

**UNIVERSITY OF SOUTHAMPTON**

**FACULTY OF LAW, ARTS AND SOCIAL SCIENCES**

**SCHOOL OF MANAGEMENT**

**ACCOUNTING, ACCOUNTABILITY AND GOVERNANCE IN LOCAL  
GOVERNMENTS IN TANZANIA: A GROUNDED THEORY**

by

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**ABSTRACT**

**Doctor of Philosophy**

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This thesis explores the role of accounting in accountability and governance in local governments in Tanzania. The purpose is to develop a theory from data related to the phenomena. Prior research has suggested that accountability and governance are subject to different meanings (Sinclair, 1995; Edwards, 2002). Hence an interpretive methodology was adopted and grounded theory procedures (Strauss and Corbin, 1990, 1998) were employed in gathering and analyzing data. The construction of theory concerning the phenomena was driven by data rather than a *priori* theory.

The emergent substantive grounded theory proposes that the phenomena involve interplay between accounting and the participants' perceptions of roles in accountability and governance interactions. Also of importance were perceptions of *utawala* and *uwajibikaji* held by the participants and the nature of the relationships between these groups. Such interplay is also conditioned by organizational arrangement, knowledge possessed by the groups of participants, and the general external environment.

The research involved two local governments in Tanzania and five groups of local government stakeholders: councillors, local and central government executives, external auditors, and members of a parliamentary committee. Data was gathered through interviews, document review and passive participant observation over a period of seven months in two different phases. The initial field study was conducted from August to December 2003 and the final one from January to February 2005.

The key contributions of this thesis are firstly, an extension of grounded theory accounting research on accountability and governance in an unexplored social setting. Secondly, it proposes that the phenomena of accounting, accountability and governance involve interplay between accounting and the institutionalization of accountability and governance. The thesis identifies factors and social processes influencing such institutionalization processes. Thus it contributes to the emerging literature on accounting and institutionalisation processes (Dillard et al., 2004). Finally, the research proposes that governance structures create dynamic and complex roles and relationships between different stakeholders and that the real roles played by different stakeholder groups constitute the essence of governance.

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# Abbreviations

|         |                                                                  |
|---------|------------------------------------------------------------------|
| CAG     | Controller and Auditor General                                   |
| CIPFA   | Chartered Institute of Public Finance and Accountancy            |
| DCs     | District Commissioners                                           |
| DAS     | District Administrative Secretary                                |
| DSs     | Divisional Secretaries                                           |
| DED     | District Executive Director                                      |
| IFAC    | International Federation of Accountants                          |
| LAAC    | Local Authority Accounts Committee                               |
| LGLB    | Local Government Loans Board                                     |
| LAPF    | Local Authority Provident Fund                                   |
| LGRP    | Local Government Reform Programme                                |
| LGSC    | Local Government Services Commission                             |
| LGSR    | Local Government Service Regulations                             |
| LGAs    | Local Government Authorities                                     |
| NAO     | National Audit Office                                            |
| NIS     | New Institutional Theory Sociology                               |
| NPM     | New Public Management Reforms                                    |
| NPFM    | New Public Financial Management Reforms                          |
| PO-RALG | President's Office, Regional Administration and Local Government |
| RSs     | Regional Secretariats                                            |
| RCs     | Regional Commissioners                                           |
| RAS     | Regional Administrative Secretary                                |
| URT     | United Republic of Tanzania                                      |
| VFM     | Value for Money                                                  |
| VEOs    | Village Executive Officers                                       |
| WEOs    | Ward Executive Officers                                          |
| WDC     | Ward Development Committee                                       |

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# Chapter 1

## INTRODUCTION

### 1.1 Background to the research

This thesis investigates the role of accounting in accountability and governance in local governments in Tanzania. The research involved two large local government authorities (LGAs) in the country and five groups of participants, namely, local and central government executives, councillors, external auditors and members of the parliamentary committee responsible for the accounts of LGAs.

Local government entities play a crucial role in economic, political, and social life. The entities consume a significant proportion of incomes of many countries. In Tanzania, for example, local government consume over 20 percent of public sector spending (URT, 2005).

In recent years, new public management (NPM) reforms have been an ongoing phenomenon in local government in many developed and less developed countries. The changes have ranged from adoption of private sector management approaches to partnerships with private sector entities. Such reforms have further complicated issues of accountability and governance in the public sector. The reforms have also made accountability and governance imperative (Coy et al., 2001; Broadbent and Laughlin, 2003). For example, the World Bank (2000) suggests that ineffective public institutions and weak governance are major constraints to growth and equitable development in many less developed countries.

Authors have observed that many reforms in the public sector have contributed to the dominance of accounting in the sector (Olson et al., 1998; Guthrie et al., 1999). However, scant research has explicitly examined the phenomena of accounting, accountability and governance in practice in the public sector context (Goddard, 2004).

The concepts of accountability and governance have no precise meanings, despite their prominence in the literature, especially in recent years (Mulgan, 2000; Solomon and Solomon, 2004). This research seeks to explore the phenomena of accounting, accountability and governance from the perspectives of the different local government stakeholders.

The research is guided by an interpretive methodology and employs grounded theory analysis. The interpretive research approach seeks to secure understanding of lived experience from the perspectives of those who lived it (Silverman, 2001). It focuses on the 'subjective social reality', that is, on what events mean to people, on how they perceive what happens to them and in the surrounding environment, and how they adapt their behaviours and actions in the light of these meanings (Locke, 2001, p. 9). The methodology provides an appropriate research strategy for studying complex phenomena such as accountability and governance (Locke, 2001).

The purpose of the research is to theorize from the data on observed relationships between accounting, accountability and governance. Hence grounded theory procedures (Strauss and Corbin, 1990, 1998) are adopted for data collection and analysis.

## **1.2 Significance of the research**

This research is significant for several reasons. Firstly, little research has explored the phenomena of accounting, accountability and governance in local government organizations. This is in spite of the economic, political and social importance of these entities in most countries. Research in the context of less developed countries is particularly lacking in the published literature. Broadbent's (1999) review of public sector accounting research has called for an extension of contextual studies into unexplored social settings, in order to accumulate accounting knowledge.

Several accounting studies on accountability and governance in local government have also called for contextual studies, in order to enhance understanding of the phenomena (Taylor and Rosair, 2000; Bourmistrov and Mellemvik, 2002; Everett, 2003).

Thirdly, accounting researchers have exhorted diversity in research approaches, and, in particular research, that focuses on the development of accounting theory that can be relevant to both practice and policy-making (Tomkin, 1999; Guthrie and Parker, 2004).

Finally, issues of accountability and governance in the public sector have become increasingly imperative, especially in the context of ongoing reforms that complicate the nature of the sector and its phenomena (Funnel, 2003; Everett, 2003).

### **1.3 Structure of the thesis**

The thesis is divided into five main parts with a total of ten chapters. The first reviews previous accounting studies on accountability and governance in the public sector. Chapter 4 discusses the research methodology. Chapters 5 and 6 provide background information about the local government authorities in Tanzania and the case studies. Chapters 7, 8, 9 and 10 contain the data analysis and empirical results, with conclusions and contributions in Chapter 11.

### **Part One**

Chapters 2 and 3 review the accounting literature on accountability and governance in the public sector and in local government organizations respectively. The review begins with definitions of the concepts of accountability and governance. This concludes that the concepts are subject to different interpretations and meanings, depending on context (Sinclair, 1995; Mulgan, 2000; Rhodes, 2000; Edwards, 2002; Bouckaert et al., 2002). The literature on accountability is extensive, and deals with a variety of public sector entities. Much of the literature contains ‘critiques of the new public management (NPM) reforms rather than studies of accountability in practice’ (Goddard, 2004, p.546). Chapters 2 and 3 reveal the paucity of accounting research on public service governance (Broadbent, 1999; Ryan and Chew Ng, 2000; Hodges et al., 2004b).

## **Part two**

Chapter 4 deals with the research methodology and methods. The chapter covers the general research problem, research methodology and methods, and strategies employed to address issues of validity and reliability. The general research problem is to investigate the role of accounting in accountability and governance in local government entities. The research employs interpretive research methodology. Since the purpose was to theorize inductively from the data on the phenomena of study, Strauss and Corbin (1990, 1998) grounded theory procedures are adopted for data collection and analysis. The chapter also explains strategies employed to address issues of validity and reliability during the entire research process (Morse et al., 2002).

## **Part three**

This part comprises Chapters 5 and 6. The chapters provide descriptive information about local government organizations in Tanzania and the case studies included in this research. Currently there are 117 local government authorities (LGAs) in the country. The LGAs function independently through a representative body known as the council and are established by law to perform specific functions and exercise specific powers within a defined area of jurisdiction. The LGAs are run by two groups of officials, councillors and appointed officials. The appointed officials include chief executive officers and the heads of various departments, who are appointed by central government organs. The councillors are elected by the local population to serve for five year terms. The councillors constitute the council, which is the top governing body at LGA level.

The key function of LGAs in the country is to provide public services. These include primary education, health care, water services, local road construction and maintenance, agricultural development and other public services, such as recreational facilities and refuse collection. Generally, the LGAs depend heavily on revenues from central government. For instance, from 2001 to 2004, revenues collected by LGAs from their own sources were approximately 20 percent of the aggregate revenues (URT, 2005). Financial allocations by the central government to LGAs are

largely in the form of conditional grants. Such grants can only be utilized for allocated sectors and activities.

The case studies include a municipal council and a district council located in an urban and in a rural setting respectively. The two councils are controlled 100 percent by councillors from one political party. Multiparty politics was introduced in the country in 1992 and the first multiparty elections for councillors were conducted in 1994. The majority of LGAs are still dominated by one political party, which has been ruling the country since independence in 1961. The district council relies more heavily on central government funding than the municipal council. About 78 percent of the councillors in the municipal council had formal education ranging from secondary to university, while 73 percent of the councillors in the district council had only primary education.

#### **Part four**

This part contains the data analysis and empirical results. Grounded theory analysis involves three main analytical processes, namely open, axial, and selective coding (Strauss and Corbin, 1998).

Chapter 7 presents the emergent research themes and open coding. This is the initial stage of grounded theory analysis. The initial stages of data collection and analysis focused on gleaning important issues about the phenomena under study from the perspectives of the participants. Five main themes emerge as follows: the participants' understandings and perceptions of accountability and governance; perceptions of the role of accounting amongst the participants; the manner and extent to which the participants used accounting information; the nature of the relationships between and amongst the different groups of participants and implications for accounting, accountability and governance; and the way the perceptions of accountability and governance amongst the participants influenced and were influenced by accounting. Open coding is the process of identifying, categorizing, labelling, and describing all important phenomena observed in the data resulting in open categories (Strauss and Corbin, 1998). Open categories are concepts generated from data that describe phenomena in the subject of study that emerge as important to the participants (Glaser

and Strauss, 1967). Chapter 7 delineates twenty-six open categories generated from the data.

Chapter 8 deals with axial coding, which is the second stage in grounded theory analysis. The purpose of axial coding is to reassemble data fractured during open coding to form more precise and complete explanations about the observed phenomena and relationships among the categories (Strauss and Corbin, 1998). At this stage of analysis the twenty-six open categories generated during open coding were subsumed into nine main categories. The chapter describes these main categories, together with emerging relationships among them.

Chapter 9 presents the final analytical process as well as the emergent substantive grounded theory. The final stage of data analysis in grounded theory is selective coding, which builds on open and axial coding. Selective coding involves identification of the core or central category, relating it systematically with the other categories, validation of those relationships, and description of the emergent substantive grounded theory (Strauss and Corbin, 1990). The core category is the central phenomenon that connects all the other main categories and represents the essence of the study.

The emergent substantive grounded theory proposes that the phenomena of accounting, accountability and governance involve interplay between accounting and perceptions of roles in accountability and governance interactions amongst groups of participants. The participants' perceptions of *utawala* and *uwajibikaji*<sup>1</sup> and the nature of the relationships between different groups of participants were also important to the interplay. These factors together with the perceptions of the roles constrained the position and usage of accounting in interactions. On the other hand, accounting also affected these factors. The factors also contributed to the development of accounting practices in the LGAs. The substantive grounded theory proposes that organizational

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<sup>1</sup> *Utawala* and *uwajibikaji* are *Swahili* language words, equivalent to governance and accountability respectively. However, when discussing the phenomenon of *utawala*, participants emphasized authority and struggle for influence between the different groups. *Uwajibikaji* was generally associated with the possession of power by the accountees to hold the accountant to account. For instance, there was a poor sense of accountability to members of the general public amongst local and central government executives due to perceptions that they lacked the power. The participants' perceptions of *utawala* and *uwajibikaji* are described in detail in Chapter eight.

arrangement, knowledge possessed by the different groups of participants and the general external environment also affect the interaction between accounting, accountability and governance.

## **Part five**

Chapter 10 compares the emergent substantive grounded theory with the relevant extant literature. The purpose is to suggest a more formal grounded theory. Glaser and Strauss (1967) have proposed comparative analysis of an emergent substantive theory with an established general theory as one of the approaches towards a more formal grounded theory. A formal grounded theory is more generalizable than a substantive theory (Strauss and Corbin, 1998). Glaser and Strauss (1967) suggest that comparative analysis should provide explanations that are part of the process rather than the end product of an existing general theory, in order to further the chances of developing new theories. They also emphasize that both substantive and formal grounded theories should be grounded in data.

Accounting researchers have explored accountability and governance in the public sector from different theoretical perspectives, including stakeholder and agency theories (Mayston, 1993; Goddard and Powell, 1994; Broadbent et al., 1996; Boyne et al., 2002; Laswad et al., 2005), Bourdieu's concept of habitus (Goddard, 2004, 2005), and institutional theory (Bourmistrov and Mellemvik, 2002).

In this research, taken for granted views of roles associated with accountability and governance amongst the groups of participants emerged as the core phenomenon to the relationships between accounting, accountability and governance. The new institutional theory of sociology (NIS) provides suitable theoretical insights for exploring further the findings of the grounded theory study. This theory is close to the core findings of the research. The roles of participants, the core phenomenon in this study, is also a key concept in NIS analysis (Berger and Luckmann, 1967; Goodin, 1996; Edelenbos, 2005). Goodin (1996) describes institutions as 'organized patterns of socially constructed roles and socially prescribed behaviours expected of occupants of those roles, which are created and re-created over time' (p. 19). Other authors have also proposed and employed institutional theory in discussion of the roles of

participants in governance (Hung, 1998; Cornforth and Edwards, 1999; Edelenbos, 2005). The strength of institutional theory is that it recognizes the contexts in which roles evolve and also addresses the questions of why and how they emerge (Cornforth and Edwards, 1999; Edelenbos, 2005).

NIS is concerned with social processes through which social structures, including rules, routines and norms become institutions or established as taken-for-granted ways of thinking and acting (Meyer and Rowan, 1977; Scott, 2001). Institutional theory deals with social processes as well as their outcomes. The former are referred to as institutionalization, which is described by authors as a social process through which social behaviours or practices become sufficiently regular and automatic as a result of relatively self-activating social processes (Philips et al., 2004). NIS proposes that institutions are constructed through social processes in the course of human interaction (Meyer and Rowan, 1977). Hence the understanding of institutionalisation requires investigation on the way patterns of social interactions develop into institutions (Philips et al., 2004). Grounded theory methodology involves identification of social processes that give rise to specific social phenomena (Strauss and Corbin, 1990; Charmaz, 2006). The emergent substantive grounded theory is about contextual social processes that contributed to taken for granted perceptions of roles as regards accountability and governance amongst different groups of local government participants and the way these affected and were affected by accounting. It identifies both factors and contextual social processes that resulted in the perceptions of the roles and the manner in which these influence and are influenced by accounting.

The chapter draws on insights from both emergent substantive theory and the NIS to propose a more formal grounded theory. The emergent formal grounded theory proposes that the phenomena of accounting, accountability and governance involve interplay between accounting and the institutionalization of accountability and governance. The concept of the institutionalization of accountability and governance is derived from institutional theory. It refers to factors and social processes that resulted in prevailing views of roles in accountability and governance interactions amongst the groups of participants. The factors and social processes involved in the institutionalization of accountability and governance include perceptions of *utawala*

and *uwajibikaji* held by the groups of participants, the nature of the relationships between different groups of participants, organizational arrangement, knowledge possessed by the groups of participants, the general external environment as well as accounting. The factors that contribute to such institutionalisation process are consistent with those identified in other studies dealing with institutionalisation in various contexts and organizations (Burns and Scapens, 2000; Burns, 2000; Seal, 2003; Dillard et al., 2004; Modell, 2005; Burns and Baldvinsdottir, 2005). Moreover, Perri et al. (2002), drawing from NIS, have also suggested factors that are necessary in the process of institutionalisation of governance, which are similar to the ones that have emerged from this study.

The emergent grounded theory proposes that accounting contributes to the institutionalisation of accountability and governance in the LGAs. Accounting influenced the way local government participants viewed their roles in accountability and governance interactions. For example, persistent negative audit opinions in the financial reports of many LGAs in the country have made central government executives and members of the parliamentary committee perceive financial accountability as one of their main roles in accountability relationships. Similarly, perceived poor influence over budgeting in LGAs amongst councillors made them regard the achievement of effective involvement in local government activities as their main role in governance. On the other hand, prevailing patterns of the perceptions of the roles amongst the groups of participants, perceptions of *utawala* and *uwajibikaji*, as well as the nature of the relationships between groups of participants constrained the usage of accounting. In other words, these factors influenced the manner and extent to which accounting contributed to the institutionalisation of accountability and governance. Furthermore, such factors contributed to the improvement in accounting practices in LGAs. For example, prevailing attitudes of distrust in local government executives and limited trust in external auditors amongst members of the parliamentary committee influenced both the content and size of the annual financial reports submitted by LGAs to the committee.

Chapter 11 summarizes the key contributions of the research. These include, firstly, an extension of interpretive grounded theory research on the phenomena of

accounting, accountability, and governance in the context of a less developed country, where such research is lacking. The thesis provides additional evidence on phenomena observed in other accounting studies in developed countries, including budgeting as the most important accounting practice to both accountability and governance (Goddard, 2004, 2005), the poor contribution of annual financial reports to accountability in local government (Steccolini, 2004), importance of trust to accounting and the way the two influence each other (Tomkins, 2001; Goddard, 2004), accounting practices emerging from interactions between organizational participants (Goddard, 2004), and the influence of culture on the usage of accounting information in organizations (Berry et al., 1985; Dent, 1991; Abdul-Rahman and Goddard, 1998). The thesis also extends Goddard's (2004, 2005) theorizing on the relationships between accounting, accountability and governance. It proposes that the participants' perceptions of roles involved in accountability and governance processes is also an important dimension of the phenomena.

The research contributes to the emerging literature on accounting and institutionalisation processes (Dillard et al., 2004; Modell, 2005; Burns and Baldvinsdottir, 2005). The emergent grounded theory proposes that the phenomena of accounting, accountability and governance involve interplay between accounting and the institutionalisation of accountability and governance. It identifies factors and social processes contributing to the institutionalisation of accountability and governance and shows how this affects and is affected by accounting.

Thirdly, the thesis proposes that governance structures create complex and dynamic roles and relationships between different groups of participants, rather than static roles and relationships. It suggests further that the real roles played by the participants represent the essence of governance. It emerged, for instance, that the top governing bodies (the councils) at both LGAs, are generally dominated by executives rather than councillors, as implied by organizational structure.

The chapter also provides suggestions for future research on the phenomena. The extent to which the emergent grounded theory can be generalized to other public sector entities is limited (Strauss and Corbin, 1998). However, the emergent grounded theory has identified conditions under which the theoretical explanations may hold,

which can exist in other organizations. Hence the hypothesized relationships between accounting, accountability and governance can be tested in similar entities and beyond in order to develop a general theory on the phenomena.

The research demonstrates that accountability and governance entail complex social processes. It suggests that investigation and theorisation have to take into consideration underlying social processes (Letza et al., 2004). Finally the research raises questions as to how and to what extent a group of participants largely without relevant professionalism can effectively manage the work of professionals.

# Chapter 2

## ACCOUNTING STUDIES ON ACCOUNTABILITY AND GOVERNANCE IN THE PUBLIC SECTOR

### 2.1 Introduction

This chapter reviews the accounting literature on accountability and governance in the public sector in general. The review begins with definitions of the concepts of accountability and governance. Due to the significance of the New Public Management (NPM) and New Public Financial Management (NPFM) reforms in public sector management, section 2.4 discusses their implications for accounting, accountability and governance in the public sector in general, including local government entities. Sections 2.5 and 2.6 review accounting studies on accountability and governance in the public sector, but excluding local government entities, which are dealt with in Chapter three. Section 2.7 provides a summary of the chapter.

### 2.2 The meaning of the concept of accountability

The definitions of accountability have diversified, the scope having been expanded in several different dimensions, far from the traditional view of the concept (Sinclair, 1995; Mulgan, 2000). The traditional view of accountability incorporated “*the giving and demanding of reasons for conduct*” (Roberts and Scapens, 1985, p. 447). This implies that accountability is concerned with the giving and demanding of reasons for conduct, so that individuals are required to explain and take responsibility for their actions or inactions (Parker and Gould, 1999, p. 116). For example, Willmott (1996) described accountability as the universal property of social relations and interactions in which human beings are continuously in the process of ‘providing and receiving accounts’. Roberts (1996) described accountability as varied social interactions, through which human beings remind each other of their mutual interdependence.

Over time, the concept of accountability has been extended beyond its core sense of being called to account for one’s actions to include aspects such as control, responsiveness, dialogue, personal and professional values, and providing and

reporting on results (Stewart, 1984; Sinclair, 1995; Mulgan, 2000). The extensions in the meaning of accountability in the public sector domain are mainly associated with public sector management reforms, changes in the attitudes of participating parties, and growing concerns over accountability amongst various stakeholders, such as the general public and professional associations (Parker and Gould, 1999; Mulgan, 2000).

Stewart (1984) described accountability as a relationship between different parties, the party that accounts and is held to account, that is the accountor, and the party that holds the other to account, that is the accountee. He argues that, for accountability relationships to be effective, the accountee must possess power to hold the accountor to account and the forms of accountability must be clearly specified. Stewart identified different forms of accountability as follows. Accountability for probity and legality, which is concerned with whether funds are used in an authorized manner. Process accountability is about the way the activities for which accounts have to be given are performed. Performance accountability is concerned with the outcomes of the activities for which an account has to be provided. Programme accountability is concerned with achievement of goals and objectives. Lastly, policy accountability is concerned with appropriateness of policies. These different forms of accountability are sometimes referred to as 'Stewart's ladder' of accountability. Stewart (1984) noted further that some accountability relationships in the context of the public sector may only involve a link rather than a bond to accountability. In the former case the accountee has no power to hold the accountor to account, unlike in the latter case.

Mulgan (2000) extends the dimensions of accountability in the public sector to include 'control, responsiveness and dialogue' (p. 556). The notions of responsiveness and dialogue are also used by Gregory and Hicks (1999) and Roberts (2002), respectively. Koppell (2005) also introduced notions of responsiveness and control. The control aspect of accountability in the public sector context is concerned with the establishment of institutional mechanisms of accountability, such as constitution and legislatures that are amenable to public control (Mulgan, 2000). Mulgan considers such institutional accountability mechanisms as a crucial aspect in accountability relationships, though they are not part of actual accounting. Roberts (2002) identifies two main categories of institutional mechanisms of accountability as formal and informal. The formal mechanisms are those based on regulations and organizational

hierarchies. Informal mechanisms are those which are derived from political, social and cultural background as well as from the professional norms and codes of ethics of the participants. Mulgan (2000) defines the responsiveness dimension of accountability as the extent to which public entities and officials pursue the wishes or needs of their political masters and the public, regardless of whether they are induced to do so through 'processes of authoritative controls' (p. 556). The public dialogue dimension of accountability involves voluntary dialectical exchange between public officials and the party or parties to which they are accountable to (Gregory and Hicks, 1999). Roberts (2002) suggests that the dialogue aspect of accountability provides a useful mechanism of accountability in situations where there are differences between the parties, the accountors and the accountees, in terms of the nature of problems and solutions.

Sinclair's (1995) interpretive study of chief executives in the Australian public sector identified five typologies of accountability: political, public, managerial, professional and personal. Political accountability is about responsibilities to the political party in power or to an officer appointed by the political party. Public accountability refers to responsibilities to the electorate or the general public. Managerial accountability is concerned with effectiveness and efficiency in the utilization of resources. Professional accountability involves adherence to specific professional codes of conduct and ethics. Personal accountability involves adherence to personal ethical and moral values.

Goddard's (2004)<sup>2</sup> grounded theory study of accountability in the context of local government in the UK documents structural accountability and member-manager accountability in addition to the typologies of accountability documented in Sinclair (1995). The former 'involves the relationship between the departments at the level of both the members and managers, while the latter is concerned with the relationship between members and managers in the local government' (Goddard, 2004, p. 555).

The literature demonstrates that accountability is a dynamic concept with many different facets in perception and practice (Sinclair, 1995; Mulgan, 2000).

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<sup>2</sup> This study is referred to in detail in chapter three.

Consequently, recognizing diversity in the ways in which accountability can be understood and practised by participants provides a good basis for studying accountability both as a concept and a social practice (Sinclair, 1995). Hence, this thesis seeks to explore the phenomena of accountability from the perspectives of local government participants.

### **2.3 The meaning of the concept of governance**

Governance like accountability is a debated concept in the literature (Rhodes, 2000; Edwards, 2002; Bouckaert et al., 2002). It is used in various contexts in different discourses (Southern, 2002). In the public and private sectors, it is used to describe 'local and/or global arrangements as well as formal and informal norms for achieving direction, control and coordination of autonomous individuals or organizations' (Lynn et al., 2000, p. 235).

Rhodes (2000) and Hirst (2000) identify different contexts in which the concept governance is used in public administration, namely good governance, corporate governance, new public management (NPM) strategies, international interdependencies, and self-organizing networks. Rhodes identifies two more contexts where the concept is used, namely socio-cybernetic systems and new political economy.

The term good governance has been cited frequently in the field of economic development, especially by the World Bank and other international development agencies, as one of the important conditions for accessing loans or aid. The World Bank (2000) defines governance as ways of using powers in the process of management of national economic and social resources. According to the World Bank, good governance involves effective functioning of state institutions, participation of the public in decision-making, political accountability, an efficient public sector and a competitive private sector, and maintenance of the rule of law.

The concept governance is sometimes used to describe the adoption of new management approaches in public sector administration, resulting in new forms of public sector management (Rhodes, 2000; Hirst, 2000).

Governance as self-organizing networks means persisting interactions amongst independent organizations that occur on basis of mutual trust and rules that are negotiated and agreed upon by the participants, with less, or without, state control (Rhodes, 2000). Such networks emerge as a result of interdependence between organizations, common interests and the need for exchanging resources amongst network participants. Hirst (2000) uses the term 'negotiated social governance' to refer to such a form of governance (p. 19). He suggests that it can be found at both micro and macro levels, and may involve diverse groups of participants, such as labour unions, trade associations and community groups.

The growing global interdependencies and increasing role of international and regional institutions in the field of public policies have influenced conceptualization of governance. At this level governance is described as the social function of management of transnational interactions that compete, cooperate, or otherwise interact with different states in the world (Rosenau, 2000). Sbragia (2000) and Payne (2000) cite the European Union, and the Asia-Pacific Economic Cooperation (APEC) as examples of regionalist governance.

Rhodes' (2000) socio-cybernetic systems conception of governance refers to a form of social coordination in which actions are coordinated voluntarily by individuals and organizations through multiple actors rather than through a single central actor. According to Rhodes under such approach to governance there is no longer a single sovereign authority and the role of government is reduced to facilitation of the interactions among the multiple actors.

Governance as new political economy or economic governance refers to political and economic processes, through which activities amongst various economic actors are coordinated and regulated (Gamble, 2000).

Corporate governance is defined in terms of "*structures and processes, direction and control, or substantive elements though in most cases in terms of relationships*" (Edwards, 2002, p. 52). Generally, corporate governance is defined as "*the system by which organizations are directed and controlled*" (Cadbury Report, 1992, p. 14).

Different countries and several international organizations have developed and issued principles or codes of corporate governance for the private sector (Cadbury Report, 1992; Hampel Report, 1998; and Turnbull Report, 1999 in the UK; OECD, 1999). Although the different codes of corporate governance tend to describe best governance practice, they vary from country to country depending on the economic and social environment (Hampel Report, 1998). Similarly, codes of corporate governance for the public sector have been issued by different entities. For example, the Chartered Institute of Public Finance and Accountancy (CIPFA) has proposed best governance practice for local government in the UK (CIPFA, 2001). The Public Sector Committee of the International Federation of Accountants (IFAC) has also proposed good governance arrangements for the public sector in general (IFAC, 2001). CIPFA (2001) defines corporate governance in the context of local government authorities as *“the system by which local authorities direct and control their functions and relate to their communities”* (p. 1).

Bouckaert et al. (2002) describes governance as a dynamic concept. They stated that: *“Governance is an analytical concept that may be studied in every period throughout history, rather than a new model for societal guidance and control”* (p. 311). Hence this research seeks to examine the phenomenon of governance from the perspectives of local government participants.

## **2.4 Implications of NPM reforms for accounting, accountability and governance**

Over the last two decades many countries, both in the developed and developing world, have been implementing significant reforms in the public sector. The key to the reforms in the public sector has been the adoption of new management techniques. The reforms started in the 1980s and are commonly referred to as new public management (Bevir et al., 2003). According to Hood (1995) many authors, whose views are based on the experiences of different countries, have associated NPM reforms with the following seven dimensions of change:

- i. Policies of breaking down the public sector into separately managed units with greater autonomy in the use of resources;
- ii. Promotion of competition amongst public sector entities and between public and private sector entities;

- iii. Application of private sector management techniques in public sector management;
- iv. Increased emphasis on efficient utilization of resources;
- v. Reduction of bureaucracy in the management of public sector entities;
- vi. Emphasis on the use of more explicit performance measures and indicators; and
- vii. Greater emphasis on the control of public sector entities through the use of predetermined performance measures.

Countries have implemented NPM reforms to different degrees, each placing more emphasis on the various dimensions of the reforms (Bevir et al., 2003).

The NPM reforms in different countries have been dominated by changes in accounting and financial management techniques (Hood, 1995; Robinson, 1998; Guthrie et al., 1999; Yamamoto, 1999). Guthrie et al. (1999) contend that financial management reforms played a central role in NPM reforms, such that, in their absence, the reforms in the public sector would be less meaningful. Olson et al. (1998) viewed the New Public Financial Management (NPFM) reforms as a separate strand of NPM reforms. They stated that NPFM reforms involve five main changes: changes in financial reporting systems; the development of commercial and market oriented management systems; the development of performance measurement techniques; the decentralisation or devolution of budgets; and changes in internal and external public sector audits. Guthrie et al., (1999) suggested that NPFM reforms do not imply the adoption of a specific set of financial techniques in managing public sector entities, but rather changes aimed at improving financial awareness in decision-making. Some authors have observed that NPM reforms have transformed the traditional role of accounting in the public sector from focusing on probity, compliance, and control, to greater emphasis on efficient allocation of resources and accountability (Broadbent and Guthrie, 1992; Hoque and Moll, 2001).

