorization procedures. With the exception of the language problems, which were somewhat improved in the urban Councils, the other cultural attributes were found to be similar in all of the Councils visited. The cultural attributes discussed in this category, act as the mediating strategies for the emergent theory.

6.2.9 Performance Management

Under the performance based grants systems which were introduced in the FY 2004/05, the amount of discretionary funding which each Council received depended on its fulfilling the performance indicators. However, effective fulfilment of the performance indicators was constrained by the unconducive operating environment that existed in the Councils. For example, the political interference which permeated

[30] 'Dokezo' is the Swahili-accounting word which describes the document used to initiate payment.

the Councils, especially in the revenue outsourcing arrangements, constrained the attainment of the collection targets. As a result, the officials normally under-estimated the collection targets to ensure easy attainment of the required threshold for grants purposes (i.e. 80%). The Councils also defended their performance through techniques such as aggressive fund management, compliance games, and lobbying. Only infrequently, did performance management have any credibility. This was specifically observed in the Health Service delivery, where its performance was carefully managed from the Dispensary level to the Hospital. Health targets were set in advance, and then compared to the actual performance on a weekly basis, monthly, quarterly, and annually. The improvements were partly associated with the high levels of involvement by donors.

The examination of the Councils visited revealed that the rural Councils were highly involved in performance manipulation in contrast to the urban ones, where pressure from the relatively educated Councillors and other Governments' Officials minimised the application of the 'harsh' performance management techniques. The inappropriate performance management practices observed in the Councils, which were highly motivated by the *funding uncertainties* and fuelled by the *fragile supervisory bodies,* represent the main strategies for the occurrence of the central phenomenon of this study. The process of performance management can also contribute to the emergence of *fraud and corruption* in the Councils.

6.2.10 Political and Hierarchical Interference

'Domination and autonomy' and *'perceived political interference'* formed the components of this main category. 'Domination and autonomy' depicted the top to bottom nature of the decision making processes of the Councils and the Central Government, while the 'perceived political interference' signposted the existence of potential conflict between the elected officials (especially the Councillors) and the technocrats. The integration of the two subcategories suggests that the Councils' operations were subject to high levels of political and hierarchical interference from the politicians and the Government, and that the interference was directed to the accounting practices. For example, during the budget session, the Councillors, driven by political interests, were involved in diverting resources to their respective Wards through informal instructions to the Councils' officials. At the KAMC, for example,

despite the need for schooling being the same in all Wards, the Ward belonging to the Deputy Mayor had more Secondary Schools compared to others. The Councils also depicted other incidences of interference with the daily operations of the Councils, such as Councillors making follow-up payments on behalf of the Councils' suppliers.

The LGAs were also highly dominated and controlled by the Government and its related agencies. The Government controlled every aspect of the Councils through the enactment of laws, the formulation of the policies and guidelines, the selective recruitment of the employees, and the approval of the by-laws, practices which were viewed by the Councils' officials as unnecessary interventions. The overall wish of the research participants was for the Government to set broader objectives for the LGAs, and to restrain from interfering with managerial and administrative decisions that had been made at the Council level. The existence of the political and hierarchical interference was also a testimony to the presence of the feeble regulatory framework and administrative arrangements.

Because more development funds were allocated to the health sector than to that of education, the former was highly subjected to interference. The high involvement of donors in the Health Services, and their close supervision of the funds channelled to the Councils, also contributed to this phenomenon. Similarly, because the urban Councils were easily accessible to the politicians and other Government officials, they were more highly subjected to political and hierarchical interference than the rural ones. This category, represents the macro conditioning context of the central phenomenon which emerged in this study, whilst the reactions of the Councils' officials to address the interference, represent the strategies for the emergent theory.

6.2.11 Improving Accountability and Governance

This main category represented the attempts by the Councils' officials and that of the regulatory authorities to improve the accountability and governance arrangements in order to build a favourable profile with the external stakeholders. This category subsumed the two related subcategories; *accountability arrangements* and *transparency measures*. In general, the Councils were highly involved in the accountability and governance arrangements, such as the revenue sharing between the HLGs and the LLGs, the supervision of the projects undertaken at the LLGs, the translation of the reports into Swahili, and the posting of remittances' reports on the public notice boards. Despite the fact that these arrangements were carried out to meet performance criteria for grants purposes, their undertaking had strengthened the Councils' accountability and governance arrangements.

The Tanzanian Councils also demonstrated a paradox of accountability faced by many public sector entities, where the improved accountability arrangements were mainly directed towards satisfying the financial providers, rather than the other stakeholders, such as the general public. The effective involvement of the local populace in the Councils' operations was unnoticed. In this regard, the manner in which the local citizens made use of the translated financial reports also remained unknown. In general, most of the accounting information was directed towards meeting the demands of the Government and donors (and was therefore written in English), while little, for grants purposes, was translated into Swahili for the benefit of the local inhabitants.

The Parliamentary Committee had also been highly involved in following up the audit queries raised by the CAG. Despite the fact that the image of the Committee had been recently tarnished by the corruption charges facing one of its members, the functions of the Committee, especially the physical assessment of the Councils' projects, had significantly enhanced the accountability and governance of the LGAs. Interestingly, the Parliamentary members used not only the accounting information presented in the formal reports, but also information from other sources, such as the media and 'informers' to hold the Councils' officials accountable. The implications of this practice for the organisational accountability and governance are discussed in section 8.2.4 of the Chapter 8.

6.2.12 Professional Conflict

'Professional conflict' is the core category which depicted the tension which existed between the medical practitioners and the accountants, which was fuelled by their struggle for the financial control. The conflict emerged following the allocation of the accounting staff to the health facilities, in order to undertake the accounting activities which had previously been done by the Medicals in Charge. This practice had led to

constant clashes between the accountants and the medical practitioners, as evidenced in the quote below:

> "As a Doctor*, my objective is to save the life of my patients. Accountants are very slow in this regard.* They are rigid in following their *long and unnecessary accounting procedures*…We normally tell them, despite having their own accounting ethics, this is the Hospital environment, and the main objective here is to save the patient's life. Therefore, in case of emergency, *the funds should be issued and the accounting procedures should be followed later*. Mind you, this is not like a road construction, where it can wait for the accounting procedures to be completed. We are dealing with human life which cannot be recovered at all" (Meha, Medical Doctor: KAMC) (emphasis added).

The normative differences between the accounting and the medical professionals were the causes of the conflict, while the accounting procedures were regarded as the subject of the conflict. 'Blaming' was used to illustrate the conflict, and this was mainly directed towards the accountants and the accounting procedures. Medical practitioners claimed that accountants and their corresponding accounting procedures were too rigid, bureaucratic, and inappropriate in the Health Services where the subject was 'human life'. However, these claims were highly refuted by the accountants as illustrated below:

> "It is very big problem to work in this environment. Doctors are pressing for cash expenditure without following the accounting procedures…*This has nothing to do with Doctor's ethics or emergencies; it is poor plan which is motivated by personal incentives*. It is very difficult to work with Medical Doctors" (Heha, Health Accountant: KBDC) (emphasis added).

These two opposing views represented the high level of tension which existed in some of the health facilities. An extreme situation was observed in the KAMC, where the Municipal Treasurer was once called to the Council Hospital to resolve a conflict between an Accountant and the Medicals in Charge. In addition to the self-interested behaviour, the observed conflict was also fuelled by the opinions held by the medical practitioners that the accountants were *'foreigners'* in the health environment, and that they had been put there in order to control them. The hostile relationship between the accountants and the medical practitioners had a negative impact on the accounting practices. Professional conflict, which was contributed to by the presence of the *deficient regulatory framework* and the *self-interested behaviour,* is one of the consequences of the central phenomenon which emerged in this study.

6.2.13 Lobbying

Lobbying is the main category which portrayed the inappropriate behaviour which existed in the visited Councils. The behaviour was, to a large extent, practiced by the Councils' officials, and was directed towards the regulatory authorities and the Councillors. As the Councils experienced operational difficulties, they used lobbying to reduce the intensity of the investigation by the regulatory authorities. The Councils exhibited two lobbying profile: high and low. At a very high level, lobbying involved illegal acts to influence and defend the Councils' performance, when, for example, technocrats bribed their supervisors to cover the organisational weaknesses. In its lowest form, lobbying involved merely persuasive techniques such as complaining and blaming practices which aimed to persuade the regulatory bodies and the Councillors of the appropriateness of the Councils' performance.

Lobbying was also employed as a mechanism for the restoration of Councils' legitimacy, which was threatened by the existing conditions. Opinion shopping, for example, was used to ensure that the problems which existed in the Councils' financial statements were not disclosed, so that the Council would gain a favorable profile, which would consequently restore the threatened legitimacy (see Chapter 7, section 7.5.2.2). The lobbying practices had also been highly evidenced in the Councils' tendering procedures, a practice which took the form of covering the collusion practices prevalent in the tendering processes. As a result, the Council's tendering procedures, which were supposed to be used for selecting appropriate Councils' suppliers, were followed only superficially. The high level of lobbying, which contributed to the *funding uncertainties,* highlighted the existence of the Councils' *fragile supervisory bodies*. Lobbying is one of the strategies for the central phenomenon which emerged in this research.

6.3 Summary

This chapter has discussed the 13 core categories and their corresponding properties, and dimensional range which emerged throughout the axial coding process, and has demonstrated that the core categories and their subcategories were closely related. The manner in which these categories intersect to formulate the substantive grounded theory, is elaborated in the following chapter.

Chapter Seven

The Substantive Theory of Manipulating Legitimacy

7.1 Introduction

This chapter discusses the substantive theory which emerged from this research, and starts by providing brief explanations of the final stage of the data analysis, the selective coding, and the mechanism used to obtain the central phenomenon of the study. It also provides an overview of the paradigm model, followed by a detailed discussion of the emerged central phenomenon. The conditions, strategies, and consequences of the central phenomenon, are then discussed. A presentation of the manipulating legitimacy model concludes the chapter.

7.2 Selective Coding and Identification of Central Phenomenon

The central phenomenon, or central category, represents the main idea or theme of the research, to which all other concepts relate in one way or another (Strauss & Corbin, 1998). This can either emerge from the list of existing categories, or evolve as a conceptual idea that describes all the existing categories (Corbin & Strauss, 2008), the latter being the case in this research. After examining all of the existing categories, none explained completely 'what is going on' in the Councils. The detailed analysis of the core categories revealed that the Councils were faced with three main issues, namely, funding uncertainties, deficient regulatory systems, and the performance measurement practices. The data showed that more than 90% of the Councils' operations were financed by the Government and donors, and that substantial funds from these sources were conditional on the attainment of the performance measurement criteria, which was constrained by the deficient regulatory systems. Therefore, the manner in which the Councils managed this paradox and accrued resources and support from a variety of stakeholders was the answer to the question "what is the main issue or problem with which these people seem to be grappling" (Strauss & Corbin, 1998, p. 148). This represents the central category of this research, and has been described as *manipulating legitimacy*. Manipulating legitimacy is the term that has been given to the strategic measures taken by the Councils' officials to address the operational problems created by the non-conducive operating environment in order to accrue resources and support from the Government and donors. It was evidenced by the various actions of the Councils' officials, and it had been applied differently by all the Councils. Detailed explanations of manipulating legitimacy are provided in section 7.4 of this chapter.

7.3 The Paradigm Model of Grounded Theory

The paradigm model is a mechanism or tool used to establish the relationship between the central phenomenon and other categories (Strauss & Corbin, 1998). The model has three basic components which are: conditions, strategies, and related consequences. The conditions, which facilitate and sometimes constrain the occurrence of the central phenomenon, can either be contextual, intervening, or causal (Corbin & Strauss, 2008; Strauss & Corbin, 1998). The strategies component comprises the actions taken by the actors to address the circumstances created by the conditions, while the consequences component constitutes the outcome of actions and reactions (Strauss & Corbin, 1998). Therefore, the paradigm model suggests that all categories need to be related to the central phenomenon in the form of conditions, strategies, or consequences. The paradigm model of manipulating legitimacy which emerged from this research is presented in section 7.8 of this chapter.

7.4 Manipulating Legitimacy- the Central Phenomenon

The findings of this research showed that the operations of the Councils were surrounded by weak administrative and financial regulations. Among other things, the regulations limited the fund-raising abilities of the Councils, and had increased their financial dependence on the Government and donors. However, a substantial amount of the externally sourced funds, which financed more than 90% of the Councils' operations, were performance based. Thus, the amount of funds that a Council would receive depended on its attainment of the performance criteria which include the Minimum Conditions (MCs) and the Performance Measures (PMs). On the other hand, the existence of deficient regulatory systems constrained the effective attainment of these performance criteria. Therefore, the manner in which the Councils' officials managed this puzzle and obtained resources and support from the Government, donors, and other stakeholders, has been described in this study as a process of *'manipulating legitimacy'*. The phenomenon of manipulating legitimacy suggests that, although the Councils were surrounded by unfavourable environments which threatened the smooth undertaking of their operations, the technocrats managed to use accounting practices, such as budgeting, financial reporting, auditing, and performance measurement, to legitimize the operations of the Councils in order to accrue resources from a variety of stakeholders. Therefore, manipulating legitimacy involved purposeful and deliberate techniques which were deployed to influence and control the reasonableness of the Councils' operations, a process which ensured the availability of resources and the attainment of the individual interests of the Councils' officials.

Manipulating legitimacy comprises two terms, manipulating and legitimacy, which were derived by the researcher following the careful examination of 'what was going on' in the Councils (Strauss & Corbin, 1998). Manipulating means *control of somebody or something* (to control or influence somebody or something in a clever or devious way) or *to falsify something* (to change or present something in a way that is false but personally advantageous) (Encarta Dictionary, [n.d]). On the other hand, legitimacy means *legality* (complying with the law, or having official status defined by law) or *conforming to acknowledged standards* (complying with recognized rules, standards or traditions) (Encarta Dictionary, [n.d]). The term legitimacy has also been discussed in the extant literature. For example, Lindblom (1994) defined legitimacy as a condition which requires harmonisation between wider societal values and organisational modes of operations, and when the two are not compatible, the organisational legitimacy is in danger. Suchman (1995) regarded legitimacy as a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p.574). This definition subscribes to the view that legitimacy comes from the reactions and opinions of society as a whole, and not from individuals. Moreover, Jost and Major (2001) regarded something as legitimate if it complied with the norms, values, beliefs and practices accepted by a certain group or individuals. In the socio-political context, legitimacy is regarded as a route which enables different stakeholders to accept the appropriateness of the organisational operations (Aldrich & Fiol, 1994).

In general terms, the findings of this study complied with the meanings of the terms 'manipulating' and 'legitimacy' discussed above. The data revealed that unfavourable operating conditions which existed in the Councils, compelled the Councils' officials to influence, control, and falsify the appropriateness of the Councils' operations to the key stakeholders, such as the Government and donors, in order to secure resources. Thus, manipulating legitimacy was a process used deliberately by the Councils' officials to overcome the operational difficulties through a variety of techniques. It is partly illustrated in the following quote:

> "You know, we have a lot of *politics* here, therefore, it is appropriate to under-budget the Council's own sources and meets the targets easily than to be realistic…*If we collect below 80% of what we have budgeted for, the Council's allocation for capital and development grants will be negatively affected.* This will leads to major problems in the Council and a number of the development projects will not be implemented. This will also amount to our salary deduction, and the external audit query. Importantly, under-budgeting helps the Council to receive development grants and boost the economic development of our local community" (Rela, Assistant Revenue Accountant: KAMC) (emphasis added).

This indicates the manner in which the Councils' officials used the accounting information, in this case budgetary practices, to manipulate the organisational legitimacy in order to obtain funds. A similar pattern was observed in other aspects of accounting practices, such as financial reporting, performance measurement, and the auditing processes (see section 7.5). It is also worth noting that the process of manipulating legitimacy was evident even at the planning stage, where strategies such as pre-meeting, under-budgeting of revenue collections, accountability claims, and establishing rhetoric rules and regulations were employed to influence the Councils' legitimacy to fund providers. As a result of these techniques, for example, the Councils' budgets became unreliable, a situation which normally prompted the budget scrutinization team from the Treasury to revise the Councils' budgets. Following the Treasury's amendments, the LGAs entered into the implementation phase with a more realistic budget, thus creating a situation which compelled the technocrats to design a number of strategies in order to cope with the changing circumstances. These strategies were: managing own sources, the loose coupling of performance measurement and the budget, under-banking, managing the procurement process, and practicing teeming and lading. The techniques employed attracted attention and corresponding pressure from the supervisory bodies, so, as a result, the technocrats employed another set of techniques to 'accommodate' the supervisory bodies and maintain the operations of the Councils. These defensive techniques included lobbying and the playing of the compliance games. It is worthy of note here that the process of manipulating legitimacy, which was aimed mainly to address operational uncertainties existed in the Councils, was observed throughout the Councils' operating cycle.

It is also interesting to note that the phenomenon of manipulating legitimacy varied across levels of Councils and service deliveries. For example, much higher levels of manipulation were observed in the rural Councils (KBDC and MCDC) than in the urban Councils (KAMC and MDMC). The presence of frequent supervision by the Ministries and other Government bodies located in the urban areas, the availability of relatively better-educated Councillors, and the presence of the relatively improved accounting establishment, had reduced the extent of manipulation by the urban Councils. As one research participant commented:

> "You know, here, we are extremely careful. We are in the city centre, and all Government Units are here watching us very closely. If you do something, even if it is a small thing, it receives high publicity and high intervention from various Government Units. That's why we are very careful here" (Muma, Municipal Treasurer: KAMC)

Also, as the following quote illustrates, high involvement of donors in the Health Service delivery had reduced the degree of legitimacy manipulation when compared to the Primary Education sector.

> "You know these health funds [donor-funds] have a lot of conditions. And as you know, if you fail to comply with their requirements, you will not get them. In some cases, funds are channelled on a quarterly basis, and when they are satisfied with the previous quarter's spending, then, they will disburse funds of the following quarter. Therefore, we are very keen on spending and reporting these funds" (Ahm, Health Secretary: KBDC).

Furthermore, the extent of manipulation was also observed to be higher in the Lower Local Governments (LLGs), such as Wards and Villages, than in the Higher Local

Governments (HLGs), such as District and Municipal Councils. This was attributed to the absence of any statutory audit and the paucity of competent staff at the LLGs:

> "The main problem of our Wards and Village is the absence of statutory audit. Currently, we [the Council] are sending substantial funds to these levels as part of the decentralization by devolution policy, but they are not audited. Worse enough, these levels are not even required to prepare financial statements because they are not legal entities. Also, WEO and VEO do not have enough knowledge to account these funds efficiently. Actually, there is a lot of mismanagement there" (Basiv, Internal Auditor, KAMC).

Therefore, the phenomenon of manipulating legitimacy, was mediated by both the internal and external arrangements. The hypothesis of the emergent theory is that when the external and/or internal organisational arrangements are effective, the organisational members become less manipulative, and that this would be different when the external and/or internal arrangements were weak. The strategies which illustrated the process of manipulating legitimacy are discussed in the following section.

7.5 Strategies Undertaken to Manipulate Legitimacy

Strategies are the responses made by organisational participants when addressing issues, problems or events that occur under certain conditions (Strauss & Corbin, 1998). Strategies are normally purposeful actions taken by actors to resolve a problem which has, in a way, shaped a phenomenon (Strauss & Corbin, 1998). The process of the manipulating legitimacy observed in this research was illustrated by two main strategies, *building the organisational image* and *managing the organisational performance*. These were evidenced by the attempts of the Councils' officials to build an external frame of reference in order to convince the Government and donors about the appropriateness of the Councils, while at the same time attempting to carefully manage the operational problems internally. Therefore, 'building the organisational image' was a major strategy which aimed to convince the external stakeholders about the appropriateness of the Councils, while 'managing the organisational performance' represented the strategies employed to ensure that the existing operational problems were carefully managed. The combination of the two main strategies showed the internal and external strategies used to control and influence the Councils acceptability to the key stakeholders. A detailed discussion of both of these strategies and their corresponding sub-strategies is given below.

7.5.1 Building the Organisational Image

'Building the organisational image' describes the attempts of the research participants to portray a favourable image of the Councils to their external stakeholders in order to accrue resources. Four sub-strategies were identified within the overall strategy, namely maintaining the claims of accountability, managing their own sources, the loose coupling of the performance measurement and budgetary practices, and establishing rhetorical rules and regulations. Each of these sub-strategies is discussed below.

7.5.1.1 Maintaining the Claims of Accountability

Because they were local governments, the Councils consistently and deliberately claimed direct accountability to the general public, rather than to any other Government institutions. The transparency and accountability measures instituted by the Government, such as sharing revenue with the lower levels, posting remittances in public places, and the direct involvement of the Councils in lower level projects, were used to foster their claims of accountability. These claims appeared to enhance the legitimacy of the Councils, which enabled them to obtain more resources from the fund providers. In the words of one respondent:

> "Currently, the Councils' operations are governed by the decentralization and devolution policy, which emphasise low level participation. We [the Council] are very close and accountable to the community, and therefore, facilitate the policy more than any other Government unit. However, in terms of resources, we are not capacitated enough" (Napi, District Treasurer: KBDC).

The claims were normally communicated to the fund providers through the Councils' budgets, including a number of activities to be undertaken at the lower levels of Wards and Villages although these were not normally implemented. Having created the claims through the budgets, the Councils acquired the legitimacy from the fund providers that they were more accountable to, or at, the lower levels, something which assured them the availability of resources.