It has been proposed that one of the main potential benefits of NPM and NPFM reforms in the public sector is enhanced accountability. Nevertheless, several authors contend that there is no clear evidence that the NPM reforms have actually improved accountability in the public sector (Pollitt et al., 1999; Gendron et al., 2001; Broadbent and Laughlin, 2003). Pollitt et al. (1999) and Gendron et al. (2001) assert that there is increasing evidence that implementation of NPM reforms has only made

a limited contribution to enhancement of accountability in the public sector. However, authors concur that NPM reforms have significantly transformed the nature and processes of accountability in the public sector (Hood, 1995; Parker and Gould, 1999; Stoker, 1999; Pollitt et al., 1999; Boyne et al., 2002). Hood (1995) suggests that NPM reforms have transformed accountability in public sector towards greater emphasis on accountability for output through performance indicators rather than accountability through compliance and process. Pollitt et al. (1999) noted that the NPM reforms in education, housing and health care services in the UK have improved managerial accountability and efficiency, but have generally weakened democratic accountability. Similarly, Alam and Pacher (2000) observed that NPM reforms in Australia have strengthened managerial accountability and weakened public accountability in local government organizations. Stoker (1999) and Boyne et al. (2002) suggest that NPM reforms have introduced a new form of market-based mechanisms of accountability through market competition and contracting out of public services.

Furthermore, authors have indicated that NPM reforms in the public sector in different countries have been accompanied by pressures from the public for greater accountability (Coy et al., 2001). The main reasons for this phenomenon have been identified as failure of some of the public entities to meet public expectations, increased complexity of public entities as a result of the reforms in the sector, and the general desire to strengthen public accountability and democracy (Guthrie and Parker, 1998; Coy et al., 2001; Broadbent and Laughlin, 2003).

Another contentious issue with respect to NPM reforms is whether the changes have contributed in enhancing democratic governance (Guthrie et al, 1999; Pollitt et al., 1999; Alam and Pacher, 2000). Guthrie et al (1999) suggest that NPM reforms are mainly driven by the application of financial management techniques, rather than deliberate efforts to enhance democratic governance.

### **2.5.0 Studies on accountability**

There is an extensive accounting literature on accountability in the public sector, particularly with respect to the NPM and NPFM reforms. Accounting researchers

have examined accountability in a variety of public sector entities in different countries. Subsections 2.5.1 and 2.5.2 review a substantial part of this literature.

### **2.5.1 Health and education services**

The public services that have received the greater attention from researchers in different countries are health care and education. For example, studies that have examined accountability in the health services include Goddard and Powell (1994), Lawrence et al. (1997), Jacobs (1998a), Jones (1999), Pettersen (1999), van Peursen (1999), Lawrence (1999), Broadbent et al. (2001), and Klumpes (2001).

Several researchers in different countries have observed emphasis on the use of accounting as a tool for enhancing accountability and control in the health care services, has resulted in tensions between clinicians and managers (Lawrence et al., 1997; Jones, 1999; Pettersen, 1999). Lawrence et al. (1997) used Giddens's structuration theory to examine accounting and systems of accountability in a reformed health sector in New Zealand. They found that emphasis on accounting controls had led to new systems of accountability, which were perceived by the clinicians as managerial intrusion to their professional medical accountability. In a study of developments in financial accountability within acute hospital units in the British National Health Services (NHS), Jones (1999) observed that the introduction of costing accounting systems shifted power and influence away from clinicians to managers, which also resulted in tensions. The clinicians viewed financial accountability as subservient to medical professional accountability, while managers considered it as their priority. Similarly, Pettersen (1999) observed negative response of medical practitioners to a new system of accountability introduced through accounting changes in hospitals in Norway. However, the introduction and use of cost and budget reports in an association of general medical practitioners (GPs) in New Zealand was perceived by the GPs as being consistent with accountability to their peers rather than managerial intrusion (Jacobs, 1998a). Jacobs attributed his findings to the fact that accounting controls were accepted as they were perceived to be important in maintaining the association. Lawrence (1999) conducted a critical study on the introduction of new costing, budgeting and investment procedures adopted along with a market approach to the delivery of health care services in New Zealand.

He observed that the changes resulted in a clash between medical and business accountabilities. He also noted that some clinicians resisted the changes while others, especially newly appointed managers from the private sector supported them.

Some authors have also documented the ways in which medical practitioners dealt with perceived encroachment of new system of accounting controls on their core accountabilities and professional ethics (Broadbent and Laughlin, 1998; Broadbent et al., 2001). Broadbent et al. (2001) observed that, initially, the general medical practitioners (GPs) in the UK employed internal and, later, public strategies to resist perceived unwanted financial management changes. The internal strategies involved the introduction of practice managers, who were expected to minimize the impact of the changes on core activities. Public strategies involved the formation of organizations by the GPs to control what they perceived as inappropriate financial management reforms.

Goddard and Powell (1994) and van Peursen (1999) examined the issue of accountability in the public health services from the perspective of multiple stakeholders with different objectives and information needs. In an interpretive study of health services in a district health authority in the UK, Goddard and Powell (1994) suggested that the involvement of different groups of stakeholders in designing systems of accountability may contribute to enhancement of public accountability. Van Peursen (1999) based on theoretical and empirical analysis of information preferences expressed by the health sector accountees in New Zealand proposed a theoretical model concerning contents of public health sector report. The model stressed the importance of disclosures of both financial and non-financial items, with a focus on core activities. Mayston (1999) and Hodges and Mellett (1999) investigated the application of the Private Financing Initiatives (PFIs) in the National Health Services (NHS) in UK. They focused on accounting for PFI contracts in reports and implications for accountability and economic efficiency. They noted that lack of adequate and appropriate accounting practices in PFI schemes reduced the potentiality of annual reports to support public accountability and promote economic efficiency.

Accounting studies that have examined accountability in educational institutions include Coy and Pratt (1998), Broadbent and Laughlin (1998), Broadbent et al. (1999), Coy et al. (2001) and Gordon et al. (2002). Coy and Pratt (1998) observed that lack of reliable and adequate disclosure of accountability information in the annual reports of a university in New Zealand, resulted in power relationships and politics rather than economic reality playing a dominant role in financial decision-making processes. Broadbent et al. (1999) investigated the role of performance measurement in schools in the UK and New Zealand in accountability and management control. They observed an emphasis on performance measures that reflected different established views of accountability. Schools in the UK and New Zealand emphasized on the individualizing and socializing accountability respectively. In the former, performance measurement focused more on the aggregation of the performance of individual teachers and pupils while the latter focused more on the achievements of the school as a whole. Broadbent and Laughlin (1998) noted that financial management changes in UK schools brought about by NPM reforms were perceived by head teachers as a threat to core activities of the schools as well as to their professional accountability. Hence head teachers attempted to manage change in a way that the perceived threats to core activities and basic professional responsibilities were minimized.

Some authors have suggested that, in order for the annual financial reports of education institutions to facilitate discharge of public accountability, they have to be accessible and provide adequate financial and non-financial information on core activities (Coy et al., 2001; Gordon et al., 2002). Coy et al. (2001) employed theoretical and content analysis to examine the potentiality of annual reports by public colleges and universities in the US to facilitate discharge of public accountability. They suggested that, in order to address public concerns on accountability, the annual reports should be accessible and provide adequate disclosures on core activities. Gordon et al. (2002) used ordinary least square multiple regression models to examine factors associated with the extent of disclosure in the annual reports of private and public colleges and universities in the US. They found that tuition fees, revenue and auditor type were statistically significant in explaining the extent of disclosure of non-financial performance information, and that the large public and state audited institutions were more likely to disclose more information. They argued that the

disclosure of more information by large institutions may be associated with the desire to promote their own interests or to meet greater accountability expectations from the public.

### **2.5.2 Other public sector entities**

Other public sector entities that have attracted attention of accounting researchers on accountability include museums, not-for-profit cultural organizations, and performing arts organizations (Carnegie and Wolnizer, 1996; Rentschler and Potter, 1996; Thompson, 2001; Potter, 2002), executive agencies (Hyndman and Anderson, 1997), and the public sector employee pension fund (Klumpes, 2001).

Empirical accounting studies on accountability in such public sector entities in different countries have raised five main issues. Firstly, financial reporting shifts the attention away from the accountability of managers for real operations and outcomes in the organizations (Carnegie and Wolnizer, 1996). Carnegie and Wolnizer (1996) examined the effectiveness of published annual reports by major museums in Australia in terms of enhancing the accountability of managers.

Secondly, accounting allows very limited evaluation of performance and undermines important aspects of accountability, such as effectiveness and quality of services (Rentschler and Potter, 1996; Hyndman and Anderson, 1997; Potter, 2002). Rentschler and Potter (1996) investigated the notions of accountability in museums and in the performing arts in Australia, through analysis of published reports and interviews. Hyndman and Anderson (1997) examined the potentialities of corporate and business plans of executive agencies in the UK to provide adequate information for discharging of public accountability.

Thirdly, financial reporting might bias operations towards achieving short-term accountability interests, sometimes at the expense of long-term accountability interests (Thompson, 2001). Thompson (2001) examined the impact of the introduction of accrual accounting and disclosure on non-financial performance information in the museum sector in New Zealand. He observed that the disclosures on non-financial performance information provided useful information for accountability and performance evaluation, but he also noted that the reporting system

tended to encourage activities that were oriented towards short-term benefits at the expense of long-term benefits.

Fourthly, authors have questioned the systems of valuation and the inclusion of non-financial resources such as cultural, heritage and scientific collections in financial reports. Carnegie and West (2005) argue that such collections are non-financial social resources and hence their valuations are subject to errors and subjectivity, and make no meaningful contribution to the discharge of accountability or to the evaluation of managerial performance.

Finally, Klumpers (2001) observed that the adoption of accrual based accounting principles in a large public sector employee pension fund in Australia improved political accountability in terms of performance reporting. He noted further that the accrual system was inconsistent with the long-term financial objectives of the pension fund. He argued that the system failed to present fairly and equitably the flow of funding for the pension fund across generations.

## **2.6 Accounting studies on governance**

Apart from the accounting studies that have focused on NPM reforms, there is scant literature on the role of accounting in public sector service governance. Broadbent (1999) proposes important issues that accounting researchers in the public sector ought to address. Amongst others, she called for research on how the public is involved in the direction and governance of public services and the manner in which accounting information can be constructed to support governance processes. Empirical accounting studies that have explicitly examined the role of accounting in public sector governance include Ryan and Chew (2000), Hodges et al. (2004a, 2004b), Bourmistrov and Mellemvik (2002), Giroux and McLelland (2003), and Goddard (2005). The latter three studies deal with local government entities and are reviewed in the next chapter.

Hodges et al. (1996) reviewed the general nature of corporate governance in the context of the public sector. They suggested that corporate governance should address both conformance and performance dimensions. The conformance dimension of

governance emphasizes the development of elements of good corporate governance and ensuring that they are applied throughout the sector. The performance dimension of governance is concerned with the way that governance structures contribute to effectiveness and efficiency in the delivery of public services.

Ryan and Chew (2000) examine corporate governance disclosures in a group of government-owned corporations, state government departments, local government and statutory bodies in Queensland, through content analysis of annual reports. They noted that corporate governance disclosures were piecemeal, due to the lack of an established public sector corporate governance framework. They also noted that government-owned corporations had better disclosure practices in most governance principles than other public sector entities.

Hodges et al. (2004a, 2004b) examined the annual general meetings (AGMs) of the National Health Service Trusts in the UK as a tool of accountability and governance. They found that attendance at meetings was not influenced by the performance of the trusts. They also noted that the AGMs provided a poor mechanism for the trusts to discharge accountability to their multiple stakeholders, and ineffective means for stakeholders to influence the management of the organizations.

## **2.7 Summary**

This chapter has reviewed the literature on meanings of the concepts of accountability and governance. The review concludes that both concepts are subject to various interpretations and meanings (Mulgan, 2000; Edwards, 2002). Hence this research seeks to explore the phenomena of accountability and governance from the perspectives of participants. The chapter has also reviewed the literature on NPM and NPFM reforms, focusing on their implications for accounting, accountability and governance in the public sector in general. Generally, authors have suggested that accounting techniques play a central role in public sector reforms and that the reforms have significantly transformed the nature and forms of accountability (Parker and Gould, 1999; Guthrie et al., 1999). There are doubts as to whether the reforms have enhanced public accountability and governance. Some authors have observed that the

reforms have weakened public accountability and strengthened managerial accountability (Pollitt et al., 1999; Alam and Pacher, 2000). Other authors have indicated that the NPM reforms have been accompanied by increased demand for greater accountability, especially by the general public (Coy et al., 2001; Broadbent and Laughlin, 2003). Finally the review of accounting literature on accountability and governance in the public sector excluding local government entities has highlighted the paucity of research on the role of accounting in the public sector service governance (Broadbent, 1999; Ryan and Chew, 2000; Hodges et al., 2004a). The next chapter focuses on accountability and governance in local government organizations.

# **Chapter 3**

## **ACCOUNTING STUDIES IN LOCAL GOVERNMENT**

### **3.1 Introduction**

This chapter reviews the literature on accounting studies in local government organizations. The review is divided into studies that have focused on the technical aspects of accounting and those which have addressed issues of accountability and governance in local government entities. The purpose of this review is to highlight gaps in the accounting literature on the phenomena of accountability and governance in the context of local government entities. The chapter is organized as follows. Section 3.2 reviews accounting studies on local government that have focused on the technical aspects of accounting. Section 3.3 reviews empirical accounting studies on accountability and governance in local government. Section 3.4 argues for an interpretive study on the phenomena of accounting, accountability and governance in the context of a less developed country. The final section is a summary of the chapter.

#### **3.2.0 Studies focusing on the technical aspects of accounting**

Much of the empirical accounting studies on local government entities have concentrated on the technical aspects of accounting (Hoque and Moll, 2001). The main technical issues that have attracted the attention of many researchers include performance measurements and management, accounting for infrastructure and fixed assets, accrual accounting, value for money auditing (VFM), and financial reporting. Some authors have also related the technical accounting matters, such as accrual accounting and VFM audit with issues of accountability in the public sector (Pallot, 1997; McCrae and Aiken, 2000; Barton, 2005).

#### **3.2.1 Performance measurements and management**

A substantial number of theoretical and empirical accounting studies examine performance measurements and management in local government. Such accounting

studies in different countries have indicated several issues related to the development and application of performance measurements in local government.

The main force behind the development of performance measurements and management has been increased demand for greater accountability and efficiency by different stakeholders, particularly central government and the general public (Kloot, 1999; Young, 2005). Some studies suggest that performance measurements in local government in different countries have largely been imposed by central government rather than from local initiatives (Kloot, 1999; Lawton et al., 2000; Bowerman and Ball, 2000). Some authors have also noted that the imposition of performance measurements in local government has partly contributed to the adoption of measurements for the sake of complying or justifying performance rather than as tools for managing and improving performance (Bowerman and Ball, 2000). However, there are indication that various performance measurements imposed by central government and other external agencies have contributed to improvement in local government performance (Higgins et al., 2004). Several researchers have observed that some performance measurements techniques imposed by central government have influenced behaviours or were used to influence and control behaviours in local government (Alam and Pacher, 2000; Kloot, 1999; Bowerman et al., 2001; Ball et al., 2002; Young, 2005). Alam and Pacher (2000) and Kloot (1999) noted that the introduction of compulsory competitive tendering of public services in local government by the state government in Australia contributed to appreciation of the importance of performance evaluation and management amongst local government managers. Young (2005) noted that some local authorities in the UK felt that the Local Public Service Agreements (LPSAs) performance scheme contributed to a flexible and positive relationship between the authorities and central government. LPSAs are recently introduced schemes, whereby a local authority attempts to achieve demanding targets agreed with central government in order to secure additional financial resources and autonomy.

Studies have also suggested that the poor involvement of different groups of local government stakeholders in the development of performance measurements and management systems has diminished their effectiveness in practice (Lawton et al., 2000; Ball et al., 2002). For example, Ball et al. (2002) observed that the best value

performance measures in local government in the UK were imposed by central government without the involvement of the stakeholders. Other factors that are associated with the reduced effectiveness of performance management in local government entities include lack of capacity in local government staff and politicians, lack of ability to understand performance indicators, and lack of adequate performance indicators (Sanderson, 2001; Kloot and Martin, 2000; Boyne, 2002; Bogt, 2004). Sanderson (2001) having analysed performance management in UK local government, proposed supportive training for both staff and elected members on development and usage of performance measurements and evaluation. In a survey of senior politicians in Dutch municipalities, Bogt (2004) noted that participants used marginally quantitative performance information contained in planning and control documents. He also noted that politicians depended more on information provided by managers verbally during consultations and formal meetings. Boyne (2002) examined the implementation of statutory performance indicators in councils in the UK over a period of ten years (from 1993 to 2002). Amongst other things, he observed that some essential performance indicators, such as indicators for equity, public participation and value for money, were lacking.

Other authors have suggested that the development of relevant and understandable performance measures in local government entities has been hindered by several factors, including the existence of multiple stakeholders with different interests, a wide range of services provided, and the political nature of the local government system (Brennan and Dollery, 1999; Boyne, 2002). Several researchers have also emphasized the need for ensuring that the benefits of performance measurement and management systems in local government entities outweigh the costs of their maintenance (Brennan and Dollery, 1999; Boyne, 2000). Kloot and Martin (2000) suggest that local government performance management has tended to focus less attention to long-term and sustained improvement in internal business processes.

### **3.2.2 Accounting for infrastructure assets**

Several empirical and theoretical studies deal with accounting for local government infrastructures (Pallot, 1997; McCrae and Aiken, 2000; Walker et al., 1999; Walker et al., 2004). Pallot (1997) observed a wide diversity of accounting practices in reporting

for local government infrastructure in New Zealand, despite the introduction of accounting standards on the matter. She suggested that the development of appropriate accounting technologies for the public sector should take into account issues of public accountability as well as managerial needs.

In a theoretical analysis of the use of private sector accounting approaches in accounting for public infrastructure assets, McCrae and Aiken (2000) contended that the approaches cannot ensure equity across successive generations in the allocation of costs or funding. Walker et al. (1999) and Walker et al. (2004) explored the usefulness of disclosures on local government infrastructures to different local government stakeholders in Australia. Accounting regulations in the State of New South Wales (NSW), Australia required the councils to disclose information on the physical condition of infrastructures, estimates of costs to maintain and bring them to a satisfactory condition, and budgeted expenditure on maintenance for the current period (Walker et al., 2004, p. 351). Walker et al. (1999), through analysis of the 1995/1996 annual reports of 170 councils in NSW, found that local government infrastructures represented a large proportion of the country's infrastructures. Hence they suggested that supplementary disclosures on infrastructure were likely to provide useful information to stakeholders. In a survey of the preparers and users of reports, Walker et al. (2004) observed that the councillors perceived the reports to be useful in decision-making. However, local government managers indicated that such reports were less useful in decision-making.

### **3.2.3 Accrual accounting in the public sector**

The transformation from cash to accrual accounting in the public sector has led to a debate amongst public accounting researchers on its implications (Brusca, 1997; Guthrie, 1998; Robinson, 1998; Brorstrom, 1998; Ryan, 1998; Barton, 2005; Carlin, 2005). Many of the studies on the application of accrual accounting in the public sector are theoretical (Carlin, 2005). Brusca (1997) investigated the usefulness of financial reporting at local government in Spain, following the adoption of accrual accounting, in a survey of the entities' financial directors and public sector auditors. The public auditors and most of the financial directors suggested that the accrual basis of accounting provided more useful information to users than cash based accounting.

They suggested that the former allowed assessment of performance and financial situation and facilitated accountability processes as well as financial control. The author also noted that financial reports were mainly used to discharge accountability to the auditors. Several researchers have suggested that the adoption of accrual accounting in public sector entities has limited benefits, because they are different in nature to private sector entities (Robinson, 1998; Brorstrom, 1998; Barton, 2005). Some authors have proposed modification of private sector accrual accounting to suit information needs in the public sector, and to enhance efficiency in operations and accountability to various stakeholders (Brorstrom, 1998; Barton, 2005; Carlin, 2005).

#### **3.2.4 Annual reports, users and their information needs**

Studies on financial reporting in local government entities have focused on identification of the users of annual reports and their information requirements, and the relevance and implications of some accounting standards for financial reporting (Brusca, 1997; Priest et al., 1999; Tayyib et al., 1999; Mack et al., 2001). Mack et al. (2001) surveyed a sample of 125 local authorities in Queensland, Australia, and reviewed the categories of users identified in previous empirical studies. They identified users of local government annual reports as ratepayers, taxpayers and residents, other resource providers, councillors, other recipients of services, overseeing bodies including the media, ratepayer associations, central government, internal users, and other councils. Tayyib et al. (1999) explored the information needs of taxpayers in Malaysian local authorities. They found that the users had a general desire for more information in financial reports, especially on income and expenditure. They also observed that financial reporting had a significant influence on the willingness of taxpayers to pay taxes. Priest et al. (1999) conducted a survey on the information preferences of three groups of users of local government financial reports, namely ratepayers, investors, and service providers in Australia. They found that all categories of users were more interested in disclosures on performance in service delivery and cost of services. However, some studies have indicated that there is little demand by the citizens for financial reports from public sector entities (Jones and Pendlebury, 2004).

### 3.2.5 Value for Money (VFM) auditing

A substantial number of accounting studies have examined the technical aspects of VFM or performance audit in the public sector context. Several technical matters relating to performance audit have been explored, including the following: firstly, what constitutes VFM audit in practice (Jacobs, 1998b; Keen, 1999; Guthrie and Parker, 1999; Lapsley and Pong, 2001; Pollitt, 2003); secondly, the relevance and practical implications of VFM audit in the public sector context (Jacobs, 1998b; Morin, 2001; Johnsen et al. 2001; Pollitt, 2003); finally, the potential conflicts between VFM audit practice and the independence of public sector auditors (Funnell, 1998; McCrae and Vada, 1997; Bowerman et al., 2003).

VFM audit is generally defined as ‘an independent evaluation of the economy, efficiency, and effectiveness of the auditees’ activities’ (Guthrie and Parker, 1999, p. 303). Several studies in different countries have concluded that, in practice, there is a diversity of VFM audit practice, depending mainly on the way the concept is understood and operationalized by auditors, auditees, and other stakeholders (Jacobs, 1998b; Keen, 1999; Guthrie and Parker, 1999; Lapsley and Pong, 2001; Pollitt, 2003). Jacobs (1998b) and Pollitt (2003) demonstrated diversity and changes in the roles played by VFM auditors in New Zealand and five European countries (Finland, France, the Netherlands, Sweden, and the UK). Pollitt (2003) observed that state audit institutions in the five European countries played at least four roles in VFM audits with each country emphasizing one or two of the roles. The roles were the production of reports for enhancing the accountability of public bodies, the provision of advice for management improvement, initiation and promotion of best management practice, and making judgements on the legality and appropriateness of decisions and actions of public bodies. Jacobs (1998b) noted that the role and relevance of VFM audit in New Zealand’s public sector during year 1975 to 1997 changed from providing a mechanism for enhancing public accountability to the provision of management consulting services to public sector entities. Keen’s (1999) analysis of VFM audit in the UK concluded that the technique was ‘highly intuitive’ because it relied on flexible reviews of documents and interviews rather than quantitative analysis (p. 523). He noted further that reports were influenced significantly by negotiation and

consensus between auditors and auditees. Few empirical accounting studies have examined the effectiveness of performance audit in the context of local government entities (Johnsen et al., 2001). Such empirical studies have produced mixed evidence (Johnsen et al., 2001; Morin, 2001). In an exploratory study of the perceptions of auditors and local government managers on the efficiency of VFM audit in Norway and Finland, Johnsen et al. (2001) observed that the practice provided information that was useful in improving the management of activities in local government entities. Morin (2001) employed grounded theory to examine the influence of VFM audit in public administration in Canada. She questioned the view that VFM audit contributes to improvement in the management of public entities. Some authors have questioned the ability of public sector auditors to maintain their independence when conducting performance audits in public sector entities. They associated this with factors such as pressure from politicians, due to perceptions that this type of audit involves intrusion into policy-making and politics by public sector auditors, auditors' reliance on politicians (parliament), as well as central government for regulation and funding, the close involvement of auditors in setting good management practice for public sector entities, and the weaknesses in regulations that govern public sector audit (McCrae and Vada, 1997; Funnell, 1998; Bowerman et al., 2003). McCrae and Vada (1997) argue that VFM audit involves direct conflict between auditors, politicians and administrators, because of its potential political implications. Similarly, Pollitt (2003) noted that the supreme audit institutions in the five European countries lacked absolute independence, due to both 'formal and informal constraints'. Formal constraints included the close involvement of the auditors in the development of appropriate management practice for public sector entities, while informal constraints involved pressures from politicians and the executive.

### **3.3.0 Accounting studies on accountability and governance**

Limited empirical accounting studies have specifically examined accountability and governance in local government entities. Such studies have explored accountability and governance by focusing on annual financial reports, performance measurements, planning and budgeting, public sector auditing, and accounting standards for local government. These studies are reviewed in subsections 3.3.1 to 3.3.5.

### 3.3.1 Annual financial reports

Empirical studies examining the contribution of annual financial reports from local government and related disclosures to accountability include Brusca (1997), Kloot and Martin (2001), Taylor and Rosair (2000), Ryan et al. (2002), Giroux and McLelland (2003), Steccolini (2004) and Jones and Pendlebury (2004). Kloot and Martin (2001) surveyed local government managers in Australia, and indicated that the managers discharged their accountability to the state government through mandatory reports, which included annual financial reports, progress reports and benchmarking. They noted that local government managers discharged their accountability to councillors mainly through performance reporting. They observed further that the managers valued more accountability relationships with ratepayers, the wider community and councillors than with state government. However, the managers in councils in rural areas valued more accountability to state government than their counterparts in urban or city councils.

Taylor and Rosair (2000) examined the extent to which annual reports facilitate discharge of accountability by local government entities to stakeholders, through a survey of senior accounting officers in government departments in Australia and content analysis of annual reports. They focused on fiduciary and managerial accountability disclosures<sup>3</sup>. They observed that the disclosures were influenced by those users who participated directly in the decision processes of the departments, rather than the ultimate accountees of governments, namely the taxpayers and consumers of public goods and services. The results suggested that the annual reports of government departments are primarily aimed at satisfying accountability obligations to a group of users within the government, such as central government, rather than other users, such as the general public. However, Taylor and Rosair (2000) limited the concept of accountability to fiduciary and managerial accountabilities.

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<sup>3</sup> In accordance with Rosair and Taylor (2000), fiduciary accountability is concerned with whether public funds are utilized in compliance with the prescribed processes and purposes, while managerial accountability emphasizes answerability on performance.

Ryan et al. (2002) used a sample of 36 local governments in Queensland to examine the factors that contribute to the quality of disclosures in local government annual reports and the extent to which such disclosures allow the entities to discharge their accountability obligations. They found that financial disclosures were more complete than non-financial disclosures, while disclosures on issues related to governance and performance were scant. They suggest that the disclosures, especially non-financial ones, have to be improved in order to enhance accountability and governance.

Giroux and Mclelland (2003) employed regression analysis on samples of large municipalities in the United States of America to examine the significance of governance structures on accounting disclosure levels and financial conditions. They concluded that councils that were led by managers provided more accounting disclosure and had a better financial position than those led by mayors.

Steccolini (2004) conducted a survey to examine the use of annual reports as a medium of accountability in local government entities in Italy. He observed that annual reports represented a poor means of discharging accountability to both internal and external users. This was because the reports were mainly received by internal users, such as councillors and administrators, rather than the citizens. Furthermore, the annual reports lacked information relevant to potential users, such as performance in service delivery. Steccolini also noted that the preparers of the reports were not motivated to improve their quality, due to perceptions that the citizens had no interest in them.

Jones and Pendlebury (2004) assert that published annual audited accounts of local government entities do not discharge accountability to the stakeholders, but simply provide assurances of the underlying accounting records. They attribute this to the fact that the technical accounting language used may not be easily understood by various accountees.

Empirical studies have questioned the role of the annual reports of local government entities in discharging accountability to various stakeholders for several reasons. Firstly, evidence suggests limited interest and usage of the reports by stakeholders. Secondly, the information contained in the reports cannot easily be understood by

some of the stakeholders. Finally, the disclosures in the reports sometimes do not meet the information needs of the users. Some authors have suggested that improvements in disclosures, such as service performance indicators and descriptions, may enhance their usefulness in accountability and governance (Ryan et al., 2002; Steccolini, 2004). Furthermore, some studies have indicated that the annual reports of local government entities facilitate only limited aspects of accountability relationships, especially financial and managerial accountabilities as well as accountability to auditors (Brusca, 1997; Taylor and Rosair, 2000).

### **3.3.2 Plans and budgets**

Kluvers (2001), Kloot (2001), and Goddard (2004, 2005) have dealt with planning, budgeting, and issues of accountability and governance in local government entities. Kluvers (2001) and (Kloot, 2001) examined the relationship between programme budgeting, corporate plans and accountability in local government entities in Australia. Kluvers (2001) employed questionnaires and semi-structured interviews, and observed that the use of a programme budget transformed the nature of the accountability relationship between local government managers and councillors, from political to managerial accountability. He noted further that program budgeting could not enhance the accountability of managers to the councillors, because the latter were marginally involved in setting the objectives and performance indicators. In addition, the councillors were provided with limited time to review information from the managers. Kloot (2001) analysed the contents of corporate plans of councils in Australia to explore their potentiality for discharging accountability to the local community and state government. She observed that corporate plans contributed in a limited way to enhancing the accountability of local government entities to the general public and state government, due to lack of appropriate performance measures and indicators.

Goddard's (2004, 2005) interpretive study, informed by grounded theory and Bourdieu's concept of habitus, explored the phenomena of accounting, accountability and governance in four local governments in the UK. He observed that budgeting was the most important accounting practice to both accountability and governance. He noted that it facilitated the different typologies of accountability, namely political,

organisational, member-manager, structural, public, and professional accountability. Goddard (2004) proposed further that accountability perceptions held by participants, together with trust and power, influenced budgetary practices in the local governments. Goddard (2005) also noted that accountability was more important to the participants than governance, mainly because the former was associated with performance, while the latter related to conformance. The participants in the local governments valued performance over conformance.

### **3.3.3 Performance measurements**

Empirical studies on performance measurements and accountability in local government entities have indicated the potential of such techniques to facilitate and enhance accountability for performance, as well as financial accountability (Kluvers, 2003; Boyne et al., 2002). Studies have also indicated that the contribution of performance measurements to accountability is affected by lack of appropriate performance indicators, poor involvement of stakeholders in setting performance measures and indicators, poor ability of users to understand and apply various performance indicators, as well as the existence of conflicting accountability relationships (Kluvers, 2003; Boyne et al., 2002; Robinson, 2003).

Kluvers (2003) surveyed the groups of councillors and managers in Victoria local governments and observed that both considered performance as a crucial dimension of accountability. He also noted that the effectiveness of accountability for performance was affected adversely by lack of adequate performance information and conflicting accountability relationships. Kloot (1999), employing an interpretive research approach, explored the use of performance measurements and accountability in local governments in Australia. She observed that increased emphasis on accountability has contributed to an increase in the use of financial and budgetary measures for financial accountability, and non-financial measures for performance. Bogt (2001) conducted an exploratory study on the use of output-oriented performance information in discharging accountability to politicians in Dutch municipalities. He noted that quantitative performance information contributed marginally to the evaluation of performance of local government managers by politicians. The perceptions of the politicians on the ability of managers to perform activities and to deal with short-term

problems were more important. Boyne et al. (2002) employed stakeholder theory to examine the contribution of best value performance plans (BVPPs) to accountability relationships in local councils in the UK. They observed that BVPPs did not provide the performance information required for effective accountability between local government and internal and external stakeholders, due to lack of performance indicators and limited staff expertise in performance management. Robinson (2003) conducted a critical analysis of the use of customer satisfaction surveys by government to evaluate accountability in Canada. He proposed that the development of performance measurement and reporting systems should involve the public in order to be effective.

#### **3.3.4 The setting of accounting standards for local government**

Some empirical studies suggest that the limited involvement by central government, of local government stakeholders in setting accounting systems and regulations has affected the development of appropriate accounting practices to meet the demand for accountability and governance (Montesinos and Vela, 2000; Bourmistrov and Mellemvik, 2002; Carnegie and West, 2005). Bourmistrov and Mellemvik (2002) employed institutional theory to examine the connections between accounting and democratic governance in local governments in Norway and Russia. They observed that accounting played a very limited role in enhancing governance, as it was strongly controlled by central government, and other stakeholders were only marginally involved in setting accounting norms and practices for local government entities.

Montesinos and Vela (2000) used a contingency approach to explore the main features of the evolution of reforms in government accounting systems and practices in Spain. They noted that accounting standards for local government entities in Spain were mainly set by central government. They observed further that poor political and social forces in the development of accounting had contributed to limited accounting innovations in local government entities. This has reduced the potential for accounting to improve accountability and governance. Similarly, Carnegie and West (2005) reported that local governments in Australia had marginal influence over the development of some accounting practices in the sector.

### **3.3.5 Public sector auditing**

Studies that have focused on public sector audit and matters related to accountability and governance have explored several issues. These include the independence of state auditors, the influence of public sector audit on perceptions of accountability, the impact of contracting out public services and the use of private finances on public sector audit, tensions between various state audit entities, and the introduction of market competition in public sector audit (Gendron et al., 2001; Grasso and Sharkansky, 2001; Broadbent and Laughlin, 2003; Funnel, 2003; English, 2003; Pallot, 2003; Bowerman et al., 2003; Everett, 2003).

Broadbent and Laughlin (2003) used the case study of Private Finance Initiatives (PFIs) in the UK to explore the dimensions of accountability of governments. They observed that governments demonstrate political or public forms of accountability rather than managerial accountability. They attributed this to the limited ability of the electorate to control the day-to-day activities of government. They asserted that the close involvement of public sector auditors in the formulation of such a financial strategy challenges their independence and hence ability to discharge public accountability effectively. Funnel (2003) drawing from practical experience in Australia, observed that privatisation and contracting of public services to private sector entities, accompanied by limited access and scope of state audit, diminished the accountability of government to citizens. Grasso and Sharkansky (2001), through examination of public sector audit activities in the US and Israel, noted that audit is inherently political, and sometimes involves sensitive political issues. They argued that, as a result, state auditors are subject to pressures from politicians, which can affect their ability to evaluate effectively political and public accountabilities. Bowerman et al (2003) suggested that weaknesses in the legislation in the UK, especially with respect to the power of public sector audit bodies, affected the ability of those institutions to operate independently of the government and to discharge effectively public accountability.

Gendron et al (2001) observed that state auditors influenced the understanding of accountability by politicians as well as by public servants. Based on analysis of the annual reports of state auditors in Alberta, Canada, and interviews with auditors, they noted that the auditors favoured and promoted performance accountability. Gendron et al (2001) also argued that close involvement by state auditors in setting performance measures and indicators threatened their independence and hence ability to effectively discharge public accountability. English (2003) evaluated the major reforms of 1998 on state audit in Australia, which had changed the role of the Auditor-General to one of facilitation, supervision and reporting of audits undertaken by contracted private auditors. English argued that the reforms represented a threat to public accountability, because economic incentives were more likely to limit the 'scope, quality and impartiality' of audit undertaken by private-sector auditors (p. 70). Pallot (2003) demonstrated how emphasis on different types of accountability contributed to tensions between the Treasury and the Audit Office in New Zealand as regards nature of public sector reforms. She observed that the former emphasized managerial accountability rather than public accountability, which was advocated by the latter. Everett (2003) used a critical approach to investigate the use of value for money audit (VFM) in the Canadian public sector and its implications for accountability. He observed that VFM audit tends to focus on managerial accountability rather than political accountability.

### **3.4 Arguments for an interpretive study on accountability and governance**

This research argues for an interpretive study on the phenomena of accounting, accountability and governance in local government entities in the context of a less developed country. This is significant for the following reasons.

Firstly, the literature review has demonstrated that limited empirical accounting studies have explored the phenomena of accountability and governance in local government entities. Moreover, studies on such phenomena in the context of less developed countries are specifically lacking in the published literature. In a review of the state of public sector accounting research, Broadbent (1999) called for an extension of contextual studies to unexplored areas, in order to accumulate accounting knowledge. Secondly, several studies on the phenomena have called for contextual

studies to enhance understanding (Taylor and Rosair, 2000; Kluvers, 2001; Kloot, 2001; Bourmistrov and Mellemvik, 2002; Everret, 2003).

Finally, the literature review in Chapters 2 and 3 has demonstrated that accountability and governance in the public sector are complex phenomena that cannot easily be modelled into quantifiable variables (Sinclair, 1995; Mulgan, 2000; Goddard, 2004). Hence a research approach that focuses on the actors' actions, perceptions and interpretations is more likely to provide richer insights into and knowledge of such complex phenomena (Locke, 2001).

### **3.5 Summary**

This chapter has reviewed the literature on accounting studies in local government organizations. The review has led to several conclusions. Firstly, different accounting practices, such as budgeting and auditing contribute to accountability and governance. Secondly, limited empirical accounting studies have examined the phenomena of accountability and governance in local government entities. Such studies in the context of less developed countries are lacking in the published literature. Thirdly, several studies on such phenomena have called for contextual studies in order to enhance understanding of the way accounting links with accountability and governance (Taylor and Rosair, 2000; Kluvers, 2001; Bourmistrov and Mellemvik, 2002). Section 3.4 argued for an interpretive study on the phenomena of accounting, accountability and governance in local government entities in the context of a less developed country. The next chapter deals with the research methodology and methods as well as the general research problem.

# Chapter 4

## RESEARCH METHODOLOGY

### 4.1 Introduction

This chapter deals with research methodology and methods, the research problem, and the strategies employed to address issues of validity and reliability. The term research methodology is used in this context to refer to a way of thinking about the reality of a phenomenon and the manner of studying that reality (Strauss and Corbin, 1998; Ryan et al., 2002). This definition implies that there is a difference between research methodology and research methods. Ryan et al. (2002) provide a clear distinction between the two:

*“Methodology is concerned with the process of doing research and, as such, it has ontological and epistemological dimensions. Furthermore, it is important to distinguish between methodology from research methods. The latter are the particular techniques used in the research. In this sense, statistical techniques are methods, not a methodology; although their use in particular research process, with its implicit ontological and epistemological assumptions, is a methodology”* (p. 36).

The chapter is organized as follows. Section 4.2 explains the choice of research methodology. Section 4.3 provides an overview of grounded theory methodology. Section 4.4 presents the general research problem. Section 4.5 describes the research process. Section 4.6 explains the choice of research sites and sampling. Section 4.7 deals with data collection methods, while section 4.8 deals with data analysis. Section 4.9 describes the strategies that were employed to enhance the validity and reliability of the findings. The last section provides a summary of the chapter.

#### 4.2.0 Choice of research methodology

This section briefly presents alternative research methodologies or paradigms in accounting and argues for the choice of an interpretive methodology. The alternative research approaches in accounting build on research paradigms in the social sciences

suggested by Burrell and Morgan (1979). Hence this section begins with a summary of that research framework.

#### **4.2.1 Burrell and Morgan's (1979) framework**

Burrell and Morgan (1979, p. 1) assert that any investigation of the social world is based on two main sets of assumptions: assumptions about the nature of social science, and assumptions about the nature of society. Assumptions about the nature of social sciences include ontological, epistemological, human nature and methodological assumptions. Ontological assumptions are concerned with the nature of reality of the phenomenon under study. Ontological assumptions in the social sciences revolve around nominalism and realism. Realism proposes that social reality is external to individual consciousness, while nominalism assumes that social reality is the product of individual consciousness (Burrell and Morgan, 1979, p. 4). Epistemological assumptions are closely associated with, and are influenced by, the ontological assumptions. They are concerned with the nature of knowledge. The different views on the nature of social reality, that is ontologies, lead to different perspectives on the nature of knowledge about the social world. One extreme ontological perspective, known as positivism, proposes an objective view of the social world and emphasizes the importance of studying the 'concrete relationships in an external social world in search for an objective form of knowledge' (Morgan and Smircich, 1980, p. 493). The positivistic approach is dominant in the natural sciences (Burrell and Morgan, 1979, p. 5). The other extreme ontological position (anti-positivism) proposes a subjective view of social reality. This suggests that the social world is essentially subjective and can only be understood from the perspectives of the individuals who are involved in the activities subject to investigation (Burrell and Morgan, 1979, p. 5). Assumptions on human nature are concerned with the relationship between human beings and their environment. The debate revolves around determinism and voluntarism. The former proposes that human beings are conditioned by their external environment, while the latter assumes that human beings play a role in the creation of their environment (Burrell and Morgan, 1979, p. 6). The ontological, epistemological and human nature assumptions have implications on methodological assumptions. The debate on methodology revolves around ideographic and nomothetic approaches. Ideographic methods emphasize the need to

understand subjective experiences, while nomothetic approaches emphasize understanding and explanation of external objective reality (Burrell and Morgan, 1979, p. 7). Assumptions about the nature of society concern whether it should be viewed as orderly or as being characterized by structural conflict and contradictions.

Burrell and Morgan (1979, p. 22) located ontological, epistemological, human nature and methodological assumptions along the objective-subjective dimension, and the nature of society along a regulation and radical change dimension, and proposed four different research paradigms for the social sciences, namely the functionalist, the interpretive, the radical humanist, and the radical structuralist. The functionalist paradigm proposes an objectivistic view of a phenomenon of study and assumes that society is orderly and cohesive and hence requires no change. The radical structuralist paradigm also takes an objectivistic perspective of a phenomenon of study but assumes that society is characterized by structural differences and conflicts that represent potentialities for radical change. Both the interpretive and radical humanist approaches emphasize subjectivism; that is, they stress explanations within the realm of individual consciousness and subjective experience. The main difference between the two is that the former assumes that society is cohesive and need not be changed, whereas the latter seeks for change. The Burrell and Morgan (1979, p. 24) framework suggests that the paradigms are mutually exclusive, though the assumptions that distinguish the four approaches allow for the existence of variations within each paradigm.

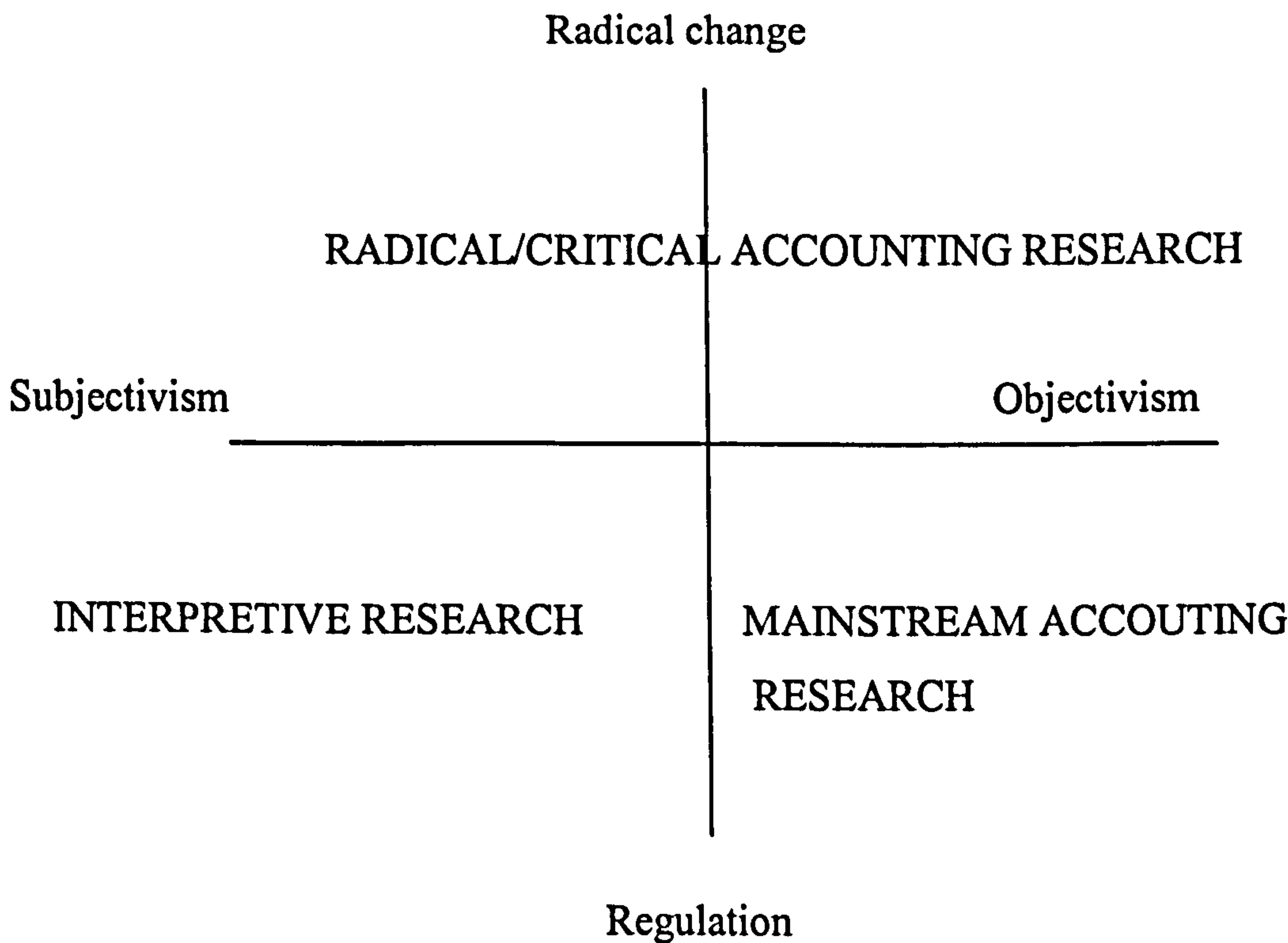
Burrell and Morgan's framework has been criticised by several authors, particularly with respect to the use of strict mutually exclusive dichotomies, the apparent implication that truth is relative, and the separation between the radical humanist and radical structuralist paradigms without clear justification (Chua, 1986; Hopper and Powell, 1985; Shultz and Hatch, 1996).

Despite the criticisms, the framework is still useful for at least two main reasons. Firstly, it reminds researchers of the need to consider critically the fundamental assumptions underlying any research activity and their implications on research methodology as well as methods. Secondly, it proposes that there are different research approaches in the social sciences.

4.2.2 Research methodologies in accounting

Building on the Burrell and Morgan’s (1979) framework, accounting researchers have categorized accounting research into mainstream or functionalist, interpretive and critical approaches (Hopper and Powell, 1985; Chua, 1986). Figure 1 summarizes these research approaches in accounting.

Figure 1: Hopper and Powell categorization of accounting research



Source: Adapted from Hopper and Powell, 1985, p. 432.

Mainstream accounting research assumes an objective social world and deterministic human behaviour, and hence employs a functionalist research approach (Ryan et al., 2002). In accordance with Chua (1986), the main assumptions of mainstream accounting research include notions that ‘reality is objective and external to the subject; human beings are like passive objects; human beings are rational actors who pursue their goals; a theory is independent of observations that may be used in verification or falsification of a theory; and that quantitative data allow for generalization’ (p. 611).

Interpretive accounting research assumes that ‘social reality is emergent, subjectively created and objectified through human interaction, and that the role of a theory is to explain human actions in a society which is deemed to be stable, where any existing conflicts are being resolved through shared meanings’ (Chua, 1986, p. 615).

The critical accounting research approach assumes that accounting is a phenomenon that should be examined by taking into consideration prevailing social, economic and political conditions (Chua, 1986; Laughlin, 1999). Laughlin (1999) defines critical accounting as:

*“A critical understanding of the role of accounting process and practices and the accounting profession in the functioning of society and organizations with an intention to use that understanding to engage (where appropriate) in changing these processes, practices and profession”* (p.73)

Like interpretive study, critical accounting research also emphasizes the need to focus on the interpretations of actors’ actions and behaviours. However, the latter emphasizes that interpretations should take into account ‘the material conditions of domination that influence the process’ (Chua, 1986, p. 621).

The above classification of accounting research approaches is common in the literature. In essence, the classifications point to the existence of alternative research approaches in accounting rather than to a clear-cut categorization of all accounting studies (Ryan et al., 2002). Laughlin’s (1995, 2004) ‘middle range alternative’, is a notable demonstration of such reality. Laughlin (1995, 2004) proposes a different schema for classifying accounting research approaches that avoids the subjective-objective debate. His framework is based on assumptions of theory, methodology and change along the dimensions of low, medium and high. For example, Laughlin proposes that mainstream accounting research is characterized by a high level of prior theorization and methodology and a low level of change. A low level of change implies that the researcher assumes that the world requires no changes. A high level of prior theorization and methodology indicates that the researcher assumes that the research subject is highly theorized and hence the observer has no substantive role other than the application of a predetermined set of techniques (Ryan et al., 2002).

Laughlin (1995, 2004) argues for a middle range research approach characterized by medium dimensions of level of prior theorization, methodology, and change. This

approach proposes ‘skeletal’ prior theorization and assumes managed researcher’s subjectivity with the world open to possibilities for change (Laughlin, 2004, p. 272).

#### 4.2.3 Arguments for the choice of methodology

Some authors suggest that the adoption of a particular research approach is just a matter of choice, while others propose that it can be influenced by factors such as research questions and preferences (Strauss and Corbin, 1998; Ryan et al., 2002; Laughlin, 2004).

This thesis has adopted an interpretive research methodology for two main reasons. The first reason is associated with the nature of the phenomena under investigation. Prior research has suggested that the concepts of accountability and governance are subject to different meanings and interpretations (Sinclair, 1995; Edwards, 2002; Solomon and Solomon, 2004). An interpretive methodology provides appropriate research strategies for studying such complex phenomena (Locke, 2001).

The second reason is that several empirical accounting studies on accountability and governance in the public sector have emphasized the importance of studying the phenomena in practice or from the perspectives of the actors, in order to enhance knowledge (Bourmistrov and Mellemvik, 2002; Everett, 2003).

The grounded theory method is chosen for data collection and analysis for two reasons. Firstly, it provides opportunities for generating a theory that explains the phenomena under study (Strauss and Corbin, 1998). Parker and Roffey (1997) exhort interpretive accounting researchers to employ grounded theory in order to generate knowledge that can be useful to both accounting theory development and practice. They stated that “*grounded theory, as a potentially valuable part of the qualitative interpretive field research tradition, offers the prospect of contributing important dimensions of knowledge to accounting research*” (p. 243). Since then, the number of interpretive accounting studies employing grounded theory has gradually increased (see for example, Abdul-Rahman and Goddard (1998), Morin (2001), Parker (2001, 2002)). Secondly, the method involves systematic analytical procedures and strategies that ensure rigour in the research process (Charmaz, 2000; Chicchi, 2000).

#### 4.3.0 Grounded theory methodology overview

The methodology was first introduced by two sociologists, Glaser and Strauss, in their book titled *The Discovery of Grounded Theory*, published in 1967. The methodology involves generating a theory from data systematically gathered and analysed through the research process (Strauss and Corbin, 1998). In essence grounded theory provides systematic inductive guidelines for collecting and analysing data to build a theory that explains the collected data (Charmaz, 2000).

The key grounded theory procedures include simultaneous collection and analysis of data, constant comparative method, coding procedures, memos aimed at recording emergent theoretical ideas, theoretical sampling to refine emerging theoretical perspectives, theoretical saturation, and integration of the emergent theoretical framework (Charmaz, 2000).

In grounded theory data collection and analysis occur alternately throughout the research process (Strauss and Corbin, 1990). Thus with grounded theory methodology analysis drives data collection and vice versa such that the empirical results are expected to reflect the data (Strauss and Corbin, 1998).

Unlike other research approaches, grounded theory employs theoretical sampling when choosing individuals or organizations to be included in a study. With theoretical sampling, initially grounded theorists seek out individuals or organizations that have experienced the phenomena under study, and further data collection is guided by the emerging categories and theoretical ideas (Cutcliffe, 2000; Charmaz, 2000). The sampling of individuals or organizations on the basis of emerging information continues up to the point of theoretical saturation (Strauss and Corbin, 1998). Theoretical saturation occurs when no new information about the emerging categories and relationships is generated by the additional data (Locke, 2001).

Strauss and Corbin's (1990, 1998) grounded theory analysis involves three coding processes: open, axial and selective coding. They define coding as "*the analytic processes through which data are fractured, conceptualized, and integrated to form a*

*theory*” (p. 3). Open coding is the analytical process of identifying, labelling and categorizing significant phenomena in the data (Glaser and Strauss, 1967). During open coding, data is fractured, examined and conceptualized into concepts and categories (Strauss and Corbin, 1998). Concepts and categories represent important phenomena related to the subject under study that are discovered and conceptualized from data through the application of the constant comparison method (Glaser, 2002). Axial coding involves assembling the data fractured during open coding by examining the connections between the various categories (Strauss and Corbin, 1998). Selective coding involves identification of the core category and relating it systematically with all the other categories, and description of the emergent substantive grounded theory (Strauss and Corbin, 1998).

The constant comparative method is an important feature of grounded theory methodology. The technique helps a researcher to identify the important categories, their properties and dimensions<sup>4</sup>, the relationships between categories and integration of the categories to form a grounded theory (Locke, 2001). At the level of developing the categories, the constant comparison method involves comparing all incidents related to a particular observed phenomenon (Strauss and Corbin, 1998). Constant comparison also involves comparing the views, actions and accounts of different informants, as well as comparison of raw data with generated categories (Charmaz, 2000). A constant comparative method like memoing is used throughout the research process. Memoing involves keeping records of the analysis as it progresses, which enables researchers to track data analysis (Locke, 2001).

#### **4.3.1 Alternative approaches to grounded theory procedures**

The originators of grounded theory, Glaser and Strauss now differ on several procedural aspects of the methodology (Strauss and Corbin, 1990, 1998; Glaser, 1978, 1992, 2002). The basic differences between Glaser, and Strauss and Corbin on grounded theory revolve around four main procedural issues: the determination of

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<sup>4</sup> ‘Properties’ refer to descriptions of features of a phenomenon observed in data while ‘dimensions’ demonstrate the way in which the properties can vary along a continuum. Hence properties and dimensions aim to provide rich descriptions about a particular category or phenomenon.

focal research issues; literature review; data coding procedures; and theory validation (Parker and Roffey, 1997; Bartlett and Payne, 1997; Rennie, 1998; Kendall, 1999).

Glaser (1978, 1992) advocates selection of a broad research area and limited literature review to allow focal research issues to emerge in the course of field study. He contends that this is necessary to avoid forcing the data into inappropriate directions as a result of preconceived ideas from the literature. On the other hand, Strauss and Corbin (1990, 1998) allow selection of a focal topic of study before entering the field, as well as a literature review on the topic. They contend that a literature review can enhance conceptualisation. However, they also emphasize that the literature should not be allowed to impair creativity and sensitivity to data.

Both Glaser and Strauss consider coding as an indispensable procedure in theory generation. They both define similarly processes involved in the two main types of coding, namely open coding and selective or theoretical coding (the former term is used by Strauss and Corbin while the latter is used by Glaser), but utilize them differently in theory construction (Kendall, 1999). Strauss and Corbin have added axial coding and a coding paradigm in the process of theory construction. Strauss and Corbin (1990, 1998) suggest that axial coding and the coding paradigm provide analysts with devices for sorting out relationships between categories, hence facilitating theory construction.

On the other hand, Glaser (1978, 1992) emphasizes the need for coding procedures to allow concepts and theory to emerge from data without imposing a structured set of analytical steps. Glaser suggests that Strauss and Corbin's coding paradigm is against the core feature of grounded theory. Basically Glaser is not against the use of theoretical schemata, but opposes the treatment of the coding paradigm by Strauss and Corbin as a part of a necessary procedure in grounded theory (Rennie, 1998).

Lastly, Strauss and Corbin advocate verification of the emergent theory at provisional level. Glaser suggests that theory verification is not part of grounded theory analysis, and is to be left to other researchers (Parker and Roffey, 1997).

So far, there has been no clear evidence to indicate that the two grounded theory approaches can actually result in different theoretical frameworks (Parker and Roffey, 1997; Kendall, 1999). Therefore a decision on whether to adopt Glaser's or Strauss and Corbin's grounded theory procedures is a matter of choice that may depend on the nature of the research (Kendall, 1999).

This thesis adopts Strauss and Corbin's (1990, 1998) grounded theory approach for two reasons. First, it has been necessary to define clearly the focus of the research through an extensive literature review prior to entering the field, to establish the significance of the research. The research themes were left to emerge from the respondents within the predetermined topic of focus. Secondly, the approach provides more structured and practically oriented procedures for generating grounded theory, which are useful in time constrained research (Parker and Roffey, 1997).

#### **4.4 Research problem**

The general research problem for this study was to investigate the role of accounting in accountability and governance in local government organizations. The purpose was to theorize inductively from data on the phenomena. The research is based on premises that different meanings and interpretations are associated with the concepts of accountability and governance (Sinclair, 1995; Edward, 2002; Goddard, 2004). Hence the research aims to explore the phenomena of accounting, accountability and governance from the participants' perspectives. The initial tentative research questions were:

- i. What are the participants' understandings of accountability and governance?
- ii. What are the participants' views of the actions, activities, processes and relationships that are involved in accountability and governance in the context of local government organizations?
- iii. What role does accounting play in accountability and governance from the participants' perspectives?
- iv. What accounting practices are involved in accountability and governance in the context of local government organizations?

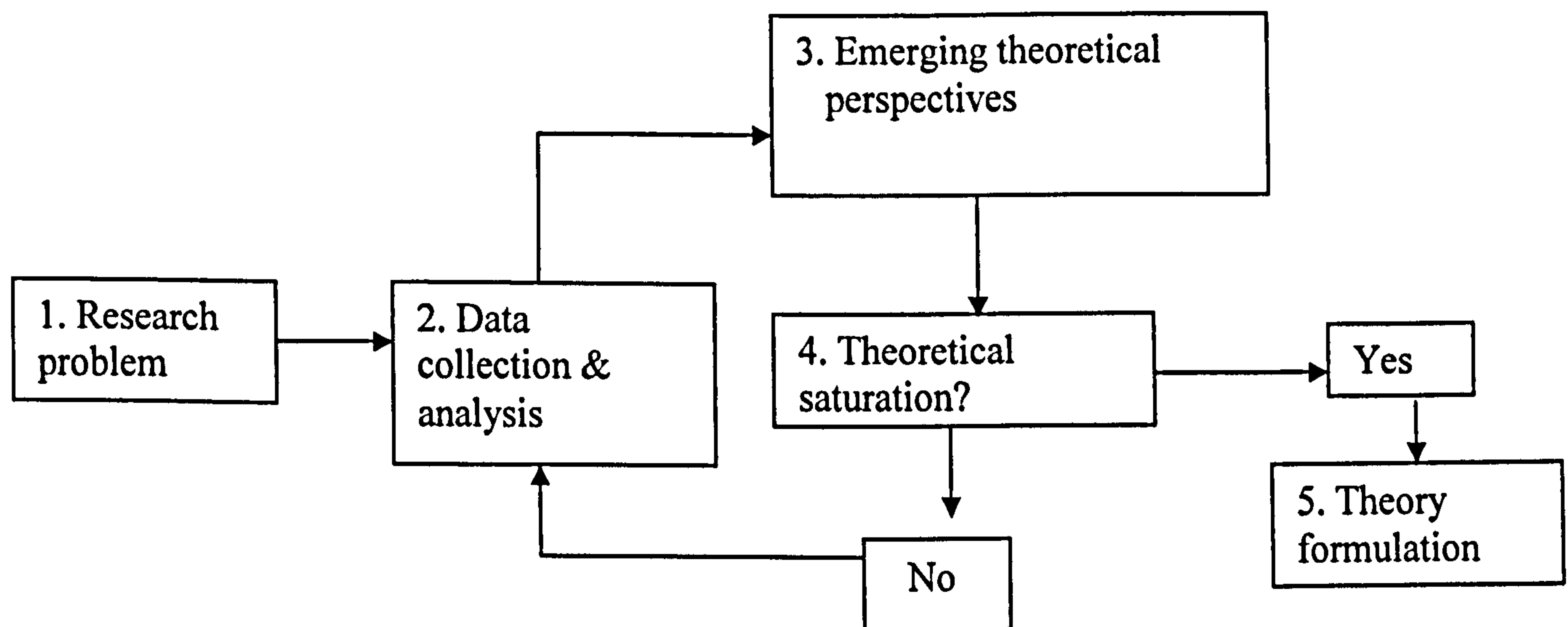
- v. How do accounting practices influence or how are they influenced by accountability and governance in the context of local government organizations?

These broad and tentative research questions were to be reviewed in the course of data collection and analysis in order to focus more on issues that emerge as significant to the participants.

#### 4.5 Research process in building a grounded theory

The research strategy adopted to address the general research problem and to achieve the purpose of the research is summarized in the framework shown in Figure 2. This involves the application of Strauss and Corbin’s (1990, 1998) grounded theory procedures throughout the research process.

**Figure 2: Research process to build a grounded theory (adapted from Pandit, 1996, p. 7)**



#### 4.6 Research site selection and sampling

The research was conducted in two local government organizations in Tanzania. The country was chosen for three main reasons. Firstly, research on the phenomena under investigation is lacking in less developed countries. The other factors were the researcher's immediate understanding of the environment and possibility to obtain full accessibility to research sites (Patton, 2002). The purpose of the research was to secure a deeper understanding of the phenomena of study; hence a limited number of cases could be effectively explored (Patton, 2002). In addition, prior research suggests that multiple case studies provide greater opportunities for developing more rigorous theories (Abdul-Rahman and Goddard, 1998). These factors, together with time constraint, led to the decision to undertake two case studies.