7.5.1.2 Managing 'Own Sources'

This was a reactive strategy which addressed the Councils' funding uncertainties. It involved initiatives such as monitoring the self-generated incomes (own revenues), under-estimation of the budgeted collections, the allocation of accountants to health facilities, and manipulation of performance reports of the self-generated incomes. The monitoring of the Councils' self-generated incomes was carried out in the CMT's daily meetings, where the collection of revenue was the main agenda item. The daily collection reports, which showed both the actual and the budgeted collections, were presented and discussed. Behind these initiatives was the fact that the proportion of self-generated incomes determined the amount of grants which the Councils received from the LGCDG Systems:

> "From the Treasurer, obtain and review the Budget for the previous FY, compare the budget with actual revenue collected during the period to determine the percentage of the budget realised. Take into consideration the effect of the abolishment of revenue sources from one year to another. If the average collection is: *80% or more of the budget amount score 5*; *between 50% - 80%; score 2* and *below 50 %, score 0"* (LGCDG Assessment Manual, PMO-RALG, 2006; p. 22) (emphasis in the original).

The above assessment criterion was also a major reason for under-estimation of the budgeted collections. Because the Councils' internal and external factors constrained the effective collection of the self-generated incomes, the Councils' officials under-estimated the budgeted collections in order to attain the minimum threshold required for grants purposes. Similarly, to reflect the high performance of the own source (revenue) collections, officials of some of the Councils included the General Purpose Grants (GPG), which came from the Government, as their own revenue. Additionally, part of the strategy behind allocating accountants to health facilities was to supervise the daily collections from the Cost Sharing Scheme. Together, these strategies aimed to inflate the proportion of the self-generated incomes, which consequently, enabled the Councils to obtain more funds from the Government and donors.

7.5.1.3 Decoupling of Performance Measurement and Budgetary Practices

'Decoupling' or 'loose coupling', are not an *in-vivo code*; they are terms borrowed from the literature to describe the maintenance of the formal structures and procedures in the Councils' performance measurement and budgetary practices. In the extant literature, ‘decoupling’ or ‘loose coupling’ describe a lack of connection between the formal structures which institutionalised organisations display to their main stakeholders and the actual internal organisational operations (Basu, Dirsmith, & Gupta, 1999; Fogarty & Rogers, 2005; Rautiainen, 2010). This mirrors the situations observed in the Councils visited. Formal performance measurements and budgetary practices were maintained in a loosely coupled state, in the sense that there was a lack of connection between the formal performance procedures displayed to the regulatory bodies and the actual daily operations of the Councils. This was attributed to by non-integration of the performance measurement practices into the Councils’ regulations. Therefore, the Councils’ officials were unaware of how to integrate the formal performance measurement practices into their daily operations. As a result, the performance measurement criteria were only consulted at the end of the year, in preparation for the performance assessment exercise.

Similarly, the presence of political interference, funding uncertainties, the inadequate knowledge of the Councils’ officials, and deficient regulations, constrained adherence to the formal budgeting procedures. For example, the IFMS/EPICOR which was introduced to control the Councils’ budgets was not applied effectively, as illustrated below:

> “Here, it is very difficult to comply with budget. We have so many political directives which we are required to follow, and sometimes contradict with formal budgeting arrangements. So, if we have expenditures of that nature, we are forced to look for formal items in the system [IFMS/EPICOR] which resemble with the expenditure in question and put there…If there is no such similar item in the particular Department, then we have to look similar items in another Department. Sometimes there is no similar item in all Departments. In this case, we are normally create a new expenditure code, reduce funds allocated to other expenditures, and charge the amount accordingly. Later, we will send to the meeting [Finance Committee] as re-allocation” (Gefi, Final Accounts Accountant: KAMC).

As noted in the above comment, budget re-allocations were used to harmonize the differences between the formal budgeting requirements and the actual daily operations. In general, all the Councils visited principally maintained two budget documents, formal and informal (daily routine), and the re-allocations were used to reconcile the two. A detailed discussion of the phenomenon of ‘decoupling/loose coupling’ observed in this study is given in section 8.4.2.2 of the following chapter.

7.5.1.4 Establishing Rhetoric Rules and Regulations

‘Rhetoric’ is not ‘*in-vivo* code’, rather, it is a term taken from the extant literature to describe the nature of the Councils’ rules and regulations. Rhetoric means *persuasive speech or writing* (speech or writing that communicates its point persuasively) (Encarta Dictionary, [n.d]). It is mainly used to convince external stakeholders on the appropriateness of the organisations (see, for example, Covaleski, Dirsmith, & Rittenberg, 2003). A similar trend was observed in this study. The Councils were engaged in establishing a variety of internal arrangements and by-laws, although these were not adequately and/or effectively applied to the Councils’ operations. The arrangements were intended to convince the external stakeholders that the Councils were eager to monitor their operations, a practice which ensured the availability of resources and support. These arrangements included the CMT’s daily meeting and physical assessment of the Councils’ projects. The CMT daily meetings were designed to strengthen the internal management, but, as has been noted previously, because Council members and even Directors had an inadequate understanding of financial matters, the meetings were full of rhetoric and were used merely as platforms for endorsing ill-informed decisions:

> “To be frank, it is wastage of time and financial resources to have meeting [CMT] every day. We don’t have time to execute what we have agreed. Sometimes, we have nothing to discuss at all, and things become repetitive. *We just attend as a matter of requirement*” (Hame, Revenue Accountant: KBDC) (emphasis added).

The Councils also established internal arrangements which emphasised the physical inspection of developmental and social projects. The rationale behind the exercise was to convince fund providers that the Councils’ internal management was effective enough to supervise and monitor their projects, which was not the case. The involvement of the Councillors thus became a practice which was politicised and rhetorical:

> "Previously, we had no special team for monitoring of the Council' projects. It was regarded as part and parcel of our daily activities. Later, the Councillors claimed to be involved in the exercise. But as you know, these are not experts, they are simply interested in allowances and overall publicity of the exercise" (Neha, Health and Final Accounts Accountant: MCDC).

Furthermore, as the mismanagement of the Councils' funds continued to develop, some of the Councils established special funds to deal with certain activities. The practice aimed to convince potential contributors that the funds would not be subjected to the same treatment as other Council funding. Even though it was persuasive by nature, this had attracted a substantial amount of funding from a variety of stakeholders. For example, Councils' officials in the KAMC has established an Education Trust Fund (ETF), as a special fund, which had received substantial contributions from the general public, private entities, NGOs, and other organisations. In general, the Councils had established a number of rules and regulations which were neither functional nor effective, but they had managed to persuade external stakeholders of the appropriateness of the Councils' operations.

7.5.2 Managing the Organisational Performance

Managing the organisational performance was achieved by the internal strategies used by the Councils' officials to address the operational problems which endangered their performance. It included both offensive and defensive approaches, employed to legalize and prove the Councils' performances in unfavorable operating environments. The techniques used to manage the organisational performance were aggressive fund management, lobbying, and the playing of compliance games.

7.5.2.1 Aggressive Fund Management

Aggressive fund management was part of the defensive strategies employed by the officials as a mechanism to ensure the availability of funds, and was fuelled by the late disbursement of funds from the Government and donors. Aggressive fund management involved *managing the procurement process*, *practicing 'teeming and lading'*, and an *under-banking strategy*. A combination of the late disbursement of funds and lengthy procurement procedures, created two possible options for the Councils: to remain with unspent funds at the end of the financial year, or to initiate the procurement process before the funds became available. Both options raised a statutory audit query to some extent. Having unspent funds would mean that the Councils' projects would not be undertaken, which would not only affect the following year's budget allocations, but would also reduce the social legitimacy of the Councils in the eyes of the general public, and would also attract negative publicity. Because of this, the Councils' officials opted to initiate the procurement process before funds became available. This practice, although it was against procurement regulations, guaranteed the undertaking of social and development projects in the year under consideration, while, at the same time, it did not affect the budget allocation to the Councils in the following budgetary year. The Councils' own revenue was used to initiate the procurement process, in anticipation of the late funds from the Government and donors.

Also, the existence of multiple and uncoordinated funding sources at the Council level facilitated the *'teeming and lading'* practices, where the late disbursement from an external funder motivated the Councils' officials to take funds from one source to finance the activities of another. The practice worked on the assumption that the taken funds would be returned when the appropriate funds became available. This was evident during a conversation with a Municipal Medical Officer of the KAMC:

> "The main problem we are facing in our Councils in general is the late disbursement of funds. Funds from donors and Government are insufficient and untimely disbursed. Mind you, these funds are very important for smooth running of health facilities. What we do, normally we take funds from available sources with the anticipation of returning them later when funds from a respective source become available. *Otherwise, we have to close the health facilities*" (Lua, Municipal Medical Officer: KAMC) (emphasis added).

The absence of both the possibility of a surprise fund audit, and the inherent weaknesses in the administrative bodies made the practice possible. The 'teeming and lading' was more practiced in the Health Services than the Primary Education sector. This was facilitated by the availability of a variety of health funds which were not effectively coordinated. Because funds from the Cost Sharing Scheme were collected and spent at the level of the health facility, they were used extensively to finance other activities. To rationalise the practice, one Medical in Charge asserted that "the funds from the Cost Sharing Scheme were aimed to help the health facility, and we should be allowed to use them in the way we think appropriate”. In addition, some of the health practitioners applied an *under-banking strategy* as a reactive mechanism to address the financial domination of the Councils. Because authorization and approval of the health funds was done at the Council level, and because some of the Councils’ offices were located far away from the health facilities, the health practitioners at some of the health facilities were holding cash from collections in reserve. The practice was regarded as necessary in order to safeguard a health facility in case of a financial emergency. The absence of reconciliation between the patients’ registers, the cash collected, and the amount banked, had precipitated the practice.

7.5.2.2 Lobbying

Lobbying involved strategies such as ‘*blaming’*, ‘*fear’*, *pre-meeting strategy,* and *opinion shopping,* techniques which were intended to control the performance of the Councils. For example, as for blaming, technocrats blamed the Government and donors for issuing inappropriate guidelines and funding conditions, and held these responsible for the implementation problems:

> “Our situation here is worse. We have a lot of politically and financially motivated interference from politicians and higher Government officials from the Ministries and Regional levels. We have a lot of activities to undertake but our internal collections are very low and the funds from Central government are normally disbursed very late. *In these circumstances, I think our performance is more than appropriate*” (Rela, Assistant Revenue Accountant: KAMC) (emphasis added).

‘Fear’ was also a strategy employed by the Councils’ officials to minimise the intensity of investigation and assessment, and was predominantly manifested during the statutory audit, the assessment by the Parliamentary Committee, and LGCDG Annual assessment. Interestingly, as was observed in one Parliamentary Committee session, the strategy protected the officials from being exposed to extensive questioning by the members of the Parliamentary Committee. Furthermore, because the Councillors formed the supreme body of the Council, Full Council, it was crucial to obtain their support regarding the Councils’ budget. Therefore, to ensure that the Councillors endorsed the budget, a *pre-meeting strategy* was employed, whereby the

technocrats arranged a pre-meeting with the Council Chairperson and other eminent Councillors prior to the formal Council's budget session:

> "In order to avoid more problems during the session [budget], we normally conduct a pre-meeting with Council Mayor and other outspoken Councillors. Since all important budget facts are highlighted during the pre-meeting session, this minimises questions in the official budget session" (Tihe, Municipal Economist: KAMC).

The practice, even though it lowered the value of the Councils' special budget session, was effectively used to manage and control political interference by the Councillors during the formal budget session, and to reduce negative publicity for the Councils. Moreover, because an audit opinion was one of the primary conditions for grants purposes[31], it was an important aspect of acquiring or losing organisational legitimacy. In this regard, an adverse opinion would restrict the Councils' access to discretionary grants under the LGCDG systems, which in turn would attract negative publicity and disciplinary punishment for the Councils' officials. This prompted the Councils' officials to become involved in *opinion shopping*, a practice employed to obtain a favourable audit opinion for grants purposes. The opinion shopping took the form of financial bribery of the auditor. This was evidenced in the following conversation:

> "In reality, the nature of our Councils' external audit is weak. Some of the auditors are not honest and actually take bribes from the Councils' officials. They are not trustful. If you commission a private independent firm to undertake an audit, almost all of the Councils will receive an adverse opinion" (Rela, Assistant Revenue Accountant: KAMC).

The practice of the Councils' donors to commission an independent auditor to examine their projects verified the aforementioned claim. Similarly, the Parliamentary Committee normally made use of information obtained from other

[31] "From the Treasurer obtain and review the most recent audited accounts. What is the auditor's opinion on the accounts of the previous year? If the audit report is *Clean, score 3; Adverse or Qualified, score 0"* (LGCDG Assessment Manual, PMO-RALG, 2006; p. 21) (emphasis in the original).

sources to hold the Councils' officials accountable, a situation which indicated the low level of trust attached to the statutory audit.

7.5.2.3 Playing of the Compliance Games

The compliance games were played in auditing, budgeting, and financial reporting. In auditing, for example, despite the fact that the Councils' internal auditors lacked sufficient technical competence and appropriate facilities to undertake a performance audit, the internal audit reports included a clause indicating that one had been undertaken. This was in response to the regulations which required the Councils' internal auditors to undertake a performance audit and indicate this in their quarterly internal audit reports. Similarly, the effective implementation of the participatory planning [Mpango Shirikishi] was constrained by inadequate knowledge of the officials at the lower levels and tight budget timeframes. To counter this, and because the participatory budget was one of the funding conditions of both the Government and donors, the Councils' officials involved the lower levels only ceremonially and their suggestions were either ignored or subjected to formal and informal revisions at the Council level. The excuses for this were the inclusion of the ceilings dictated by the Government and the incorporation of cross-cutting issues, which were claimed being not considered at the lower levels. Furthermore, despite the inherent weaknesses facing the implementation of IPSAS, all financial statements of the Tanzanian Councils were stamped as 'fully IPSAS compliant'. These compliance games were intended to convince the supervisory bodies and fund providers that the Councils complied with the regulations as required, a claim which guaranteed the availability of resources.

In general, these strategies were employed by the Councils' officials as a response to the circumstances created by the set of conditions which influenced the process of manipulating legitimacy. The discussion of the consequences of the strategies is preceded by a discussion of the four conditions which enabled the manipulation of legitimacy observed in this research.

7.6 Conditions of Manipulating Legitimacy

Strauss and Corbin (1998) described conditions as sets of circumstances which play roles in the occurrence of central phenomena. They classified conditions into three main categories: causal, intervening, and contextual. Causal conditions comprise sets of events which influence the occurrence of the phenomena, while intervening conditions are those that change or moderate the impact of causal conditions on phenomena. On the other hand, contextual conditions "are the specific sets of conditions (patterns of conditions) that intersect dimensionally at this time and place to create the set of circumstances or problems to which persons respond through actions/interactions" (Strauss & Corbin, 1998, p. 132). All the conditions observed in this research created circumstances for the occurrence of the central phenomenon. Thus, they are contextual in nature. The current research identified four contextual conditions of manipulating legitimacy, namely deficient regulatory systems, political interference, funding uncertainties, and donors' influence.

7.6.1 Deficient Regulatory Systems

The deficient regulatory systems represent a macro conditioning context which created the circumstances which allowed the manipulation of legitimacy. In general, the Councils were subjected to multiple and uncoordinated regulations, which contained outdated, repetitive, and sometimes conflicting, provisions. The few amendments to the regulations were claimed to be externally driven and financially motivated, and failed to address operational needs at the Council level. These regulatory anomalies had led to the operational uncertainties which forced the Councils' officials to manipulate legitimacy in order to ensure smooth undertaking of the Councils' operations. For example, the revenue regulations had affected the Councils' self-generated incomes significantly:

> "We have a big problem on revenue collection. The approved collection rates are too small and unrealistic. You know, regulations do not allow us to charge any tax or to use any collection rate until it is approved by higher organs. The process of approval is too bureaucratic. Also, for political reasons, some Councillors are not willing to endorse the increase of the collection rates" (Mai, Revenue Accountant: KAMC).

This prompted the Councils' officials to use a number of techniques, such as under-estimation of the self-generated incomes and inclusion of the GPG as part of their own revenues to manipulate the proportion of their self-generated incomes in order to accrue the Government grants. Despite the fact that the Councils' regulations were substantially amended in 1999 and 2006, the amendments were not effectively integrated into the Councils' operations, which, in some cases, conflicted with the effective implementation of the *'decentralization by devolution'* policy. For example, whilst needs assessment flowed from the general public to the Government via the Councils, the planning priorities were dictated centrally by the Government. It was this context which prompted the Councils' officials to maintain formal budget procedures only superficially, in order to resolve the operational difficulties. Furthermore, the LAFM (1997) and LAAM (1992), the oldest accounting regulations, in many respects contradicted the Local Government Finances Act No. 9 of 1982 (amended 2000), and the Local Government Authorities Tender Boards (Establishment and Proceedings) Regulations of 2007 (see section 5.2.4). There were also mismatches between the Local Government Finances Act No. 9 of 1982 (amended 2000) and Public Finances Act (2001). These anomalies meant that the Councils' financial regulations were neither harmonised internally, nor with the external principal laws. Therefore, in order to ensure the efficient undertaking of the Councils' operations in the deficient regulatory regime, the Councils' officials applied a number of strategies, including establishing rhetorical rules and regulations and the maintenance of formal rules and regulations in a loosely coupled state.

7.6.2 Political Interference

Political interference from the Councillors and higher Government officials formed another macro conditioning context for the manipulation of legitimacy. Being hierarchically superior to the technocrats, the Councillors and higher Government officials imposed a number of directives which sometimes contradicted the efficient running of the Councils. Requests for contributions from the Councils following disasters and for entertaining National guests were some of the non-budgeted expenditures imposed by the higher Government officials on the Councils. Also, there were incidences where the Councillors and officials from the Government requested funds for personal use. In order to protect their employment, technocrats were forced to comply with both informal and formal directives automatically:

> "We have so many directives here from the top…You may receive a call from RC [Regional Commissioner] requiring TZS 10,000,000 for the anniversary of the 50th year of the Independence…You may also receive another call requiring TZS 50,000,000 for the Zanzibar's ship disaster and the Gongolamboto tragedy, and so

on. All of these expenditures were not budgeted for, and they know…If you refuse, you will not last in your employment even for three months. You have to accept their directives" (Coab, Municipal Treasurer: MDMC).

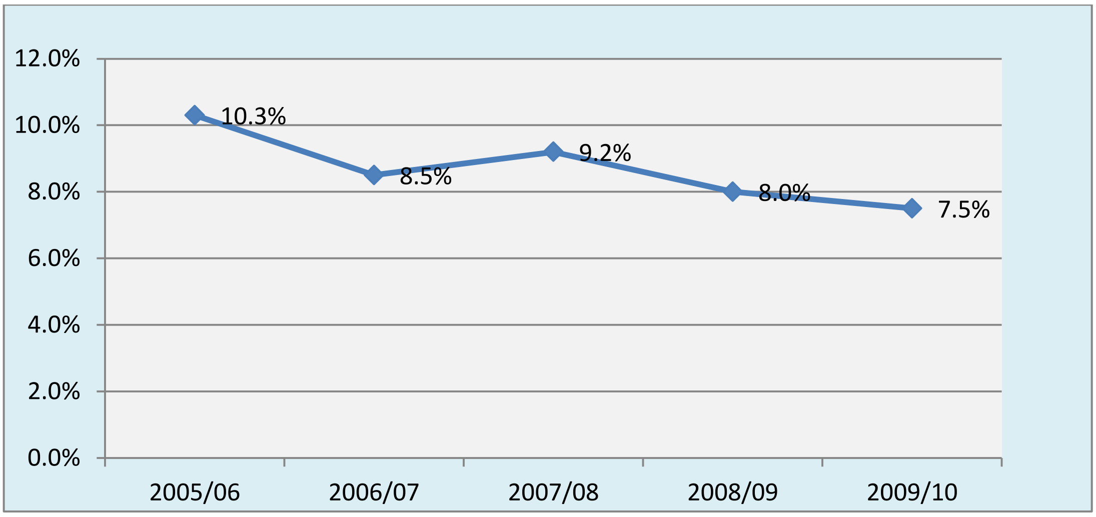
Because the funds were not budgeted for, at the very least the tendency noted above led to manoeuvring during the preparation of the financial statements, while sometimes the financial bribery was extended to supervisory bodies to cover the non-budgeted expenditures incurred by the Councils. Interestingly, some of the non-budgeted expenditures were covered by the general phrase of 'National Interest', a phrase which denoted that even though the expenditures were not budgeted for, they were essential for the smooth running of the country in general. Because this phrase was also known to the statutory auditor and other assessment bodies, this practice facilitated the manipulative techniques during the preparation of the Councils' financial statements.

Similarly, political interference from the Councillors, which was created by the role ambiguity between the Councillors and the technocrats, constrained the efficient undertaking of the Councils' operations. A higher level of interference was noted during the budget preparation, when the Councillors were eager to push for higher allocations of resources to their respective wards. It was this situation which forced the Councils' officials to develop the pre-meeting strategy with the Council Chairperson and prominent Councillors in order to curtail much of the political interference during a formal budget session.

7.6.3 Funding Uncertainties

Funding uncertainties were both macro and micro contexts of the central phenomenon which emerged from this research. The unreliability of the external funds in terms of timing and amount, coupled with the increase of demand of the Councils' services, forced the officials to adopt a number of strategies, such as *management of the procurement process, the practice of teeming and lading, and management of the internal funds* in order to survive. Arguably, the unreliability of the external funds could partially have been addressed by strengthening the internal sources. However, as discussed in detail in Chapters 5 and 6, the internal sources were also constrained by political interference, deficient regulatory systems, and the self-interested behaviour of the technocrats and the Councillors. These factors were partly responsible for the reduction of the ability of the Councils' self-generated incomes to finance their recurrent expenditures, as shown in the following figure.

Figure 15: The LGAs' Self-Generated Incomes as % of Recurrent Expenditures



Source: Annual General Report of the CAG, FY 2005/06 to FY 2009/10.