Purposive or judgemental sampling and theoretical sampling were both employed in the research. Purposive sampling allows the researcher to use his/her own judgement to select cases from which to learn a great deal about a particular phenomenon of study (Patton, 2002). Theoretical sampling is the process of data gathering whereby a researcher simultaneously collects, codes, and analyses data on the basis of emerging concepts, with the aim of developing the emerging theory (Strauss and Corbin, 1998). Theoretical sampling was employed in the course of data collection and analysis to ensure that further data collection focused on the emerging categories and theoretical ideas (Glaser and Strauss, 1967). The terms purposeful sampling and theoretical sampling are considered by some authors as synonymous and are therefore used interchangeably (Silverman, 2001). However, in essence, purposeful sampling and theoretical sampling represent different types of sampling. Theoretical sampling involves purposeful selection of a sample according to the emerging categories and theory but purposeful sampling is not always theoretical sampling (Silverman, 2001; Locke, 2001).

The selection of the two LGAs was influenced by two main factors. Firstly, the aim was to access rich and diverse information about the research subject (Patton, 2002). In the initial case study, issues such as knowledge possessed by the councillors, the extent of the LGA's dependence on conditional financial resources from central government and types of audit reports emerged as important to the phenomena under

investigation. Hence the selection of the second LGA was made with the aim of incorporating variations on such matters as much as possible. The case studies include one LGA in an urban setting and another from a rural setting. The second reason for the choice of the two case studies was that both could be reached easily. This was important because time and financial resources were limited (Silverman, 2001).

Formal letters requesting for access to the research sites were sent out, followed up by personal visits and informal discussions with the appropriate officials. At both LGAs, letters were issued by the personnel and administrative officer, on behalf of the chief executive officer, to introduce the researcher to all heads of departments as well as councillors. The letters requested the officials and councillors to participate in the study. Both LGAs provided the personal telephone numbers of the councillors. Telephone calls were made to arrange the initial meetings with the councillors. In addition, permission was granted to use the offices of the committee and council secretaries, during the daily visits to the LGAs. The researcher was also allowed to attend sessions of the parliamentary committee responsible for LGAs<sup>5</sup>. The interviews with members of the parliamentary committee were arranged during attendance at the committee's sessions.

#### **4.7.0 Data collection methods**

A combination of methods was employed in gathering data, as advocated by various research methodologists. For instance, Patton (2002) proposed that the complex nature of the behaviours of human beings necessitates the use of multiple methods to enhance the chances of obtaining better understanding of how they construct their lives. Consequently, three methods were used in collecting data; in-depth interviews, document analysis and passive participant observation.

##### **4.7.1 In-depth interviews**

A total of 97 interviews were conducted with 92 respondents, 44 of whom were local and central government executives, 33 were councillors, 5 were external auditors and

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<sup>5</sup> The sessions of the parliamentary committee were confidential meetings, though its report becomes a public document after submission to parliament.

10 were members of a parliamentary committee. The treasurer and internal auditor at both LGAs as well as the planning officer for the district council were interviewed twice. The second phase of the interviews with these respondents was undertaken to explore issues related to their departments raised by the other participants. All interviews were audio taped, with the exception of interviews with 12 respondents who declined to be taped for fear that their anonymity might be compromised. These included five councillors, one external auditor, four local government executives and two central government executives. The interviewees were informed that taping was undertaken to enhance data gathering and analysis and were assured of confidentiality. The list of interviewees is provided in appendix I. Notes were taken during all the interviews. The interview duration with individual respondents ranged from about one hour to around one and half hours. All the interviews were conducted in local language, *Swahili*, and no attempt was made to translate the transcripts to English, except for the parts that were intended to be included as quotations.

53 of the interviews were later fully transcribed; these included all the interviews with external auditors and members of the parliamentary committee, 20 interviews with councillors, and 18 interviews with central and local government executives. The decision not to transcribe the rest of the interviews with the councillors and executives was based on three reasons. Firstly, the transcribed interviews with those participants covered almost entirely issues raised in the rest of the taped interviews. Secondly, complete transcription of the taped interviews proved to be a time consuming exercise. Lastly, the full transcribed interview text was used as a checklist for extra issues raised by the respondents whose interviews were not transcribed. This was done by listening to the tapes and writing down the additional matters.

Initially, unstructured interviews were employed, but, as issues of significance emerged, semi-structured interviews with open questions were used. Unstructured interviews allowed issues of interest to emerge from the respondents and facilitated in-depth exploration and flexibility in probing the respondents. Subsequently the interviews were guided by the emerging issues; hence the questions tended to focus more on them (Glaser and Strauss, 1967).

From the start, the interviews revealed that the nature of the relationships between and amongst different groups of participants was crucial to the understanding of the phenomena of accounting, accountability and governance in the LGAs. Hence, a decision was made to interview as many participants as possible in order to capture as accurately as feasible the nature of the complex relationships and their influence on the phenomena of study. Secondly, the interviews were arranged such that they concurrently involved different groups of local government participants, wherever possible. Such an interview strategy provided a better understanding of the phenomena, right from the beginning.

Informal interviews were also used to gather information from the respondents through casual conversations. For example, all breakfast and lunch times during the ten day sessions of the parliamentary committee were attended and a substantial number of the participants were engaged in casual conversations. Such normal conversations provided useful information, which was picked up and explored further during the formal interviews with some of the participants.

#### **4.7.2 Document analysis**

Public and internal documents also provided a useful source of data for the research. All documents accessed at the research sites were collected, though only those documents that contained information relevant to the research subject were taken into account during the analysis. Documents were collected and studied before most of the interviews with the exception of a few documents that emerged during the interviews, which were picked up afterwards. A large amount of documents were collected from the research sites (a list of the documents used in analysis is provided in appendix II). The most useful documents to the analysis included minutes of meetings of the committees and council, audit reports, financial reports, annual reports submitted by LGAs to parliamentary committee, documents on regulations and policies, briefing notes prepared by the National Audit Office (NAO) for members of the parliamentary committee and reports submitted by the committee to parliament. Unlimited access was provided to all minutes of the council and committees meetings in both LGAs. Substantial time was spent on reading the

minutes at the offices of the secretaries for the committees and council, where the researcher was accommodated during daily visits.

Documentary review contributed to the coding process and also provided information that was used during the interviews with the respondents. For instance, the minutes of committee and council meetings revealed the nature of reports provided by executives to the councillors. Interviews with the councillors, for example, explored their views on such reports.

#### **4.7.3 Observation**

Observation provided an opportunity to understand the context within which participants interacted and information that could not be obtained through interviews or from the documents (Patton, 2002). There are four possible observational approaches, which are participant-as-observer, complete participant, complete observer and observer-as-participant (Gill and Johnson, 1997). Because of time constraint, a complete observer strategy was adopted. This involves recording by a passive observer of relevant activities, events, actions and behaviours, as well as the meanings of the observations from the perspectives of the participants (Patton, 2002). Observations were made informally in the course of casual interactions with the respondents during the visits. About two months were spent at each of the LGAs during the first field study. Formal observations were also made through attendance at meetings in the organizations that were relevant to the research.

A total of four meetings were attended in both LGAs. Two formal meetings at each were attended, one being an ordinary council meeting and the other a special meeting for annual planning and budgeting. Ten sessions of the parliamentary committee were also attended. These sessions discussed the detailed audited annual reports of 32 LGAs in the country. On average each session lasted for about six hours, excluding breakfast and lunch times.

Formal observations in meetings provided useful and reliable information, since all the meetings were attended by over thirty participants in a setting where the researcher appeared like the other participants (McKinnon, 1988). All important

issues, events, views and activities observed were recorded immediately. These were taken into consideration during the analysis, but the information was mainly used in the interviews to ascertain the meanings of the observations from the perspectives of the participants (Patton, 2002).

#### 4.8 Data analysis

Data analysis was undertaken at two different levels. The first level of data collection and analysis was not guided by a *priori* theory, except for grounded theory methodology. Data analysis at this level was in line with Strauss and Corbin's (1990, 1998) grounded theory procedures. The analysis involved the three analytical processes of open, axial, and selective coding. Data collection, analysis, and coding occurred alternately from the start to the conclusion of the investigation (Strauss and Corbin, 1998).

The initial level of data analysis aimed at the construction of a substantive grounded theory. A substantive grounded theory is 'a theory that is developed from the study of a particular area of inquiry and from one specific population that matches with and explains the data from which it is derived' (Strauss and Corbin, 1998, p. 267). Interview materials formed the basis of the coding processes, though these were supplemented with both observational and documentary data. Line-by-line and paragraph-by-paragraph analyses were mainly used during open coding (Strauss and Corbin, 1998). A review of the entire interview material from individual respondents was mainly carried out after the stages of axial and selective coding. This involved comparison of the raw data with the emergent relationships between the various categories, as well as with the emergent substantive grounded theory. The purpose was to examine whether the emerging analysis output reflected and was consistent with the raw data from the individual respondents.

During the open coding stage as well as during the rest of the coding processes, the constant comparative method was employed. Memos were also used throughout the research process to document information about the emerging categories, their properties and dimensions, and the emergent theoretical ideas, and to direct further

data collection (Glaser and Strauss, 1967). During axial coding the research moved to a higher level of analysis, which focused more on identifying the emerging patterns in the data in order to develop conceptual links (Strauss and Corbin, 1998). The final analytical process, involved identification of the core category that was systematically related to all the main categories generated at the axial coding stage. This final analytical process also involved description of the emergent substantive grounded theory. The outcomes of the open, axial, and selective coding procedures are presented in Chapters seven, eight, and nine respectively.

The second level of analysis involved a synthesis of the emergent substantive grounded theory with institutional theory. Such a level of analysis is described in detail in Chapter ten. The aim of this particular level of analysis was to propose a more formal grounded theory. Unlike a substantive theory, a formal grounded theory can be generalized beyond one particular substantive study and hence has a higher level of abstraction and generality (Locke, 2001). The approach that allows substantive concepts and hypotheses to emerge first, on their own, enables the researcher to ascertain which, if any, existing formal theory may contribute to further development of the emerging theoretical insights (Glaser and Strauss, 1967). It also reduces the chances of bias in data collection and interpretation as a result of preconceived theoretical ideas (Goddard, 2004). Glaser and Strauss (1967) proposed comparative analysis of an emergent substantive theory with an existing formal theory as one of the appropriate strategies towards a formal grounded theory. They suggest that such comparative analysis should generate explanations that ‘become part of the process rather than the end product’, in order to enhance the chances of development of new theories based on the approach (p. 94). They also emphasized that both substantive and formal grounded theories should be grounded in the data. The synthesis should provide readily apparent connections between data and lower and higher level conceptual abstractions, and can be done after the core category has emerged (Glaser and Strauss, 1967).

#### **4.9.0 Strategies employed to enhance the reliability and validity of the findings**

The credibility of any piece of research, whether qualitative or quantitative inquiry, depends on the rigour of the entire research process (Morse et al., 2002). Two basic

criteria for judging rigour of research in both qualitative and quantitative researches are reliability and validity (Kirk and Miller, 1986; Whitemore et al., 2001; Morse et al., 2002). These two criteria are popular within the positivistic research paradigm (Charmaz, 2000).

However, qualitative researchers and methodologists stress the significance of the two criteria, and suggest that the realities and complexities of social phenomena should be taken into consideration (Strauss and Corbin, 1998). In broad terms, validity is concerned with whether the researcher is capturing the phenomenon that is being studied and the extent to which the findings are interpreted correctly (Kirk and Miller, 1986; McKinnon, 1988). In general, reliability is 'concerned with the question whether a researcher is obtaining data that can be relied upon or the degree to which the findings are independent of accidental circumstances of the research' (McKinnon, 1988, p. 36).

Qualitative research methodologists emphasize the need for researchers to address issues of reliability and validity during the entire research process, to ensure that potential threats are properly managed (Hall and Callery, 2001; Morse et al., 2002). Grounded theory methodology involves several strategies that guard against various threats to reliability and validity during the entire research process. Nevertheless, grounded theory procedures do not address all the threats to reliability and validity (Hall and Callery, 2001). For instance, grounded theory methodology does not detail data collection techniques, and hence lacks strategies on how issues of reliability and validity can be dealt with at this particular stage (Charmaz, 2000; Hall and Callery, 2001). In addition to the strategies within grounded theory methodology, several other strategies were adopted to manage the threats to reliability and validity. These are described in the following subsections.

#### **4.9.1 Methodological coherence**

The first strategy adopted to enhance validity and reliability was to ensure that the research methodology and methods, and the entire research processes were compatible with the research questions and purpose (Morse et al., 2002).

#### 4.9.2 Strategies at the stage of data collection

Several strategies suggested by methodologists and researchers were adopted to manage threats to reliability and validity during the process of gathering data.

Sufficient time was spent in the field gathering data in two different phases (McKinnon, 1988). During the first phase, a total of five months were spent on the field from August to December 2003. The second phase of field study was conducted one year later, from January to February 2005. The time spent in the field provided a better understanding of the environment in which the respondents interacted and of their behaviours and attitudes. Such understanding provided useful information in the course of probing the respondents during the interviews. A substantial number of informants were engaged in casual conversations before the formal interviews, during daily attendances at the research sites. Due to such familiarity with some of the informants, several formal interviews took the form of casual conversations (McKinnon, 1988).

Data were collected through a combination of methods: interviews, document reviews, and observations. Furthermore, multiple sources were sought on a particular phenomenon as much as practicable. For instance, interviews were conducted with as many individuals as possible in each of the groups of local government participants, as a mechanism for corroborating the information obtained from the individual informants (McKinnon, 1988; Parker and Roffey, 1997).

The research involved two case studies with similar realities and conditions. They had similar organizational structures and functions, and were subject to the same regulations and policies. The categories that emerged in one case study were compared with, tested and developed further in the other case study. The comparison of the categories across the case studies ensured that the phenomena, which were relevant and significant to the respondents, were systematically captured to the point of saturation (Morse et al., 2002).

Finally, the quality of the research data is also influenced by the nature of the relationship between the respondents and the researcher (Hall and Callery, 2001). Fortunately, the researcher met with former classmates from university in the local

government organizations and at the parliamentary committee. The introductions made by these former mates to their colleagues contributed in building good and trusting relationships with the respondents from the early stages of the field study (McKinnon, 1988; Hall and Callery, 2001).

#### **4.9.3 Strategies at the stage of data analysis**

The main strategies that were employed to address issues of validity and reliability during the process of data analysis were those incorporated within grounded theory methodology.

Collecting and analyzing data concurrently enhances validity and reliability, as the iterative process ensures that analysis is driven by the data (Strauss and Corbin, 1998; Morse et al., 2002). In grounded theory methodology data collection, coding and analyses are systematically interwoven from the beginning of an inquiry to the conclusion (Glaser and Strauss, 1967).

The emerging categories and theoretical explanations were constantly validated in subsequent interviews, observations and document analysis. For example, observation of discussions and the attitudes of respondents in formal meetings vindicated the generated categories and the emerging relationships between the categories (Strauss and Corbin, 1990).

The constant comparison method, one of the key features of grounded theory also contributed to rigorous research process. The method involves comparing as many events, incidents, and kinds of behaviours in the data as possible, to generate the categories and emerging theoretical explanations (Glaser, 2002). The concepts and theoretical explanations emerging from the data were also constantly compared, contrasted, refined and developed to generate the emergent substantive grounded theory (Glaser and Strauss, 1967). For example, initial interviews with the respondents pointed to the potential interrelationship between usage of accounting information by the participants in accountability and governance processes and the nature of the relationships between different groups of participants. Further data collection explored the properties and dimensions of the interaction between the phenomena up to the point of saturation. This was the point at which additional data

appeared to add no new information on the phenomena under consideration (Strauss and Corbin, 1990). The constant comparison method provided a useful strategy against bias, as each category generated was constantly verified with the raw data (Barlett and Payne, 1997; Locke, 2001).

Multiple and sceptical views about the phenomena observed in the data also contributed in enhancing the reliability and validity of the findings (Strauss and Corbin, 1998). All significant phenomena were taken as provisional until verified by further data collection and analysis up to the point of saturation (Glaser and Strauss, 1967).

Strauss and Corbin's (1990, 1998) coding procedures involve systematic fracturing and reassembling of the data. The fracturing and examination of the data reduced to some extent potential subjectivity and bias. Fractured data allow the analyst to see the phenomenon as it is in the raw data. The potential bias is therefore the label chosen to represent the observed phenomenon. Because the analysis moves iteratively from the raw data to the emergent categories, such bias is also minimized (Charmaz, 2000).

Finally, the emergent substantive grounded theory was validated through comparison with the raw data, and by narrating the emergent story to the respondents (Strauss and Corbin, 1998). The emergent core phenomenon was constantly compared with raw data from the different groups of respondents to ascertain its ability and consistency in explaining the investigated phenomena.

During the second phase of the field study, the emergent substantive grounded theory was narrated to the informants<sup>6</sup>. Short presentations summarizing the emergent substantive grounded theory were made to the key informants amongst the executives, councillors, external auditors, and members of the parliamentary committee. In order to make the presentation as simple and comprehensible as possible, the respondents were provided with a diagram summarizing the main categories and the emergent relationships. The respondents were requested to comment or to ask questions. The

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<sup>6</sup> The second field study largely involved discussion with the respondents on the emergent theoretical insights. Some documents such as audit reports for the year ended 31 December 2003 were collected and analyzed during this phase.

fact that the emergent substantive theory had been generated from much data, of which many of the participants might be empirically unaware, was taken into consideration during the validation process (Glaser, 2002). Generally, feedback indicated that the emergent substantive grounded theory captured accurately and comprehensively the phenomena under study.

#### **4.10 Summary**

The chapter has identified the interpretive approach as the methodology for the research. The choice of research methodology was influenced by two main factors. The first relates to the nature of the research problem. Prior research has indicated that the concepts of accountability and governance are subject to different meanings (Sinclair, 1995; Mulgan, 2000, Edwards, 2002; Goddard, 2004). Hence this research sought to explore the phenomena of accounting, accountability and governance from the perspectives of the participants. Secondly, several empirical accounting studies on accountability and governance in the public sector have proposed research on the phenomena in practice or from the actors' perspectives in order to enhance knowledge (Bourmistrov and Mellemvik, 2002; Everret, 2003).

Strauss and Corbin's (1990, 1998) grounded theory procedures were adopted for data collection and analysis. The general research problem was to investigate the role of accounting in accountability and governance in the context of local government organizations. The purpose of the research was to theorize inductively from the data on the phenomena under study. The chapter also dealt with the selection of research sites, data collection and analysis methods and strategies adopted to address issues of reliability and validity throughout the research process.

# **Chapter 5**

## **THE LOCAL GOVERNMENT AUTHORITIES IN TANZANIA**

### **5.1 Introduction**

This chapter provides an overview of local government authorities (LGAs) in Tanzania, from which the case studies for this research were drawn. The LGAs are independent entities governed by elected councils and are established by law to perform specific functions in a defined area of jurisdiction. Their key function is provision of public services; these include primary education, health care, water, construction and maintenance of local roads and promotion of agricultural development. The objective of this chapter is to describe the legislative, regulatory, financial and political environment within which the LGAs operate. The chapter does not attempt to provide a comprehensive review of LGAs, but rather focuses on issues that are related to the subject of this research. The chapter begins with a short history of local government and finally touches on the ongoing reforms in LGAs. Significant reforms have focused on issues related to accountability and governance, amongst others.

### **5.2 A short history of local government in Tanzania**

Tanzania has a total area of 945,090 square kilometres with a population of 34 million. The economy of the country depends heavily on agriculture, which contributes a significant proportion of Gross Domestic Product (GDP). Agriculture contributes more than half of the country's GDP and employs about 80 percent of the working population (ILO, 2004).

The United Republic of Tanzania was formed by the union between Tanganyika and Zanzibar in 1964. The Government of the United Republic of Tanzania has authority over all union matters and over all other non-union matters on Tanzania mainland. The Revolutionary Government of Zanzibar has authority in all non-union matters in the Tanzania islands.

The LGAs fall under non-union matters and hence are dealt with separately by the Government of the United Republic of Tanzania on the mainland and by the Revolutionary Government of Zanzibar on the islands. The case studies for this research were drawn from the mainland. Currently there are 117 LGAs in the country, comprising 26 urban authorities and 91 rural<sup>7</sup>.

The history of local government in Tanzania can be traced back to the pre-colonial period, when different tribes operated some forms of government in their localities. During the colonial era (1884-1961) the Germans and later the British introduced a system of administration that brought the whole country under the rule of central government. In 1954, the British introduced some forms of representative local administration, under which the people were given the right to elect councillors to form a body to represent them in local administration (Warioba, 1999).

On independence in 1961, the country inherited local government structures from the British colonial system. After independence, several administrative and political reforms were introduced to local government administrative structures and processes. Significant changes included the abolition in 1963, of the tribal chiefs who represented people in some district councils, geographical reorganization of the district councils, the transfer of functions carried out by LGAs to elected councillors under the supervision of the Regional and District Commissioners, and the integration of government structures with the ruling political party structures (Warioba, 1999).

In 1962, Tanzania became a one party state and the ruling political party, the Tanganyika African National Union (TANU) party was integrated with the local government system. The local government election Act No. 50 of 1965 made it mandatory for councillors to be members of the ruling political party and the district chairperson of the party became the chairperson of the district council (Warioba, 1999).

The LGAs were abolished from 1972 to 1982, and their functions were transferred to decentralized organs of central government under the supervision of the Regional and District Commissioners. The Regional and District Commissioners are appointed by

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<sup>7</sup> Report of the Controller and Auditor General on local authority accounts for the period ended 31st December, 2003.

the President of the United Republic of Tanzania to act as chief representatives of central government in regions and districts respectively. In 1982, Acts of Parliament were passed to re-establish the LGAs. In 1983 elections were conducted and the LGAs started to operate again in 1984. In 1992, a multiparty political system was reintroduced and the first multiparty elections were conducted in 1995. Since then the councillors have been elected by vote in the localities from amongst members of the various political parties. However, the majority of the LGAs in the country are still dominated by councillors from one political party, namely *Chama Cha Mapinduzi* (CCM).

Generally, the LGAs in the country are characterised by a limited history of direct and democratic involvement of the people and their representatives in local government activities.

### **5.3 The legislative and regulatory foundation of the LGAs**

The LGAs are created and function in accordance with the constitution of The United Republic of Tanzania (URT) and several specific Acts of Parliament. The main Act is the Local Government Act of 1982. Articles 145 (1) & (2) and 146 (1) & (2) of the constitution of the URT of 1977 provide for the existence and operation of the LGAs. Article 146(1) states that *“The purpose of having local government authorities is to transfer authority to the people. Local government authorities shall have the right and power to participate, and to involve the people in planning and implementation of development programmes within their respective areas and generally throughout the country.”* The constitution emphasizes the involvement of people in the activities of the LGAs. The Local Government Act No. 7 of 1982 also stresses effective participation of people. Section 111A (1) of the same Act describes the objectives that the LGAs should seek to achieve in performing their basic functions as follows:

- i. To ensure that functions, powers, responsibilities and services at all levels of the LGAs are effectively decentralized;
- ii. To promote and ensure democratic participation of people in decision-making and control of activities; and
- iii. To ensure that the LGAs perform their functions effectively and are accountable to all stakeholders.

## **5.4 The basic functions of the LGAs**

The Local Government Act No. 7 section 111(1) of 1982 with amendments up to year 2000 set out the general functions of LGAs as follows:

- i. Maintenance of peace, order and good governance within their area of jurisdiction;
- ii. Promotion of social and economic development within their area of jurisdiction;
- iii. Provision of public services in accordance with national policies and plans.

The key functions that are performed by the LGAs include provision of primary education, health care services, water services, construction and maintenance of local roads, promotion of agricultural development, and provision of other public services, such as public recreational facilities, fire prevention, and refuse collection. Primary education and health care are the most important activities in the LGAs; these consume the largest proportion of LGA revenues.

### **5.5.0 Administrative structures of the LGAs**

The administrative structures of the LGAs can be categorized at five different levels of involvement, namely central government, regional, local government, wards and grassroots levels (URT, 2000). These are described in subsections 5.5.1 to 5.5.4. Figure 3 summarizes the overall administrative structures of the LGAs in the country.

#### **5.5.1 The central government level**

The LGAs operate under the overall supervision of the Minister in the President's Office – Regional Administration and Local Government (PO-RALG). The roles of PO-RALG include formulation of national policies, supervision and monitoring of their implementations by the LGAs. PO-RALG also coordinates the activities of various sector ministries in the LGAs. Activities in the LGAs are also directed and supervised by various sector ministries. The sector ministries, such as the Ministry of Education and Culture and the Ministry of Health are responsible for the formulation of national policies and supervision of their implementation in the respective sectors.

### 5.5.2 The regional level

Administratively, the country is divided into several regions, which are headed by Regional Commissioners (RCs). The RC is appointed by the President of the United Republic of Tanzania, and acts as the principal representative of the central government within the region. The RC is assisted by the Regional Administrative Secretary (RAS), who is also appointed by the President. The RC heads the Regional Secretariat (RS). The RS includes technical support staff, dealing with matters associated with the various activities undertaken by the LGAs, such as health and education. The main roles of the RSs are to provide a link between the central government ministries and the LGAs, and to provide technical advice and support in capacity building in the LGAs within the region. The RSs have also been provided with the power to approve annual plans and the budgets of the LGAs before they are sent to councillors for final approval.

The regions are divided into districts headed by District Commissioners (DCs). The DCs are appointed by the President to assist the RCs. The DCs are also assisted by District Administrative Secretaries (DASs) who are appointed by the President. The districts are subdivided into divisions headed by Divisional Secretaries (DSs). The Divisional Secretaries assist the DCs in performing their functions and represent the lowest level in central government. DSs are responsible for the promotion of government policies and the coordination of development activities in wards and villages. The Regional Administration Act No. 9 of 1997 established a Regional Consultative Committee for every region. The members of this consultative committee are the Regional Commissioner, who acts as the chairperson, District Commissioners in all districts in the region, Chairpersons of LGAs within the region, Chief Executive Officers of the LGAs in the region, Members of Parliament representing constituencies in the region, and the Regional Administrative Secretary, who serves as Secretary to the committee. The main function of the Regional Consultative Committee is to review and to provide advice to LGAs regarding their development plans.

### **5.5.3 Local government level**

There are two main types of LGAs in Tanzania, namely district and urban authorities, in both of which, the council is the supreme body in the organizational structure (URT, 2000). The council is the ultimate decision-making and policymaking body at local government level.

A district council comprises:

- i. Councillors elected from each ward in the area of the district council.
- ii. One or more members of parliament representing constituencies within the area of the district council.
- iii. Women councillors elected by the political parties to special seats for women.
- iv. The District Executive Director (DED).

The DED, who is appointed by central government, acts as a secretary at council meetings, but has no voting right. The DED is the chief executive of a district council. The district council is led by a chairperson, who is elected from amongst the councillors. The term of office of all the elected members of a district council is five years. The chairperson is assisted by a vice-chairperson, who is also elected from amongst the councillors. The term of office for the vice-chairperson is one year.

An urban council comprises the following members:

- i. Councillors elected from each ward in the area of the urban council.
- ii. One or more members of parliament representing constituencies within the area of the urban council.
- iii. Women councillors elected by the political parties to special seats for women.
- iv. The chief executive officer.

Urban councils can be town, municipal or city councils. The chief executive officer of the town, municipal or city council is appointed by central government and acts as secretary to council meetings without voting right.

A mayor elected from amongst councillors heads the urban council. The term of office of all elected members of an urban council is five years.

In all the LGAs, there are two main categories of top officials, elected officials (councillors) and appointed officials. The councillors act as the representatives of the people in their respective areas. The non-elected top officials include the chief executive officer and heads of various departments, who are appointed by the Minister

responsible for LGAs. The heads of departments of the LGAs attend council meetings as technical advisors without voting power.

Under the council there are several committees responsible for specific functions within the LGAs. The Local Government Act of 1982 provides for the existence of standing committees for finance, administration and planning; education, health and water; and economic affairs, works and the environment. The same Act prevented councils from forming more than three additional committees, as deemed necessary for the effective performance of their functions. The Act also provided the Minister responsible for LGAs with the power to limit the number of committees that can be formed by the councils. The standing committees are constituted by the councillors. However, the Local Government Act No.7 and No.8 of 1982 allowed for inclusion of non-council members on such committees. Each committee deals with specific functions of the council and has responsibility for supervising and monitoring implementation of council decisions by specific departments within the LGAs. The finance, planning and administration committee is the most powerful in the LGAs due to the nature of its responsibilities, which include preparation of annual plans and budgets and supervision of day-to-day administration of activities (Warioba, 1999).

The LGAs are divided into departments, which are responsible for the performance of specific functions under heads of departments. All the departments in the LGAs are supervised by a particular standing committee, which is headed by a chairperson elected from amongst the councillors. The secretaries of standing committees are the heads of a respective department. Where several departments fall under one specific standing committee, the chief executive officer nominates one head of department to act as the secretary to the committee. In practice, the LGAs have established a senior officers' management team, which comprises all heads of departments under the chief executive officer as a chairperson. The main roles of the management team are to coordinate the activities of various departments and to deliberate on matters that are to be tabled to the different standing committees and council.

#### **5.5.4 Wards and grassroots levels**

The district councils are divided into several administrative units, called wards, villages, neighbourhoods and hamlets. The urban councils comprise wards, hamlets and neighbourhoods. Hamlets and neighbourhoods comprise a number of households in a particular locality. Wards are headed by Ward Executive Officers (WEOs) who are appointed by the LGAs. At ward level, there is a Ward Development Committee (WDC). The chairperson of the WDC is the councillor elected from the ward. Other members of the WDC are:

- i. Chairpersons of all villages within the ward.
- ii. All Village Executive Officers (VEOs) within the ward.
- iii. Women councillors appointed by the political parties from the ward for the preferential seats for women.
- iv. The WEO, who is the secretary to the WDC, without voting right.

The main functions of the WDC are to coordinate development plans for the ward, supervise the implementation of the projects and programmes of the district council, monitor revenue collections within the ward, and make proposals to the district council or village councils on by-laws related to the activities of the ward.

The wards are divided into villages and neighbourhoods in district and urban councils respectively. At the village level, the chief executive officer is the Village Executive Officer (VEO), who is appointed by the LGA. The affairs of the local government at village level are conducted through the village council, whose members include:

- i. The Chairperson, who is elected by the villagers in the village assembly.
- ii. The VEO, who is secretary to the council, with no voting power.
- iii. The chairpersons of all hamlets within the village.
- iv. Other members elected by the village assembly, of whom not less than a quarter have to be women.