High financial dependence facing the LGAs, had forced the Councils' officials to be manipulative. This ensured the Councils with the availability of resources and support from the Government and donors. Therefore, high level of financial dependence, was one of the *'enablers'* of the process of manipulating legitimacy. Because the operating environment was non-conducive, the 'manipulative techniques' were capable of ensuring the availability of funds for the Councils' operations.

7.6.4 Donors' Influence

> "We have a problem with donors' conditions. They put a lot of unnecessary conditions on their funds. Sometimes, you are encountered with a situation which donor funds could have been better used in addressing that particular situation, but you are not allowed to use. This is a big problem in our day to day operations (Mihe, Municipal Health Planner: KAMC).

The ability of the Councils to access more funds from the donors depended on, amongst other things, the extent to which they were able to comply with the requirements of donors. As was observed in the performance-based conditional grants systems, a high level of compliance attracted a bonus, and sanctions were applied to cases of low levels of compliance. However, the operating environment constrained effective compliance with some of the donors' funding conditions, a situation which had led compliance games to be played in areas such as auditing and financial reporting in order to appear to satisfy the requirements of donors. Related to these factors were the opinions of the Councils' officials that some of the conditions advanced by donors, such as the maintenance of the Health Basket Fund at the Council level, were inappropriate and created operational problems for the health facilities. In general, the responses of the Councils' officials to these situations were mainly represented in the form of lobbying and compliance games, practices which aimed to solve the perceived operational problem which had been created by the influence of donors.

7.7 Consequences of Manipulating Legitimacy

Strauss and Corbin (1998) described consequences as "outcomes of actions/interactions and represented by questions as to what happens as a result of those actions/interactions or the failure of persons or groups to respond to situations by actions/interactions, which constitute an important finding in and of itself" (p. 128). In the context of this research, the strategies used to manipulate legitimacy produced five main consequences, which were the subordination of accounting practices, professional conflict, fraud and corruption, the steering role of the accounting regulatory board, and escalation of social and political legitimacy. A detailed discussion of each of these is given below.

7.7.1 Subordination of Accounting Practices

Social and economic reforms introduced into the country in the 1990s under the Structural Adjustment Programme (SAP), gave accounting a precedent role in all the Councils' Departments and Sections. The introduction of the *decentralization by devolution* policy had fostered the role of accounting at the lower levels even further, as demonstrated in the following quote:

> "In the past, there was no need for accounting in health facilities. The Central Government supplied everything and there was no need to have accounting records at all. After the introduction of the Cost Sharing Scheme, then the need for accounting

> emerged. This is because the funds are collected and used at the point of service delivery, so there is a need to account for the funds collected…" (Ahm, Health Secretary: KBDC).

However, the implanted role of accounting functions failed to be reinforced by a supportive environment. As a result, there had been subordination of the accounting practices in all accounting practices, namely budgeting, financial reporting, auditing, and performance measurement. For example, inadequate knowledge of the Councils' officials, non-maintenance of the vote book systems, poor segregation of duties, and the limited use of the IFMS/EPICOR, had reduced the potential contribution of the budget to the Councils' operations. As discussed earlier, political interference also downgraded the Councils' budgetary practices to a large extent:

> "It is very difficult to follow the Councils' budget in our environment. Even the implementation of EPICOR in our Councils becomes extremely difficult. How can you be able to comply with the budget while you are required to finance the National Torch and entertain political leaders, things which were not budgeted for, in the first place?" (Heti, Final Accounts' Accountant: KBDC).

Political interference was partly attributed to the maintenance of the formal budgeting in a loosely coupled state. As a result, for example, the Councils' budgets were merely used as a resource hunting vehicle and had limited value for planning and control. A similar trend was observed in auditing and financial reporting, where compliance games were played. In auditing, for example, non-undertaking of the performance audit had weakened the internal auditing functions, and, as a result, there were more external audit queries in the Councils' audited accounts. Furthermore, the IPSAS's compliance camouflage exercised by the Councils' officials had reduced the relevance and reliability of the Councils' financial reports. Therefore, it was apparent that the strategies for manipulating legitimacy had led the accounting practices in the Councils to remain as *calculative practices*, which were intended primarily to satisfy the requirements of the Government and donors at face value, and which were less relevant for the improvement of internal efficiency of the Councils.

7.7.2 Professional Conflict

Professional conflict emerged in the interactions between accountants and medical practitioners in the Councils, as well as in the SDUs. The interaction was facilitated to a large extent by the allocation of accountants to the Health Departments and facilities. The allocation of accountants to the health facilities, which was the mechanism employed to monitor the Councils' self-generated incomes from the Cost Sharing Scheme, had significantly shifted financial power from the medical practitioners to the accountants. The accountants super-ceded the medical practitioners as holders of the budget and they also were directly involved in the collection and safe custody of the collected funds. This, arguably, led to the hostile relationship between the accountants and the medical practitioners:

> "You know, accounting is very important in health facilities. The only problem is the rigidity of the accounting rules and regulations. We as medical doctors, *we cannot allow the accountant to deposit money in the bank while we have an immediate use of them*…Our aim here is to save the life of our patients and not otherwise" (Reme, Health Centre Medical in Charger: KAMC) (emphasis added).

Therefore, the allocation of accountants to the health facilities, which was intended to strengthen the Councils' legitimacy regarding the efficient management of the Councils' health funds, turned into a source of conflict. As a result, the effective supervision of the Councils' health funds, and more importantly, the overall undertaking of accounting practices, was negatively affected. It was also apparent that self-interested behaviour on the part of the medical practitioners had fuelled the conflict.

7.7.3 Fraud and Corruption

Fraud and corruption had emerged as a consequence of the strategies employed to manipulate legitimacy. For example, strategies such as under-banking of collected funds, teeming and lading, and opinion shopping all provided the potential for the occurrence of fraud and corruption. In general, fraud was an outcome of the inherent weaknesses facing the Councils, as well as the self-interested behaviour of the Councils' officials, while corruption was mainly driven by the officials' desire to control the operating problems by using bribery[32]. Therefore, the emergence of fraud and corruption was an outcome of the dubious mechanisms used by the Councils' officials to acquire organisational legitimacy. In general, fraud and corruption related cases were prominent in the Tanzanian LGAs:

> "The Parliamentary Committee for Local Authorities Accounts (LAAC) has uncovered a syndicate between the Ministry of Regional Administration and Local Government [PMO-RALG] and various Local Government Authorities (LGAs) which is involved in massive embezzling of billions of shillings of state funds... The committee discovered misappropriation of TZS 5.8bn/- allocated for various projects in TNDC [pseudonym] in which a greater portion of the money was misappropriated. The committee was equally dissatisfied with the accounting of TZS 7.7 billion allocated to the council for the 2008/09 fiscal year for recurrent and development expenditures and has ordered for the same to put records clear and submit them… The Government has admitted that funds totalling more than 70 per cent of its annual budget allocated in the LGAs have been mismanaged; hence affecting implementation of development programmes" (Reporter-Daily News, 1st April, 2011) (emphasis added).

7.7.4 Steering Role of Accounting Regulatory Board

What emerged from the process of manipulating legitimacy was the need for the active involvement of accounting board in the regulation of accounting practices in the Councils. At the time of the research, accounting in the Tanzanian public sector in general, and the LGAs in particular, was highly regulated by the Government and donors. With the focus of these bodies being on the reporting of funds disbursed to the LGAs, the opportunity to improve accounting practices overall had been missed. The country's accounting regulatory board, the NBAA, had not yet effectively extended its regulatory functions to the public sector entities, despite the belief of the Councils' officials and other stakeholders that the effective involvement of the NBAA could substantially reduce the extent of manipulation, and strengthen the accounting practices, in the Councils:

[32] On 3rd June, 2012, the Prevention and Combating of Corruption Bureau (PCCB) caught one member of the Parliamentary Committee (LAAC) receiving a financial bribe from the Councils' officials which planned to be visited by the Committee (Daily News, 4th June, 2012).

> "We have been told to adopt IPSAS as our financial reporting framework. However, IPSAS require a lot of information. As you know, IPSAS represent International framework, and some of the information/items are not applicable at all in our environment. I think there is a need for the NBAA to be involved in *'contextualizing'* some of the disclosure and recognition principles" (Hame, Revenue Accountant: KBDC) (emphasis added).

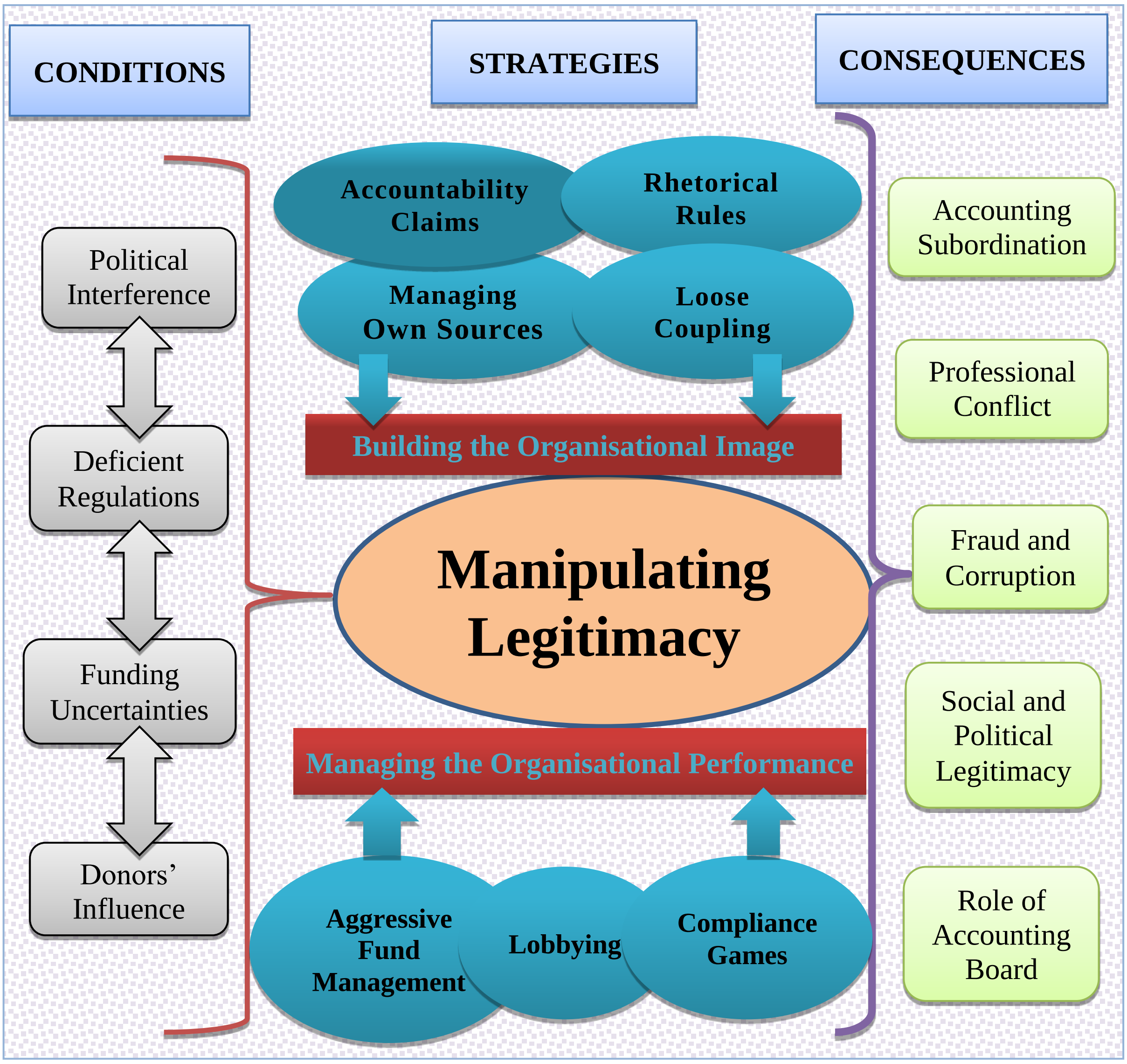
7.7.5 Augmenting Social and Political Legitimacy

Social legitimacy denotes the extent to which key stakeholders accept the organisation as dependable (Curtin & Meijer, 2006), a phenomenon which was noted in the studied organisations. The increasing involvement of the Tanzanian LGAs in provision of the public services enhanced their social legitimacy. As a result, despite the existence of inherent operational problems in the Councils, the Government officials, Members of Parliament, Councillors, and the general public, still regarded the Councils as important and appropriate bodies for the development of the country. The transparency and accountability claims had fostered the Councils' social legitimacy even further. The Councils' operations also enhanced the political legitimacy of the elected officials, such as Councillors, Members of Parliament, Higher Government officials, Chairpersons of the Village and Suburbs, and the ruling party. It was at the Council level that political promises included in the political parties' election manifestos were implemented. Therefore, it was apparent that the process of manipulating legitimacy had boosted not only the appropriateness of the Councils to the stakeholders, but also the legitimacy of the politicians and the Government in the eyes of the general public. These observations can partly explain why the Councils obtained high levels of support from the politicians and other stakeholders, despite the fact that they demonstrated extremely weak administrative arrangements.

7.8 The Paradigm Model of Manipulating Legitimacy

This section presents the paradigm model of the manipulating legitimacy. It contains four main conditions which are: the deficient regulatory systems, political interference, funding uncertainties, and the influence of donors. These conditions constrained the effective undertaking of the Councils' operations. The responses of the Councils' officials to these conditions were reflected through two main strategies, namely, building the organisational image and managing the organisational performance. Building the organisational image represents the attempts of the Councils' officials to create a favourable image of the Councils through accounting practices. It involved four sub-strategies which were accountability claims, the management of self-generated incomes (own sources), loose coupling of performance measurement and budgetary practices, and the establishment of rhetorical rules and regulations. The other main strategy, managing the organisational performance, denotes the techniques employed by the technocrats to control the Councils' performance through mechanisms such as aggressive fund management, lobbying, and compliance games. The consequences of manipulating legitimacy were evidenced through subordination of the accounting practices, in the sense that accounting had less value for internal decision making. Also, the legitimacy manipulation process led to fraud and corruption, professional conflict between accountants and medical practitioners, and a need for the active involvement of the accounting regulatory board. Finally, despite the fact that the financial resources were acquired through manipulation techniques, they enhanced social and political legitimacy of the Councils, politicians, the ruling party, and the entire Government. The paradigm model of the manipulating legitimacy is shown in the following figure.

Figure 16: Substantive Theory of Manipulating Legitimacy



7.9 Summary

This chapter is the concluding part of the grounded theory analysis method which was adopted in this study. The core categories which were obtained in the axial coding process were integrated into the emerged central phenomenon in the form of conditions, strategies, or consequences. This was done through the application of the paradigm model (Strauss & Corbin, 1998). The four conditions which created the situations and circumstances for the occurrence of the central phenomenon, manipulating legitimacy, have been identified as the deficient regulatory systems, political interference, funding uncertainties, and donors' influence. The responses of the Councils' officials to the circumstances created by these conditions were two-folds: to build the organisational image, and to manage the organisational performance. Building the organisational image was achieved by using four sub-strategies, which were: accountability claims, the management of self-generated incomes (own sources), establishing rhetorical rules and regulations, and loose coupling of the performance measurement and budgetary practices. On the other hand, managing the organisational performance subsumed three sub-strategies: aggressive fund management, lobbying, and compliance games. The strategies employed produced five related consequences, which were: the subordination of accounting practices, professional conflict, fraud and corruption, a steering role for accounting regulatory board, and escalation of social and political legitimacy. The chapter concluded with the presentation of the substantive grounded theory of manipulating legitimacy. An integration of the emergent theory within the extant literature is contained in the following chapter.

Chapter Eight
The Emergent Theory within the Extant Literature

8.1 Introduction

This chapter integrates the emergent theory and its related concepts within the extant literature. The process ensures the general implications of the emergent theory beyond the Tanzanian Councils where the current research was carried out (Glaser, 2010). The chapter is divided into four main parts. The first part discusses the central phenomenon and other phenomena within the extant literature. The second part provides a general discussion of institutional theory applied within the accounting literature. It briefly discusses the main strands of institutional theory adopted in accounting research and their potential contributions to the understanding of accounting as practiced in organisational settings. This part concludes by offering a rationale for using New Institutional Sociology (NIS) to interpret the findings emerged from the current research. The third part integrates the emergent theory within the NIS framework. The section provides detailed discussion of the institutional pressures imposed on the Councils, the reactions of the Councils' officials, and their related consequences. The integration of the emergent theory within NIS framework suggests a more abstract formal grounded theory of manipulating legitimacy, which is discussed in the last part of the chapter.

8.2 Manipulating Legitimacy

This section discusses the concept of manipulating legitimacy within the extant literature. It specifically provides an overview of the concept and the rationale behind its application. The section also discusses the main strategies undertaken for manipulating legitimacy and other phenomena which emerged from the current research within the extant literature.

8.2.1 An Overview of Manipulating Legitimacy

The concept of manipulating legitimacy, which was the core phenomenon which emerged from this study, has been implicitly discussed in the extant literature (Ashforth & Gibbs, 1990; Deegan, 2006; Deegan, Rankin, & Tobin, 2002; Oliver, 1991; Suchman, 1995). Suchman (1995) raised the possibility for organisational legitimacy to be gained through manipulation techniques. This occurs when organisations manipulate the existing external structures by creating new organisational legitimating beliefs which aim to persuade the external stakeholders on its appropriateness. Oliver (1991) also acknowledged the possibility of institutionalized organisations using manipulation techniques to address institutional pressures, which, in turn, enhanced organisational legitimacy. Oliver (1991) further argued that manipulation is the most active response to institutional pressures, in comparison to other responses (i.e. acquiescence, compromise, avoidance, and defiance), and is more likely to happen when it is anticipated that organisational legitimacy will be low. These explanations closely resembled the findings of the emergent theory. The Councils' officials were actively involved in manipulation techniques, such as lobbying, aggressive fund management, and compliance games, in order to gain legitimacy from the Government and donors. Even though the techniques were 'harsh', they were intended to persuade fund providers on the appropriateness of the Councils' operations. This was due to the low levels of credibility attached by the various stakeholders, as a result of the operational problems prominent in the Councils.

Deegan (2006) also raised the possibility that organisations might manipulate disclosure information in order to gain legitimacy. This correlates with the main findings of the current research. The only difference is the fact that the manipulation of legitimacy which was observed in this study included both accounting functions and output. In the same context, Zimmerman and Zeitz (2002) referred to manipulation as the process of changing the external environment in order to be consistent with organisational operations, whereby manipulation techniques are applied in order to influence the external environment to be in line with the actual organisational operations. In general, these explanations show that organisations may manipulate their operating environment in order to gain legitimacy and ensure the availability of resources and support from the wider constituents (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). This was observed in the visited Councils, where the manipulation techniques enabled them to obtain financial resources from the Government and donors. The following section discusses the strategies employed in the process of manipulating legitimacy in light of the extant literature.

8.2.2 Strategies for Manipulating Legitimacy

The issue of how the manipulation of legitimacy is normally exercised is addressed in the extant literature, the findings of some of which were parallel to the tactics observed in the emergent theory. For example, building the organisational image, which was one of the major strategies for manipulating legitimacy, involved mere legitimization techniques which were employed by the Councils' officials to portray a favourable image to the external stakeholders. It included techniques such as the management of self-generated incomes (own sources), accountability claims, loose coupling, and the establishment of rhetorical rules and regulations. Richardson and Eberlein (2011) similarly showed the legitimization techniques used by the International Accounting Standard Board (IASB) in order to maintain its legitimacy for setting the transnational accounting standards. The board used the 'due process' mechanism, which involved an effective dialog between the board and a variety of stakeholders, a process which ensured the legitimacy of the standards. Also, Panozzo (2000) and Black (2008) argued that 'accountability claims' are key to organisational legitimacy, an observation which closely resembles what was noted in the emergent theory, whereby the Councils' officials used budgeted information to claim high levels of accountability to the Wards and Villages in order to obtain increased funding allocations. Furthermore, Pettersen (2001) revealed the manner in which officials in the Norwegian Hospital sector systematically utilized ambiguity embedded in the budgeting systems to create a budget deficit in order to obtain more resources. This mirrors closely the under-estimation of the budgeted revenues exercised by the Councils' officials. As was explained in the previous chapter, under-estimation was intended to increase the proportion of actual collection to above 80% in order to increase funding allocation.

Similarly, the use of 'rhetorical' techniques to manipulate organisational legitimacy has been recorded in the extant literature (Covaleski et al., 2003; Suddaby & Greenwood, 2005). For example, in the case study by Covaleski et al. (2003), rhetorical terms, "rhetorical velvet glove" (p. 349), were used by the Big Five accounting firms to minimize the financial and political pressure. Persuasive terms such as 'world class services', and 'higher order platform of services' were successfully used to bargain for the right to perform the internal audit services. Despite the fact that this was a different situation to the ones presented in the study under consideration, it pinpoints the use of rhetorical strategies when building the organisational image in another context. The rationale behind 'building the organisational image' originated from the fact that "for [an] organisation seeking to be legitimate it is not the actual conduct of the organisation which is important, it is what society collectively knows or perceives about the organisation's conduct that shapes legitimacy" (Deegan, 2006, p. 165). It was in this context that the Councils employed persuasive techniques to influence their appropriateness to the Government and donors regardless of their actual operations.

'Managing the organisational performance' was a second main strategy of the manipulating legitimacy, and describes 'harsh' techniques employed by the Councils' officials to address the internal performance of the Councils. In contrast to the extant literature, where performance management practices take the form of integrated approaches (Brignall & Modell, 2000; Modell, 2009; Modell & Wiesel, 2008; Yetano, 2009), the practices observed by this study were intended to defend the performance of the Councils in order to obtain funds from the Government and donors. This was especially the case following the Government decision to introduce performance based discretionary grants to the LGAs with effect from the FY 2004/05. As a result, sub-strategies such as aggressive fund management, compliance games, and lobbying, were employed to ensure the attainment of grants. These techniques have also been discussed in the extant literature. For example, in UK and Australia, gatekeepers played research games as well as teaching, professional, and community service games in order to strengthen their departments (Parker, Guthrie, & Gray, 1998). Also, in Uddin and Hopper's (2001) case study, the game played by workers, 'informal rest arrangements' (p. 665), promoted the achievement of the budget. The workers, in union, were eager to attain the budgeted output quickly by using 'tricks' in order to enjoy informal rests, and this was tolerated by the management. Similarly, Lapsley (2008) raised the possibility of managers in public sector organisations adopting a 'tick box' approach which had the potential to increase compliance games in the audit process. These observations closely resembled the compliance games which were evidenced in this research (see Chapter 7, section 7.5.2.3). However, unlike the observations of the extant literature, the games played by the Councils' officials were grants-driven.

Similarly, lobbying, which was observed in this research, has also been explicitly and implicitly discussed in the extant literature (Deakin, 1989; Georgiou, 2005; Jupe, 2000; Tutticci, Dunstan, & Holmes, 1994; Weetman, Davie, & Collins, 1996). Taken together, these studies show the existence of lobbying in the standard setting process, and they also revealed the political and social context which justified the lobbying practices, instances which resembled the ones observed in the current study. In general, as Rahaman and Lawrence (2001) noted, the rules and procedures in the public sector organisations are the product of negotiations, a phenomenon which increases lobbying practices. Overall, the discussion provided in this section positions the strategies employed in the process of manipulating legitimacy within the extant literature, and, therefore, enriches both the emergent theory and the extant literature. Other important phenomena which emerged from the process of manipulating legitimacy are discussed in the following section.

8.2.3 Peripheral Phenomena of Manipulating Legitimacy

This section discusses five other phenomena which emerged from the research process, namely, the role of accounting in the organisations, accounting, accountability, and governance, accounting and the reporting language, professional conflict, and corruption. The extant literature is used to compare and contrast issues under each phenomenon with the overall objective of cross-referencing between the observations of this research and that of the established literature.

8.2.3.1 The Role of Accounting in the Organisations

The role of accounting in the Tanzanian Councils was to satisfy the requirements of the fund providers. For example, budgeting was simply used as a mechanism for 'hunting' financial resources with a limited role in both planning and control. Financial reporting, on the other hand, was mainly used to justify the utilisation of the entrusted resources, while auditing processes were used primarily to satisfy the external stakeholders, with little relevance to improving the operations of the Councils. In general, the actual undertaking of the accounting practices was directed towards fulfilling the funding requirements of the Government and donors. As a result, these major financial providers received most of the accounting attention (Goddard & Assad, 2006), followed by other stakeholders such as the Parliamentary Committee, the statutory auditor, the Councillors, and the general public.

Also, this research evidenced that the operational changes introduced in the Councils as a result of the SAP and the *decentralisation by devolution* policy had not positively and progressively changed the role of accounting in the Councils (cf. Alawattage & Wickramasinghe, 2008). Accounting remained disorganised, procedural, reactive, and calculative practices, performed and supervised by self-interested individuals. As a result, accounting practices had not been able to address effectively the main concerns of the Tanzanian citizens, such as poverty, let alone the Councils' internal efficiency (see Abernethy & Brownell, 1999). The major weakness of the accounting practices in the LGAs was caused by the absence of an effective accounting regulatory board. Unlike other countries where professional bodies play a significant role in the public sector accounting (Day, 2000; Hoque & Moll, 2001; Kent, 2003), the regulatory link between the country's accounting board, the NBAA, and accounting practices in the Tanzanian LGAs, was unnoticed. This had led to a regulatory 'vacuum' which had facilitated the accounting manipulations.

8.2.3.2 Accounting, Accountability, and Governance

An interesting observation from the emergent theory was the relationship between accounting, accountability, and governance. It was marginally observed that accounting practices not only enhanced accountability and governance, but also influenced the officials' views of their roles regarding accountability and governance. For example, in one session of the Parliamentary Committee, members of the committee refused to accept the accounts of four Councils due to the differences in the development funds' balances between the Councils' audited accounts and the LAAC book. The members of the committee were of the view that the differences needed to be investigated and audited accordingly before they would discharge their governance roles regarding the Councils' accounts. Similarly, the financial reporting practices influenced the way the technocrats viewed their accountability roles. Because the development funds of the lower levels of the Wards and Villages were fully expensed at the point of transfer at Council level, the Councils' technocrats felt that they were not accountable for ensuring the efficient utilisation of the funds at the lower levels.

The relationship between accounting, accountability, and governance as observed in this study finds support in the extant literature (Ahrens & Chapman, 2002; Collier, 2005; Cooper & Pearce, 2011; Goddard, 2004, 2005a, 2005b; Goddard & Powell, 1994; Roberts & Scapens, 1985). However, peculiar to the current study was the level of distrust found amongst the participants, which had increased the officials' accountability and the governance roles. For example, the increased public outcry about the mismanagement of the public funds allocated to the LGAs, and the low level of trust attached to the technocrats, forced the Parliamentary Committee to initiate physical assessment of the development projects, with effect from the FY 2006/07. Previously, the Committee had only been involved in examining the Councils' accounts. Similarly, realizing the possibility of collusion between the Councils' officials and external auditors, the members of the Parliamentary Committee used as a norm accounting information from other sources, such as the media and 'whistle-blowers' to hold the Councils' officials accountable. These informal arrangements, which were based on 'sense-making' (Collier, 2005; Roberts, 1991), enhanced the Councils' accountability to a large extent.

It is also important to note that the question frequently raised about where the accountability of the public sector lies, is still relevant (Pollitt, 1993). Whilst theoretically local governments need to be more accountable to the local citizens (Devas & Grant, 2003), the studied Councils showed that they were more accountable to the Government and their donors. This supports Kloot's (1999) observation that local governments, as with other public sector entities, are more accountable to their financial providers than other stakeholders. This is especially the case when organisations depend heavily upon external sources of finance. As it was observed in this research, even when the accountability to the general public appeared to be enhanced, the rationale behind it was to convince fund providers that the Councils were more accountable and hence accrue additional resources.

8.2.3.3 Accounting and the Reporting Language

This research evidenced the language problem which faced some majority of the Councillors and the general public, which somewhat constrained effective communication of the accounting information. In contrast to developed countries, such as Sweden, which require all official documents to be written in the local language (Czarniawska, 2010), the situation is different in emerging economies. The local language is usually different from the official language, which necessitates translation. As was observed in the Councils, English was a transaction and reporting language and was not clearly understood by the majority of the Councillors and the general public. This necessitated the translation of accounting information into the local language, Swahili. It was noted that the accounting information lost much of its content value in translation, which cast doubt on the appropriateness of decisions made based on the translated accounting information. The issue of translation and its impacts have also been discussed in the extant literature (Abd-Elsalam & Weetman, 2003; Czarniawska, 2010; Evans, 2004; Gray, 1988). For example, examining disclosures of the International Accounting Standards (IASs) when they were firstly introduced in the Egypt, Abd-Elsalam and Weetman (2003) found that the level of compliance was low when the regulations were not available in the local language, Arabic. Thus, their study suggested that appropriate translation increases the level of compliance. However, the literature generally recognises the incomplete nature of translation especially when technical terms are used. As Evans (2004) commented:

> "The discipline of translation studies suggests that full equivalence in translation between languages is rare. This suggests that the risk of misunderstanding is exacerbated when technical terms are translated into another language" (p.210).

Although Evans (2004) referred to the implications of mistranslations of technical terms in the context of linguistic theories, her observation relates to what was noted in this research. The Councils' officials struggled with the translation of some of the technical accounting terms such as 'balance sheet', 'statement of owners' equity', and 'amortization'. And, as a result, inappropriate terms were used purposely to 'get rid' of translation:

> "The Council's annual budget, final accounts, statutory audit report, monthly, and quarterly financial reports are all required to be translated into Swahili for the Councillors to understand. As you know, some of the accounting terms are so technical and very difficult to be translated in Swahili. As a result, *tunawachomekea*[33]*"* (Muma, Municipal Treasurer: KAMC) (emphasis added).

[33]*Tunawachomekea* is the Swahili proverb which means camouflaging or putting something without the knowledge of other party.

Thus, this study supports the assertion of Gray (1988) that the effective development of accounting system of any country needs to take into account cultural factors, in this case, the language.

8.2.3.4 Professional Conflict

Professional conflict emerged as a consequence of manipulating legitimacy phenomenon. The issue of professional conflict between accountants and medical practitioners, and its potential impact on the accounting practices, has been widely discussed in the extant accounting literature[34]. The antagonistic relationship between accountants and medical practitioners reported in the extant literature mainly originated from two factors: health care reforms which put more emphasis on cost at the expense of the quality of health services, and the differences in the cultural norms and ethical values between accountants and medical practitioners (Chua & Preston, 1994; Jones, 2002; Jones & Dewing, 1997; Lawrence et al., 1994; Lawrence, Alam, Northcott, & Lowe, 1997; Scarparo, 2006). Further to these, the current study found that the self-interested behaviour of some of the Councils' officials also accelerated the conflict. The implementation of the health sector reforms introduced in Tanzania in the 1990s, as part of the SAP, necessitated constant interactions between accountants and medical practitioners at both the health facilities and the Council level. The allocation of accountants in both places was seen to have replaced medical practitioners' role in the financial administration of the health funds. In the health facilities, financial administration shifted from Medicals in Charge to accountants, and Health Accountants at the Council level had replaced the financial administration role of Councils' Medical Officers. These changes were not only "potentially conflicted with the dual hierarchies which characterized hospitals and created pronounced demarcation between medical and administrative functions" as suggested by Jones and Dewing (1997, p. 262), but had also significantly minimised the financial power of medical practitioners.

[34] The issue of involvement of accountants in health facilities attracted a debate long time ago. This was acknowledged in the Lawrence, Alam, and Lowe (1994)'s paper which first paged the cartoon originated from the Tom Scott of *Waikato Times* which reads: "WELCOME TO YOUR REGIONAL HEALTH AUTHORITY. POP UP ON THE BED, POP OFF YOUR CLOTHES, AND ONE OF OUR ACCOUNTANTS WILL ATTEND TO YOU SHORTLY" (p.68). This shows that a position of accountants in health facilities is the contentious issue.

As a result, the medical practitioners, who were hierarchically superior to the accountants, resisted the changes informally by restricting the participation of accountants in the health budgets, and compelling the accountants to bend the accounting procedures. For example, there were cases where the accountants were forced to give out cash without the appropriate authorization. In contrast to the extant literature, rather than resistance being a mechanism for protecting professional normative values (Broadbent et al., 2001), or an attempt to maintain the threatened autonomy of the medical practitioners (Abernethy & Stoelwinder, 1995), was used as a mechanism to regain lost financial power and control. Unlike what had been observed by Kurunmaki et al. (2003) in Finland and Scarparo (2006) in the Swedish hospitals, where the management accounting was absorbed by health care professionals, accounting practices in the Tanzanian health facilities were neither absorbed, nor effectively accepted by the medical practitioners, a situation which had affected the efficient undertaking of the accounting practices as well as the delivery of health services. In general, the findings of this study demonstrated the assertion by Abernethy and Stoelwinder (1995) that when controls are imposed on individuals with high professional orientations, it is likely to have adverse effects to both individuals and organisations.

8.2.3.5 Corruption

The current study observed incidences of corruption as the consequences of the process of manipulating legitimacy. The manipulation strategies created a loophole which enabled the occurrence of corruption, and given its magnitude, it seems to have been "institutionalized" (Okike, 2004, p. 708). The observed corruption was in a form of collusion between the Councils' officials and the Councils' suppliers, and bribery was also applied to members of the supervisory bodies[35]. Because public officials had free will, accountability was narrow, and transparency was inadequate, to observe corruption was unsurprising (Riley, 1998). Parallel to the observation by Iyoha and Oyerinde (2010) in Nigeria, the corruption related issues eminent in the Tanzanian Councils had failed to be effectively addressed by the anti-corruption agencies, such as the PCCB and the Fraud Investigation Unit (FIU). In fact, current study found no

[35] Sometime after the fieldwork (i.e. 3rd June, 2012), PCCB arrested one member of the Parliamentary Committee for taking a bribe of TZS 1,000,000 from the officials of the Council which planned to be visited by the Committee (Daily News, 4th June 2012).

evidence to suggest that there was cooperation between these anti-corruption agencies and the Councils' accountants and auditors. The few reported corruption cases originated from whistle-blowing by the media, or by ordinary citizens. In contrast to the extant literature, the findings of the current study demonstrated that the role of financial reporting in signposting fraud and corruption was blurred. Therefore, the current research supports Okike (2004)'s argument that the "success of the government's anti-corruption campaign hinges on effective cooperation with various corporate governance mechanisms, prime amongst which is the role of accountants and auditors in financial reporting" (p.707). Similarly, as Iyoha and Oyerinde (2010) asserted, a "robust accounting infrastructure" (p.368) has the potential to curtail corruption related cases in the emerging economies.

It is also worth noting that corruption is a contentious issue in the Tanzanian public sector in general. Recognizing this fact, the third phase Government formed the Presidential corruption inquiry in January 1996 and the inquiry reported its findings in December 1996. It unveiled 'petty' corruption in the police force and the judicial systems, while 'grand' corruption was noted in major public contracts, such as mining and the construction of the public infrastructures, such as roads and buildings (Warioba, 1997). However, its conclusions have not been effectively acted upon. In general, the corruption incidences noted in this study are representative of a wider problem in the public sector entities of emerging economies (Abdulai, 2009; Ampratwum, 2008; Berkman et al., 2008; Brown & Cloke, 2006; Malagueño, Albrecht, Ainge, & Stephens, 2010; Muganda, 1997; Olowu, 1999). The following section discusses institutional theory within the context of accounting research.

8.3 Institutional Theory and Accounting Research

Institutional theory is concerned with the way in which structures, procedures, rules, and norms, become part of the organisational behaviour (Scott, 2005). It primarily deals with how these elements are constructed, adopted, and diffused by the institutionalized organisations (Scott, 2005). Based on discipline, Scott (2001) identified three components of institutional theory, namely, institutional theory in economics, institutional theory in political science, and institutional theory in sociology. In sociology, which is the subject most related to this research, Scott (1987) identified four sociological formulations for institutional theory, namely, institutionalization as a process of instilling value, institutionalization as a process of creating reality, institutional systems as a class of elements, and institutions as distinct societal spheres. In principle, these formulations depict the development of the institutionalization process which takes place in the organisations. The institutional theory, with its focus on institutions, has attracted enormous interest in social science research, including accounting (Miller, 1994). The use of institutional theories to study accounting practices is supported by the fact that accounting is influencing, and being influenced by, the social, political, and economic contexts in which it operates, and these elements are central to institutional theory (Burns & Scapens, 2000; Moll, Burns, & Major, 2006; Scapens, 2006). Therefore, institutional theory, with its focus on institutional settings, is claimed to be in a better position to dissect institutional interrelationships and increase the understanding of accounting practices (Burns & Scapens, 2000; Dillard, Rigsby, & Goodman, 2004). This was the primary reason for the use of institutional theory to interpret the research findings of this study.

Accounting research from the institutional theory perspective is normally informed by three theoretical frameworks, namely, Old Institutional Economics (OIE), New Institutional Economics (NIE), and New Institutional Sociology (NIS) theories (Ahmed & Scapens, 2000; Burns & Scapens, 2000; Ribeiro & Scapens, 2006; Scapens, 2006). As evidenced in the following discussion, all of these three strands of institutional theory share common characteristics, although they differ in specifics (Burns & Scapens, 2000; Moll et al., 2006; Ribeiro & Scapens, 2006).

New institutional economics (NIE) applies economic reasoning to explain institutional settings and organisational structures (Burns, 2000; Moll et al., 2006; Scapens, 2006). The theory describes organisational existence based on cost-benefit analysis (Moll et al., 2006). It argues that organisations normally exist when its benefits outweigh its costs. In the accounting discipline, NIE has been mainly used to explain and develop various types of management controls and accounting systems (see for example, Speklé, 2001; Van der Meer-Kooistra & Vosselman, 2000; Vosselman, 2002). Despite its contributions, there are concerns that the rationality assumptions emphasised by NIE are inappropriate. Major business collapses were claimed to be associated with the managers' rationality and opportunism behaviours, concepts which are imbedded in NIE's framework (Scapens, 2006). This partly explains the paucity of NIE informed studies in the accounting literature.

Opposition to the economic assumptions such as market equilibrium, rationality, and opportunism embedded in NIE has contributed to the emergence of old institutional economics (OIE) theory (Moll et al., 2006; Scapens, 2006). Instead of regarding the economic assumptions as taken for granted, OIE explains the rationale behind people's behaviour surrounding the assumptions (Scapens, 2006). It focuses on an intra-organisational stance that explains the processes of change and resistance, as well as the decoupling of the formal arrangements and the actual organisational practices (Moll et al., 2006; Ribeiro & Scapens, 2006). As noted by Scapens (2006), OIE is providing more of an intra-organisational aspect of institutions. Therefore, "OIE theory would generally consider why/how particular behaviours or structures emerge, sustain and/or change over time than merely what structures exists at any given point in time" (Moll et al., 2006, p. 184). A number of accounting studies have used this theoretical framework to investigate accounting changes in actual organisational settings (Burns, 2000; Burns & Baldvinsdottir, 2005; Burns & Scapens, 2000; Collier, 2001; Guerreiro, Pereira, & Frezatti, 2006; Perren & Grant, 2000; Siti-Nabiha & Scapens, 2005).

Notwithstanding its usefulness, OIE has been criticised for being unable to provide a thorough account of the reasons for change which normally occur in an organisation (Ribeiro & Scapens, 2006). This is associated with its intra-organisational focus, which sometimes fails to provide thorough insights into the macro factors associated with the changes. Realizing this limitation, some accounting studies, such as Siti-Nabiha and Scapens (2005) and Ribeiro and Scapens (2006), combined OIE and NIS in order to provide a complete explanation of the accounting changes. This approach acknowledges, among other things, that accounting is influencing, and being influenced by, both internal and external factors surrounding the organisational operations (Moll et al., 2006; Scapens, 2006). This fact permeates the use of the New Institutional Sociology (NIS) and its extension.

New Institutional Sociology (NIS) provides explanations pertaining to the adoption of specific structures and procedures in organisations that operate within institutionalized environments (Ribeiro & Scapens, 2006). The theory suggests that institutionalized organisations adopt external structures and procedures to appear legitimate to their broader constituencies in order to ensure the attainment of resources for survival (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Generally, NIS is concerned with the interactions between organisational operations and wider social environments (Ribeiro & Scapens, 2006). The NIS framework has been implicitly and explicitly adopted to study the practice of accounting in organisational settings (Abernethy & Chua, 1996; Alam, 1997; Ansari & Euske, 1987; Carpenter & Feroz, 1992, 2001; Collier, 2001; Covaleski & Dirsmith, 1988a; Covaleski, Dirsmith, & Michelman, 1993; Hopper & Major, 2007; Laine, 2009; Modell, 2001, 2003; Moll & Hoque, 2011; Rautiainen, 2010). In line with this body of literature, the following section integrates the emergent theory into the NIS theoretical framework.

8.4 NIS and the Emergent Theoretical Framework

This research revealed high influence of the institutional pressure on the operations of the Councils. As public organisations, the Councils were subjected to formal and informal directives from a variety of stakeholders, and the main accounting functions such as budgeting, auditing, financial reporting, and performance measurement, were used to respond to these pressures. Therefore, it became evident that NIS, with its emphasis on analysing the institutional environment in which an organisation operates (Rahaman et al., 2004), could explain how the accounting practices were used to legitimize the Councils' operations to the key stakeholders such as the Government and donors. NIS is also able to explain how institutionalized organisations tend to conform to the institutional pressures ceremonially in order to accrue resources (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Ribeiro & Scapens, 2006). It is also more appropriate when analysing organisations that require both political and institutional legitimacy (Tsamenyi et al., 2006), as well as analysing organisations which are subject to the interactions between organisational operations and the wider social environment (Hussain & Hoque, 2002). These instances equally existed in the Councils, and therefore, NIS was considered an appropriate theoretical framework for interpretation of the research findings. It is also worth noting that this research was not intended to test NIS but, rather, to adopt it as a theoretical lens that would assist the interpretation of the research findings. Drawing upon the NIS perspective, this research suggests that the phenomenon of manipulating legitimacy originated from the interplay between the institutional pressures from the Government and donors and the responses of the Councils' officials. The discussion of the responses of the Councils' officials is preceded by an analysis of the institutional pressures imposed on the Councils.

8.4.1 Institutional Influences on the LGAs' Accounting Practices

DiMaggio and Powell (1983) identified three forces which normally face institutionalized organisations. These are coercive, mimetic, and normative. Coercive pressure represents formal and informal pressure which an organisation faces from society in general or other institutions. Mimetic pressure signifies an attempt by an organisation to copy, or assimilates its activities, with other organisations which are considered to be a role model. On the other hand, normative pressure denotes the influence of trade associations and professional bodies on the organisational operations. The Councils demonstrated high levels of coercive pressure from the Government and donors. Because the Councils lacked autonomy, there was no evidence to suggest that they themselves imitated the best practices and incorporated the same into their operations. Also, the influence of the professional bodies and trade unions on the operations of the Councils was insignificant. Therefore, the following three subsections examine the influence of the coercive pressures imposed on the financial reporting, budgeting, and the performance measurement practices of the Councils.