The functions of the village councils are similar to those of the WDC. The neighbourhoods and hamlets represent the lowest administrative units in the district and urban council respectively. Hamlets have a hamlet committee, whose members include:

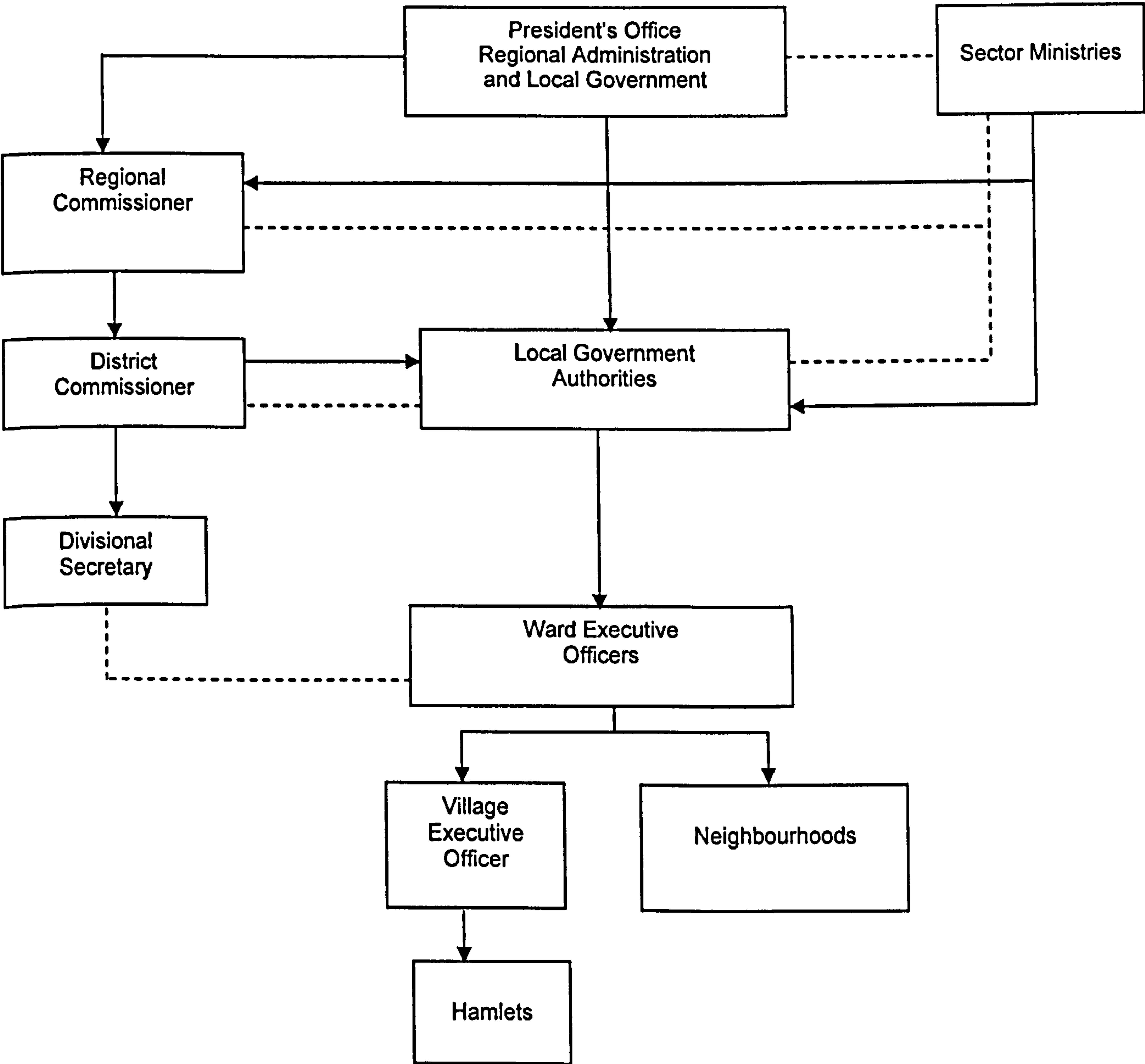
- i. The Chairperson, who is elected from amongst the members of the political parties in the locality.

- ii. The Secretary to the committee, who is appointed by the chairperson.
- iii. Three members who are appointed by the chairperson.

The affairs of neighbourhoods are managed by a neighbourhood committee. A neighbourhood committee is made up of a chairperson, secretary and six other members. All the members of the committee are elected from among members of the different political parties by the people who are resident in the respective localities.

The neighbourhoods and hamlets provide a link between people and wards, and ultimately the LGAs.

**Figure 3: Overall administrative structure of the LGAs in Tanzania**



→ Administrative relationship

----- Consultative and advisory relationship

## 5.6 Finances in the LGAs

The main sources of LGA funding are revenues from central government, revenues from local taxes and other charges, and development aid. Another source of funding is loans from the Local Government Loans Board (LGLB). Development aid is received by the LGAs either at national level through sector ministries and included in central government grants to LGAs or directly by the LGAs in some cases (URT, 2003). Loans form a negligible source of revenue to the LGAs in the country. The only approved source of local government borrowing is the LGLB, which has very limited capacity to meet the demand for loans from the LGAs (URT, 2005). The LGLB is a semi-autonomous entity under PO-RALG, which operates under the overall supervision of the Ministry of Finance and PO-RALG. Loans from the LGLB can only be accessed after obtaining the approval of the Minister responsible for LGAs. The reports of the Controller and Auditor General (CAG) indicate that the other sources of local government borrowing include creditors and the Local Authority Provident Fund (LAPF). The latter form of borrowing is illegitimate, because it involves delays in payments due to it in respect of local government employees. For example, the CAG report of 1999 showed that the LGAs owed TSh. 5.5 billion to various creditors, the amounts due to LAPF representing the largest proportion of this debt.

Central government transfers to the LGAs represent the largest proportion of total revenues of the entities. For example, during the financial years 2001/02 and 2003/04 central government transfers to the LGAs were approximately 80 and 86 percent respectively of total local government revenues (URT, 2005). The distribution of LGAs finances over three financial years from year 2001/02 is summarized in Table 1.

**Table 1: The distribution of the LGAs' financial resources**

| Sources of revenues | 2001/02              | 2002/03          | 2003/04          |
|---------------------|----------------------|------------------|------------------|
|                     | <b>TSh. Million</b>  |                  |                  |
| Government grants   | 201,119.0            | 247,027.3        | 290,973.8        |
| Own sources revenue | 51,214.9             | 57,752.1         | 48,267.4         |
| Borrowing           | 50.0                 | 225.0            | 317.5            |
| <b>Total</b>        | <b>252,333.9</b>     | <b>309,779.4</b> | <b>339,241.2</b> |
|                     | <b>As Percentage</b> |                  |                  |
| Government grants   | 79.7                 | 81.1             | 85.8             |
| Own sources revenue | 20.3                 | 18.9             | 14.2             |
| Borrowing           | 0.0                  | 0.1              | 0.1              |
| <b>Total</b>        | <b>100.0</b>         | <b>100.0</b>     | <b>100.0</b>     |

Source: URT, 2005, p. 2-18.

The central government provides grants to the LGAs to cover development and recurrent expenditures in priority sectors. Priority sectors are those sectors that provide essential public services in the LGAs; these include primary education, health services, agricultural development and livestock, water services, and local road construction and maintenance. The central government also provides grants to cover for local government administration. Development and recurrent allocations to priority sectors by central government are largely in the form of conditional grants. This means that the funds can only be utilized in allocated sectors and activities. Generally, the total revenues collected by the LGAs from own sources are approximately 19 to 20 percent of aggregate revenues (URT, 2005). Table 2 provides a profile of revenues from own sources collected by the LGAs from 2001 to 2003. Generally, education forms the largest of the central government recurrent allocations to LGAs, followed by the health services and local administration. For example, during the financial year 2002/03, education accounted for about 70 percent of aggregate recurrent central government allocations to LGAs, while the health services, local administration, and the remaining priority sectors accounted for 18, 6 and 7 percent respectively (Boex, 2003).

**Table 2: Distribution of revenues collected by the LGAs from own sources**

| Source of revenues             | 2001                          | 2002            | 2003            | 2004 <sup>8</sup> |
|--------------------------------|-------------------------------|-----------------|-----------------|-------------------|
|                                | <b>TSh. Millions</b>          |                 |                 |                   |
| Development Levy               | 10,994.4                      | 11,212.0        | 3,179.6         | 466.2             |
| Property Tax                   | 3,146.4                       | 3,542.8         | 3,171.5         | 4,901.2           |
| Agriculture and Livestock Levy | 9,321.3                       | 9,209.2         | 8,977.3         | 7,147.2           |
| Industrial and Service Levy    | 5,217.1                       | 9,085.0         | 7,724.0         | 9,377.1           |
| Land Rent                      | 620.8                         | 724.7           | 753.2           | 369.5             |
| Licenses and Fees              | 10,152.8                      | 11,052.8        | 11,998.7        | 6,201.8           |
| Charges                        | 3,141.4                       | 4,041.6         | 5,042.2         | 4,389.5           |
| Other Taxes and Levies         | 8,620.8                       | 8,866.0         | 7,421.0         | 3,583.7           |
| <b>Total</b>                   | <b>51,215.0</b>               | <b>57,752.1</b> | <b>48,267.5</b> | <b>36,436.2</b>   |
|                                | <b>As percentage of total</b> |                 |                 |                   |
| Development Levy               | 21.5                          | 19.4            | 6.6             | 1.3               |
| Property Tax                   | 6.1                           | 6.1             | 6.6             | 13.5              |
| Agriculture and Livestock Levy | 18.2                          | 15.9            | 18.6            | 19.6              |
| Industrial and Service Levy    | 10.2                          | 15.7            | 16.0            | 25.7              |
| Land Rent                      | 1.2                           | 1.3             | 1.6             | 1.0               |
| Licenses and Fees              | 19.8                          | 19.1            | 24.9            | 17.0              |
| Charges                        | 6.1                           | 7.0             | 10.4            | 12.0              |
| Other Taxes and Levies         | 16.8                          | 15.4            | 15.4            | 9.8               |
| <b>Total</b>                   | <b>100.0</b>                  | <b>100.0</b>    | <b>100.0</b>    | <b>100.0</b>      |

Source: Adapted from URT, 2005, p.2-20.

The development levy<sup>9</sup>, the agricultural and livestock levy, and license and fees contributed a large proportion of total locally generated revenues in financial years 2001 and 2002. However, the importance of the sources to individual LGAs differs; for example, the development levy is more important in rural districts than in urban

<sup>8</sup> The figures represent annualized estimates based on collections from January to June 2004. In 2003 a decision was made to change the financial year for all the LGAs from 31 December to 30 June.

<sup>9</sup> The development levy is a fixed amount of tax payable by every adult resident aged over 18 years. The amount of the tax is fixed by the LGAs. Some of the LGAs exempt women and the elderly from the tax. The development levy was abolished by central government in June 2003.

councils, where licences and fees, and the services levy are more important (URT, 2005).

Section 34 of the Local Government Finances Act No. 9 of 1982 provided the Minister responsible for LGAs with powers of over the management of their finances. The responsibilities of the Minister with respect to local government finances include ensuring that funds are properly managed, facilitating provision of funds to the LGAs, and ensuring that local budgets are prepared in time. In practice, the funds to the LGAs are provided by the Ministry of Finance and the sector ministries, and hence the responsibilities of the Minister responsible for the LGAs are facilitation and coordination. Section 43(3) of the Local Government Finances Act No. 9 of 1982 requires the LGAs to prepare their annual budgets in accordance with directives from the Minister responsible for LGAs.

In accordance with the report by the PO-RALG, corruption and mismanagement of finances are serious problems facing LGAs in Tanzania (URT, 2002).

### **5.7 Staffing in the LGAs**

Personnel in local government are categorized into three groups, A, B and C (URT, 2001). Category A employees comprise chief executive officers and heads of departments, who are appointed by the Minister responsible for LGAs on the basis of recommendations from the Local Government Services Commission (LGSC). In accordance with the Local Government Services Regulations (LGSR) of 2000 vacant category A positions are now filled under a new process of open competition, though final appointments are made by the Minister on the basis of recommendations from the LGSC and the LGAs' councils. Disciplinary action and promotion of category A staff are handled by the LGSC and the Minister responsible for LGAs. The LGSR have only given power to councils of the LGAs to recommend disciplinary action against such personnel to the Minister responsible for local government. The category C group consists of employees who are employed by the council. This group of employees includes cleaners and casual labourers. Category B comprises workers other than those in categories A and C, employed by the council. The majority of category B employees are primary school teachers. The councils of the LGAs have

power to take disciplinary measures against category B and C employees. The conditions of service for employees in LGAs are set by central government organs, namely the National Teacher Services Commission (NTSC) and the LGSC. The former set conditions of service for teachers, while the LGSC deals with all other local government employees. Furthermore, the LGAs have limited control over the size of their personnel, as proposed employment has to get the approval of central government.

## **5.8 Political environment within the LGAs**

According to Article 146(2) of the 1977 constitution of the United Republic of Tanzania, the main objective for the existence of LGAs is to empower people and to enhance their participation in management for social and economic development. The Local Government Act 1982, which forms the basis of the LGAs, also emphasizes the democratic and effective participation of people in the activities of local government. In accordance with the law, all councillors must be members of political parties. Prior to 1995 all councillors belonged to *Chama Cha Mapinduzi (CCM)*, which was the only political party, at the time. The introduction of multi-party politics in 1992 led to the existence of councillors from different political parties within the LGAs. However, the majority of the LGAs are still dominated by councillors from the political party that is currently ruling the country (CCM).

## **5.9 The National Audit Office (NAO) and audit reports**

The accounts of all LGAs in the country are audited annually by the National Audit Office (NAO) under the supervision of the Controller and Auditor-General (CAG). The audit reports are submitted to the parliament through its standing committee, known as the Local Authority Accounts Committee (LAAC), which is responsible for reviewing the audited accounts of LGAs.

The LGAs are required to submit their annual financial statements to the NAO within three months of the end of the financial year. In practice some of the LGAs fail to submit their annual accounts to the NAO in time. For example, for the year ended

2003, nine LGAs submitted their financial statements after the statutory due date including one LGA that actually failed to submit up to the time of issue of the reports. In accordance with section 45(4) of the Local Government Finances Act No. 9 of 1982, the CAG is required to produce audit reports on LGAs within six months of the end of the financial year. However, over recent years, the CAG has been delaying publishing audit reports for the LGAs by over one year.

The audit certification of the LGAs is mainly categorized into three main types: a clean or unqualified certificate, a qualified certificate (pointing out matters of objections in the accounts), and adverse opinion, which states that the accounts do not give a true and fair view of the LGA's financial position. The types of audit certification issued for the LGAs in five years to 2003 are summarised in Table 3.

**Table 3: Types of audit certification issued to the LGAs<sup>10</sup>**

| Year         | 1998       | %          | 2000       | %          | 2001       | %          | 2002       | %          | 2003       | %          |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Clean        | 17         | 15         | 16         | 14         | 19         | 16         | 20         | 17         | 39         | 33         |
| Qualified    | 57         | 50         | 24         | 20         | 52         | 45         | 68         | 58         | 50         | 43         |
| Adverse      | 40         | 35         | 75         | 64         | 42         | 36         | 27         | 23         | 27         | 23         |
| Disclaimer   | 0          | 0          | 0          | 0          | 0          | 0          | 2          | 2          | 0          | 0          |
| Missing      | 0          | 0          | 2          | 2          | 4          | 3          | 0          | 0          | 1          | 1          |
| <b>Total</b> | <b>114</b> | <b>100</b> | <b>117</b> | <b>100</b> | <b>117</b> | <b>100</b> | <b>117</b> | <b>100</b> | <b>117</b> | <b>100</b> |

Source: Compiled from the reports of the CAG

Over the five years, the number of LGAs issued with clean audit reports was less than 20 percent of all LGAs in the country, except for the year ended 2003, when it was up to 33 percent.

### **5.10 The Local Authority Accounts Committee (LAAC)**

The parliament of the United Republic of Tanzania has a standing committee known as the Local Authority Accounts Committee (LAAC), which is responsible for reviewing the audited annual accounts of the LGAs. This committee is chaired by a

<sup>10</sup> After 31 December 2003, the financial year for the LGAs was changed to 30 June. The second visit was made in early 2005, before the end of the financial year 2004/5.

member of parliament (MP) from a political party holding a majority of seats in the parliament, and comprises of 15 members of parliament. The main functions of the LAAC are to review the audited annual reports of the LGAs and to ensure that central government directives as well as the directives of the committee are implemented by LGAs. The LGAs are required to present their detailed audited annual reports before the members of the LAAC every year. After scrutiny of the audited annual reports of each LGA and discussion, the members of the committee make a decision. The committee may decide to accept the reports as they are, or require resubmission of the reports with additional information, or it may recommend action against the local government executives, where serious breaches of financial regulations or central government directives have occurred.

The presentations of the audited annual reports at the LAAC are attended by the members of the committees and the appropriate local government executives (chief executive officer, treasurer, and internal auditor). Other participants invited to attend the sessions mainly as observers are the chairperson of the respective LGA and representatives of various central government organs (the Ministry of Finance, Ministry responsible for LGAs, the Local Government Services Commission, and the Regional Secretariat). Local government executives are invited to present their reports before the members of the committee, after briefings from the NAO on each of the LGAs.

The LAAC sessions are not open to the public, but the report of the committee becomes a public document after its presentation in parliament.

Initially, the audited annual reports of the LGAs were scrutinized by the Public Accounts Committee of the Parliament (PAC), but early in 1997, the LAAC was formed to deal specifically with the LGAs.

### **5.11 The Local Government Reforms Programme (LGRP)**

Tanzania is currently implementing significant reforms in local government. Such reforms were initiated jointly by external donors and the government in 1997. In 1998 the government published a policy paper on the Local Government Reforms

Programme (LGRP). The goal of the LGRP is to improve public service delivery through a policy of decentralisation by devolution (URT, 2002). The main objectives of the LGRP are to:

- i. Provide more power to the LGAs to formulate policies and to make operational decisions consistent with national policy without unnecessary interference from central government.
- ii. Improve the effectiveness of the LGAs through provision of necessary resources and qualified manpower, to be recruited mainly by the councils themselves.
- iii. Ensure that affairs of the LGAs are conducted democratically through elected leadership.
- iv. Improve participation of people and civic groups in the governance of the LGAs.
- v. Enhance the accountability of the LGAs to their stakeholders especially members of the general public.

The main components of the LGRP are institutional and legal reform, restructuring of the LGAs, governance and fiscal reform, and changes in human resources management in local government. All reforms are designed to achieve the above mentioned objectives. The LGRP started to be implemented in January 2000 under the overall supervision of the Minister responsible for LGAs. Several acts of legislation and regulation were introduced to create the appropriate environment for the implementation of the reforms, and to provide more power to the LGAs, especially with respect to their relationships with the various central government organs. On the aspect of governance, the LGRP has focused on providing training to the elected officials on their roles in the LGAs, and in institutional and legal changes. In addition the LGRP also promoted the introduction of a bottom-up participatory planning approach through provision of training to different stakeholders.

In practice, central government ministries and other central government organs still exercise tight control over the LGAs' fiscal matters, human resources management, as well as governance. For example, conditional grants from the central government still form the largest proportion of financial resources. The progress report on implementation of the LGRP noted that the implementation has been slow and that the timeframe for reform was unrealistic (URT, 2002). The report further identified factors that hindered reform, such as resistance to change, both at central and local

government levels, lack of implementation capacity, persistence of financial mismanagement in the LGAs, and the magnitude of the reforms. The report proposed to extend the time frame for implementation of reforms to the year 2011.

### **5.12 Summary**

This chapter has provided an overview of local government in Tanzania. The overview focused mainly on issues related to accounting, accountability and governance, which are the subject of this research. The chapter presented a brief history of local government, the functions of the LGAs in the country, and the overall legislative, regulatory, political, financial and administrative structures of local government. The next chapter provides background information on the case studies in which the research was conducted.

# Chapter 6

## DETAILS OF THE CASE STUDIES

### 6.1 Introduction

This chapter provides background information on the LGAs included in the research. The research involved two large LGAs, one municipal council and one district council. The municipal council is an urban council, while the district council is a rural LGA. The descriptive information on the case studies focuses on issues related to accounting, accountability and governance. The overview of the LGAs in the country provided in Chapter 5 is also relevant to the case studies. Hence this chapter avoids repeating some points described in the previous chapter.

### 6.2 Area and population

The area of the district council is 9842 square kilometres with a total population of 230,164 as per census in 2002. The district council comprises a total of 50,359 households, with an average of 4.6 persons per household. The labour force in the district council is approximately 40 percent of the total population. 80 percent of the labour force is employed in agriculture and fishing, 10 percent in trade and the rest in the civil service. The municipal council has a total population of 637,573, with 148,386 households over an area of 2100 square kilometres. The main economic activities in the municipal council include agriculture, trade, manufacturing industries and fishery<sup>11</sup>.

### 6.3 Size of the main activities

The total number of employees in the municipal council and district council were 3529 and 1395 respectively as at the end of year 2004. About 60 percent of the employees in the LGAs were primary school teachers. Public services that consume

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<sup>11</sup> All the details provided in this subsection were extracted from the annual reports of the LGAs for the financial year ended 31 December 2003.

the largest proportion of the LGAs’ revenues are education and health. Table 4 provides a summary of the size of the service sectors in the LGAs in 2004.

**Table 4: Primary education and health services**

| Item                                      | Municipal Council | District Council |
|-------------------------------------------|-------------------|------------------|
| Number of primary schools                 | 93                | 108              |
| Number of hospitals                       | 1                 | 1                |
| Number of health centres and dispensaries | 17                | 29               |

**6.4 The profile of revenues**

The total revenues of the councils over four years from financial year 2000 were as summarized in Tables 5 and 6. The district council relied more on central government grants than the municipal council. Over the four years, the total revenues earned by the district council from own sources were less than 20 percent of its total revenues. The municipal council generated over 40 percent of the total revenues locally over the four years. The municipal council is amongst the richest LGAs in the country.

**Table 5: Profile of revenues of the municipal council (Tsh. Million)**

| Sources                                 | 2000                              | 2001     | 2002     | 2003     |
|-----------------------------------------|-----------------------------------|----------|----------|----------|
| Own sources                             | 4,508.8                           | 5,162.2  | 5,783.2  | 6,588.1  |
| Central government grants <sup>12</sup> | 3,484.2                           | 7,325.0  | 6,504.1  | 8,842.3  |
| Total                                   | 7,993.0                           | 12,487.2 | 12,287.3 | 15,430.4 |
|                                         | As a percentage of total revenues |          |          |          |
| Own sources                             | 56                                | 41       | 47       | 43       |
| Central government grants               | 44                                | 59       | 53       | 57       |
| Total                                   | 100                               | 100      | 100      | 100      |

Source: Compiled from the financial reports of the municipal council

<sup>12</sup> Central government grants include development and recurrent grants as well as development aid from external donors in both LGAs.

**Table 6: Profile of revenues of the district council (Tsh. Million)**

| Sources                   | 2000                              | 2001           | 2002           | 2003           |
|---------------------------|-----------------------------------|----------------|----------------|----------------|
| Own sources               | 244.2                             | 293.8          | 306.9          | 309.2          |
| Central government grants | 1,432.4                           | 2,415.8        | 2,068.1        | 1283.1         |
| <b>Total</b>              | <b>1,676.6</b>                    | <b>2,709.6</b> | <b>2,375.0</b> | <b>1,592.3</b> |
|                           | As a percentage of total revenues |                |                |                |
| Own sources               | 15                                | 11             | 13             | 19             |
| Central government grants | 85                                | 89             | 87             | 81             |
| <b>Total</b>              | <b>100</b>                        | <b>100</b>     | <b>100</b>     | <b>100</b>     |

Source: Compiled from the financial reports of the district council.

**6.5 Types of audit reports issued to the LGAs**

The district council has been issued with adverse audit opinion for four consecutive years since 1999 and with a qualified opinion for the financial year ended 2003. The municipal council received two clean and two qualified reports for the financial years between 2000 and 2003. Table 7 summarizes the types of audit opinions issued to the case studies for the financial years ended 2000 to 2003.

**Table 7: Types of audit reports issued to the case studies**

| LGA               | 2000      | 2001    | 2002      | 2003      |
|-------------------|-----------|---------|-----------|-----------|
| Municipal Council | Qualified | Clean   | Qualified | Clean     |
| District Council  | Adverse   | Adverse | Adverse   | Qualified |

Source: Compiled from the CAG’s reports

**6.6 Profile of staff at the finance department and internal audit section**

The finance department and audit section of the municipal council had a total of 92 personnel as of April 2003. This number includes the municipal treasurer and municipal internal auditor. The municipal treasurer and municipal internal auditor are holders of accounting degrees, with several years of work experience at the municipal council. The internal audit section of the municipal council had four other personnel. One of them, acting as assistant, had several years of work experience while the rest were holders of accounting diplomas, with limited work experience.

The finance department and internal audit section of the district council had 19 personnel including the district treasurer and district internal auditor. Both the district treasurer and district internal auditor were holders of accounting degrees, with several years work experience at the district council and in other LGAs in the country. The district internal auditor was the only personnel in the internal audit section of the district council. Some of the accounts assistants in both case studies had not undertaken any formal training in accounting. Both the LGAs used manual accounting systems, though computerisation has already started at the municipal council.

### **6.7 Political situation in the LGAs**

All the councillors in the case studies belonged to one political party, *Chama Cha Mapinduzi* (CCM), which currently governs the country, and has done so since independence in 1961. The first multiparty elections in respect of the councillors in the country were conducted in 1994 after the reintroduction of the multiparty system in 1992.

All councillors in both case studies had been acting as such for at least three years at the time of the field study. A substantial number of councillors had been in their post for more than five years.

### **6.8 Formal education and experience of the councillors**

78 percent of the councillors in the municipal council had a level of formal education ranging from secondary to university. A substantial number of the councillors were retired civil servants. The remaining 22 percent of the councillors had primary education. 73 percent of the councillors in the district council had primary education. The municipal council had more councillors with work experience in government departments than the district council. Table 8 provide a summary of the level of formal education of the councillors in the case studies.

**Table 8: The level of formal education of the councillors**

| Level of education  | Municipal Council |            | District Council |            |
|---------------------|-------------------|------------|------------------|------------|
|                     | Number            | Percentage | Number           | Percentage |
| Primary             | 7                 | 22         | 16               | 73         |
| Secondary           | 2                 | 6          | 4                | 18         |
| Certificate         | 12                | 36         | -                | -          |
| Diploma and degrees | 12                | 36         | 2                | 9          |
| Total               | 33                | 100        | 22               | 100        |

Source: Compiled from councils’ records and interviews

**6.9 Administrative structures**

Like all the LGAs in the country, the affairs of both LGAs are managed by two groups of officials: the councillors and the local government executives. The councillors constitute the council, the top governing body at local level. The local government executives participate in council meetings as technical advisors. They are responsible for the implementation of council decisions and are in charge of the day-to-day operations of LGA.

The councils at both LGAs are headed by a chairperson, who is elected from amongst the councillors for a five year term of office. Usually the council meet quarterly to receive reports on activities undertaken by the LGA, in addition to the special council meeting for the annual budget. All matters presented to council meetings are first discussed by the local government executives in the senior management team, comprising all heads of departments.

The chief executive officers of the municipal council and district council are the Municipal Executive Director and District Executive Director respectively. The overall responsibility of the chief executive officer is to ensure that the affairs of LGA are run in accordance with the laws, regulations and policies of the council. The chief executive officer of LGA is assisted by several heads of departments.

The councils at both LGAs had three standing committees, namely finance and administration, city planning and environment, and social services. These committees are responsible for the supervision of the activities of the various departments in the LGAs. Each department falls under one specific standing committee. The committees are led by a chairperson who is elected from amongst the councillors. The secretaries of the committees are heads of departments. The standing committees meet quarterly under normal circumstances. However, the finance and administration committee meet monthly.

At the time of the field study, there were eight departments at the district council and nine departments at the municipal council, as indicated in Figures 4 and 5.

Both the case studies are administratively divided into several wards, villages, hamlets, neighbourhoods. The district council had 16 wards, 82 registered villages and 645 hamlets. The municipal council had 22 wards, 9 villages, 67 neighbourhoods and 37 hamlets. The wards and villages are headed by the Ward Executive Officers (WEOs) and Village Executive Officers (VEOs) who are employees of the LGAs. The neighbourhoods and hamlets are headed by chairpersons, who are politicians. The functions of the WEOs, VEOs and the hamlet and neighbourhood chairpersons were described in Chapter five. The administrative structures of the case studies as at year 2004 are summarized in Figures 4 and 5.