8.4.1.1 Coercive Pressures on the Financial Reporting Practices

The influence of the Government and donors on the Councils' financial reporting practices was primarily manifested in two aspects: the introduction of the IFMS/EPICOR and the adoption of the financial reporting frameworks. In the case of IFMS/EPICOR, the Government, in collaboration with donors, pioneered its introduction to the LGAs as a mechanism to address financial mismanagement and to enhance the comparability of the reporting mechanisms across the LGAs. The latter reason, as Meyer and Rowan (1977) argued, was an attempt to make the organisations homogeneous. The use of NIS to explain the adoption of the accounting system in this study is congruent with other accounting studies (see Collier, 2001;

Hussain & Hoque, 2002; Kholeif, Abdel-Kader, & Sherer, 2007; Quattrone & Hopper, 2005; Tsamenyi et al., 2006). For example, Tsamenyi et al. (2006) adopted NIS framework to analyze how the institutional environment interacted with market forces and intra-organisational power relations to influence changes in the accounting and financial information system in a Spanish electricity company. Also, Hussain and Hoque (2002) adopted NIS to show the impact of institutional forces (economic factors, competition, regulations, management commitment, organisational profile, etc) on management accounting systems.

In a similar vein, this research shows the influence of the Government and donors on the adoption and implementation of the LGAs' accounting systems (i.e. IFMS/EPICOR). The system was coercively imposed on the LGAs, and in order to ensure its implementation, it was included as one of the performance indicators for grants purposes. The actual operation of the system by the LGAs was phased in between 1999 and 2002 in a few LGAs under IFMS-Platinum, and later, was renamed the EPICOR system. In the studied Councils, the system had been adopted by the KAMC and the MDMC in 2003 and 2007 respectively, while the KBDC and the MCDC had not yet adopted it. DiMaggio and Powell (1983) observed that subsidiaries normally adopt accounting systems that are compatible with the parent company. This was the case in the LGAs in that they adopted the same IFMS/EPICOR implemented by the Central Government. However, the effective implementation of the system in the Councils was surrounded by a number of problems, namely, the unreliability of power supply and poor coordination between the Government, the Councils, and the vendor. Also, the vendor restricted some of the functions and needed to be contacted in the case of system faults. There were also claims that some LGAs' officials resisted the effective implementation of the system because it limited the personal allowances. Notwithstanding the fact that the system had limited application, these problems, together with the self-interested behaviour of some of the Councils' officials, had also contributed to the under-utilisation of the systems. As a result, by June 2008, there were only 82 LGAs out of 133[36] which were using the system at various levels (PMO-RALG, 2008). This trend was not associated

[36] On 1st July 2010, the Government established Masasi Town Council (Government Notice No. 393 of 15th October, 2010). This makes the total number of LGAs to be 134.

with the inability of the accounting systems to conform with institutional requirements (see Kholeif et al., 2007), but, rather, was mainly due to the unsupportive environment for the operation of the systems which existed in the Councils.

The financial reporting framework of the Councils had also been subjected to the external influences of the Government and donors. The Councils' financial reporting framework started as the cash basis under TSSAPs, and then changed to the accrual basis on 1st July, 2004, following the country's wholesale adoption of the IFRSs. With effect from the FY 2008/09, the framework was again changed to IPSAS. The influence of the regulatory bodies and funding agencies on the adoption of the financial reporting frameworks has also been discussed in the extant literature (Arnaboldi & Lapsley, 2009; Pilcher, 2011; Pilcher & Dean, 2009a). For example, drawing upon institutional theory, Pilcher (2011) observed that the adoption of IFRSs by the Australian local governments was primarily conformance to the coercive pressure from the legislative bodies. He further argued that the adoption of the framework was costly, time consuming, and had little value internally. Similarly, Carpenter and Feroz (2001) observed that the institutional pressures exerted on the four American states (New York, Michigan, Ohio, and Delaware) influenced their decisions to adopt GAAP. They concluded that organisational resistance is highly unsuccessful when strong coercive and normative pressures exist. These observations closely resembled the findings of the emergent theory, whereby the adoption of the IFRSs and IPSAS was, in the main, a response to the coercive pressure from the Government and donors. Because the Councils were financially-dependent public organisations, they were unable to resist their implementation completely. As a result, compliance games were played to ensure a superficial compliance with the frameworks, for grants purposes. It is also important to note that although the adoption of the IFRS and the IPSAS represented an imitation of best practices (DiMaggio & Powell, 1983), it was entirely driven by coercive pressures from the Government and donors, as opposed to resulting from attempts by the Councils themselves to imitate the financial frameworks.

8.4.1.2 Coercive Pressures on the Budgetary Practices

The budgetary practices has been extensively discussed in the extant literature (Ahmed & Scapens, 2000; Alam, 1997; Covaleski & Dirsmith, 1988a; Malmi, 1999; Moll & Hoque, 2011; Parker, 2001; Pettersen, 1995; Soin, Seal, & Cullen, 2002). What emerged from the extant literature was the influence of the external pressures on the budgetary practices of public sector organisations. For example, Moll and Hoque (2011) showed that the external pressure imposed on an Australian University led to the introduction of a new budget system which created uncertainties, as a result, it was undermined by the staff through 'under-and over-spending' practices. A related trend was observed in the studied Councils. The Councils' budgets were subjected to formal and informal pressures from the Government, donors, and the politicians. The formal pressures from the Government and donors were imbedded in the budget guidelines, which contained conditions such as participatory planning which was difficult to implement. In order to ensure compliance, the Councils' officials applied a superficial involvement of the Wards and Villages into the budget process. Also, as observed by Rahaman et al. (2004) in Ghana, some of the Councils' donors required additional budgeting arrangements which perceived by the Councils' officials as costly and time consuming. There were also informal directives from the Councillors and the Members of Parliament to divert the financial resources to their respective constituencies. Furthermore, the budget scrutinization team at the Treasury imposed pressure on the LGAs to adhere to the budget timeframe (see Appendix 2), something which forced the Councils' officials to be more concerned with deadlines than the reliability of the budgeted information (see Alam, 1997; Covaleski & Dirsmith, 1988a). A combination of these influences and self-interested behaviour of the Councils' officials suggests that the Councils' budget was surrounded by the external and internal uncertainties, which threatened its credibility (Moll & Hoque, 2011). Because Councils' officials, like other organisational actors, are not 'passive adopters' of the institutional pressures (Modell, 2001; Oliver, 1991), different strategies were employed to counteract the operational difficulties. These included the maintenance of two budget documents, conducting a pre-budget meeting with the prominent Councillors, and informal exchanges with the politicians, RAS, and the members of the budget scrutinization team at the Treasury. Because the actual time between the Full Council and the Treasury's budget scrutiny was short, the two budget documents ensured that the changes proposed by the Councillors did not affect the budget that was to be submitted to the Treasury. The pre-budget meetings and informal exchanges were used to minimize the impact of the supervisory bodies on the budgets.

8.4.1.3 Coercive Pressures on the Performance Measurement Practices

External pressures have exerted great influence on the performance measurement practices of public sector organisations (Ballantine, Brignall, & Modell, 1998; Brignall & Modell, 2000; Hoque, 2008; Modell, 2001, 2003, 2009; Rautiainen, 2010). The pressures have normally been exerted throughout the design, adoption, use, and evaluation of the performance systems (Heinrich & Marschke, 2008; Hernandez, 2002; Hoque, 2008; Johnsen, 1999; Midwinter, 1994). In general, the previous research has shown the influence of regulatory bodies and funding agencies on performance measurement of the public sector organisations. A similar trend was observed in this research whereby the Government, in collaboration with donors, introduced performance measurement systems to the Councils with effect from the FY 2004/05. The system was imposed as a mechanism for allocating the discretionary grants. Although it was one of the initiatives to imitate the performance measurement practices applied in other public sector entities in the developed countries (see Ball et al., 2000; Ballantine et al., 1998; Bowerman et al., 2001; Modell, 2001, 2009), its application in the Councils was entirely driven by the coercive pressure from the Government and donors (DiMaggio & Powell, 1983).

As with other initiatives, the system was imposed on the Councils without sufficient coordination with other structures, thus creating operational uncertainties. This forced the Councils' officials to maintain the system in a loosely coupled state in order not to disturb the normal operations, while at the same time falsifying its appropriateness to the stakeholders. This mirrored closely with the observation by Robinson (2003) that performance measurement in public sector is primarily for external legitimacy. Also, because funds attached to the system were substantial, the Councils' officials were involved in practices such as opinion shopping and under-estimation of their own sources in order to ensure the attainment of the performance assessment criteria. This provides proof of the assertion made by Heinrich and Marschke (2008) that performance games could be played by the public sector entities which made the performance measurement exercise worthless. However, despite the exercise being surrounded by a number of problems which questioned its credibility, the Councillors, the members of the Parliamentary Committee, and the officials from the PMO-RALG, believed that the exercise was necessary in order to improve the Councils' operations, a claim which was not found to be the case in reality (cf. Hernandez, 2002). This supports Meyer and Rowan's (1977) notion of the organisational 'myth'. Meyer and Rowan (1977) argued that institutionalized organisations normally adopt products, policies, techniques, and programs ceremonially. Rather than being driven by the technical demands, these elements are adopted to persuade external stakeholders of the organisational appropriateness. As illustrated by the visited Councils, the performance measurement practices were adopted primarily to enhance the legitimacy of the Councils for the donors, and, therefore, it was indeed a 'powerful myth' (Meyer & Rowan, 1977, p. 340).

8.4.2 Actors' Responses on the Institutional Pressures

In contrast to the early NIS orientation, which suggested that the organisational actors are unreceptive (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), the emergent theory found that the technocrats responded to the institutional pressures strategically by creating a web of actions and reactions which influenced the Councils' operations (Oliver, 1991). Therefore, this research acknowledges the influences of the actors' responses (micro explanations) on shaping the institutional processes which took place within the organisations (Modell, 2003; Oliver, 1991; Scott, 1995). The responses of the Councils' officials, which broadly were manipulation techniques, were attempts to influence the external criteria of evaluations subjected on the Councils (Oliver, 1991). The responses of the Councils' officials on the institutional pressures are classified under three sub-headings, namely, legitimization games, decoupling of formal structures and actual practices, and managing the organisational performance. Each of these is discussed below.

8.4.2.1 Legitimization Games

Legitimization games or techniques involve the practices which aim to persuade institutions to accept an organisation as it is, or to change the values and norms of the society to be in line with the existing organisational values (Preston, Cooper, Scarbrough, & Chilton, 1995). Viewed from the institutional theory perspective, the overall purpose of legitimization techniques is to enhance legitimacy and maintain organisational stability (Dowling & Pfeffer, 1975; Granlund, 2001; Meyer & Rowan, 1977; Pettersen, 2001; Preston et al., 1995; Suchman, 1995). Legitimization games or techniques have been briefly discussed in the extant literature (Granlund, 2001; Kornberger, Justesen, & Mouritsen, 2011; Lukka, 2007). For example, Kornberger et al. (2011) observed that the managers of a Big 4 Accounting Firm used gaming tactics such as 'visibility', 'networking', 'exposure', and 'selling oneself' to become partners. As a result, the promotion criteria were based on the 'PR game' (p. 528), and those who were not successful in those games were overlooked. Also, in the case study by Granlund (2001), delaying games were played by one influential person to block the implementation of a project. He purposely and intentionally delayed the implementation of the project until the deadline passed, which led to the project being terminated by the top management.

In a somewhat different context, the legitimization games/techniques practiced by the Councils' officials aimed to maintain the operations of the Councils given the uncertainties of the funding sources. For example, the ceremonial participation of the lower levels in the budgeting process was intended to convince the Government and donors that the Councils' budget was participatory in nature, a practice which ensured Councils with availability of financial resources. This practice is closely resembled the nature of the participatory budget observed in Uganda where the main actors merely created an impression of participation by the lower levels (Uddin et al., 2011). Also, regarding auditing, the current study observed that the quarterly internal audit reports contained a declaration of having undertaken the performance audit, although it had not actually been undertaken. Similarly, despite having compliance challenges, the financial statements of all Councils were claimed to be fully IPSAS compliant. In general, these legitimization techniques find support in the Oliver (1991) argument that, in an attempt to respond to institutional pressures, organisations may become involved in a number of manipulation techniques to influence their approval by society. The following section discusses the decoupling of formal structures and informal routines.

8.4.2.2 Decoupling of Formal Structures and Actual Practices

Meyer and Rowan (1977) maintained that for survival purposes, institutionalized organisations tend to adopt structures and procedures from the external environment in order to confer legitimacy and obtain resources. They further argued that the adopted structures normally create operational uncertainties which may threaten organisational legitimacy. Therefore, in order to portray a favourable image, organisations tend to cushion their formal structures from the operational uncertainties by 'loosely coupling'[37] them with the actual day to day activities. This, among other things, demonstrates 'loose coupling' as a 'taken for granted' feature of institutionalized organisations, a position which has been refuted empirically by a number of researchers (Brignall & Modell, 2000; Modell, 2003; Moll & Hoque, 2011; Nor-Aziah & Scapens, 2007). For example, Brignall and Modell (2000) and Oliver (1991) treated loose coupling as an intra-organisational form of resistance. Also, Nor-Aziah and Scapens (2007) regarded 'loose coupling' as both, a process and an outcome. As a process, 'loose coupling' demonstrates the manner in which it interacts with organisational resistance, power, and trust to shape accounting practices, and, as an outcome, 'loose coupling' explains the extent of the conflicting nature of the institutional pressures imposed on an organisation. Also Modell (2003) demonstrated the two edges of 'loose coupling'- resistance and passivity of the regulatory bodies.

This study contributes and extends the contemporary understanding of the 'loose coupling' phenomenon. The 'loose coupling' found in this study originated from four main sources, namely, informal resistance of the Councils' officials, the laxity of the regulatory bodies, existence of the conflicting pressures, and the absence of a supporting environment for the adopted structures. The informal resistance of the Councils' officials was observed in the KAMC and MDMC where IFMS/EPICOR was in operation but the Councils' officials were intentionally shielding its day to day usage, and the manual system was used in parallel with the IFMS/EPICOR. A few 'sensitive' transactions were posted on the IFMS/EPICOR systems to minimize pressure from the CAG and the Regional Financial Management Specialists

[37]The literature offers different but closely related interpretation of the words 'loose coupling' and 'decoupling'. Loose coupling is when the external and internal structures/procedures are different but are closely interdependent while decoupling is when the internal and external structures/procedures are distinct and separate (Basu et al., 1999; Fogarty & Rogers, 2005). In this study, the two words are used interchangeably to indicate the differences between the adopted formal structures /procedures and day to day activities of the organisations.

(RFMSs). Apart from the informal resistance of the Councils' officials, maintenance of the IFMS/EPICOR in a loosely coupled state was also marginally contributed to by the laxity of the regulatory bodies. This was attributed to the fact that there was no effective monitoring of the system from the regulatory bodies. The only time when the system came under scrutiny was at the financial year end, and this was carried out by the CAG and the RFMSs. Also, there was neither a system audit nor a surprise check.

Furthermore, the conflicting and political instructions from the Councillors, Members of the Parliament, and the Higher Government officials on the Councils' budgets necessitated the decoupling practice. As discussed somewhere in this thesis, these politicians imposed a number of political directives to the Councils which had affected formal budgetary arrangements and had forced the use of informal arrangements. This supports the findings of Rautiainen (2010) which showed that the decoupling of formal rules is likely to occur if there are conflicting pressures. Also, as How and Alawattage (2012) established, when accounting is involved in political 'imperfections', decoupling is to be expected. As they demonstrated, this can be attributed to the fact that formal accounting arrangements find it harder to cope with political 'imperfections'. This mirrored the emergent theory, where the decoupling of the formal budgeting arrangements helped the Councils to deal with the non-budgeted expenditures, which were requested by the politicians and Higher Government officials as a norm.

Similarly, formal structures of the performance measurement practices were not effectively integrated into the daily operations of the Councils. The performance assessment was merely checklists of the Minimum Conditions and the Performance Measures which evaluated the operations of the Councils on an annual basis without detailed descriptions of how to integrate the performance criteria into the daily operations. As a result, as Rautiainen (2010) noted, when there are conflicting interests, performance measurement "becomes more complicated and decoupled, because it is not clear what is wanted, and consequently, what should be done or measured" (p. 386). This, as noted in the visited Councils, forced the technocrats to ignore the performance criteria in the daily operations, and only referred to them at financial year end, when mock assessments would be carried out to ensure the appropriate scores for grants purposes. Thus, the maintenance of the performance measurement practices in a loosely coupled state observed in this research closely resembles the observation of Modell (2003) in which the passivity of the centrally located actors contributed to the ‘loose coupling’ of performance measurement in the Swedish University Sector. In the case of the Tanzanian Councils, for example, since its inception in the FY 2004/05, the performance measurement systems were neither sufficiently incorporated into the Councils’ laws and regulations, nor fully integrated into their governance structures. The performance assessment was carried out by an independent external consultant without any clear coordination with the other regulatory bodies. As one respondent commented, “the Government would be happy if more Council would access these donor-funded projects attached to the performance measurement system”. This possibly explains the passivity of the regulatory bodies.

Therefore, the findings of this research support the general descriptions offered in the institutional theory regarding the nature of ‘loose coupling’ as a form of resistance (Brignall & Modell, 2000; Nor-Aziah & Scapens, 2007; Oliver, 1991), a product of regulatory passivity (Modell, 2003), and a consequence of the conflicting interests (How & Alawattage, 2012; Rautiainen, 2010). In addition, this study suggests that the supporting environment constituted a potential source for ‘loose coupling’. As was observed in the IFMS/EPICOR, the absence of a supporting environment necessitated the decoupling of the formal procedures from the daily routines. Problems such as unreliability of power supply, lack of the maintenance expertise, vendor’s autonomy, and limited functions embedded in the system, created operational difficulties, which forced the Councils’ officials to use the parallel systems (manual and IFMS/EPICOR). Therefore, as Moll and Hoque (2011) argued, the ‘loose coupling’ observed in this study was not only caused by the responses of the Councils’ officials to the pressures from the Government and donors, but also by the interactions between the internal and external factors. Also, the emergent theory evidenced the peculiar role of the self-interested behaviour in facilitating the decoupling process. The deficient regulatory systems existed in the Councils allowed technocrats to benefit illegally by purposively and pro-actively decoupling the formal structures from the actual day to day operations. Managing the organisational performance as the third form of reaction is discussed in the following section.

8.4.2.3 Managing the Organisational Performance

The extant literature has extensively discussed the performance measurement and management (PMM) practices in public sector organisations (see Modell, 2009). This is partly attributed to their unique role in the implementation and subsequent evaluation of the various initiatives which have been carried out in the public sector (Ball et al., 2000; Bowerman et al., 2001; Modell, 2009). Despite the fact that research into performance measurement and management has been informed by different theoretical orientations, NIS has received relatively higher representation than the others (Brignall & Modell, 2000; Lawton, McKevitt, & Millar, 2000; Modell, 2001; Modell & Wiesel, 2008). As Modell (2009) argued, "the institutional significance of PMM comes to the fore as public sector organisations often depend on the provision of performance information to a broad range of constituencies to maintain their legitimacy, whilst being subject to regulatory and other institutional pressures to adopt various PMM practices" (pp. 277-278). In line with this argument, this research discusses the performance management techniques within the NIS theoretical framework.

The studies of performance management in the public sector have revealed a number of strategies used by officials to manage their organisational performance. These have included initiatives such as relative performance, performance auditing, balanced score cards, management by objective, benchmarking, Total Quality Management (TQM), and managing for results (Bowerman et al., 2001; Johnsen et al., 2001; Modell, 2009; Siverbo & Johansson, 2006). In addition to these, the literature also records the attempts of the actors to utilize the complexities involved in the performance management for their own organisational interests (Modell, 2004, 2005). For example, in the case study by Modell (2005), the actors opposed change in the audit practice by constructing PMM ambiguities in order to block the quality audit practices. In a somewhat different context, the current study noted the attempts of the Councils' officials to manage the organisational performance through strategies such as aggressive fund management and lobbying. Aggressive fund management comprised techniques such as managing the procurement process, practicing teeming and lading, and an under-banking strategy. The first two techniques were used to counteract the late disbursement of funds from the Government and donors, whilst the under-banking strategy, which closely resembled ‘shielding’ behaviour (Lightbody, 2000), was employed to counteract the Councils’ financial bureaucratic system. Lobbying, which involved techniques such as blaming was also employed to rationalize and defend the performance of the Councils to the regulatory bodies. The application of these ‘harsh’ performance management techniques supports the claims that the actors in public sector organisations “may pro-actively and skilfully utilize the ambiguity associated with PMM to advance various interests in reciprocal interplay with institutionalized structures” (Modell, 2009, p. 285). Thus, as opposed to demonstrating formal performance management practices, the case organisations used simple manipulation techniques to defend the Councils’ performance. The presence of regulatory laxity regarding performance management and self-interested behaviour of the Councils’ officials enhanced the application of these strategies. The implications of the reactions of the Councils’ officials are discussed in the following section.

8.4.3 Implications of the Actors’ Responses-Resistances and Laxity

The responses of the Councils’ officials as revealed in this research refute the position of the early NIS theorists who assumed that the organisational actors are passive adopters of the institutional pressures. Thus, this research recognizes the role of the Councils’ officials in the institutionalization process, which consequently shaped the operations of the Councils in general, and accounting practices in particular. In a broader sense, the reactions of the Councils’ officials to the institutional pressures had two implications: informal resistance and regulatory laxity. The Councils’ officials adopted informal resistance against the accounting changes in all the main functions, namely, budgeting, financial reporting, auditing, and performance measurement. This was illustrated by the compliance games played in these areas. Also, as argued previously, the maintenance of the IFMS/EPICOR in a loosely coupled state was partly attributed to the informal resistance of the Councils’ officials. The issue of resistance to accounting changes has been extensively discussed in the literature (Broadbent et al., 2001; Granlund, 2001; Lukka, 2007; Malmi, 1997). For example, Broadbent et al. (2001) revealed the techniques used by the GPs to resist the accounting changes and fundholding, introduced into their practices. Some GPs created separate organisations to deal with the fundholding mechanisms and, when the changes were institutionalized, more aggressive and external commissioning groups were formed to counteract the changes. Also, Malmi (1997) reported the way in which a powerful factory managed to resist the implementation of the ABC technique. Similarly, the management accountants in the case study of Lukka (2007), were able to use informal routines to legitimize their organisational performance and prevent changes in the formal rules.

Therefore, the common theme from the extant literature is that organisations can deter the influence of the institutional pressures imposed upon them. However, the successfulness of this depends on the amount of power which organisations as a whole possess (Covaleski & Dirsmith, 1988a, 1988b; Greenwood & Hinings, 1996), or organisational members individually or collectively possess (Broadbent et al., 2001). As hierarchically financially controlled public entities, the Councils lacked sufficient power, and, therefore, demonstrated internal and private forms of resistance (Broadbent et al., 2001), whereby the accounting changes were accepted at face value but they were 'sabotaged' in their effective application through the decoupling process, legitimization games, and by exercising 'harsh' performance management techniques. The informal resistance was mainly driven by the operational uncertainties created by the adopted structures and the self-interested behaviour of the Councils' officials.

It is worth noting that the responses of the Councils' officials were also facilitated by the laxity of the regulatory bodies. As discussed in detail in Chapters 5 to 7, the Councils operated under deficient regulatory systems. Therefore, the adopted structures and procedures, which were claimed to be donor driven, were acquired merely for grants purposes. For example, higher regulatory organs failed to effectively integrate the performance measurement practices into the Councils' laws and regulations, and, as a result, they were decoupled from the daily operations. In this situation, the responses of the technocrats were regarded as being necessary to maintain the Councils' operations, rather than the form of resistance. Related to this was the assertion that higher regulatory bodies were 'sympathetic' to the Councils in order to allow them to access funds attached to donor-funded projects which were performance based. The following section discusses the concept of legitimacy-seeking and efficiency-enhancing within the NIS theoretical framework.

8.4.4 Organisational Legitimacy and Efficiency

The issue of whether legitimacy and efficiency can be achieved simultaneously has been widely debated in the extant literature (Modell, 2001; Ribeiro & Scapens, 2006; Scapens, 2006). Early NIS theorists maintained that institutionalized organisations normally adopt structures and procedures to enhance their legitimacy without taking into consideration the technical environment. As a result, the adopted structures and procedures are 'myth' and may sometimes contradict the organisational efficiency criteria (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Meyer & Scott, 1983a, 1983b; Scott, 1987). A number of researchers have implicitly and explicitly drawn upon this insight to study accounting practices in institutionalized organisations (Abernethy & Chua, 1996; Ansari & Euske, 1987; Covaleski & Dirsmith, 1988a; Covaleski et al., 1993; Hoque & Hopper, 1994; Laine, 2009; Touron, 2005; Tuttle & Dillard, 2007). For example, Tuttle and Dillard (2007) noted that the exclusion of non-financial accounting topics in accounting research was a response to institutional pressure, rather than the outcome of competitive forces. Also, Laine (2009) observed that corporate environmental disclosures were simply used by a Finnish chemical company to respond to institutional pressures in order to maintain its legitimacy in society.

However, the dichotomy between legitimacy and efficiency has been heavily discussed and even criticized by the current institutional theorists (see Basu et al., 1999; Carruthers, 1995; Collier, 2001; Greenwood & Hinings, 1996; Hopper & Major, 2007; Modell, 2001, 2002; Okike & Adegbite, 2012; Ribeiro & Scapens, 2006; Scapens, 2006). In general, these studies have established that institutionalized organisations can achieve both external legitimacy and technical efficiency. For example, the works of Hopper and Major (2007) regarding the adoption of ABC by the Portuguese Telecommunication Company, Collier (2001) on the introduction of local financial management in the UK police force, and Basu et al. (1999) on the impact of legitimacy and organisational choice in the US, demonstrate that organisational legitimacy and technical efficiency can be achieved simultaneously. Also, Järvinen (2006) found that the institutional pressures and an efficiency criterion were the driving forces behind the adoption of management accounting techniques in two Finish University Hospital. Similarly, Modell (2001) noted that the senior managers in the Norwegian health care sector had legitimacy seeking and efficiency enhancing views regarding the adoption of the DRG based performance measurement. Interestingly, Modell (2001) found that legitimacy and efficiency were more closely interlinked than had been suggested by other studies. In a similar vein, this research demonstrated that legitimacy and efficiency can be achieved together, although, the efficiency was not open-ended.

Because local government organisations generally face financial constraints (Sørensen, 1997), there is no debate about the need to legitimize their operations to central governments and other funding agencies (Tambulasi, 2007; Uddin et al., 2011). The Tanzanian Councils were not exceptional. They had implemented a number of initiatives in order to appear legitimate to the Government and donors, which, consequently, increased financial resources. As well as bringing legitimacy, some of the adopted initiatives also resulted in organisational efficiency. However, in contrast to the extant literature, the efficiency which was noted in the studied Councils occurred automatically during the implementation of the adopted initiatives. For example, despite the operational challenges facing the effective implementation of the IFMS/EPICOR, the system significantly simplified the preparation of the financial statements. Following the implementation of the system, the time taken to prepare the financial statements had reduced from three months to less than three weeks. Also, there were acknowledgements of the relevance of the performance measurement practices:

> "Previously, we had no reliable information regarding how much we disburse to the Councils, and the reporting arrangements were very poor. Each Ministry had its own way of reporting, and there were neither consolidation, nor integration of the funds channeled to the Councils. With the LGCDG systems, we have only one reporting framework to all LGAs. We have precise information about funds channeled to the Councils on sector-wise, and under various funding arrangements. This system [Performance Measurement] proved to be the efficient way of tracking public funds, and the Government intends to apply the same system to all public funds disbursed to

> the Ministries, Departments, and Agencies" (Siba, Financial Expert, Directorate of Local Government: PMO-RALG).

Similarly, despite the fact that the effective implementation of IPSAS was encircled by a number of challenges, the Councils' officials had started to realize its potential. As the Internal Auditor of the KAMC asserted, "the financial statements of the Councils are now somewhat improved in terms of presentation, accuracy, and disclosures than in the past". The Councils' officials also held the opinion that IPSAS had improved the comparability of the Councils' financial statements, which not only ensured equitable treatment amongst the Councils, but also facilitated the consolidation of the financial information. Given the nature of the efficiencies noted in the studied Councils, it can be claimed that the efficiency criteria were unique, time specific, and sometimes difficult to recognize. Therefore, there is a need for deeper evaluation of the consequences of adopted structures as opposed to viewing them as merely legitimizing devices which have nothing to do with the technical demands of the organisations. It is possible that these observations may apply also to other public sector entities which are in the early stage of the reform programs. Thorough analysis of the operating conditions could discover whether the adopted structures enhanced the organisational legitimacy alone or enhanced legitimacy and efficiency as well.

8.5 Moving from the Substantive to Formal Theory

This section suggests the move from the substantive to the formal grounded theory. This practice ensures the applicability of the emergent theory beyond the Tanzanian Councils where this research was carried out. The section specifically assembles the discussions provided in the previous sections within the paradigm model of manipulating legitimacy. In order to obtain the general understanding of the formal grounded theory, its rationale and the techniques used during its formulation are firstly discussed. A presentation of the formal grounded theory of manipulating legitimacy concludes the section.

8.5.1 The Rationale for a Formal Grounded Theory

The rationale behind the development of formal grounded theory is embedded within the core categories obtained in the substantive theory. The elements of the core categories normally demand general implications. As Glaser (2010) commented, “FGT [Formal Grounded Theory]…is just about the general implications of a core category generated from a substantive theory, which is a core variable with ‘grab’ and just pressuring to be generalized” (p.103). This suggests that the central category and other core categories which emerged from the substantive theory are forced to be generalized, so that they may attain broader meanings and explanations beyond the substantive area. Therefore, FGT is an important vehicle for generalizing the findings of the grounded theory informed study conducted in a certain substantive area. That’s why despite differences in the definition of a formal grounded theory and the related approaches for its development, there is consensus among the grounded theorists that FGT is an important generalizing tool (Corbin & Strauss, 2008; Glaser, 2010; Kearney, 2010; Locke & Locke, 2001). The definitions and approaches used to develop a formal grounded theory are discussed in the following section.

8.5.2 The Definitions and Formation of a Formal Grounded Theory

Glaser and Strauss (1967) were the first researchers to recommend the formation of a formal grounded theory. They contended that formal grounded theory has the potential to enhance the general implications of findings obtained in a certain situated substantive area. This reasoning was also acknowledged by other researchers (see for example, Apprey, 2005; Kearney, 2010; Kearney, Schreiber, & Stern, 2001; Wuest, 2001). However, despite researchers’ interest on the development of FGT, there is confusion about its definition and formation, the main dispute being the position of the central category and its level of abstraction. For example, Locke and Locke (2001) and Alvesson and Skoldberg (2000) viewed FGT as the development of higher level core categories obtained in the substantive area. Also, Kearney and her colleagues (Kearney, 1998a, 1998b, 2001, 2010; Kearney et al., 2001), regarded FGT as a middle range theory emerged from the substantive theory. Similarly, Dey (1999) differentiated the substantive from the FGT based on the degree of conceptual abstraction, arguing that FGT has a high level of conceptual abstraction when compared to substantive theory. In contrast, Glaser (2010) argued that a higher level of abstraction can also be available at the substantive level, and, therefore, should not be used as the criterion for FGT. Moreover, Strauss and Corbin (1990) viewed FGT as the product of a study conducted in different contexts. In their recent work, Corbin and Strauss (2008), defined FGT as elevating the “concept of the study up to a more abstract level where it can have broader applicability but at the same time remain grounded in data" (p.102).

The different explanations of FGT discussed above also indicate the various approaches to its formation. For example, Glaser (2010) is of the view that FGT needs to emerge naturally when the researcher "continues his research into other studies in the same or other substantive areas" (p.111). Strauss, on the other hand, recommends the development of formal grounded theory through comparing and contrasting data from different research contexts (Corbin & Strauss, 2008; Strauss & Corbin, 1990). Other researchers have recommended the use of a 'meta-synthesis' technique where the FGT is developed by combining different analytical approaches (Eaves, 2001; Finfgeld, 1999; Kearney, 2010). Although developed within the health sciences, meta-synthesis has also been adopted by accounting studies which have executed a formal grounded theory. For example, Goddard applied grounded theory and Bourdieu's concept of habitus to study the relationship between accounting, governance, and accountability in the UK's local governments (Goddard, 2004, 2005a). Also, Coopey, Keegan, and Emler (1998) used grounded theory approaches and structuration theory to understand the management innovation process. Similarly, Covaleski et al. (1998) combined ethnographic and grounded theory approaches with the work of Foucault (1983) to understand discipline and identity in the Big Six public accounting firms. In a similar manner, the current study has combined grounded theory and New Institutional Sociology (NIS) to study the accounting practices in the Tanzanian Councils.

8.5.3 Towards a Formal Grounded Theory of Manipulating Legitimacy

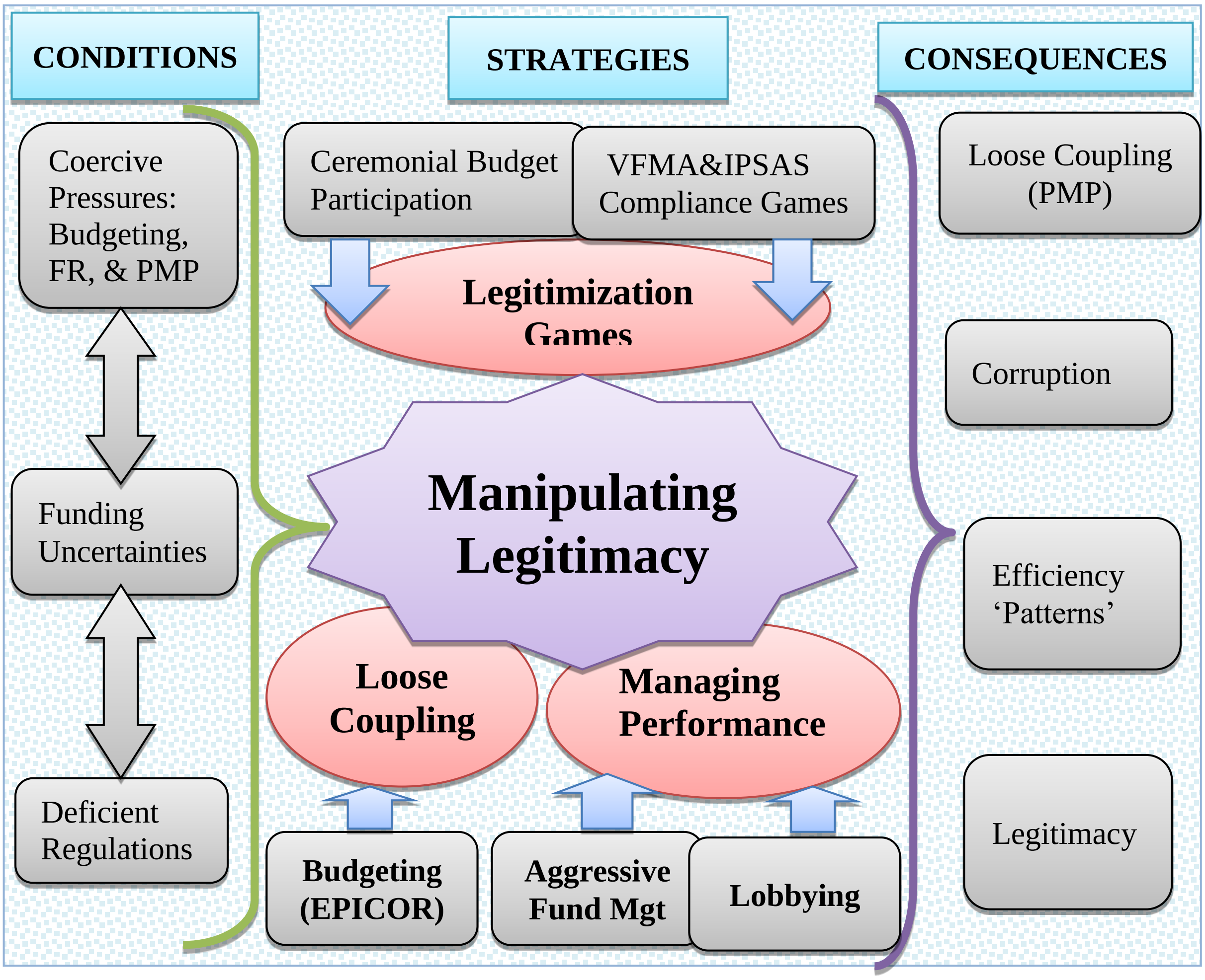
> "Since substantive theory is grounded in research in one particular substantive area, it might be taken to apply only to that specific area. A theory at such a conceptual level, however, may have important general implications and relevance and become almost automatically a springboard or stepping stone to the development of a grounded formal theory" (Glaser & Strauss, 1967, p. 79).

As the quote suggests, manipulating legitimacy, as the central phenomenon which emerged from this research, was used as the starting point for the development of a formal grounded theory. The formal grounded theory of manipulating legitimacy was formed by assembling the discussion provided in section 8.4 within the paradigm model recommended by Strauss and Corbin (1998). Again, the paradigm model was used to relate the central category and other elements in the form of conditions, interactions, or consequences.

Drawing upon section 8.4.1, the coercive pressures imposed on budgeting, financial reporting, and performance measurement, formed the macro conditioning context for the manipulating legitimacy. As was evidenced in the discussion, the pressures created circumstances which compelled the Councils' officials to manipulate the organisational legitimacy. In addition to these pressures, there were deficient regulatory systems and funding uncertainties, factors which interacted with the coercive pressures to force the Councils' officials to be manipulative in order to maintain the organisational operations.

The process of manipulating legitimacy was illustrated by the responses of the Councils' officials to the institutional pressures (section 8.4.2), namely, managing the organisational performance, playing of the legitimization games, and loose coupling of the budgetary practices. Managing the organisational performance comprised the deliberate and 'harsh' techniques employed by the Councils' officials to defend the performance of the Councils. It included strategies such as aggressive fund management and lobbying. Legitimization games represented a second strategy used by the members to resolve operational uncertainties and maintain the organisational stability (Granlund, 2001; Lukka, 2007; Pettersen, 2001; Scapens, 1994). Related to this was the purposeful maintenance of the formal budgeting structures in a 'loose coupling' state, a strategy which was intended to 'accommodate' inherent problems in the Councils' budgetary practices without disturbing the formal budgeting structures (Ribeiro & Scapens, 2006). The process of manipulating legitimacy demonstrated the simultaneous achievement of organisational legitimacy and technical efficiency (section 8.4.4). Corruption, which was facilitated by inherent weaknesses in the internal control systems and the self-interested behaviour of the Councils' officials, also emerged as a consequence of the manipulating legitimacy phenomenon. Moreover, the laxity of higher regulatory bodies had led performance measurement practices to be loosely coupled with the Councils' daily routines. The proposed model of the formal grounded theory of manipulating legitimacy is shown in the following figure.

Figure 17: Formal Grounded Theory of Manipulating Legitimacy



The proposed formal grounded theory of manipulating legitimacy suggests that the extent of manipulation and the desired outcomes are mediated by the extent of the institutional pressures imposed to the organisations and the effectiveness of the internal arrangements. It hypothesizes that when the external pressure is high and the organisational internal arrangements are weak, high levels of manipulation are likely to occur. It also suggests that the existence of strong and effective regulatory bodies may mediate the extent of manipulation by moderating, and possibly sanctioning, the self-interested behaviour of individual actors, which normally play a key role in the manipulation process. Thus, the formal grounded theory of manipulating legitimacy demonstrates that accounting is affecting, and being affected by, the interplay between the institutional pressures and the actors' responses (Moll & Hoque, 2011; Tsamenyi et al., 2006).

8.6 Summary

This chapter has discussed the emergent theory within the extant literature. It first integrated the central category and other related phenomenon within the extant literature. The differences and similarities of the themes as emerged from this research versus the extant literature were established and their implications were integrated into the research findings. The chapter then highlighted the strands of institutional theory which are usually applied in the accounting discipline, with special emphasis being placed on NIS, which was used to interpret the current research findings. It then specifically discussed the emergent theory within the NIS theoretical framework, highlighting the coercive pressures imposed on the Councils, the responses of the Councils' officials, implications of the responses, and the assessment of the legitimacy and efficiency dichotomy. Finally, the chapter presented the formal grounded theory of manipulating legitimacy, a higher level concept which emerged from the integration of the emergent theory and its proponents within the NIS framework. The conclusions and recommendations of this research are provided in the following chapter.

Chapter Nine
Conclusions and Recommendations

9.1 Introduction

This chapter concludes the research process and draws upon the previous chapters to offer conclusions and recommendations of this study. Firstly, the chapter provides a summary of the research, its methodological and theoretical contributions, its contribution to public sector accounting in the emerging economies, and specific recommendations for the Tanzanian LGAs. Recognising the incomplete nature of the research process, the potential limitations of the current research, and measures used to address them, are then discussed. The chapter concludes with a brief discussion of potential areas for further research.

9.2 Summary of the Research

This research has investigated accounting practices in the Tanzanian LGAs. The overall objective of the research was to understand how accounting was actually practiced in organisational settings, especially within the emerging economies which generally have received little attention (Broadbent & Guthrie, 1992, 2008; Goddard, 2010; Rahaman, 2010). Therefore, the research was designed to understand the way in which accounting practices had been implemented and the perceptions of the Councils' officials and members of higher regulatory organs of this. In a broader sense, the research aimed to examine the extent to which the organisational members and the institutional arrangement influence, and are influenced by, accounting practices.

This research was conducted in four Tanzanian LGAs which consisted of two Municipal Councils (KAMC and MDMC) and two District Councils (KBDC and MCDC). A purposive sampling was used to select the Councils visited, and within the Councils, theoretical sampling was employed to identify the prospective interviewees. The use of two Councils in each category enhanced comparison between the Councils, a practice which is an appropriate approach for generating a new theory (Humphrey & Scapens, 1996). The fieldwork was divided into two phases, undertaken at different times. The first phase was conducted from July 2010 to January 2011, whilst the second phase was carried out from August to October 2011. This arrangement facilitated a clear understanding of the accounting practices and also allowed the provisional testing of the emerging theory (Corbin & Strauss, 2008). As an interpretive informed study, interviews were the main source of data. Documentary sources and observation of the Councils' operations were employed to render corroborating evidence.

A grounded theory approach was used to understand a complex phenomenon, accounting, as practiced in the organisational settings (Glaser & Strauss, 1967). The approach allowed issues of interest to emerge directly from the field without imposing any prior theory. Recognising the different approaches to grounded theory, the 'Straussian' view was employed throughout the data analysis. Therefore, the data was analysed using three iterative coding processes, which were open, axial, and selective coding, as recommended by Strauss and Corbin (1998). Following careful examination of the raw data, 21 open categories emerged. These categories were obtained during open coding and described incidences and events regarding the actual undertaking of the accounting practices in the Councils. Further abstraction of the data in the axial coding stage produced 13 core categories. The determination of the central category (phenomenon) was carried out in the selective coding stage, and the paradigm model was used to relate all other categories to the central category in the form of strategies, conditions, or consequences.