**Figure 4: The municipal council’s administrative structures**

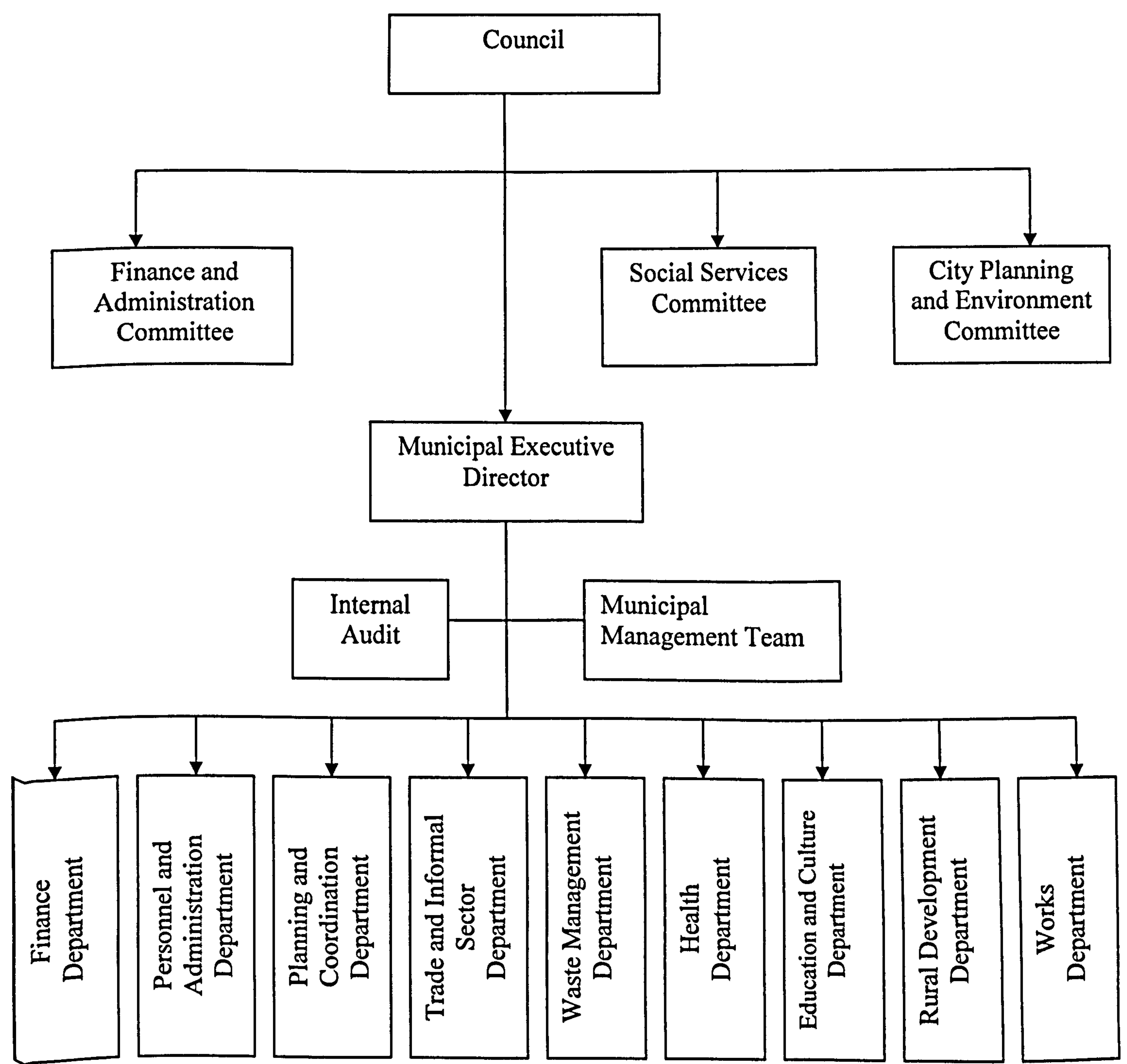
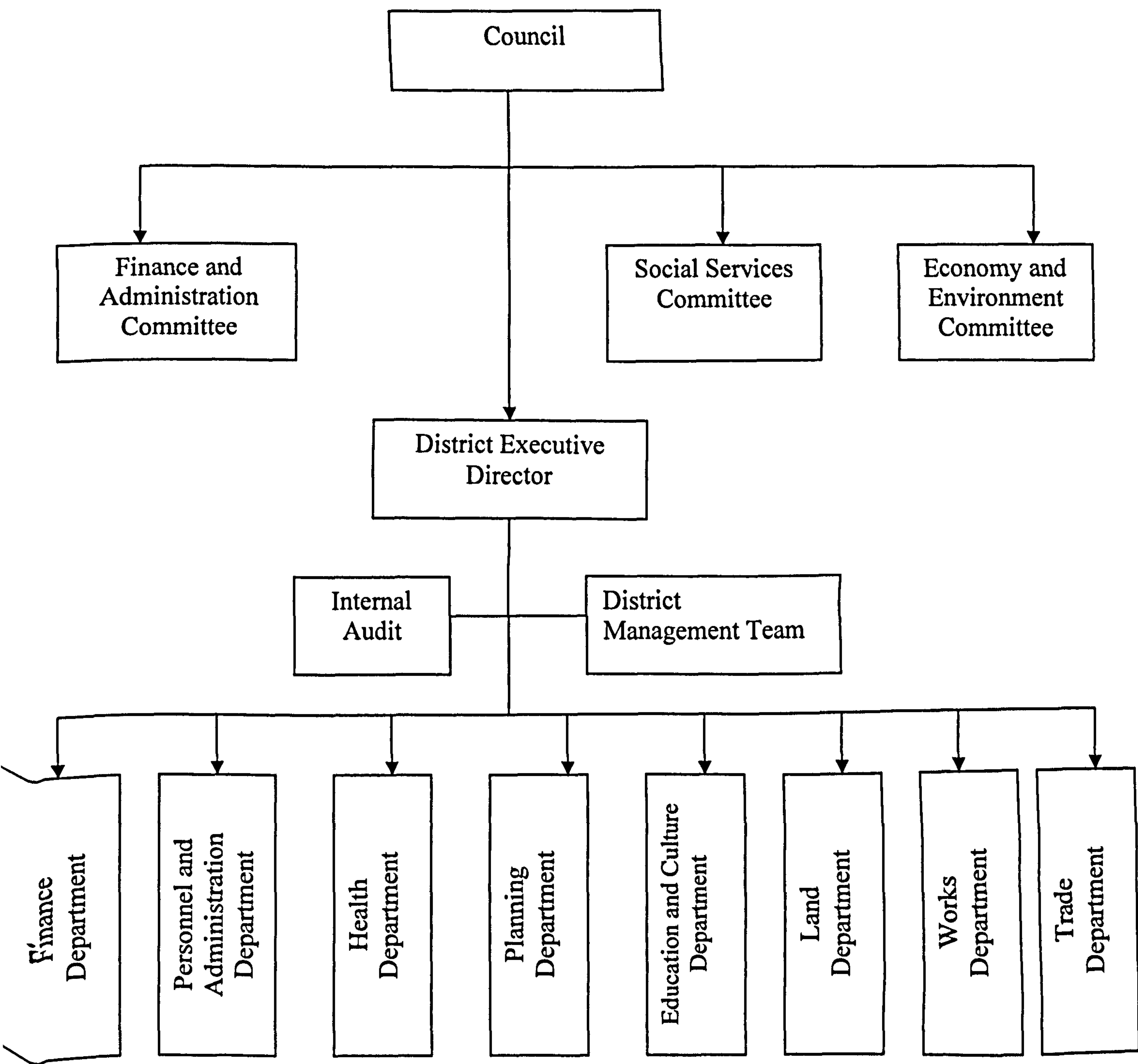


**Figure 5: The district council's administrative structures**



## **6.10 Summary**

The chapter has provided descriptive information about the two case studies. The district council relies more on central government funding than the municipal council. Over four years from year 2000, revenues earned by the district council from own sources represented less than 20 percent of the total revenues of the council. The extent of district council reliance on central government financial resource allocations is typical of the LGAs in the country. The municipal council's own revenues over the same period were over 40 percent of the total revenues. The municipal council is amongst the richest LGAs in the country. The central government funding allocations to the LGAs are largely conditional. The central government finances activities in priority sectors, namely education, health, water, local road construction and maintenance, and agriculture development. 78 percent of the councillors on the municipal council had secondary up to university education, while 73 percent of the councillors in the district council had primary education.

# **Chapter 7**

## **EMERGENT RESEARCH ISSUES AND OPEN CODING**

### **7.1 Introduction**

This chapter identifies the research themes that emerged from the research. The adopted research strategy, as described in Chapter four, dictated that focal research themes should emerge from the field study (Strauss and Corbin, 1998). The chapter also describes the open categories that evolved from the data through the application of Strauss and Corbin's (1990, 1998) grounded theory procedures. Open categories are concepts generated from data that describe phenomena important to participants (Strauss and Corbin, 1998; Glaser and Strauss, 1967). Grounded theory methodology involves three analytical processes: open, axial and selective coding (Strauss and Corbin, 1998). Open coding represents the initial stage of grounded theory analysis. In some cases it is difficult to make a distinction between open and axial coding, given the iterative nature of grounded theory analysis. Several open categories delineated in this chapter extend beyond open coding. For instance, emerging relationships between some open categories have been depicted in some cases. However, the relationships between various categories were the focus of axial and selective coding, which are presented in the subsequent chapters. Section 7.2 identifies the emergent research themes, while sections 7.3.1 to 7.3.26 provide details of the twenty-six open categories that were derived from the data.

### **7.2 Emergent research issues**

The general research problem was to explore the role of accounting in accountability and governance in LGAs in Tanzania. The research was based on premises that different meanings are associated with the concepts of accountability and governance (Sinclair, 1995; Edwards, 2002; Bouckaert et al., 2002; Goddard, 2004). Therefore the research aimed at exploring the phenomena of accounting, accountability, and governance in LGAs from the perspectives of the participants. The initial stages of data collection and analysis focused on gleaning issues on the subject of the research that were relevant and significant to the participants being studied. The research focused on emergent themes, as follows:

- i. The local government participants' understandings and perceptions of accountability and governance.
- ii. The local government participants' perceptions of the role of accounting information in accountability and governance.
- iii. The manner and extent to which the participants used accounting and non-accounting information in accountability and governance interactions.
- iv. The nature of relationships between and amongst the different groups of local government participants and the implications for accounting, accountability, and governance.
- v. The way the perceptions of accountability and governance amongst participants influenced and were influenced by accounting.

The emergent research themes become evident progressively as the ground theory analysis moves from open coding to the point at which a substantive theory evolves.

### **7.3.0 Open concepts and categories**

Open concepts were developed initially through line-by-line, and later paragraph-by-paragraph analysis of the interview materials. Documentary and observational data were also used in open coding, though to a very limited extent. Open concepts involve labelling of social phenomena emerging from the data (Glaser, 2002). The intensive line-by-line analysis was undertaken at the initial stages of the analysis of the interview transcripts relating to each of the different groups of respondents (councillors, local and central government executives, external auditors, and members of the parliamentary committee). The focus of the analysis was to identify and explore features and dimensions of the phenomena relevant to the research subject that were significant to the respondents. The paragraph-by-paragraph mode of analysis was adopted for the rest of the interviews, when it emerged that the issues raised by the respondents in each of the different groups were similar. This was done to avoid being overloaded by the data. Strauss and Corbin (1998) suggest that a detailed line-by-line analysis is necessary at the beginning of the study in order to ensure that the analysis is driven by the data rather than preconceived ideas. They also assert that such a technique of analysis enhances sensitivity to the data.

Each of the interview transcripts with the respondents was read entirely before the intensive line-by-line analysis took place. This was done with the objective of obtaining a general understanding of the important issues in each interview. In addition, the entire data (interviews, documents, and observational field notes) were revisited several times in a search for the emerging open concepts.

The generated open concepts were then analyzed and those that related to a common theme were grouped together to form an open category (Strauss and Corbin, 1990). Open categories represent a collection of open concepts derived from data that stand for a particular phenomenon (Strauss and Corbin, 1998). A list of the open concepts that were combined to form the open categories is provided in appendix III. An open category provides comprehensive information about an emergent social phenomenon; it explains “*What is going on here?*” (Strauss and Corbin, 1998, p. 114). In choosing a label for a category, Strauss and Corbin (1998) propose that “*The name chosen for a category usually is the one that seems the most logical descriptor for what is going on*” (p. 114).

Sections 7.3.1 to 7.3.26 describe twenty-six open categories. In the case of open categories with several properties, subsections have been introduced to provide details. The properties of a category refer to the important features of a particular phenomenon emerging from data analysis (Strauss and Corbin, 1998). The properties of a category are aimed at ensuring that phenomena observed are systematically captured and described adequately.

### **7.3.1 Meanings associated with governance by the individual participants**

Generally the meanings associated with the concept of governance by the individual local government participants were not precise. Overall, descriptions of the concept by individual local government participants focused on three main themes. These were the involvement of different groups of participants, the roles of different groups of participants, and regulations and policies. Details are provided in sections 7.3.2 to 7.3.4.

All the local government participants associated governance with the issue of involvement of different groups of participants in local government activities. They were particularly concerned with the manner and extent of the involvement. All participants felt that the central issue in governance was the roles played by the different groups of participants, particularly their ability to influence activities.

*“The central government says that local government belongs to local population. But this is not happening; the central government still holds more authority. We [councillors] have not enough authority, let us have, give authority to the councillors, if we are serious. We are representatives of the people. The administrators are there for the government, so if we want to involve the public we have to consider the councillors”* (Councillor, Social Services Committee, Municipal Council).

The participants also related governance with the regulations and policies on local government activities. Councillors talked mainly about the way some regulations and policies limited their ability as a group of participants to influence the activities of LGAs. The local government executives and councillors were also concerned about the system through which regulations and policies were formulated. They felt that the system was dominated by central government executives and ignored the involvement of other local government participants. Generally the local and central government executives, external auditors and members of the parliamentary committee emphasized the importance of regulations and policies on governance more than councillors.

The descriptions of governance provided by the councillors, local and central government executives were mainly related to the way they perceived the existing administrative structures of LGAs in the country, current practice, perceived expectations of the structures and practices as well as the ongoing local government reform programme<sup>13</sup>. The perceived expectations of structures and current practices were apparently driving the meanings that participants associated with governance rather than the existing structure of local government administration. For example, both the local government executives and councillors described governance with reference to the overall administrative structures of LGAs, their own positions in the

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<sup>13</sup> The ongoing local government reforms programme is described in open categories in sections 7.3.22 and 7.3.26.

structures, emphasizing current and expected practice. The following quotes reflect this.

*“I personally think that we have good, appropriate structures of local government administration. It starts from the bottom, you see, in the villages and streets. The structure links the people and government. We have leaders elected in the streets, hamlets and wards, the councillors, who represent the people. But in most cases things do not work like that. In my view the main issues in administration of local government are lack of resources and authority. Local governments depend much on grants from the central government. Resources from our own sources are inadequate. The central government restricts how we use the resources provided. Local governments have no autonomy; we have no authority to perform our roles. It is as if we and the councillors are here to implement directives from the top, the ministries. Supervision of our activities by ministries and national policies are important. I have no objection to these. The ministries should supervise, but involve others in formulating policies. They should not interfere in implementation. We require more flexibility in utilizing the grants”* (Municipal Planning and Coordination Officer).

The descriptions of governance by members of the parliamentary committee and external auditors were mainly related to the way they perceived the roles that they have to play in such interactions. However, members of the parliamentary committee were also influenced by their perceptions of the overall administrative structures of LGAs as well as expectations on practice.

### **7.3.2 Involvement of different groups of participants**

All the groups of participants felt that governance was partly about the involvement of different groups of participants in the activities of LGAs. They indicated that many groups of participants, such as councillors, executives, members of the general public, private sector entities, and donors, could be involved. The main concerns of the respondents were with respect to the extent of involvement and the ability of the different groups to make an impact. The councillors were particularly concerned about the extent of their own involvement and that of the general public. They felt that their involvement was limited by the dominance of local and central government

executives. The councillors felt that limited participation affected their ability to serve the interests of members of the general public.

Furthermore, the different groups of participants felt that they had to pursue specific group interests in the course of participation. Such group interests seemed to contribute to a great extent to the way the participants perceived their roles in accountability and governance processes. The local government executives felt that they had to work together to protect professionalism and regulations, which they thought were to some extent being threatened by the involvement of the councillors. The members of the parliamentary committee were of the view that they had to safeguard the interests of different groups of participants, particularly of those participants not involved directly.

*“The responsibilities of our committee are to examine the use of public funds by local government, if expenditures are in accordance with financial regulations. We also take seriously issues of national policies and compliance to government directives. We invite different stakeholders to our sessions, the important ones, like the mayor, ministries and commission [Local Government Services Commission] to hear the discussion of reports from local government [executives]. The committee pay particular attention to funds from central government and other donors, to safeguard their interests; we know these are likely to be misused because the providers are not involved in day-to-day activities...”*(Member, Parliamentary Committee).

Similarly, the councillors were of the view that they had to act jointly to enhance their influence over local government activities in order to serve the interests of members of the general public, such as ensuring the availability of better quality public services. The councillors felt that their influence was marginalized by the local and central government executives and perceived inability to act as one group of participants.

### **7.3.3 Regulations and policies**

In describing governance, the participants referred frequently to regulations and policies. Generally, these terms were used by the respondents to refer to laws, rules, guidelines and other directives by central government that were intended to guide various activities in LGAs. The local and central government executives used the

terms to refer to professional requirements as well. The participants talked of the system through which regulations and policies are formulated, and the way regulations and policies affect the roles of participants and the ability of the different groups of participants to make an impact.

Regulations and policies were related with the prescribed roles of the different groups of participants in accountability and governance interactions. The councillors were particularly concerned about the way regulations and policies affected their roles and influence in LGAs. A recent regulation introduced by central government to ban councillors from tender boards was cited by several councillors as an example of the way regulations affected their roles and influence. Furthermore, the councillors believed that sometimes regulations and policies were used by local government executives to silence them and to restrict their roles, as the following quote indicates:

*“They [executives] know more, sometimes when we argue they just say this is what the regulations require or this is in accordance with directives from central government...”* (Chair, Social Services Committee, District Council).

Local and central government executives, external auditors and members of the parliamentary committee felt that regulations and policies were central in governance. The regulations and policies were also associated with the ability of the different groups of participants to influence the activities of LGAs. Councillors and local government executives felt that, generally, regulations and policies provided central government executives with excessive influence over the activities in LGAs.

Local government executives and councillors also expressed concerns over the system through which regulations and policies were initiated and formulated. They felt that the system was dominated by central government executives and, in most cases, without involvement of other local government participants. The executives and councillors mentioned a recent decision by central government to abolish some of the important sources of revenue for LGAs without seeking their opinion, as a typical example of the way regulations and policies were initiated and implemented.

*“I think lots of things come from the top, ministries. Ministries are responsible for overall supervision of the activities in councils. But they are not close to the people, we are. They should give us more authority to allocate resources, involve other participants in various issues. Many decisions by the ministries do not reflect real conditions in the councils...they don't reflect a multi-sectoral approach. Even donors,*

*we know they have their own interests... it is appropriate if they can involve us as implementers”* (District Community Development Officer).

#### **7.3.4.0 Roles of the different groups of participants**

The participants expressed an understanding of their own roles and those of others as regards accountability and governance. The roles associated with accountability interaction are described in open categories in sections 7.3.7 and 7.3.8. Generally, all the local government participants associated governance mainly with the roles that they felt that they should play in the activities of LGAs. The local government executives and councillors in particular emphasized their ability to influence activities. They talked of the prescribed roles and the real roles played by the participants in governance. They also talked of the perceived clarity of roles and relationships between roles and authority.

#### **7.3.4.1 The participants’ perceptions of roles in governance**

Most of the executives and a few councillors felt that some of the councillors lacked proper understanding of their own roles and those of the other groups of participants, particularly the executives. Such poor understanding of roles amongst some of the councillors was attributed to lack of knowledge. This phenomenon is described in section 7.3.13.

Overall, the local and central government executives indicated that they had clear roles in governance, accompanied with adequate power under the existing regulations and policies. Many of the councillors felt that their roles in governance were clear, but they lacked appropriate authority in practice to discharge the roles. However, a few councillors felt that both their roles and authority in LGAs were not so clear. However, both local government executives and councillors demonstrated that central government executives had excessive authority over LGAs, which constrained their ability to perform the prescribed roles.

Significant differences were noted amongst the different groups of local government participants on the way they perceived their roles in governance. A pattern of

understanding was obvious amongst two main groups of local government participants. The first group of participants comprised the councillors, and the second comprised central and local government executives, external auditors and members of the parliamentary committee. Most of the latter associated governance more with compliance to regulations, national policies and directives issued by the central government. These participants felt that their main role in governance was to ensure that LGAs are in compliance with regulations, national policies and central government directives. The central government executives also felt that their other important role in governance was to influence the allocation of resources in LGAs in accordance with national priorities and policies. They stated that the conditional grants to budgets provided the appropriate mechanism for discharging the role.

*“You know, councillors are politicians. This sometimes becomes a problem. We plan to construct a health centre, for example. A councillor would like it to be located in his locality for his political advantage regardless of national policy. We [executives] act professionally, so we always emphasize the regulations and policies. It is our duty to stand up for policies. This is our main responsibility”* (District Health Officer).

Members of the parliamentary committee also felt that safeguarding the interests of different groups of local government participants, especially those not involved in daily activities, was their other role in governance. For instance, during the sessions of the parliamentary committee, in 2003, several LGAs were required to resubmit their audited annual reports to the committee for scrutiny, because they had failed to provide detailed schedules on usage of funds provided by external donors and non-governmental organizations. The members of the committee emphasized it was necessary to ensure the funds were utilized appropriately and to protect the interests of groups of participants that were not involved in the day-to-day activities of LGAs.

On the other hand, many councillors associated governance more with the extent of their involvement in LGAs, particularly their ability to influence the activities. Many councillors felt that their participation was marginalized by both central and local government executives.

*“...But there is a problem, the central government instructs us [councillors] not to go to the kitchen. This has basically made the executives believe that what they are doing is right. They [executives] feel that we [councillors] are supposed to wait for reports and not to supervise. For example a contractor constructs a school under the*

*supervision of our engineer. We [councillors] are not involved in selecting the contractors [not members of tender board]. Then you say I am responsible for supervision. What kind of supervision? If I argue that the construction is not up to appropriate standards, I am told you are not allowed to go to the kitchen. The government should understand, our objective is not go to the kitchen. But we are forced to go there when we are supposed to be involved. There should be no discrimination in participation”* (Chair, Finance Committee, Municipal Council).

The councillors felt that achieving effective participation, particularly with respect to their ability as a group of participants to influence the activities of LGAs, was one of their most important roles in governance.

Members of the parliamentary committee and councillors associated governance with performance in the delivery of public services<sup>14</sup>. They were more concerned with performance in public service delivery than most executives. Most councillors viewed performance in delivery of public service mainly in terms of accessibility to more and better quality services in their respective constituencies, regardless of national policy or professional requirements. However, the executives viewed performance in delivery of public services in the context of professional requirements and national policy for various sectors. Differences in views among councillors and executives contributed to tensions and conflicts between the groups in the process of allocating resources. The councillors associated performance in public service delivery with governance, mainly because they felt that they lacked adequate authority to influence performance in LGAs. The members of the parliamentary committee were of the view that they had to use their authority to influence performance in LGAs. For example, during the sessions of the committee in 2003, the members decided to set targets for revenue collection. Members of the parliamentary committee and councillors felt that ensuring the availability of more and better quality public services was their other main role in governance.

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<sup>14</sup> These groups of local government participants also related accountability with performance in public service delivery.

#### 7.3.4.2 Prescribed and real roles played by the groups of participants

The councillors and local and central government executives talked of prescribed roles, that is, roles stipulated in legislation, regulations and policies. As regards the regulations and policies, the councillors were the final decision-makers on all matters concerning government at local level. The councillors constituted the council, which is the top governing body at the level of LGA. In principle decisions were supposed to be made after democratic discussion among the councillors at committee and council meetings. The councillors were also responsible for supervision of all activities carried out by LGAs through the committees and council. The regulations and policies also provided that local government executives were to provide technical advice to councillors in order to facilitate decision-making, to implement the decisions made by the council, and to carry out the day-to-day activities of LGAs. The prescribed roles of the central government executives were to facilitate and support LGAs through provision of overall policies, supervision and funding. However, local government executives and councillors observed that, in practice, the real roles played by the different groups of participants in governance were largely dependent upon the nature of actual interactions between and amongst the different groups of participants. The councillors, for instance, felt that the roles they played in governance were influenced by the nature of actual interactions amongst councillors and with executives. The councillors and executives in both LGAs demonstrated that, in most cases, the latter rather than the former acted as the effective decision-makers.

*“We have committees that deal with the day-to-day administration of [local] government. Then we have the council, which is the highest body. The council must pass all decisions. In the committees, we discuss various matters that are then taken to the council for approval. We [councillors] are involved in all the committees but heads of departments are in charge of daily activities, and they are the ones who prepare the agenda for discussion. They give us their recommendations, we discuss, but, you know, they are professionals, in many cases; we take their advice, decisions...”* (Councillor, Finance Committee, District Council).

### 7.3.5 The participants' attitudes towards governance

The executives and councillors revealed certain beliefs and attitudes in their descriptions and practice of governance. Beliefs and attitudes associated with understandings and practice of governance involved a strong general sense amongst executives and councillors as regards members of the general public having a limited role in governance, and among most of the councillors and local government executives as regards the latter being more powerful than the former. The pervasive beliefs and attitudes amongst the executives and councillors are mainly attributed to past experience of realities within and outside LGAs. Current regulations and administrative structures gave councillors greater influence than executives over activities at local level. However, the executives in both LGAs seemed to exert greater influence over activities in practice, partly due to these beliefs and attitudes. Such beliefs and attitudes affected the nature of interactions between the two groups. In both LGAs, some councillors tended to lobby informally the executives on delivery of public services for their constituencies.

*“We [councillors] bring our requirements, but plans are not implemented due to lack of resources. The electorate does not understand they need services. What do you do? You go around the corridors of offices pleading with administrators. It pays sometimes. Most of us, I know, may not mention this publicly, but we do, it works sometimes...”* (Councillor, City Planning and Environment Committee, District Council).

The beliefs and attitudes appeared to change over time with changes in realities within and outside LGAs. For instance, the limited capacity of LGAs to meet demand for public services had compelled councillors and local government executives to mobilize resources from members of the general public in order to provide the required services. These moves had contributed to improvement in the participation of members of the general public in local government activities. The attitudes and beliefs amongst local government executives and councillors had contributed to enhancing the influence of the former group of participants at the expense of that of the councillors. In addition, the beliefs and attitudes had also negatively affected the involvement of members of the general public in the activities of LGAs.

### **7.3.6.0 Meanings associated with accountability by the participants**

The individual local government participants expressed precisely their understanding of the concept of accountability. All groups demonstrated to a great extent similar understanding of the concept. The descriptions revolved around relationships between different parties, *wajibu* (responsibilities entailed in the relationship between the parties), *kuwajibika* (discharging of the responsibilities), types of accountability relationships, and the perceived importance of such relationships. Notable differences were with respect to the nature of *wajibu*, *kuwajibika*, and the perceived importance of different typologies of accountability relationships or interactions. These are described in sections 7.3.6.1 to 7.3.6.3 and 7.3.7.0.

#### **7. 3.6.1 Accountability as a relationship between different participants**

In general the local government participants described accountability in terms of relationships between two or more parties, whereby one party has *wajibu*, both specified and unspecified responsibilities, a duty to discharge them and demonstrate it to other interested parties. Several types of accountability relationships emerged from the data; these are the subject of the open category, typologies of accountability relationships, in section 7.3.7.0.

All local government participants indicated that they take different positions on accountability relationships depending on the nature of the parties involved. For instance, the councillors felt accountable to the general public, their political parties, committees, council, central government organs and the parliamentary committee responsible for LGAs. They also felt that local government executives were accountable to them. Similarly, the local government executives felt accountable to several different parties, such as councillors, central government executives and the parliamentary committee. The councillors and executives talked of being subject to conflicting accountability responsibilities, as a result of multiple accountability relationships. Both the councillors and local government executives observed that the former were sometimes hesitant in discharging their responsibilities to the committees and council due to fear of becoming ‘unpopular with voters’.

The local government participants showed a tendency to pay more attention to the interests of 'sensitive accountees' than to other accountees. Sensitive accountees are those perceived to possess immediate power to cause positive or negative consequences to an accountor in response to the way the latter has discharged responsibilities. Local government executives, for instance, seemed to be more concerned with accountability to superiors than to the other local government participants. This was mainly because they felt that their superiors had immediate power to reward or penalise them according to the way the responsibilities were discharged.

#### 7.3.6.2 *Wajibu*

*Wajibu* is a *Swahili* word that signifies the official and personal responsibilities that an individual has to fulfil in a specific official position. The local government participants demonstrated that responsibilities involved in accountability interaction entailed official as well as personal relationships. The participants felt that their *wajibu* to others sometimes extend beyond the responsibilities specified in the official relationship. For example, the perceptions amongst the members of general public of the responsibilities of the councillors influenced the way the councillors perceived their *wajibu* to them. The following quote illustrates this:

*"As a councillor I am responsible to the people, I represent them, you see. I am responsible to my party, and implementation of its election manifesto; I have this position through the party. I am also responsible to my committee and council....About my responsibilities to the people, it depends, they want you to deal with kero (dissatisfaction in public services delivery), this is very important. They expect you to be close, accessible. They come even with personal problems. You have to do something..."* (Chair, Social Services Committee, Municipal Council).

*Wajibu* was viewed by the participants as the cornerstone of accountability relationships. The participants' *wajibu* in the context of LGAs involved numerous responsibilities both specified and unspecified, which could take different forms, such as provision of public services, financial discipline, adherence to regulations, professional requirements, policies and procedures, responding to the needs of accountees, and accessibility. In general provision of public services, financial discipline, and adherence to regulations, professional requirements and policies were

considered as the main *wajibu* within LGAs. Experiences of misuse of public funds by the executives in LGAs in the country have made the councillors, central government executives and members of the parliamentary committee consider financial discipline as the most important *wajibu*. The way the local government participants perceived their *wajibu* influenced their views on the roles they had to play in accountability relationships. For example, the councillors felt that ensuring availability of better public services in the respective constituencies and financial discipline on the part of local government executives were amongst their most important *wajibu*, as well as roles in accountability interaction in LGAs.

### 7.3.6.3 *Kuwajibika*

*Kuwajibika* is a *Swahili* word that signifies fulfilling the responsibilities entailed in accountability relationships. This includes resigning from ones' official position for perceived failure to fulfil responsibilities. *Kuwajibika* involves information exchange about *wajibu* (accountability responsibilities) between different parties in accountability relationships. According to the participants, information exchange can take many different forms, depending on perceptions of *wajibu* and the prevailing conditions. These included, for example, provision of accounting and non-accounting information, dialogue between the parties to the relationship, the degree of accessibility to the accountant, sensitivity to the needs of accountees and the general attitude of the accountors towards the accountees.

The perceptions of *wajibu* and prevailing conditions influenced the views of both the accountors and accountees as to what may constitute an acceptable manner of *kuwajibika* (an appropriate account). The councillors, for example, felt that mere dialogue with members of the general public was an appropriate account, especially in situations where they had been unable to meet their accountability expectations.

*"When the government is unable to provide services, the people start to question the use of tax collection. You have to explain. People need development, and solutions to the problems. They forget that the council does not deal with one ward. Now you have to tell them we have twenty-two wards. Depending on how much we collect, resources are distributed to all wards; we can't get everything we need. Some may accuse you, that you are defending the council. It's a problem, but you have to say the truth..."*  
(Chair, City Planning and Environment Committee, District Council).

### **7.3.7.0 Typologies of accountability relationships**

Several types of accountability relationships or interactions emerged from the data. These included subordinate-superior accountability, executive-councillor accountability, political accountability, public accountability, professional accountability, and administrative accountability.

#### **7.3.7.1 Subordinate-superior accountability**

Subordinate-superior or managerial accountability was concerned with the interactions between the executives at different levels of administrative structures. Generally, managerial accountability involved the performance of specified functions or duties. Managerial accountability entailed submission of both formal and informal reports by subordinates to superiors, though was mainly guided by formal reporting. Managerial accountability was considered by the executives as the most important type of accountability relationship within LGAs. This was partly because the accountees, the superiors in this context, were perceived to possess immediate power to reward positively or negatively the accountees, depending on the way they discharged the responsibilities. Hence, perceptions of the executives at both local and central government levels were that such accountability relationship was their most important role in accountability interactions. Managerial accountability also emerged as the dominant form of accountability interaction within both LGAs, mainly due to the influence that local and central government executives had over their activities.

#### **7.3.7.2 Executive-councillor accountability**

Executive-councillor accountability is about the relationship between local government executives and councillors. This was associated with the nature of the administrative structure of LGAs, which makes local government executives accountable to councillors through committees and council. The committees and council were formed by councillors as decision-makers and local government executives as technical advisors and implementers of decisions made by the former

group. Hence the executive-councillor accountability relationship was reflected through the interaction between the two groups in committees and council.

The executive-councillor accountability relationship involved mainly specified accountability responsibilities and the use of mainly formal reporting. For instance, both councillors and local government executives felt that the latter were responsible for the implementation of all decisions made by council. The executives were supposed to report on the implementation of the council's decisions in committee and council meetings. However, many of the interviewed executives demonstrated a poor sense of accountability to councillors. They felt that the councillors had no power over them. The councillors felt that the failure to work as a group as well as the knowledge gap between executives and councillors contributed towards weakening executive-councillor accountability interaction in LGAs.