Manipulating legitimacy emerged as the central phenomenon of this research. It represents attempts by the Councils' officials to overcome the operational uncertainties created by factors such as donors' influences, funding uncertainties, deficient regulatory systems, and political interference. The research also described the techniques employed in the process of manipulating legitimacy, namely, maintaining the claims of accountability, establishing rhetorical rules and regulations, managing own sources, loose coupling of performance measurement and budgeting, compliance games, lobbying, and aggressive fund management. These techniques, which fell under the broad strategies of *building the organisational image* and *managing the organisational performance*, ensured both the availability of resources for the organisational operations (Meyer & Rowan, 1977) and the attainment of the personal interests of the Councils' officials (Granlund, 2001; Lukka, 2007). They were persuasive and defensive mechanisms employed to build legitimacy and accrue more resources. Depending on the application of these strategies, the Councils and their corresponding service deliveries demonstrated two manipulating legitimacy profiles: high and low. Being located in the urban areas, which could easily be accessed by the supervisory bodies, the Municipal Councils demonstrated lower degrees of manipulating legitimacy than the District Councils. This was also associated with the improvement of the accounting establishment and the presence of the relatively better-educated Councillors in the Municipal Councils. Also, the absence of a statutory audit and competent staff at the Lower Local Governments (LLGs), such as Wards and Villages, contributed to a higher degree of manipulating legitimacy. In the studied social services, the higher influence of donors in the Health Services had reduced the magnitude of the manipulation when compared to the Primary Education sector.

The process of manipulating legitimacy had resulted in the subordination of accounting practices, a phenomenon which subscribes to the view that accounting was merely used as a legitimating device with little relevance for the internal decision making processes (Goddard & Assad, 2006). The subordination was evidenced through undermining the important accounting functions such as budgeting, auditing, financial reporting, and performance measurement. Also, professional conflict between accountants and medical practitioners, as well as fraud and corruption emerged as the consequences of manipulating legitimacy. Furthermore, the process of manipulating legitimacy demonstrated a need for the active involvement of the accounting board, the NBAA, to regulate the accounting practices in the public sector organisations. Finally, because the tactics that were employed ensured the availability of resources for the Councils' operations, they boosted social and political legitimacy of the Councils, the politicians, the ruling party, and the Government overall.

The emergent theory was integrated within the extant literature, and, drawing upon NIS, the formal theory of manipulating legitimacy was proposed. A formal grounded theory of manipulating legitimacy suggests that institutionalized organisations which face pressures from the external environment, while, at the same time, being exposed to inherent weaknesses in their internal arrangements, are likely to be involved in legitimacy manipulation, as this ensures the availability of resources for organisational survival.

In line with the research aims and objectives presented in section 1.2 and their corresponding research questions (section 2.9), the findings of this study show that accounting practices were important to the Councils' officials. Accounting practices played a crucial role in bargaining for the Councils' resources and justifying their use. However, their effective undertaking was constrained by a number of factors, such as deficient regulatory systems, funding uncertainties, political interference, and the influence of donors. These were the major reasons for manipulation of the accounting practices in order to secure resources from the Government and donors. This study also established that accounting practices in the Municipal Councils were more effective than those of District Councils. This was mainly attributed to the presence of strong accounting establishment, relatively better-educated Councillors, and frequent supervision of higher regulatory bodies located in the urban areas. On the other hand, high involvement of donors in Health Services had strengthened their accounting practices when compared to Primary Education.

Furthermore, the Councils' officials described the frequent operational changes in the LGAs as externally oriented and grants-driven. The changes were not sufficiently supported by the local environment, and, as a result, they created operational uncertainties which threatened the Councils' operations. Moreover, the research has evidenced enormous influence from the external organs on actual undertaking of accounting practices in the Councils. The accounting practices in the Tanzanian Councils were highly influenced by the Councillors, higher Government officials, sectoral ministries, members of the Parliamentary committee, and donors. What emerged from this research was the fact that actual undertaking of accounting practices was primarily intended to satisfy the demands of these organs, mainly, the Government and donors. The contributions and recommendations of the current research are discussed in the following section.

9.3 Research Contributions and Recommendations

This section presents the potential contribution of the current research to the methodology of accounting research, New Institutional Sociology, accounting research in emerging economies, and has specific recommendations for the Tanzanian LGAs. A detailed discussion of these contributions is offered below.

9.3.1 Methodological Contributions

The current research makes three potential methodological contributions to the extant literature. It contributes to interpretive accounting research in emerging economies, grounded theory approaches and procedures, and the development of formal grounded theory. A detailed discussion of each of these contributions is provided below.

9.3.1.1 Interpretive Accounting Research in Emerging Economies

There have been consistent calls for the need for an interpretive approach in accounting research (Baker & Bettner, 1997; Baxter & Chua, 2003; Parker, 2008), with the most recent showing the apparent gap regarding the approach in public sector accounting research (Goddard, 2010). Because the approach facilitates a clear understanding of accounting in the social contexts where it operates (Ahrens & Mollona, 2007; Dent, 1991; Hopwood, 1985), it is equally needed in the emerging economies which have experienced limited public sector accounting research in general (Broadbent & Guthrie, 2008; Goddard, 2010). Therefore, by using the interpretive approach to investigate the accounting practices in the Tanzanian LGAs, the current study has demonstrated the power of such an approach to investigate the complex role of accounting as practiced in the public sector entities of emerging economies.

Essentially, the findings of the current study have demonstrated that the public sector entities of emerging economies are faced with inherent problems, such as deficient regulatory systems, poor infrastructures, inadequate financial resources, corruption, higher levels of political interference, and lower levels of technical competence. These anomalies have constrained the reliability of the accounting information produced in these countries. However, the interpretive approach is capable of unravelling these complexities (Parker, 2008), and providing a thorough understanding of the accounting practices. Therefore, the application of the interpretive approach in this research represents methodological contribution to public sector accounting research in emerging economies in general.

9.3.1.2 Grounded Theory Procedures and Research Process

Researchers may not necessarily apply grounded theory eclectically, as elaborated by its founders. As stated by Corbin and Strauss (2008), Kearney (2010), and Locke and Locke (2001), the approaches and procedures outlined by Glaser and Strauss (1967), are merely guidelines and not a 'blueprint' for the formation of a grounded theory. In line with this argument, the current research makes two methodological contributions to the canons of grounded theory. Firstly, this research established that it is possible for a main category to be thoroughly explained by the sub-categories of another main category (ies). For example, although sub-categories such as *budgetary practices* and *deficient financial reporting* were subsumed in the *ceremonial conformity and compliance games* (main category), they also specifically and thoroughly explained *accounting subordination,* which was another main category. This was attributed to the fact that subordination of the accounting practices and ceremonial conformity and compliance games were manifested in the budgeting and financial reporting practices. Similarly, the *ineffective auditing processes* described three main categories, namely, *fragile supervisory bodies, accounting subordination* and *ceremonial conformity and compliance games.* Therefore, when the researcher codes for themes, and at the same time the main categories are closely related and theoretically dense, it is possible for the sub-category (ies) to sufficiently explain more than one of the main categories.

Secondly, the current research applied a meta-coding approach which is rarely used in grounded theory studies. The approach was used throughout the coding processes to describe some of the main ideas behind the raw data. For example, words such as *ceremonial conformity, compliance games, loose coupling, decoupling,* and *rhetorical,* were borrowed from the literature and used accordingly throughout the coding processes. This practice suggests that in the processes of coding and making sense of the raw data, the extant literature can be consulted to ensure that the categories are theoretically dense, while, at the same time, remain grounded from the raw data.

9.3.1.3 Approach Used to Develop Formal Grounded Theory

Two stages were involved throughout the development of the formal grounded theory. The first stage involved the integration of the research findings into the extant literature. At this stage the central phenomenon, manipulating legitimacy, was specifically integrated into the NIS theoretical framework. The final stage involved the organisation of the discussion provided in the first stage into a theoretical framework. The paradigm model recommended by Strauss and Corbin (1998) was used to organize the themes of discussion into conditions, strategies, and consequences, hence proposing the formal grounded theory of manipulating legitimacy (see Chapter 8, section 8.5). Therefore, the approach used in this study suggests that it is possible to develop a formal grounded theory without necessarily undertaking the same research in other substantive areas. This is an important contribution to the development of a formal grounded theory especially when there is limited time available for the research.

9.3.2 Theoretical Contributions

This section discusses the potential contributions this research makes to NIS. These include offering micro-explanations of the institutional pressures, intertwining legitimacy and efficiency, recognizing the multiple 'faces' of loose coupling, recognizing the different patterns of the actors responses, and the influence of the performance management initiatives in the NIS theoretical framework. Each of these is discussed in the following subsections.

9.3.2.1 Micro Explanations of the Organisations

Primarily NIS is more concerned with providing 'macro' level explanations about the adoption of specific external structures and procedures by institutionalized organisations (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Drawing upon this background, the early NIS studies tended to ignore the micro-explanations of the organisations and argued that the organisational actors are passive adopters of the institutional pressures. However, the contemporary NIS researchers recognize the influences of intra-organisational factors on organisational operations (Nor-Aziah & Scapens, 2007; Ribeiro & Scapens, 2006). In fact, as some researchers have observed, the organisational actors usually respond to the institutional pressures strategically (Granlund, 2001; Modell, 2001, 2003; Oliver, 1991; Pettersen, 2001). The findings of the emergent theory contribute to this observation. As was argued previously, the current study observed the influence of the intra-organisational factors on shaping the Councils' operations in general, and accounting practices in particular. This was manifested through the internal reactions of the Councils' officials in response to the institutional pressures imposed by the Government and donors.

Because the internal reactions represent responses to the institutional pressures, they not only provide a proof that the actors are strategic in their responses (Oliver, 1991), but also contribute to the analysis of interplay between the micro (internal) and macro (external) organisational arrangements (Moll & Hoque, 2011). Therefore, the current study extends NIS theoretical orientations further, into the internal assessment of organisations (i.e. opening a 'black-box') (Ribeiro & Scapens, 2006), a path which is rarely pursued by the majority of the NIS studies.

9.3.2.2 Intertwining Organisational Legitimacy and Efficiency

There is a continuing debate in the NIS literature about the simultaneous achievement of external legitimacy and internal efficiency. Some researchers have argued for a distinct separation between the two on the assumption that institutionalized organisations normally adopt external structures for the sake of external legitimacy, regardless of their impact on the internal technical demands (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Meyer & Scott, 1983a, 1983b; Scott, 1987). This orientation has been applied implicitly and explicitly by a number of studies, which conclude that the external structures are merely adopted for the sake of legitimacy (Abernethy & Chua, 1996; Ansari & Euske, 1987; Hoque & Hopper, 1994; Laine, 2009; Touron, 2005; Tuttle & Dillard, 2007). However, others are of the opinion that legitimacy and efficiency can be achieved simultaneously (Alam, 1997; Basu et al., 1999; Hopper & Major, 2007; Modell, 2003; Scapens, 2006). As Scapens (2006) argued:

> "For example, the implementation of ABC may be driven by technical concerns to achieve the most appropriate allocation of overheads for economic decision making, but it may also be driven by the desire to conform to external expectations and to appear to be adopting the modern techniques which are used by other well known organisations. In actual situations, it may be very difficult to disentangle these two types of organisational conformance" (p. 13).

The current study not only contributes to the view that legitimacy and efficiency can be simultaneously achieved, but also extends the evaluation of the organisational legitimacy and efficiency. For example, the current study observed that mere adoption of the external structures was not enough to assure the legitimacy of the Councils. This was attributed to the fact that the main external stakeholders, the

Government and donors, to whom the Councils were legitimated, were the ones which introduced the external structures to the Councils. In this situation, therefore, it was the reactions of the Councils' officials regarding the adopted structures which ensured the organisational legitimacy. This supports Moll and Hoque's (2011) argument that organisational legitimacy may not simply be achieved through the adoption of external structures. Internal factors are also important ingredients in the process of achieving external legitimacy. The legitimacy of the studied Councils was reflected in the way in which they were able to secure financial resources and support from the Government and donors.

Also, the reduced time for the preparation of the financial statements, improved financial reporting, and improved funds disbursement mechanisms, represented some of the efficiencies associated with the adopted structures. These had been expected by the Government and donors, although throughout the implementation of the Councils' operations the technocrats themselves had not worked pro-actively for these improvements. Thus, the findings of the emergent theory contribute to the contemporary NIS literature, which argues for the simultaneous achievement of external legitimacy and internal efficiency. However, the research findings demonstrated that the operating efficiencies were not resultant from the technocrats' 'pro-active choice' (cf. Modell, 2001) but, rather, they occurred automatically in the course of the conformance to the coercive pressures. Also, the levels of efficiency had not matured enough to be openly recognized. This is an important contribution, especially for studies carried out in emerging economies. Because the reforms in these countries are in the infant stages, partial analysis of the adopted structures and procedures may not reveal technical efficiency. Therefore, organisational efficiency needs to be evaluated in line with the particular stage of adoption, something which is seldom emphasized in most of the NIS studies.

9.3.2.3 Multiple Sources of 'Loose Coupling'

The literature records a variety of sources of 'loose coupling' phenomenon demonstrated by institutionalized organisations. For example, Meyer and Rowan (1977) regarded 'loose coupling' as a 'taken for granted' feature of the institutionalized organisations. They held the opinion that it occurs automatically to buffer any uncertainties created by the formal structures. In contrast, Brignall and

Modell (2000) and Oliver (1991) observed 'loose coupling' as a form of resistance to the institutional pressures exerted on organisations. As a result, formal structures and procedures are maintained purposely in a loosely coupled state so as not to disturb the daily routines of the organisation (Ribeiro & Scapens, 2006). Furthermore, Nor-Aziah and Scapens (2007) found 'loose coupling' to be the process and consequences of the conflicting nature of institutional pressures, while Modell (2003) found it to be a form of resistance as well as a product of the regulatory passivity. Recently, Rautiainen (2010) and How and Alawattage (2012) attributed 'decoupling' to being a result of conflicting interests.

In the studied Councils, 'loose coupling' originated from a variety of sources (see Chapter 8, section 8.4.2.2). Firstly, it appeared as a product of the informal resistance of the Councils' officials, especially in the adopted structures of budgetary practices and the accounting systems (IFMS/EPICOR). Secondly, decoupling of the formal performance measurement system and routine was primarily caused by the laxity of the regulatory bodies. Furthermore, technical factors, such as unreliability of power supply and inadequate competence, had contributed to the maintenance of the accounting systems in a loosely coupled state. Moreover, the conflicting pressures from the politicians, regulatory bodies, and the Government and donors, had highly affected the formal budgeting structures and led them to be maintained in a 'loose coupling' state. Therefore, the emergent theory not only recognizes the multiple sources of 'loose coupling', but also regards 'loose coupling' as a consequence of the unfavourable operating environment (technical factors). Also, it is worth noting that the self-interested behaviour of the Councils' officials played a major role in the process of decoupling the formal structures and the daily routines. These are specific and important findings especially for the emerging economies, which normally experience low capacity and deficient regulatory systems.

9.3.2.4 Different Patterns of the Actors' Responses

This research observed that the responses of the Councils' officials to the institutional pressures differed across the Councils and the service deliveries. As was discussed in detail in the previous chapters, the responses of the Councils' officials, and their consequences, differed between the Municipal and the District Councils. Also, the responses of the officials in the HLGs (Councils) were different from those of LLGs

(Wards and Villages). Similarly, the practitioners in the Health Services reacted to the external pressures differently from their Primary Education counterparts. Therefore, the current study has revealed the extent to which the actors' responses and their consequences differed, and that factors such as the effectiveness of the regulatory bodies, the influence of funding agencies, and the internal organisational profile, partially contributed to the difference. This is a clear and important departure by the current research from most of the NIS studies, which regard the actors' responses to the institutional pressures to be similar. As Ribeiro and Scapens (2006) argued, "there is always the possibility that not all actors within an organisation will follow the same rules and accept and enact the same representations" (p.100). In this regard, the emergent theory suggests that the actors' responses to the institutional pressures should not always be assumed to be similar. In fact, the different profile of the reactions of the Councils' officials to the institutional pressures and their corresponding consequences provide proof of the strategic nature of the actors' responses (Oliver, 1991), and extends NIS theorizing beyond the simplistic assumption that actors' responses to the external environment are similar.

9.3.2.5 Performance Management in the Public Sector Entities

This research established that performance management initiatives also constitute forms of the actors' responses to the institutional pressures. This is mainly applicable to the public sector entities, which depend heavily on the external sources of finances which are based on performance. As observed in this research, because the Councils depended heavily on funds from the Government and donors which were performance based, the Councils' officials were compelled to employ performance management techniques to ensure the availability of funds to the organisations. Of interest was the manner in which the performance management techniques affected the actual undertaking of the accounting practices in the Councils. For example, the compliance games, which were played by the Councils' officials as performance management mechanisms, affected the budgeting, auditing, and financial reporting. This shows that, to a certain extent, the accounting in the public sector, has affect, and being affected by, the performance management practices.

9.3.3 Contributions to Accounting Research in Emerging Economies

This study was motivated by the paucity of public sector accounting research in the emerging economies (Broadbent & Guthrie, 2008; Goddard, 2010; Rahaman, 2010).

Because public sector accounting research is context specific (Broadbent & Guthrie, 2008), the lesser engagement with the emerging economies has limited a clear understanding of how accounting has been implicated in the public sector entities in these countries. Related to this is the fact that accounting is influenced by social, political, cultural, and economic settings in which it operates (Ahrens & Mollona, 2007; Alawattage & Wickramasinghe, 2008; Dent, 1991), and these factors vary significantly between the developed, and the developing, countries. It is arguable that some of the research observations made in developed countries cannot sufficiently explain accounting as practiced in emerging economies. Therefore, the current research, which investigated accounting practices in the Tanzanian LGAs, contributes to the body of public sector accounting research in emerging economies.

As has been revealed by previous research (Neu & Ocampo, 2007; Neu, Ocampo Gomez, Graham, & Heincke, 2006; Uddin et al., 2011; Uddin & Hopper, 2001, 2003; Uddin & Tsamenyi, 2005), the current study observed the high influence of donors in the Councils' operations. The donors including the World Bank and those countries under the 'basket funding' arrangements, introduced a variety of initiatives into the Councils. Because the environment was unfavourable for the effective implementation of the donors' initiatives, the Councils' officials became involved in manipulation in order to satisfy the donors' requirements for funding purposes. As a result, for example, the proportion of the Councils qualified for grants had increased from 49% in 2005 to 68% in 2006. Similarly, the proportion of the Councils meeting the minimum conditions for grants purposes had increased from 54% in the FY 2004/05 to 90% in the FY 2007/08, while, at the same time, the proportion of the Councils qualifying for bonus grants had increased from 10% in the FY 2006/07 to 30% in the FY 2007/08 (Tidemand, 2009). However, this trend, as the findings suggest, rather than being associated with improved Councils' performance, was mainly associated with manipulation techniques such as lobbying and the compliance games undertaken by the Councils' officials. It appeared that Councils' officials were keen to satisfy the funding requirements on paper, but this had little impact on the livelihoods of the local Tanzanians (see also Rahaman et al., 2004; Tsamenyi et al., 2010; Uddin & Hopper, 2003; Uddin & Tsamenyi, 2005). It would therefore be appropriate for the improvement of livelihood of local communities to be one of the bases for allocation of grants.

The emergent theory also observed higher levels of corruption practiced by the technocrats, the Councillors, and the members of the Parliamentary Committee. In general, corruption has been a major problem for public sector entities in emerging economies (Abdulai, 2009; Ampratwum, 2008; Berkman et al., 2008; Brown & Cloke, 2006; Iyoha & Oyerinde, 2010; Malagueño et al., 2010; Muganda, 1997; Neu, Everett, Rahaman, & Martinez, 2012; Okike, 2004; Olowu, 1999; Tambulasi, 2007). In this regard, further to the improvement of accounting and institutional arrangements as recommended by Iyoha and Oyerinde (2010) and Okike (2004), the current study argues for a wider societal engagement to address corrupt behaviour in the emerging economies. Because accounting is a social practice, and is affecting, and being affected by, the social context in which it operates (Ahrens & Mollona, 2007), accounting controls alone may not be sufficient to manage the inherent corrupt practices in the society. Therefore, multi-level anti-corruption strategies (Hopper et al., 2009; Riley, 1998) which take into account social, political, economic, and cultural factors, have the potential to minimize corrupt practices in the public sector entities of the emerging economies.

Furthermore, the current research observed a low level of competence among the Councils' officials and inadequate working facilities in the Councils. Unfortunately, this trend is common in the emerging economies (Gujarathi & Dean, 1993; Hammond et al., 2009; Hammond et al., 2011; Sian, 2006, 2007, 2011b). In general, it is apparent that the emerging economies lack adequate competence to undertake the imported initiatives including accounting practices (Uddin & Hopper, 2003). Therefore, there is an immense need for comprehensive capacity building programs in emerging economies, which should not only focus on the organisational structures and procedures, but also on the professional development of the organisational members.

In general, the findings of this research provide empirical evidence to Hopper et al.,'s (2009) framework of management accounting in less developed countries. Tracing mode of production of the less developed countries from pre-colonial period to market capitalism era, Hopper et al. (2009) argued that the application of management accounting systems (MAS) was in existence in early traditional societies of less developed countries, and the advent of other modes of production such as colonialism and state capitalism, had forced traditional societies to adopt the modern MASs from their colonial master and/or their financial sponsors. The imported management accounting practices largely fail to take into account local contexts (i.e. culture, ethnicity, economic, political) of the less developed countries, as a result, they produced negative consequences (see also Tambulasi, 2007; Uddin & Hopper, 2003; Uddin & Tsamenyi, 2005). These observations were equally noted in this study. As discussed extensively in this thesis, the Councils adopted various accounting structures and procedures, such as adoption of IPSAS, performance measurement practices, and performance auditing, as part of funding conditions. This was mainly the case after the country had decided to implement Structural Adjustment Programme (SAP) in the late 1980s as recommended by the World Bank and IMF. As the findings of this research show, majority of these practices were neither congruent with Tanzanian local contexts, nor were fully backed up with sufficient supporting resources. As a result, as Hopper et al. (2009) argued, the imported accounting practices created operational uncertainties which forced the Councils' officials to be manipulative in order to defend the reputation of the Councils and theirs. Therefore, the current study calls the reformers of public sector entities in the emerging economies to consider social, political, economic, and cultural factors, before advocating accounting structures and procedures. As the findings of this study suggest, mere importation and eclectic application of accounting practices borrowed from different contexts increases manipulative practices.