#### **7.3.7.3 Professional accountability**

Professional accountability involves adherence to regulations, policies and professional requirements in the course of the performance of the various activities undertaken in LGAs. According to the executives, professional accountability involves mainly specified responsibilities. Professional accountability was deemed important, particularly amongst the executives, external auditors and members of the parliamentary committee.

#### **7.3.7.4 Public accountability**

Public accountability involves relationships between executives, councillors, external auditors, members of the parliamentary committee, on the one hand, and the general public, on the other. All the local government participants included in this research, namely local and central government executives, external auditors, councillors and members of the parliamentary committee, felt accountable to the general public. The councillors, external auditors and members of the parliamentary committee demonstrated a stronger sense of public accountability than most of the central and local government executives. They felt that public accountability was one of their most important roles in accountability interactions within LGAs. Public accountability encompassed both specified and unspecified responsibilities. They were considered to

be discharged by the participants through the publication of annual financial and external audit reports, as well as through the holding of public meetings, and through the general attitude of responding to the needs of members of the general public. Hence, public accountability involved both formal and informal reporting to the general public.

#### **7.3.7.5 Political accountability**

Political accountability involves interactions between councillors, political parties, and central and local government executives. The executives and councillors felt accountable to the ruling political party. Political accountability entailed both specified and unspecified accountability responsibilities. The specified ones were largely expressed in the party's election manifesto. Thus the political party's election manifesto had a significant influence on the nature of political accountability interactions. Executives and councillors felt that the LGAs were responsible for implementing the election manifesto of the ruling political party. Formal and informal reports are employed in political accountability relationship. The executives report periodically to the ruling political party, usually annually, on progress made in the implementation of the election manifesto. Such reports were usually discussed in private meetings between the chief executive officer and other relevant executives, and the committee of councillors from the ruling political party. Political accountability was viewed as important, especially amongst the councillors. They felt that this was one of their most important roles in accountability interactions within LGAs. Many of the executives viewed political accountability as a threat to their professional obligations, and one of the main causes of tensions between executives and councillors.

#### **7.3.7.6 Administrative accountability**

Administrative accountability involves interactions between councillors, executives, external auditors and members of the parliamentary committee, and the various administrative organs, such as committees, council, departments, central government organs, and parliament. The councillors felt accountable to their committee, council, local government departments, central government ministries and the parliamentary

committee. The members of the parliamentary committee felt accountable to the committee itself as well as to parliament. Administrative accountability was associated with overall local government administrative structures and involved both specified and unspecified responsibilities.

### **7.3.8 The attitudes of participants towards accountability**

This category refers to the beliefs and attitudes amongst local government executives and councillors that affected the way they practised accountability. The beliefs and attitudes included a general sense amongst executives that there were ‘secrets of government’ which were not supposed to be made public, a tendency to pay more attention to perceived sensitive accountees than to other accountees, a poor sense of accountability to councillors amongst most local government executives, a poor sense of public accountability amongst most executives, and strong beliefs amongst councillors and executives that the general public was less interested in financial information from LGAs.

Such beliefs and attitudes were mainly associated with past realities and the experiences of the participants, both within and beyond LGAs. They appeared to change over time with changes in realities and experiences. The councillors in the district council, for example, were initially not allowed by the executives to take out minutes of the committee and council meetings, to ‘avoid leakage of government secrets’ to the general public<sup>15</sup>. However, over time, many councillors realized that the restriction was contrary to regulations governing the operations of LGAs. Hence they struggled and achieved the right to go out with the minutes of meetings.

The attitudes towards accountability influenced accountability interactions between the different groups of local government participants. For instance, a strong attitude amongst executives as regards keeping so-called government secrets, and beliefs amongst the executives and councillors that the general public was less interested in financial information, contributed to poor transparency concerning the activities of

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<sup>15</sup> This was contrary to the regulations, which allow members of the general public access to the minutes of all council meetings, as well as attendance at council meetings.

LGAs. Poor sense of accountability amongst executives to councillors and the general public, weakened executive-councillor and public accountability interactions.

#### **7.3.9.0 Information flow between different groups of participants**

Information flow refers to exchange of information between groups of local government participants. Information flow was considered by the participants as being crucial in accountability and governance interactions. The important properties in this category were the implications of information flow for accountability and governance, the factors perceived to influence information flow between groups of participants, the timing of information flows, and concerns over the reliability of information.

##### **7.3.9.1 The implications of information flow for accountability and governance**

The perceptions of roles associated with accountability and governance amongst groups of participants influenced the nature of information flow among them. For example, the executives, who considered national policies and central government directives as central to both accountability and governance, felt that conveying information on such matters to other participants was necessary. The councillors and local government executives at the lower levels of administrative structures, such as ward and village executive officers, were concerned about the nature of information flows. They felt that there was poor information flow between them and central and local government executives. They felt that top executives were less keen to receive and work on information from councillors and executives at lower levels. Furthermore, they felt that limited information flowed from central and local government executives, and that it was mainly in the form of orders and instructions. The following quote from an interview with one Ward Executive Officer reflects this.

*“...Another problem, the council, most of the time is using us as their mere agents. We are close to the people, we represent them. They don't treat us as such. Most of the time we just receive orders do this, to take them down, implement them. For example they decide to remove petty traders in the areas. They do it, they don't care... people complain to you. We are put in a difficult position; the council does not involve us.”* (Ward Executive Officer, Municipal Council).

Information flows among the different groups of local government participants influenced the way they perceived their roles in accountability and governance interactions. The councillors, for example, indicated that the level of their involvement in governance and that of the general public was limited, due to poor information flows between them and central and local government executives. Hence they felt that enhancing the extent of their involvement in local government activities was one of their main roles in governance. The participants also indicated that the nature of information flows affected their ability to carry out their roles and to influence the activities of LGAs. For example, the councillors at both LGAs felt that poor information flows from executives has contributed to strengthening the latter's influence. The councillors also associated information flows from the executives with ability to carry out their roles.

*"We [councillors] have a say in decisions, but our fellows [executives] have their own interests... they are professionals. If you are lucky, you have some councillors who are retired officers. It helps somehow, but otherwise they can easily defeat you. They know a lot, they can defend their own ideas..."* (Councillor, Social Services Committee, District Council).

#### **7.3.9.2 Factors perceived to influence information flow between participants**

The main factors that were perceived to influence flow of information between the different groups of local government participants were power associated with regulation and policy, the way the participants perceived their own roles and those of others, the nature of the roles played by the participants, specific interests of participants holding information, and the way participants with information perceived the information needs of the other participants.

Those groups of participants that were considered to play an important role and/or possessed more power according to regulation and policy were deemed to have more right to information from other participants. Those local government participants who were considered to play less important roles and/or were less powerful were perceived to have limited right to information. The local government executives and councillors felt that central government executives, external auditors and members of the parliamentary committee had more right to information due to their power and the

perceived importance of their roles. Councillors and executives felt that the general public played a lesser role in day-to-day operations of LGAs, and hence had limited right to information. For instance, in both LGAs, private meetings were held between the chief executive officer and councillors before council meetings, particularly for annual budget, to establish a 'common stand'. Most councillors argued that private meetings helped to control flows of 'sensitive information' to the general public<sup>16</sup>.

*"You know, the purpose of that meeting [private] is to establish a common stand, for our party. There, you get more time to talk, no limitation. There are some sensitive issues. You can't say them in full council in front of the media. There, we have freedom to talk; when we come to council we already have some understanding"* (Councillor, Finance Committee, Municipal Council).

The nature of the roles played by participants also contributed to the extent of access to information about activities in local government. For example, the roles played by executives allowed them more access to information than councillors. Local government executives and councillors seemed to be highly motivated to share with other participants those pieces of information that were likely to maintain or consolidate their own influence. They also seemed to hold certain perceptions regarding the information needs of the other participants regardless of regulation and policy. For instance, many of the councillors and executives held the view that the general public was concerned with the state of public services more than with financial information. Hence they were not so concerned about the dissemination of financial reports.

*"Our electorate does not care much about financial reports...they are concerned with the extent we are able to deal with their dissatisfaction with public services delivery. When services are poor, they allege that their taxes are being misappropriated by council officials"* (Chair, City Planning and Environment Committee, Municipal Council).

#### **7.3.9.3 Timing of information flow**

The councillors at both LGAs indicated that they are given insufficient time to review information from the executives before the various committee and council meetings.

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<sup>16</sup> Regulations require that council meetings should be public and therefore they provide one of the means through which the general public gets information about LGAs.

The timing of information flow from executives affected the ability of the councillors to perform their roles at meetings. Furthermore, the councillors felt that they had no time to share the information with other electorate representatives, such as neighbourhood and village chairpersons before council meetings. The councillors indicated that this has limited the involvement of such group of participants in accountability and governance processes.

#### **7.3.9.4 Concerns over the reliability of information**

Local government participants also showed great concern about the reliability of information emanating from local government executives, particularly accounting information. The councillors talked of the measures they adopted to examine the reliability of accounting information provided by local government executives. These included use of common sense, physical inspection of projects and comparison of accounting information with related non-accounting information, and special audit, where necessary.

*“Sometimes executives use their professionalism to bulldoze us. One may come with his data: for example, this year 300 people have been infected with cholera and we spent 3 million shillings. We don’t want such information. We need to know the locations, which villages, how much has been spent on medication and so on. We know, this has been used by them [executives] as a loophole. We have three years now; we got experience of dealing with their improper use of professionalism. We use eyes, common sense to inspect. If it’s school construction we compare the buildings and expenditures. When we are doubtful we call for inspection by an outside professional”* (Chair, Finance Committee, District Council).

Thus trust emerged as a crucial element in the process of information flow between the groups of participants. This is the subject of the next open category.

#### **7.3.10.0 Trust and information flow among participants**

Trust emerged as an important aspect in the process of information exchange between the different groups of local government participants. This category is about the nature and perceived importance of trust, contextual factors perceived to influence

trust relations between the participants, and the nature of relationship between trust and information flows in general.

#### **7.3.10.1 The nature and perceived importance of trust**

Local government participants described trust generally as a state of ‘having faith in each other’. The respondents persistently indicated that trust was fundamental in the relations between the different groups of local government participants, especially local government executives and councillors.

*“As matter of fact, a councillor has limited control. But we have one important principle of having faith in each other, administrators and councillors. As councillors, we need to have faith in our administrators, that they perform their duties faithfully and have nothing to hide. We don’t have mechanisms, because internal audit is weak, the internal auditor reports to the director, he is one of them. Do you expect him to act against his colleagues and boss? Otherwise it’s a matter of having faith in our administrators, that the information they give to us is correct. We had an incidence we refused to accept a report on expenditures on a project...Fortunately there are some councillors who have experience in administration and finance; this helps to bring balance. The executives know, if they bring a shallow report it won’t go through, so they have a kind of fear”* (Chair, Finance Committee, District Council).

The local government participants talked of the state of the trust relationships they had within their own groups and with the other groups of participants, and the way such relationships affected information flows, as well as accountability and governance. The nature of trust relationships amongst the different groups of local government participants are detailed under the category of trust relationships (section 7.3.11). Trust was described by the local government participants as a contextual and dynamic phenomenon. The ‘state of having faith in each other’ seemed to depend on specific circumstances and appeared to change over time. Some of the councillors in the municipal council, for example, characterized the initial interactions with local government executives as highly lacking in trust but gradually starting to improve.

*“We are lucky in our council. We have faith in our administrators, we are working closely, central government leaders have publicly praised our council. There are problems, we sit together with our administrators to discuss, reach agreement. It took*

*time when we started. It was different. I heard in the past the councillors were not inquisitive. Now it is not easy to cheat us. We are able to scrutinize reports...* (Chair, City Planning and Environment Committee, Municipal Council).

#### **7.3.10.2 The contextual factors perceived to influence trust relations**

The important contextual factors that were perceived to influence trust relations between the different groups of local government participants are described in the following paragraph.

Experiences of misuse of public funds by local government executives in the country had contributed to perceived poor trust in such group of participants by other stakeholders. The period of time over which the participants had been involved was also mentioned as an element that contributed to changes in trust relations. For example, councillors in the municipal council talked of improved trust relations with local government executives over time as they understood each other. The following quote from an interview with one municipal councillor reflects this.

*“It has taken time to understand each other, have faith between us and the administrators. Now the councillors are more open when we feel something is wrong. We say it openly, we scrutinize reports. We are there to represent the public; we have to stand for their interests [members of the public]. The administrators, once they started to understand this, that we have good intentions, our relations with them are now better”* (Councillor, Finance Committee, Municipal Council).

The councillors at both LGAs talked of how the perceived extent of involvement in the activities helped to build trust relations between local government executives and councillors. The councillors cited their involvement in decisions to spend public funds as an important dimension of participation.

*“Many decisions are not made by individuals; they are made in committee and council meetings... When it comes to the issue of spending money, it’s not a matter for an individual. The item will be in the budget or approved in meetings. When you work closely, you have no reason to distrust others...”* (Councillor, Social Services Committee, District Council).

The way the participants perceived the strength of control mechanisms in existence also contributed in influencing trust relations, particularly between executives and councillors. For example, the councillors in both LGAs expressed distrust of internal auditors, mainly because they felt that the internal auditors were part the local government executives.

*“Some matters are obvious. We see, we can discover by looking. Once, we rejected a report on expenditures. External auditors were called. They agreed with us on two items that were not accurate. But sometimes we have to rely on internal auditors, who are infact part of the same administrators. We believe some administrators are not honest they collude with the contractors. In our council, we have decided to inspect the projects periodically. We compare expenditures and the progress of work.... The administrators are now careful they know we can discover...”* (Councillor, City Planning and Environment Committee, Municipal Council).

The knowledge gap between local government executives and councillors also contributed to perceived poor trust relations between groups of participants. The councillors at both LGAs felt that some executives were sometimes using professionalism to defend personal interests. Trust culture also had an impact on trust relations between different groups of local government participants. Generally the councillors and members of the parliamentary committee portrayed strong beliefs and attitudes of distrust towards local government executives. Trust culture is described further in section 7.3.12.0.

#### **7.3.10.3 The nature of the relationship between trust and information**

A complex relationship was observed between trust and information. The relationship seemed to depend mainly on specific context and the trust culture.

Generally a perceived level of trust influenced both the type and amount of information requirement. For instance, members of the parliamentary committee demanded detailed accounting and non-accounting information in the audited annual reports submitted by LGAs, regardless of the kind of audit opinion expressed by the auditors. Perceived poor trust in local government executives and limited trust in external auditors by members of the committee influenced the way they used external

audit information. Similarly, a perceived poor level of trust in local government executives by councillors influenced the type and amount of information required. Generally, a perceived poor level of trust in local government executives by other local government participants resulted in a demand for extra accounting and non-accounting information from the former.

*“We know the auditors have examined the accounts...we respect their work. Lots of funds are now going into local government and we have experiences of theft and misuse of funds in many councils. Adequate details allow us to satisfy ourselves on how public funds have been used”* (Member of the Parliamentary Committee).

The nature of information flow between participants also influenced the level of perceived trust. Accounting practice such as external auditing and budgeting appeared to influence the perceived level of trust of the councillors in local government executives and hence trust relations between them. For instance, persistent adverse audit opinion on the financial reports of the district council contributed to poor trust relations between the councillors and executives.

#### **7.3.11.0 Trust relationships**

The important properties in this category were the nature of trust relationships between different groups of local government participants and the general consequences of the relationships on accountability and governance interactions.

##### **7.3.11.1 The nature of trust relationships between groups of participants**

Several significant trust relationships between different groups of local government participants emerged from the data. These included: trust relations between local government executives and councillors; trust relations amongst councillors; trust relations among local and central government executives; trust relations between local government executives and members of the parliamentary committee; trust relations between external auditors and other local government participants; and trust relations between councillors and private contractors. Many of the councillors in the municipal council expressed a limited level of trust in local government executives. Many of the councillors in the district council displayed a low level of trust in local government executives. A strong conflict observed between councillors and executives in the

district council was mainly associated with poor trust relations between the groups. Many of the interviewed councillors in the municipal council expressed a limited level of trust in the mayor. On the other hand, a considerable number of councillors in the district council displayed a low level of trust in the chairperson. A substantial number of councillors in the district council held the view that the chairperson was ‘unnecessarily close to the executives’. Consequently, the district council experienced stronger tensions and conflicts than the municipal council. The interviewed central government executives displayed a low level of trust in local government executives, mainly due to past and current experiences of fund mismanagement in LGAs. Due to the perceived low degree of trust in local government executives, some central government executives felt that conditional grants to LGAs were necessary to ensure that funds were utilized appropriately.

*“Conditional grants to local governments for educational activities are essential; we have experience of transfer of funds by local governments to unintended activities...”* (Director of Policy and Planning).

All interviewed members of the parliamentary committee showed a low level of trust in local government executives. In addition, all interviewed councillors and members of the parliamentary committee showed a limited level of trust in external auditors and hence external audit information. The perceived level of trust in external auditors had consequences on the manner and extent to which local government participants used external audit information in accountability and governance matters. The councillors generally expressed a poor level of trust in contractors hired by local government to undertake various projects. Recently, a regulation was introduced by central government to prevent councillors from being included in tender boards processing contracts with private entities. This has partly contributed to poor trust relations between councillors on the one hand, and contractors and executives on the other. In extreme situations, poor trust relations caused strong tensions between councillors, executives and contractors.

*“We believe that there are some dishonest executives who collude with contractors to misuse funds. That is why we have decided to inspect the projects we see ourselves, the construction, relate the work with the expenditures. If we have suspicion, we demand more information from professionals”* (Chair, Finance Committee, Municipal Council).

### **7.3.11.2 General consequences of trust relationships on accountability and governance.**

Poor trust relations amongst groups of participants contributed to tensions and conflicts. Such conflicts affected the ability of councillors in particular to have an influence in the activities of LGAs. Such conflicts also reduced the ability of councillors to perform their roles effectively. For instance, some councillors in the district council stated that the council had failed on several occasions to take appropriate action against executives for improper transfer of funds to other activities, due to the existence of conflicts. Poor trust relationships between councillors and executives in the district council contributed to tensions and conflicts. Trust relationships also affected and were affected by the nature of information flow between groups.

### **7.3.12.0 Trust culture**

Trust culture involves the strong beliefs and attitudes associated with trust relationships displayed by local government participants. The important properties in this category were the nature of the trust culture and its implications on accountability and governance issues.

#### **7.3.12.1 Nature of the trust culture**

All the local government participants, especially the councillors and members of the parliamentary committee, displayed strong beliefs and an attitude of distrust towards local government executives. On the other hand, many of the executives believed strongly that the politicians/councillors were highly motivated to pursue political interests sometimes at the expense of reality. Hence they viewed cautiously the motives behind the participation of councillors in local government activities.

“The councillors are close to the people. They possess more information about local conditions. They can provide useful information about our plans. However one has to be careful as they sometimes put their political interests above everything” (District Planning Officer).

Such a trust culture seemed to have built over time from past realities and experiences within LGAs, especially experiences of misuse of public funds by local government executives in the country.

#### **7.3.12.2 Implications of the trust culture**

Overall the existing trust culture has contributed to tensions and conflicts between different groups of participants, especially between councillors and local government executives. It has also influenced the nature of information flow between the different groups of participants. Partly due to poor trust in local government executives, the members of the parliamentary committee demanded extra accounting and non-accounting details from the former.

#### **7.3.13.0 The importance of knowledge**

Knowledge was viewed as essential in the context of the interactions between the local government executives and the councillors. The properties associated with this category were type of knowledge, the implications of knowledge gap between councillors and local government executives on accountability and governance, and knowledge of accounting and usage of accounting information.

#### **7.3.13.1 Type of knowledge**

From the perspectives of executives and councillors, activities in LGAs required application of both technical or professional knowledge and non-technical knowledge. Technical knowledge was associated with special training in a particular profession, such as education or engineering. This kind of knowledge was considered to be possessed by a limited number of participants, particularly among executives, while non-technical knowledge was generally associated with past experience and level of formal education. Many of the interviewed local government participants associated knowledge possessed by councillors with level of formal education and past work experience. About 73 percent of councillors in the district council possessed the minimum of level of formal education, which is primary education. 78 percent of

councillors in the municipal council had a level of formal education ranging from secondary to university.

#### **7.3.13.2 Implications of the knowledge gap among participants**

The participants described the knowledge gap between local government executives and councillors mainly in terms of the level of formal education and lack of professionals amongst councillors. Many of the interviewed local government participants felt that the level of primary education possessed by many of the councillors was insufficient to allow them to perform their roles effectively in accountability and governance interactions<sup>17</sup>. More importantly, the knowledge gap between executives and councillors strengthened the influence of the former at the expense of the latter. The councillors felt that the knowledge gap constrained their ability to influence the activities despite the top position in administrative structure. The councillors felt that the existence of some professionals amongst them enhanced their influence. Knowledge also influenced the way the local government executives and councillors perceived their roles. For example, the professional background of the executives contributed to perceptions on importance of professional accountability as well as regulations and national policy. Due to lack of knowledge, some councillors felt that professional requirements, regulations and policies were sometimes a hindrance to the roles that they had to play. In some situations, the knowledge gap between councillors and executives contributed to tensions and conflicts. This was because some councillors felt that the executives were using professionalism to defend personal interests. For instance, some councillors in the municipal council cited an example where the executives had used technical arguments to justify expenditures on a specific school construction project awarded to a private contractor. The councillors sought advice from independent professionals and it was established that the costs were inflated. Hence the councillors decided to cancel the contract with the private contractor.

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<sup>17</sup> The law states that any person who can read or write has the right to stand for the position of councillor, regardless of level of formal education.

### **7.3.13.3 Knowledge of accounting and usage of accounting information**

Accounting contributed to the knowledge gap between executives and councillors. The perceptions of roles in accountability and governance interactions amongst councillors were crucial to usage of accounting, partly due to poor knowledge of accounting. Poor knowledge of accounting amongst councillors also promoted usage of non-accounting data and comparisons of accounting data with non-accounting data. In some situations accounting seemed to contribute to the way the councillors understood their position in the interactions and the surrounding reality and hence the way they perceived the role of accounting. For instance disclosures on budgetary allocations to different localities by the municipal council during the year 2003/4 budget session caused tension amongst councillors. The councillors from the more developed urban areas were concerned that more resources were allocated to the less developed semi-urban areas. Similarly, adverse audit opinion on the financial reports of the district council contributed to perceptions on the importance of financial discipline amongst councillors.

### **7.3.14.0 The political context**

The properties of this category were the influence stemming from the election of councillors and election manifestoes, the position of councillors in administrative structure, and undue political pressures on local government executives.

#### **7.3.14.1 The influence of elections and election manifestoes**

According to existing regulations in the country, a councillor must belong to a political party. The regulation has strengthened a sense of political and public accountability amongst councillors. Some of the interviewed councillors viewed political accountability as the most important accountability relationship in LGAs. However, most councillors felt that public accountability was the most important accountability relationship. The local elections were considered by the councillors as the mechanism through which the general public evaluate their achievements in the delivery of public services to constituencies. The legal requirement that all councillors should belong to political parties also seemed to provide the ruling

political party with considerable power over its councillors. The political party had significant influence on the way councillors participated in accountability and governance interactions. For example, before important council meetings, the councillors meet in private as a committee of the political party, usually with the chief executive officer, to discuss issues that will be presented in council meetings, in order to establish 'a common stand'<sup>18</sup>.

The short-term and long-term plans of LGAs are guided by the election manifesto of the ruling political party. The local government executives are supposed to report periodically to the political party on implementation of the election manifesto. The local government executives felt that the current election manifesto of the ruling party set general targets for public service delivery, which allowed adequate flexibility in planning.

#### **7.3.14.2 The position of councillors in administrative structures**

The council is the top governing body at the level of LGA. The administrative structures provide councillors with more opportunity to influence the nature of accountability and governance interactions than local government executives. However, in practice the local government executives had greater influence over activities at both LGAs.

#### **7.3.14.3 Undue political pressures on executives**

The executives demonstrated that they sometimes experienced undue political pressures arising from the political interests of councillors and other politicians. For instance, the executives in the municipal council stated that during the financial year 2002, they were compelled to reallocate funds provided for road construction and maintenance in one ward to several wards in the municipality, due to pressure from the councillors. They also indicated that the quality of the construction and maintenance undertaken was poor because the funds were inadequate. The executives stated that, in some situations undue political pressures from politicians involved

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<sup>18</sup> Such meetings are not formal, as far as regulations, policy and administrative structures are concerned.

challenges to professional responsibilities. This resulted in tensions and conflicts between councillors and local government executives. In certain circumstances, the executives were compelled to compromise professional responsibilities to accommodate undue political pressures in order to reduce tensions. Other measures adopted by local government executives to deal with undue political influences included emphasizing to councillors the need to observe regulations and policies, and to engage in negotiations with councillors.

#### **7.3.15.0 Position of internal auditing**

This category was observed through two main properties, namely strength of internal audit and usage of internal audit information by councillors and local government executives.

##### **7.3.15.1 Strength of internal audit**

The strength of internal audit in both LGAs was reflected in terms of the scope of internal audit functions. Internal audit in the LGAs mainly probes financial transactions, and had poor capacity in terms of number of personnel, skills and experience. The district council had only one district internal auditor, a holder of an accounting degree with about three years of work experience. The municipal council had four personnel, including the municipal internal auditor; all were accounting graduates with either a degree or advanced diploma, and with work experience ranging from a few months to six years. The internal auditors stated that they lacked the necessary capacity in terms of number of staff and skills required to discharge effectively their functions, given the size of LGAs. For instance, the municipal council operated around one hundred primary schools without accountants.

*“One problem I have observed here, we in internal audit section have no training. I have been here some years now. The council has so many activities, education, road construction, health.... As auditors we need to have knowledge of such professions or work with other professionals. We end up doing financial audit, the performance audit we do here is not on technical aspects. Our section lacks skills...Think how big the council is, its size, activities, we can't manage...”* (Municipal Internal Auditor).

Finally, the internal auditor is required to report to the chief executive officer who forwards the internal audit reports to finance committee, council, and external auditors. This is in accordance with LGA financial regulations in the country. Many councillors felt that the internal auditors were weak because they were supposed to report to the chief executive officer.

#### **7.3.15.2 Usage of internal audit information**

Internal audit information seemed to be used in a very limited way by both the councillors and executives in both LGAs. Many of the councillors displayed poor trust in the internal auditors. This contributed to marginal usage of internal audit information by that group of local government participants in accountability and governance issues. Local government executives were of the view that internal audit had marginal contribution to the basic responsibilities of departments.

*“I don’t see a direct contribution of auditors to responsibilities in the department. Of course they remind us of the need to keep documents, observe financial regulations. They also help to respond to queries from external auditors related to our department...”* (Municipal Health Officer).

#### **7.3.16.0 External audit and social interactions between the groups of participants**

The main properties of this category include perceptions on the importance and scope of external audit, the influence of external auditors over other groups of participants, the usage of external audit information by participants, and the implications of external audit on accountability and governance.

##### **7.3.16.1 Perceptions on the importance and scope of external audit**

Local government participants viewed external audit as crucial accounting practice in accountability and governance interactions. The actual usage of external audit information by the different groups of participants was dependent upon several contextual factors. Such factors affected the way and the extent to which information was utilized in accountability and governance processes. Such contextual factors are described in section 7.3.16.3. Currently, external audit in LGAs focuses on the

financial aspects of operations; the only performance item that is slightly examined, is the ability of LGAs to meet expenditures from local revenue collections. The members of the parliamentary committee, central government executives and councillors felt that external audit was useful, because it addressed issues of financial discipline in LGAs. This was considered as one of the most important accountability roles in LGAs. However, members of the parliamentary committee, who were also concerned with the performance of LGAs, felt that the scope of external audit was inadequate, as this aspect was not addressed.

#### **7.3.16.2 The influence of external auditors on the other groups of participants**

The external auditors stated that they had very limited ability to influence the responses of the other local government participants to external audit information. They felt that their ability to influence the manner in which external audit information was used by the different groups of participants was limited to an expression of opinion on financial reports, advice and persuasion. All interviewed external auditors as well as members of the parliamentary committee indicated that, over the years, external audit information had marginal impact on the behaviours of local government executives in the country. They demonstrated that the response of the local government executives to external audit recommendations had been persistently negligible. The trend of the audit reports of in LGAs in the country for five consecutive years from 1999-2003 seemed to support such views. For example, several LGAs received negative audit reports for five consecutive years, for reasons which, in some cases, could apparently have been rectified.

*“We are mere advisors. We give advice to the councils to prepare their reports properly in accordance with laws and regulations. We sit with them discuss the problems, what improvements are required. Now what happens depends on the client’s willingness to implement the ideas. But you find some executives don’t mind. They know you have no power over them, they don’t care about the work of others...”*  
(Regional External Auditor).

The external auditors indicated that the parliamentary committee that scrutinizes the audited accounts of LGAs contributed significantly in influencing the response of other local government participants to external audit information, particularly local government executives. The parliamentary committee has power to take action against

the executives or to advise the responsible Minister to take appropriate action on the basis of external audit reports and the committee's observations. The external auditors relied on the parliamentary committee to exert their influence over the local government executives, through external audit information.

*"We depend much on the committee; it sometimes takes actions against the officials. Several executives have been dismissed or demoted as a result of their recommendations. Now there is a sense of fear amongst the executives, now they have started to work on our recommendations. In the past, the PAC [Public Accounts Committee] dealt with so many public entities; they could not do such a close follow up..."* (Senior Auditor, National Audit Office).

### **7.3.16.3 Usage of external audit reports by the participants**

Based on the interviews with the participants and a review of the relevant documents it appeared that members of the parliamentary committee and central government executives used external audit reports more than councillors. The parliamentary committee has been imposing penalties and recommending actions against accounting officers in LGAs in the country. Overall the actual usage of external audit reports by local government participants in accountability and governance issues depended upon several contextual factors as follows.

#### **Perceived level of trust in external auditors**

The members of the parliamentary committee and councillors showed limited trust in external auditors and poor trust in local government executives. The perceived level of trust by other local government participants in external auditors was mainly associated with several factors. These included allegations of the existence of collusion between auditors and local government executives, claims that auditors may fail to examine properly some relevant matters, and the chance that local government executives might outsmart the external auditors.

## **Perceived level of trust in local government executives**

All the other local government participants displayed poor trust in local government executives. Such poor trust was mainly associated with persistently adverse audit opinions to the accounts of many LGAs in the country, as well as reports of misuse of public funds by the executives.

## **The participants' perceptions of roles in accountability and governance**

The usage of external audit information by different groups of local government participants was influenced by the extent to which the information seemed to accommodate the participants' perceptions of roles associated with accountability and governance. Members of the parliamentary committee and central government executives who viewed compliance to regulations, national policies, and central government directives as one of the most important roles in governance considered that external audit information was useful. They felt that external audit facilitated the assessment of compliance. The gap between external audit information and the participants' perceptions of the roles contributed to pressures for change in external audit practice as well as other accounting practices in LGAs. For instance, members of the parliamentary committee demanded additional information in the annual reports of several LGAs that had been issued with clean audit reports. This was due to a limitation in the scope of external audit and the perceived poor trust in the executives, as well as limited trust in external auditors. The current external audit focuses on probing financial transactions rather than performance, which was viewed as important by the members of the parliamentary committee. Members of the committee felt that the extra accounting and non-accounting details facilitated evaluation of performance and provided clear evidence of the validity of usage of public funds.