9.3.4 Contributions to the Tanzanian Local Government Authorities

> "We do not undertake research solely to secure journal article 'scores', tenure and promotion points, or personal status. We have a tradition of undertaking research to contribute to societal and professional understanding and change. We aim to make a difference to the communities outside academe. That alone gives us reason for being" (Parker, 2008, p. 913).

This section exemplifies the quote which was offered in defense of the interpretive approach in accounting research. The section offers specific practical recommendations to the Tanzanian LGAs. Without meaning to generalize, the recommendations offered can also be loosely applicable to other countries, especially those located in the emerging economies with similar issues to those found in this research. Because the detailed discussion of these issues has been given in the analysis chapters, this section provides the recommendations in a summarized fashion and they are discussed under the following sub-headings: a holistic approach to the reform programs; the harmonization and review of laws and regulations; strengthening financial autonomy; improving fund disbursement and reporting mechanisms; and improving employee welfare. A discussion of each of these is provided below.

9.3.4.1 A Holistic Approach to the Reform Programs

The Councils demonstrated a need for a holistic approach to the reform programs which would take into account all operational aspects of the public sector entities. The current reform programs tend to put more emphasis on fiscal relations and ignore other important aspects such as the legal reforms, human resources development, and the capacity building programs. The partial nature of the reforms was responsible for the operational uncertainties which affected all aspects of the Councils including the accounting practices. Therefore, integrated public sector reform programs have the potential to guarantee a 'robust accounting infrastructure' (Iyoha & Oyerinde, 2010), which could address major challenges facing the public sector entities in emerging economies in general, and the Tanzanian Councils in particular.

9.3.4.2 The Harmonization and Review of Laws and Regulations

This research observed that the Councils' laws and regulations failed to accommodate their efficient management. Administrative regulations, among other things, failed to provide a clear demarcation of roles between the Councillors and technocrats. This had contributed to the political interference, which had significantly affected the Councils' operations. Similarly, there were major contradictory clauses in the financial and administrative regulations. Therefore, review of the administrative and financial laws and regulations of the Councils would strengthen their overall operations. Also, harmonization of the regulations has the potential to strengthen the Councils' operations. For example, sufficient harmonization between the Local

Government Finances Act No. 9 of 1982 (amended 2000) and the Public Finance Act No. 6 of 2001, would strengthen the effective undertaking of the accounting practices. Also, establishing a clear role for the accounting regulatory board, the NBAA, with regard to the accounting practices in the Tanzanian public sector entities would enhance the smooth undertaking of accounting practices.

9.3.4.3 Strengthening Financial Autonomy of the LGAs

Because the Councils had only an extremely low internal revenue raising capacity, there is an immense need for mechanisms to ensure that they become financially independent. In this regard, the Government needs to set broader revenue targets for the Councils and refrain from revenue administrative activities. Also, there is a need for strong enforcement bodies to curtail unethical behaviour in the Councils' revenue collections, especially in the revenue outsourcing arrangements. Strengthening the Councils' Procurement Unit in terms of staffing, facilities, and reporting relationship, would ensure, among other things, the selection of appropriate revenue collecting agents. It is also worth noting that for the local sources which the Government allowed the Councils to charge their own rates, majority of them do not have appropriate collection rates. The tendency was to collect themselves initially in order to establish rates prior to outsourcing. For the sources which they could not initially collect on their own, they used 'guess work' to determine the collection rates. These intuitive methods are partly responsible for the low revenues. Research into the Councils' revenue collections would potentially reveal appropriate collection rates and other unexploited revenue sources. Also, improving Cost Sharing Scheme in terms of administration, staffing, and financial controls, could possibly minimize health financing dependence.

9.3.4.4 Improving Fund Disbursement and the Reporting Mechanisms

The abolishing and/or discouraging of direct financing would ensure efficient management of the funds and equitable allocation of resources among the Councils. Also, the integration of the Minimum Conditions and Performance Measures into the daily operations has the potential to improve the Councils' performance. Whilst it is important to have performance based grants, other arrangements, such as the development of Key Performance Indicators (KPIs) and benchmarking, would be worth pursuing. In this regard, the commendable efforts of the Local Government Working Group (LGWG) to have all the Councils' financial information online, could be used for benchmarking purposes. This would create an efficient utilization of the financial information for the improvement of the Councils' performance, as opposed to the current trend, where the information is merely used for report writing (for similar observation, see Hernandez, 2002). Furthermore, a more timely disbursement of funds from the Government and donors could potentially minimize the external funding uncertainties facing the Councils. Similarly, the compliance costs are increased by channeling the Government grants through RAS's office, and the practice of the Councils' donors to require separate budgeting, auditing, and reporting arrangements. In general, the synchronization of the reporting mechanisms would bring credibility of the reports, reduction of unnecessary costs, and would save time.

9.3.4.5 Improving Employee Welfare

Improvement of the working conditions of the technocrats has the potential to ensure the efficient attainment of the Councils' objectives. Low salaries coupled with poor working conditions observed in the studied Councils reduced workers' morale and was a potential source of employee fraud. Whilst other anti-corruption initiatives are worthy of investigation, there is also a need to examine the Councils' working environment. In this regard, it is also important to harmonize the employee payment system to both professional employees and across the various tiers of the Government. This would minimize the inferiority complex of the Councils' officials.

9.4 Potential Limitations of the Research

The current research is not without limitations. For instance, the reliability of the research findings was inevitably affected by the observation role assumed by the researcher. In this regard, the observer's bias throughout the data collection and analysis may potentially have influenced the research findings (Lightbody, 2000). However, the overt non-participant observation mode, which was used throughout the data collection, curtailed this threat to the minimum level. Also, the constant comparison method (Glaser & Strauss, 1967; Strauss & Corbin, 1998), and the iterative process, enhanced the reliability of the research findings and minimised the researcher's bias.

This research investigated accounting practices in four out of 134 LGAs available. Arguably, more insights would have been obtained had the research involved more

LGAs. However, the use of purposive sampling ensured an appropriate representation of the LGAs in the country. Also, the use of two Councils for each category enabled comparisons across the Councils, which enhanced the theoretical generalizations. Similarly, the common documentary sources such as laws and regulations, statutory audit reports, and Parliamentary Committee's reports provided general information pertinent to all of the LGAs. Furthermore, the information from the higher bodies such as the Parliamentary Committee, PMO-RALG, MoEVT, and MoHSW provided deep insights into the LGAs' operations beyond the selected Councils. Thus, drawing upon these arrangements suggests that the phenomenon of manipulating legitimacy would also hold true with the other Councils.

Also, the findings of the current research were restricted by the credibility of the information, as the Councils' financial information was not reliable because it differed from source to source. However, use of a variety of data collection methods to some extent addressed this concern. The cross examination of data from different sources was also made, and, more importantly, the implication of the differences was established and substantiated in the research findings. Furthermore, the preliminary findings were presented and discussed to some of the Councils' officials for validation purposes. These arrangements enhanced the credibility of the data presented in this study.

The limited time spent on the Councils (10 months), possibly constrained the research findings. Since accounting is a social and cultural phenomenon (Ahrens & Mollona, 2007; Dent, 1991), the manner in which it has been perceived and practiced has evolved with time. Arguably, more insights would have been obtained had the researcher been able to spend more time with the researched organisations and observe things as they unfolded (cf. Ansari & Euske, 1987). However, undertaking two phases of fieldwork at different periods of time (i.e. July 2010-January 2011, and August to October 2011), enabled the researcher to establish the patterns of the accounting practices and to validate the observed phenomena. Also, some interviews involved the Councils' officials who had worked for a long time, which enabled the researcher to identify previous trends in the accounting practices of the Councils.

These approaches substantially enhanced the reliability and validity of the research findings.

It is also important to acknowledge that the fieldwork failed to be extended to the National Audit Office (NAO) and the Councils' donors. This was because of the time constraints and the long procedural arrangements involved in negotiating access to these organisations. Nevertheless, the use of the Councils' audited accounts and donors' reports, attendance of the various Councils' meetings, and the interviews involving other officials, enabled the researcher to understand the influence of the statutory auditor and the donors on the operations of the Councils in general, and accounting practices in particular. However, future accounting research on the Tanzanian LGAs needs to include the statutory auditor and the Councils' donors as main research participants.

In general, by limiting the focus to Tanzania as a single case-study of a developing country, the research recognises that the findings are likely to be context specific, as the accounting practices as implicated in the Tanzanian LGAs are likely to be somewhat different from other developing countries. However, similarities found in other studies conducted in emerging economies somewhat address this concern (see for example, Okike, 2007; Tambulasi, 2007; Tsamenyi, Enninful-Adu, & Onumah, 2007; Uddin et al., 2011; Uddin & Hopper, 2001, 2003; Uddin & Tsamenyi, 2005). Therefore, the current study does provide a clear understanding of the accounting practices in the context of the emerging economies, and, in particular, elucidates how the interaction between the institutional pressures from the funding agencies and the reactions of the organisational members can influence the actual undertaking of accounting practices.

9.5 Implications and Areas for Further Research

Whilst this research studied all the major aspects of accounting as practiced in the Tanzanian LGAs, future research could investigate in greater depth specific areas such as budgeting, auditing, financial reporting, and performance measurement. For example, it would be interesting to examine the role of budgeting in the implementation of the *decentralization by devolution policy* which was formally introduced into the country in 1998. Also, a study which would investigate in detail the performance measurement practices in the Tanzanian LGAs has much potential for research. Because the country has adopted a performance based grants system in 2004, a thorough examination of the entire system from the perspectives of the Government, donors, consultants, the general public, the Councils, and the statutory auditor, could augment the understanding of the system even further. Also, a longitudinal study of the financial reporting frameworks could theoretically examine in detail why the Councils are subjected to frequent changes to the financial reporting frameworks, and how the Councils' officials cope with the transition periods.

This study investigated accounting practices in the Tanzanian LGAs, and it would be interesting to compare the findings with other Government units such as Ministries, Departments, and Agencies. In this regard, it could also be interesting to compare the findings of the current study with the Zanzibar's Local Governments, because Zanzibar is part of the United Republic of Tanzania, but with different local government systems. Such a study has the potential to explain the influence of the Union Government on the operation of the LGAs in Zanzibar. Similarly, because the principle idea of this research was to understand accounting in the emerging economies, a comparative study involving other countries could also potentially deepen the practical and theoretical understanding of accounting practices in these countries. The findings of future studies into the emerging economies could establish empirically whether the Tanzanian LGAs were unique or whether similar trends can be found in other countries, which could be used to test the generalizability of the findings obtained in this study.

Furthermore, the current research focused more on the institutionalization of the external structures and procedures (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Strang & Meyer, 1993). The emergent theory, as with other NIS studies, suggests that institutionalized organisations are forced to adopt external structures and procedures in order to confer legitimacy and resources for survival (Meyer & Rowan, 1977; Meyer & Scott, 1983b). Further research is needed to explore how de-institutionalization of the organisational former structures and procedures takes place. Such research might shed further light on the interactions between the former and the new organisational structures and the procedures in the institutionalization process (cf. Dillard et al., 2004; Oliver, 1992; Seal, 2003). In the context of the Tanzanian LGAs, for example, it may be valuable to investigate how former financial reporting frameworks, such as TSSAPs and IFRSs, were discarded, and what would be the potential consequences of the de-institutionalization process on the Councils' operations in general, and accounting practices in particular.

The combination of a grounded theory approach and NIS as used in this study has the potential to enhance a clear understanding of the interplay between accounting and institutional arrangements. Therefore, the current study not only encourages further application of grounded theory, but also argues for its 'meta synthesis' with other theoretical orientations (Goddard, 2004, 2005a; Kearney, 1998b, 2010). In this regard, the current study also encourages replication of the proposed formal theory of manipulating legitimacy to other substantive areas. It would be interesting to investigate the phenomenon of manipulating legitimacy emerged in this research in the public and the private entities located in both developed and emerging economies. It is in this context that the current research welcomes wider replication of the manipulating legitimacy theory in different organisational settings.

Moreover, this study encourages a broader engagement with interpretive field based research in general, and in emerging economies in particular. As has been established in previous research (Iyoha & Oyerinde, 2010; Uddin & Hopper, 2003), this study has also observed that the public sector entities in emerging economies are faced with poor accounting infrastructures due to factors such as deficient regulatory systems, low competencies, political interference, and low levels of technology. The reliability of the quantitative instruments such as questionnaires in modelling these complexities and to provide a clear understanding of accounting practices is questionable (see Parker, 2008). In contrast, as the findings of this study suggest, an interpretive approach has the potential to unpack these intricacies and provide thorough explanations of accounting practices. Therefore, the application of an interpretive approach in public sector accounting research in the emerging economies is more appealing and longitudinal case studies would appear to be the preferred research strategy.

9.6 Summary

This chapter has summarised the entirety of this research. It has also presented the methodological and theoretical contributions made by the current research to the extant literature. The chapter has also discussed the contributions made by the current study to the emerging economies in general, and to the Tanzanian LGAs in particular, and concluded with a presentation of the research limitations and areas for further research.

Appendices

Appendix 1: LGAs' Performance Measures

Functional Area	Total Score	Minimum score below which a penalty applies	Minimum score to receive Performance bonus
A. Financial Management	25	12	18
B. Fiscal Capacity	15	7	12
C. Development Planning	27	12	22
D. Transparency and Accountability	15	6	12
E. Interaction with LLG	10	4	7
F. Human Resource Development	13	5	9
G. Procurement	14	6	10
H. Project Implementation	26	10	18
I. Council Functional Processes	5	2	3

Source: Assessment Manual of the Councils Minimum Conditions and Performance Measurement Criteria, Local Government Capital Development Grant Systems, PMO-RALG, August 2006 (p. 7).

Appendix 2: LGAs' Budget Timeframe

Month	Activity
January	Issuing of budget guidelines
February	Call for proposal from sub-village-village-ward-council
March	Council Management Team (CMT) prepare draft budget
April	Draft budget submitted to RAS, Council standing committee. After their approval, it then passed to the full council for approval. Subject to being passed by the full council the budget is then submitted to PMO-RALG and MoF.
May	Initial discussions with MoF to obtain revised ceilings
June	Parliament discusses national budget including transfers to LGAs
July-November	Receipt of final ceilings for the sectors from MoF

Source: Public Expenditure Review Annual Consultative Meeting, Joint Evaluation Report on Local Government Fiduciary Assessment, May 2006 (p.18).

Appendix 3: Concepts, Open and Axial Categories

No	Concepts	Open Categories	Axial Categories
1.	Perceived value of accounting	The role of accounting and accountants	Accounting subordination
2.	Councils accounting profile		
3.	Precedent role of accounting		
4	Perceived role of accountants		
5.	Late and inappropriate budget guidelines	Budgetary practices	Ceremonial conformity and compliance games
6.	Participatory planning		
7.	Budgetary malpractices		
8.	Frequent changes of financial reporting frameworks	Deficient financial reporting practices	
9.	Low level of compliance		
10	Unreliability of the Councils final accounts		
11.	Conflicting provisions	Outdated accounting provisions	Deficient regulatory frameworks
12.	Uncoordinated regulations		
13.	Outdated regulations	Weak administrative regulations	
14.	Parallel structures		
15.	Financial dependence	Donors' practices	Donors' influence
16.	Donors supremacy		
17.	Funding conditions and priorities		
18.	Limited segregation of duties	Inherent weaknesses of the internal control systems	Emergence of fraud and corruption
19.	Fraud symptoms		
20	Shortage of accounting staffs		
21.	Low salaries and other incentives	Unfavourable working conditions	
22.	Insufficient working tools		
23.	Perceived low respects		
24	Inadequate supporting environment		
25.	Low technocrats' competence	Deficient financial and administrative structures	Fragile supervisory bodies
26.	Weak enforcement organs		

No	Concepts	Open Categories	Axial Categories
27.	Weak low level structures		
28.	Low level of audit independence	Ineffective auditing processes	
29.	Insufficient working tools		
30.	Inadequate auditors' competence		
31.	Fund volatility	Low fiscal capacity	Funding uncertainties
32.	Late disbursement of funds		
33.	Inappropriate Government directives		
34.	Uncoordinated funding sources	Inefficient fund management	
35.	Allowances emphasis		
36.	Inappropriate funding allocations		
37.	Inadequate departmental coordination		
38.	Favouritisms	Collusion	Lobbying
39.	Financial and political interest		
40.	Conspiracy		
41.	Political 'shielding'		
42.	Selfishness and individualism	Disguised participants behaviours	Organisational cultural attributes
43.	Blaming attitude		
44.	Fear		
45.	Low Councillors' qualifications	Language barriers	
46.	Inadequate financial awareness of citizens		
47.	Performance profile	Performance measurement practices	Performance management
48.	Simplistic meaning of performance		
49.	Performance emphasis and Councils' grants		
50.	Financial bureaucracy	Domination and autonomy	Political and hierarchical interferences
51.	Financial autonomy		
52.	Control and trust		
53.	Centralised decision making		
54.	Inappropriate funding		

No	Concepts	Open Categories	Axial Categories
	regulations		
55.	Government directives	Perceived political interference	
56.	Councillors-technocrats hostile relationship		
57.	Perceived irrelevant structures-RAS		
58.	Multi-partism 'politics'		
59.	HLGs and LLGs structures	Accountability arrangements	Improving accountability and governance
60.	Decentralization by devolution policy		
61.	Revenue sharing		
62.	Translation of the financial reports	Transparency measures	
63.	Accounting for 'receipt in kind'		
64.	Posting Government remittances and own sources		
65.	Low professional respects	Professional dilemmas	Professional conflict
66.	Employee power relations		
67.	Incomplete nature of reform programs		

Appendix 4: List of Main Documents Used

SN	Documents	Source
	Laws and Regulations:	
1.	Local Government (District Authorities) Act No. 7, 1982	AG, URT
2.	Local Government (Urban Authorities) Act No. 8, 1982	AG, URT
3.	Local Government Laws (Miscellaneous Amendments) Act No. 6, 1999	AG, URT
4.	Local Government Laws (Miscellaneous Amendments) Act No. 13,2006	AG, URT
5.	Local Authorities (Elections) Act No. 4, 1979	AG, URT
6.	Local Government Finances Act No. 9, 1982 (amended 2000)	AG, URT
7.	Public Finances Act, 2001	AG, URT
8.	Local Authority Financial Memorandum (LAFM), 1997	PMO-RALG
9.	Local Authority Accounting Manual (LAAM), 1992	PMO-RALG
10.	Local Government Authorities Tender Boards (Establishment and Proceedings) Regulations, 2007	AG, URT
11.	Public Procurement Act No. 21, 2004	AG, URT
12.	Public Finance Act No. 6, 2001	AG, URT
13.	The Regional Administration Act No. 19, 1997	AG, URT
14.	Local Government Authorities Internal Audit Manual, 2005	PO-RALG
15.	Comprehensive Council Health Planning Guideline	PMO-RALG &MoHSW
	Policy Documents:	
16.	Local Government Reform Agenda, 1996-2000	URT
17.	Policy Paper on Local Government Reform, 1998	URT
18.	Joint Evaluation Report on Local Government Fiduciary Assessment, 2006	PER
19.	Implementation Report of Local Government Reform Programme, 2008	PMO-RALG
20.	Primary Education Development Programme (PEDP I), 2002-2006	MoEVT
21.	Primary Education Development Programme (PEDP II), 2007-2011	MoEVT
22.	Primary Health Services Development Programme, 2007-2017	MoHSW
23.	Health Sector Supportive Supervision Performance Indicators	MoHSW
24.	Health Cost Sharing Scheme, 1997	MoHSW
25.	Health Sector Strategic Plan II, 2009-2015	MoHSW
26.	Final Report on Development of a Strategic Framework for the Financing of Local Governments in Tanzania, President's Office-Regional Administration and Local Government and Ministry of Finance, 2005.	URT
27.	A Review of the Role and Functions of the Bank of Tanzania, 1961-2011	BOT
	Confidential Documents:	
28.	Internal Auditors Reports	LGAs
29.	Minutes-Full Council Meetings	LGAs
30.	Minutes-Finance and Administration Committee	LGAs
31.	Health Technical and Financial Reports	LGAs
32.	Draft Final Accounts for the FY 2009/10	KAMC
33.	PEDP Implementation Report, 2010	KAMC
	Publicly Available Information:	

SN	Documents	Source
34.	Councils Performance Assessment Manual	PMO-RALG
35.	Councils Performance Assessment Reports for the FY 2007/08 and 2008/09	PMO-RALG
36.	LGAs Audited Accounts, FY 2005-2010	CAG
37.	LGAs Revenues and Expenditures, FY 2005/06-2010/11	LGWG
38.	LAAC Reports, FY 2007/08-2010/11	Parliament
39.	Sector Budget Support in Practice in Tanzanian Local Governments, Nov 2009	ODI
	Newspapers:	
40.	Editorial, The Guardian, 24th February, 2010	
41.	Reporter, Daily News, 1st April, 2011	
42.	Reporter, The Guardian, 21st January, 2010	
43.	Editorial, The Guardian, 24th March, 2011	
44.	Reporter, Daily News, 4th June, 2012	

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