## **Timing of the release of external audit reports**

The audit reports for LGAs in the country are currently released one year late. For example during the field study in 2003, the councillors and members of the parliamentary committee were dealing with audit reports related to the accounts for

year ended 31<sup>st</sup> December 2001. Audit reports for the year ended 2003 were released in 2005. Delays in the release of external audit reports affected usage of the information, particularly by councillors. Most of the councillors considered external audit reports as being less useful in their day-to-day interactions with local government executives. In both LGAs, the councillors had introduced a system of physical inspection of all major projects undertaken. They felt that this allowed them to verify the validity of the reports they received from local government executives. Many councillors were of the view that such practice provided them with timely and useful audit information.

### **The way external audit reports were understood by the participants**

The extent to which external audit information was used by participants, especially councillors, was influenced by the way they understood the information. For example, many councillors in the district council, which had been issued with adverse audit reports for four consecutive years since 1999, were led to believe that adverse reports were only because of audit queries that the executives were still working on to clarify. Apparently, understandings seemed to be related to the manner in which reports were communicated to councillors by the executives and the former's knowledge.

### **The extent to which audit reports seemed to support the claims or actions of the participants**

External audit information was considered as useful to the different groups of local government participants, when the information appeared to support their specific claims or actions. The central government executives cited the existence of many audit queries associated with the transfer of conditional grants to other uses by the local government executives as one of the main factors that necessitated the use of conditional grants to LGAs. The members of the parliamentary committee, councillors and central government executives cited experiences of adverse audit opinions in many LGAs in the country to justify the perceived low level of trust in local government executives.

## **The threat of action against local government executives**

In recent years the parliamentary committee started to impose penalties on local government executives on the basis of scrutiny of audited annual reports. The penalties ranged from reprimand to the dismissal of some accounting officers in LGAs. For instance, during the scrutiny of the audited annual reports of LGAs in 2003, the parliamentary committee reprimanded and imposed financial charges on several local government executives who failed to submit accounts in time. The committee also recommended to the central government organs responsible for LGAs to investigate further and take appropriate action on a few executives who appeared to have committed a serious breach of the financial regulations or directives from central government. The members of the committee observed that a threat of action against the executives had contributed to improvement in the implementation of audit recommendations by the executives, as well as timely submission of financial reports by LGAs.

### **7.3.16.4 Implications of external audit on accountability and governance**

External audit information affected trust relations between various groups of local government participants especially between local government executives, and councillors and members of the parliamentary committee. The central government executives and members of the parliamentary committee felt that external audit and actions taken by the committee against the executives had to some extent improved financial discipline in LGAs. The members of the committee cited an example that many LGAs were not submitting reports on time before starting to take action against the executives for late submission. Many local government participants demonstrated that current external audit practice excludes examination of other important accountability and governance issues, such as performance in service delivery. For instance, the members of the parliamentary committee and the councillors were more concerned with examination of performance of LGAs in public service delivery.

### **7.3.17.0 Influence relationships between the groups of participants**

The significant properties in this category were the nature of the influence relationships among the different groups of participants, and the impact of influence relationships among the groups of participants on accounting, accountability and governance.

#### **7.3.17.1 The nature of influence relationships among participants**

Important influence relationships were observed among: local government executives and councillors; councillors and the political party; local and central government executives; members of the parliamentary committee and other local government participants; external auditors and other local government participants. Many executives and councillors in both LGAs indicated that in practice, the executives had more influence than the councillors over the activities of local government. This is contrary to the existing regulations and administrative structures, which provide more power in decision-making to councillors rather than to local government executives. In practice the influence of councillors seemed to depend largely upon the nature of interactions between formal groups (resulting from committee structure) and informal groups of councillors, the ability of the councillors to act as one group of participants, accessed information and knowledge, rather than regulations. The formal and informal groups of councillors appeared to affect negatively their ability to influence the activities of LGAs. The following quote from a member of the municipal council illustrates the way formal groups of councillors affected the ability to influence the activities.

*“In reality you are bound to defend the decisions of your committee in full council though you still have the right to go against. For example, personally in our committee if I don’t support an idea I oppose it there, strongly. Sometimes we have to vote to decide and you have to accept the outcome. Now when it comes to full council it is difficult to oppose an idea originating from your committee”* (Councillor, City Planning and Environment Committee, Municipal Council).

The ruling political party had considerable influence over its councillors and hence the way they participated in accountability and governance issues in the LGAs. The regulation that only members of a political party can contest for a post as councillor

has strengthened the influence of the political party over the councillors. Before all important council meetings, such as for the budget, the committee of the party meet in private with the chief executive officer to deliberate on issues that will be discussed in the formal council meeting. The objective of such private meetings is to establish 'a common stand' and to avoid flow of 'sensitive information' to the general public. Some councillors felt that a common stand strategy under the party umbrella affected their influence in the LGAs as individual councillors. Influential relationships between the executives were mainly associated with administrative structures, ability to control resources, regulations, and policies. Generally the central government executives had more influence than local government executives, particularly in resources allocation, policy matters, local government staffing, and fiscal matters. This is because the regulations provided central government executives with more power over such matters. The external auditors felt that they had very limited influence over the responses of local government participants to external audit reports. All the other local government participants felt that the parliamentary committee was the most powerful body as far as accountability and governance was concerned.

*"The committee is so powerful. I know a number of fellows who have been sacked or demoted as a result of their recommendations. When they [members of the committee] give orders you can't say no. I don't agree with the way they set targets for revenues collection, it is not realistic..."* (District Executive Director).

#### **7.3.17.2 Impact of influence relationships on accounting, accountability and governance**

Influence relationships among the different groups of participants affected the roles that they played in accountability and governance interactions. For example, the executives in both LGAs seemed to act more as effective final decision makers than the councillors, as a result of their influence in practice. Local government stakeholders with a greater influence, such as members of the parliamentary committee and central government executives, had significant influence on the development of accounting practices within LGAs. For instance, LGAs were required to prepare detailed annual reports on the basis of statutory requirements, as well as directives issued by the Minister responsible for LGAs and the parliamentary

committee. All LGAs in the country were also required to prepare annual budgets in accordance with guidelines and the format issued by the Minister.

#### **7.3.18.0 Impact of organizational groups**

Formal and informal interviews, documentary data and observations in meetings revealed the existence of several formal and informal groups in both LGAs. The groups had considerable impact on accountability and governance. Important properties observed in respect of this category were types and sources of organizational groups, and impact of the groups on accountability and governance interactions.

##### **7.3.18.1 Types and sources of organizational groups**

Two main types of groups were observed, namely formal groups and informal groups. Formal groups included those groups that arise from formal administrative structures and regulations. These groups included senior management team, committees and council. The committees and council comprised councillors and executives.

Informal groups included those groups that were not part of the formal administrative structures or regulations. The significant informal groups observed in the LGAs were groups of councillors, groups comprising both executives and councillors, and groups comprising executives. Such groups seemed to be associated mainly with shared interests, power struggle, and trust relations between the participants. Informal groups amongst the councillors were apparent at both LGAs. Informal groups amongst the councillors in the municipal council were mainly associated with differences in level of development of social services in the two localities. The councillors in the municipal council were divided into two main groups, those from urban areas and those from less developed semi-urban areas. Informal groups amongst the councillors on the district council were mainly associated with trust relations and power struggle. For example, a substantial number of councillors in the district council displayed poor trust in the chairperson of the council. Poor trust relations resulted in the existence of informal groups amongst councillors and hence power struggle. The elections of both the chairperson and deputy chairperson also seemed to

contribute to the emergence of informal groups amongst the councillors at both LGAs. Once elected, a chairperson leads the council for five years while a deputy chairperson is elected every year. Other informal groups were not so apparent, but were persistently suggested in interview references, such as ‘some councillors are so close to the executives’, ‘here there are some departments that are treated as more important than others’. In addition both councillors and executives revealed that some councillors tended to lobby informally the executives for public services in their respective areas.

#### **7.3.18.2 The impact of organizational groups on accountability and governance**

The interactions within and among formal and informal groups in the LGAs had significant impact on accountability and governance interactions. The interaction between the groups affected trust relationships between the participants and the ability of the groups of participants to influence decisions over the activities of local government. For instance, most local government executives and councillors indicated that, in practice, the senior management team had a greater influence on decision-making than all other formal groups at the level of LGA. The councillors felt that they lacked different aspects of technical advice from executives during discussions in council meetings, because the latter tended to agree with the view of the management team.

*“All issues are discussed in district management team before being sent to the council standing committees; administrators are not expected to express different positions before the councillors”* (District Administrative and Personnel Officer).

More importantly, formal and informal groups amongst the councillors had considerable impact on their ability to control and monitor the behaviour of the local government executives. The councillors observed that formal and informal groups amongst them contributed in weakening their influence as a group of participants.

*“You know, the chair of the finance committee is the mayor himself, so when it comes to full council he weighs your contributions. We have limited time to contribute. It depends on how he feels about it; he can even ask you to stop. After all he has already adopted the budget in the committee”* (Councillor, Social Services Committee, District Council).

### **7.3.19.0 Influence of organizational conflicts**

The properties of this category were the causes and parties to the conflicts, and the impact of conflicts on accountability and governance interactions.

#### **7.3.19.1 The parties to organizational conflicts**

Significant conflicts were observed between departments, amongst executives at different administrative levels, between the executives and councillors, and amongst the councillors. The main causes of conflict were the nature of administrative structures, resource allocation, power struggle, poor information flow between the groups of participants, and trust relations. Activities in LGAs are supervised by several ministries or central government organs. The central government ministries relevant to LGAs can be grouped into sectoral ministries, such as the Ministry of Education and Culture and the Ministry of Health, and intersectoral ministries, which include the President's Office, Regional Administration and Local Government, and the Ministry of Finance. Some of the observed conflicts amongst the central government executives and in some cases amongst executives in the LGAs were associated with administrative structures. Conflicts between departmental executives were mainly associated with resource allocation. Within LGAs, there are several departments such as education and health that receive grants from central government, while others do not. The departments that do not receive grants have to rely entirely on allocations from local revenue collection. The executives in the departments that do not receive grants felt that some departments in LGAs were treated as more important than others. Apparently, conflicts between central government executives and local government executives and amongst central and local government executives were generally moderate.

Conflicts amongst the councillors observed at both LGAs were mainly associated with power struggle, resource allocation, trust relations, and interactions between formal and informal groups of councillors. At both LGAs, strong conflicts were observed amongst the councillors. Conflict amongst the councillors in the municipal council was mainly associated with the existence of informal groups amongst the councillors and resources allocation. The councillors from urban areas were concerned that more

resources were allocated to the underdeveloped semi-urban areas at the expense of the former. Observed strong conflict amongst the councillors in the district council was associated with poor trust relations and power struggle between the chairperson and a group of some councillors supported by the deputy chairperson of the council. For example, the group in the district council alleged that the chairperson colluded with local government executives to misuse public funds. The district council also experienced stronger conflict between the councillors and local government executives than the municipal council. Such conflicts were mainly associated with poor trust relations between groups of participants.

#### **7.3.19.2 Impact of organizational conflicts**

The conflicts that seemed to have significant direct impact on accountability and governance were conflicts amongst councillors and between councillors and local government executives. Overall conflicts amongst councillors diminished the influence of this group of stakeholders over the activities of LGAs. The conflicts also reduced the ability of councillors to control and monitor local government executives. Conflicts between councillors and executives also contributed to poor working relationships between the two groups of participants, particularly in the district council where trust relations were poor.

#### **7.3.20.0 Administrative structures**

The main properties of this category were the participants' views on administrative structures, motivation to fulfil responsibilities amongst local government staff and councillors, and consequences on accountability and governance.

##### **7.3.20.1 The participants' views on administrative structures**

Overall, local government executives and councillors felt that the current administrative structures express a real desire to decentralize the activities of LGAs to local players, that is, the local government executives, councillors and the general public. In practice, the central government executives had excessive influence over local government staffing, policies and resource allocation. The local government

executives at the lower levels of administrative structure, such as ward executive officers, also felt marginalized in decision-making and resource allocation by both local and central government executives. The top and middle level of local government executives are hired and fired by central government organs. Such organs are also responsible for setting the conditions of service for local government staff.

The councillors felt that such excessive control by central government organs over local government staffing had contributed towards weakening executive-councillor accountability, as well as public accountability. They also observed that the excessive control contributed in strengthening managerial accountability. This was because most of the executives were more concerned with responsibilities to their actual employers than other local government participants.

*“The councillors own the council; the council is the top body. We [executives] are supposed to implement council decisions, we are responsible to it. But basically I am accountable my employers, they are the ones who can take actions against me...”*  
(Municipal Personnel and Administrative Officer).

#### **7.3.20.2 The participants’ motivation to fulfil responsibilities**

It was obvious that the employees in both LGAs were poorly motivated to fulfil their responsibilities, partly due to poor compensation and work environment. For instance, the executives at ward, village, and neighbourhood levels lacked proper office buildings, basic office equipment and supplies, and financial resources. The situation was worse in the district council, where even the ward executive officers lacked proper offices and the necessary office equipment and supplies. All the councillors stated that they are being inadequately compensated for their services to the community. They also talked of a lack of necessary financial support to discharge their responsibilities, especially to the constituents. Some councillors in rural areas were not able to visit villages in their constituencies because they could not afford the transport costs. The councillors in both LGAs were paid a monthly allowance of Tsh. 30,000 (£15) plus around Tsh. 20,000 as an allowance for attending various council meetings, which is supposed to cover transport costs to and from the meetings. The councillors have, over time, been pleading with the ministry responsible for LGAs to raise their allowance.

### **7.3.21.0 Budgeting and its implications for accountability and governance**

The properties in this category were the participants involved in the budgeting process, the influence of the different groups of participants in budgeting, the stages involved in budgeting process, the perceived importance and extent of usage of budgeting in accountability and governance interactions, and budgeting and relationships among the groups of participants.

#### **7.3.21.1 The participants involved in the budgeting process**

The budgeting process for both LGAs involved several local government stakeholders, namely central and local government executives, councillors, members of the general public, and in some cases external donors. The central government executives include executives at sectoral and intersectoral ministries, and executives at the regional secretariat. Executives at the sectoral ministries are mainly responsible for policies and overall supervision of various activities within LGAs. The Ministry of Health, for example, is responsible for all matters related to the health sector. Intersectoral ministries include the Ministry of Finance and the President's Office, Regional Administration and Local Government. The latter is responsible for overall supervision and policy matters for all activities of LGAs, while the former deals with financial matters. The councillors are involved in the budgeting process through committees and finally the council. The local government executives at the lower levels of administrative structures mobilize ideas from members of the general public on local needs priority. These are included in the plans for a ward that are submitted to LGA. The two case studies received a significant amount of funding from external donors, mainly for the education and health sectors. The involvement of external donors in the budgeting process has been both direct and indirect. Some donors provided budget support to LGAs in the form of matching funds that are included in the local budget. Funding by other external donors by-passed the budgets of the LGAs; that is the donors employed separate mechanisms for provision of funds and implementation of projects. Some donors, for example provided funds directly to the community for school construction, where local government facilitated implementation of the projects by providing technical assistance.

### **7.3.21.2 The stages in the budgeting process**

Formally, the budgeting process is uniform for all LGAs in the country. The budgeting process begins with the Minister responsible for LGAs issuing guidelines on the preparation of budgets, covering issues such as national policies and priorities, format, and budget ceilings on activities that receive grants from central government. LGAs prepare separate recurrent and development budgets. Usually a recurrent budget has a high proportion of fixed costs, mainly staff salaries and other operating costs. It is mainly funded by central government through conditional grants and hence LGAs have very limited discretion over it.

In the case of a development budget, in theory, local government budget preparation starts at village and neighbourhood levels. The lists of needs from the villages and neighbourhoods are prioritized and compiled at ward level by the Ward Development Committee (WDC). The wards submit ward development plans to LGA. The heads of departments prepare annual plans and budgets for LGA, taking into consideration the priorities from wards as well as guidelines from central government. Overall annual plans and budgets are discussed by the senior management team, which comprises local government executives. The budget proposals from the executives for the various activities are discussed in the relevant standing committees of the council. The finance committee discusses overall annual plans and budgets before submission to a special full council for deliberation and approval. In accordance with the regulations, the annual plans and budgets of LGAs have to be approved by the Regional Secretariats (RSs) before being presented for approval at full council. The main roles of the RSs with respect to the budgets of LGAs are to ensure that they comply with national priorities and policies and to provide technical advice where necessary.

### **7.3.21.3 The influence of different groups of participants on local budgeting**

Generally, central government executives had greater influence over the budgets of the LGAs, followed by the local government executives, then the councillors and finally members of the general public. The influence of central government executives

over the budgets was mainly through the use of conditional grants, which represented a major proportion of the aggregate revenues of LGAs.

The local government executives had greater influence over budget decisions than the councillors at the level of LGA. This was partly due to the knowledge gap between the two groups of participants and interactions between the various formal and informal groups within LGAs. Many councillors felt that professionalism provided local government executives with extra influence over budget decisions. The formal and informal groups of councillors at both LGAs diminished their influence over local budgeting decisions. For example, some of the councillors felt that the fact the budget was approved by several councillors in the finance committee reduces their influence as a group of participants when it comes for deliberation and final approval at council. Many councillors also expressed the fact that informal council meetings organized under the umbrella of the ruling political party before formal council meetings to deliberate budget proposals with the chief executive officer reduced their influence as individual councillors over budget decisions. Apparently, the local government executives at the lower levels of administrative structures and members of the general public had the least influence over local budgets in both LGAs.

#### **7.3.21.4 The perceived importance and usage of budgeting**

Overall the different groups of local government participants viewed budgeting as the most useful accounting practice in accountability and governance interactions.

All local government participants, including external auditors and members of the parliamentary committee, who were not directly involved in the budgeting process of LGAs, utilized budgeting information extensively.

The external auditors used budget information to examine financial discipline on the part of local government executives. A substantial number of audit queries on the financial reports of many LGAs in the country were related to transfer of conditional grants to other uses by local government executives. Members of the parliamentary committee used budget information to evaluate overall performance of LGAs. The audited annual financial reports that are submitted by LGAs to the committee comprise budget and actual performance information for the preceding three years as

well as estimates for the coming financial year. In some cases members of the committee went to the extent of setting targets for local revenue collection for LGAs. They felt that this was a necessary step towards improving performance, particularly in revenue collection.

The councillors used budgeting as a mechanism for monitoring financial discipline by local government executives. As part of the annual budgeting process, the council sets maximum amounts which the chief executive officer can authorize without specific approval of the finance committee, and maximum amounts that the committee can authorize for payment without specific approval of the full council. The councillors also used budgeting to evaluate performance in the delivery of public services. To the councillors, the extent to which local government plans and budgets involved improvement of services in their constituencies reflected performance in service delivery.

*“Budget is like our mirror, direction. It helps us to see how much our administrators are doing what we planned, agreed in the council. When we see things are different we shout unless there are changes approved by the council. Budget helps us to see a trend of expenditures; you know if the administrators are spending more on their allowances...”* (Councillor, Finance Committee, District Council).

The councillors and central and local government executives felt that budgeting facilitated their roles in accountability and governance interactions. The local government executives at the lower levels of administrative structures and the councillors related the perceived extent of involvement in governance with the ability to influence budget decisions. These groups of local government participants felt that the extent of their involvement in governance was poor because they had limited ability to influence local budgets. The councillors felt that local budgeting promoted managerial accountability at the expense of executive-councillor, political, and public accountabilities. They associated this with the fact that central and local government executives had greater influence over budgets.

The local and central government executives felt that one of their main roles in local budgeting was to ensure compliance to national priorities, policies, and professional requirements. Hence to such groups local budgeting provided the mechanism through which they discharged their professional and managerial responsibilities. The central

government executives felt that conditional grants from central government to the budgets of LGAs were necessary to maintain financial discipline and to influence resource allocation in accordance with national priorities and policies.

#### **7.3.21.5 Budgeting and relationships between the groups of participants**

Local budgeting affected the relationships between the different groups of local government participants. It affected trust relationships, especially between executives and councillors. The councillors, for instance, related their perceived extent of participation in local budgeting with the perceived degree of trust in local government executives. A perceived high level of involvement of councillors in local budgeting seemed to contribute towards reducing the level of their distrust in local government executives. Local budgeting also contributed to tensions and conflicts as well as to the existence of informal groups amongst councillors.

On the other hand, relationships between the different groups of local government participants affected local budgeting and hence the roles that they played in accountability and governance interactions. Excessive influence of the executives over local budget contributed to dominance of managerial accountability and weakened executive-councillor, and public accountability in both LGAs. Similarly, many of the central government executives, partly due to poor trust in local government executives felt that conditional grants to local budgets were essential.

#### **7.3.22.0 Transformation to a bottom-up participatory planning approach**

Over recent years, there have been efforts to transform the traditional top-down planning approach to a bottom-up participatory planning approach in LGAs. The properties of this category include efforts in the transformation to a participatory planning approach, participants' views of the contribution of such an approach to accountability and governance, and factors perceived to impede the transformation.

### **7.3.22.1 Efforts in transforming to a bottom-up participatory planning approach**

The ongoing Local Government Reforms Programme (LGRP)<sup>19</sup> and, to a certain extent, conditions set by some external donors have contributed to the efforts to transform a top-bottom planning approach into a bottom-up participatory planning approach. Traditionally, plans for LGAs in the country were initiated at the level of central government ministries, though in theory they were said to start at grassroots level.

In both LGAs the LGRP organized and conducted training for local government executives, councillors and several members of the general public on how to implement a bottom-up participatory planning approach. The approach to planning and budgeting emphasizes plans initiated at the level of community, with effective participation of members of the general public. The approach requires the community to identify and prioritize local needs for inclusion in local government plans. In some cases the approach has also called for community involvement in implementation of plans through monetary contributions or unpaid manpower. For example, in both LGAs, the community provided direct contributions in the form of money and labour force for the construction of classes for primary schools in the respective areas.

The interviewed local government executives at lower levels of administrative structures and councillors observed that the transformation to a bottom-up participatory planning approach had hardly been achieved in the LGAs. This was despite the efforts made over the last three years in the case of the municipal council and two years in the case of the district council. In practice a combination of top-down and bottom-up planning and budgeting approaches are used in both LGAs. The

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<sup>19</sup> Tanzania is currently implementing significant reforms in LGAs, which were initiated in 1996 with assistance from external donors. The actual implementation of the Local Government Reform Programme started in January 2000. The goal of the reform was to improve public service delivery through a policy of decentralization by devolution (URT, 2002). The reforms focused on changes to the institutional and legal framework, finances, human resource management, restructuring of local government, and governance (URT, 2002).

councillors and local government executives at lower levels stated that, on average, their local priorities are marginally accommodated in local government plans.

#### **7.3.22.2 The participants' views on the contribution of the approach to accountability and governance**

Many of the councillors and local government executives at the lower levels felt that the bottom-up participatory planning approach had marginally improved the participation of the councillors and members of the general public in governance. They also felt that the approach contributed in enhancing a sense of public accountability amongst local government executives.

#### **7.3.22.3 Factors perceived to impede the transformation**

The local government participants, especially the councillors and local government executives, talked of several factors that impeded the transformation to the bottom-up participatory planning approach. These were as follows: poor information flows from the top to the general public; knowledge gap between the executives, councillors and members of the general public; regulations and policies; general public interest in the approach; and a weak culture of involvement of members of the general public in planning.

The local government executives at the lower levels of administrative structures and the councillors talked of lack of information on available resources at the time they were setting local priorities. Some councillors in the municipal council, for example, stated that the interest and trust of members of the general public in the participatory planning approach had declined after they realized that their priorities had not been implemented in previous years. Many of the interviewed councillors and local government executives at the lower levels also stated that existing regulations and policies provided the central government executives with greater influence over the local plans. Lack of knowledge amongst members of the general public about national policies and professional requirements for the various activities of LGAs also affected the participation of such stakeholders. The councillors and local government executives also stated that some regulations and policies were not supportive of the

participatory planning approach. They mentioned, for example, the fact that the LGAs relied heavily on conditional grants from central government, which restricted flexibility in planning at local level. Finally, the tradition of involvement of members of the general public in local planning has been very weak over time in the LGAs. Several local government executives at both LGAs seemed to be uncomfortable with the approach for various reasons, such as lack of confidence in the capabilities of members of the general public and councillors.

#### **7.3.23.0 Usage of performance indicators and measures**

The important properties associated with this category were differences in perceptions of performance amongst the groups of participants, types of performance indicators and measures used by participants, and their implications on accountability and governance.

##### **7.3.23.1 The participants' perceptions of performance**

The members of the parliamentary committee and councillors were more concerned with issues of performance in public service delivery than the executives. Many of the councillors viewed performance in service delivery in terms of the quantity and quality of services in the respective constituencies regardless of national policies or professional requirements. On the other hand, the executives viewed performance in public service delivery in the context of national priorities and professional requirements. Such a difference in views about performance sometimes caused tensions between the councillors and executives, especially during the process of resource allocation. The difference also contributed to poor trust relations between executives and councillors.

##### **7.3.23.2 Types of performance indicators and measures**

Both accounting and non-accounting performance indicators and measures are employed by local government participants to evaluate performance in the delivery of public services. Local government executives, councillors and members of the parliamentary committee mainly used the annual budget to evaluate performance in

the delivery of public services. This involved comparison of budgets with actual outcomes. The annual reports submitted by LGAs to the parliamentary committee include budgets and actual outcomes for the preceding three years, as well as estimates for the coming financial year.

Many councillors felt that the most important performance indicator and measure was the extent to which perceived deficiencies in public services delivery in their respective areas had been reduced over time.

#### **7.3.24.0 Usage of annual financial reports**

The important properties of this category were the perceived importance of annual financial reports and the extent to which annual reports were utilized by participants in accountability and governance processes. The financial regulations require LGAs to publish at their own offices and in newspapers audited financial statements and a signed audit report on the accounts. Before publication, both financial statements and audit reports are tabled before the finance committee and finally at a council meeting. In addition, the regulations require the submission of audited annual financial reports to the parliamentary committee responsible for the accounts of LGAs for scrutiny.

##### **7.3.24.1 The perceived importance of annual financial reports**

Annual financial reports were treated as less important in accountability and governance interactions between local government executives and councillors in both LGAs. Local government executives and councillors felt that monthly and quarterly revenue and expenditure reports were aspects that were useful in determining interactions. However, the reports were considered by many of the councillors as useful particularly when used in conjunction with the annual budget.

Many councillors and local government executives held strong beliefs that the general public is less interested in annual financial reports of LGA. Hence they were less concerned about communicating the reports to members of the general public. However, members of the parliamentary committee felt that the dissemination of annual financial reports to the general public was essential. The committee has in

recent years required the LGAs to provide evidence that the reports have been published in newspapers. The local government executives felt that annual financial reports were mainly produced for audit purposes and for submission to parliamentary committee.

#### **7.3.24.2 Extent of usage of annual financial reports**

The annual financial reports appeared to be used mainly by participants at the parliamentary committee level and by central government ministries, especially the ministry responsible for LGAs. These participants showed great concern over the liquidity position of LGAs and the ability of such entities to collect revenues to cover their expenditures. For instance, the parliamentary committee has specifically required all LGAs to provide detailed schedules of liabilities, as well as strategies for discharging them over a specified period of time.

#### **7.3.25.0 Resource allocation processes**

Local government participants have related accountability and governance within LGAs with resource allocation processes. The important properties observed in respect of this category were availability of resources, ability of the different groups of participants to influence resource allocation, contracting out public service delivery to private sector entities, and implications for accountability and governance.

##### **7.3.25.1 Availability of resources**

The councillors and local government executives stated that inadequate resources affected the ability to discharge their roles in accountability and governance interactions. For instance, local government executives at lower levels of administrative structures, namely wards, villages, and neighbourhoods lacked proper office buildings, office equipment and other necessary office supplies. The councillors, especially those in the rural areas talked of lack of means to visit their constituencies.

### **7.3.25.2 Ability of the groups of participants to influence resources allocation**

Central government executives controlled the allocation of the majority of resources within LGAs through conditional grants to different public service sectors. At local level, local government executives and councillors had power, in some cases, to allocate within specified service sectors such conditional grants to different localities within LGAs. Local government executives and councillors also had authority to allocate locally generated revenues. But, in certain cases, central government has also been interfering partly in the allocation of such local revenues. For instance, recently the central government instructed LGAs to allocate a fixed percentage of local revenues to a youth and women loan fund for the purpose of poverty eradication. Generally, local government executives and councillors lacked clear criteria for allocating resources within LGAs. Hence, to great extent, the resource allocation process at this level was mainly influenced by negotiations between participants as well as the influence of participants. Overall local government executives had greater influence over resource allocation negotiations than councillors, partly due to the knowledge gap between the two groups of participants. Local government executives at the lower levels of administrative structures felt marginalized in the resource allocation process.

### **7.3.25.3 Contracting out service delivery to private sector entities**

A significant portion of public services offered by the LGAs are contracted out to private sector entities through a competitive tendering process. Tenders to provide public services such as refuse collection from private enterprises are handled by tender boards that exclude councillors. A recent regulation introduced by the central government has prevented councillors from participating in tender boards. Initially, tenders were administered by the finance committee, which comprised local government executives as advisors and councillors as decision-makers. The councillors felt that the regulation had reduced their ability to control the allocation of resources at the level of LGA. The views of the executives were that the tendering process requires expertise, which many councillors lacked. Moreover they presumed that the exclusion of councillors would allow them to perform effectively their overseeing functions.

#### **7.3.25.4 The impact of the resource allocation processes**

The resource allocation processes contributed to conflicts, particularly amongst the councillors and between councillors and local government executives. The process also affected trust relationships between local government executives and councillors, amongst councillors, and between councillors and private contractors. For example, two main informal groups amongst the municipal councillors emerged, partly as a result of tensions associated with resource allocation. The councillors felt that the excessive influence of central and local government executives over the resource allocation processes had strengthened managerial accountability, and weakened executive-councillor and public accountability.

#### **7.3.26.0 The general external context**

This category includes important factors within the overall external environment that the participants felt had an impact on accountability and governance in LGAs. These were the nature of fiscal relations between central and local governments, the ongoing Local Government Reforms Programme (LGRP), and the influence of external donors.

##### **7.3.26.1 The nature of fiscal relations between central and local governments**

The nature of fiscal relations between central government and local governments was mainly the concern of local government executives and councillors. They were concerned about the excessive control of central government executives over the finances and expenditures of LGAs. The main source of revenues to LGAs was conditional grants from central government. For example, in the case of the district council, conditional grants represented about 80 percent of the aggregate revenues. Such conditional grants were supposed to be used for specific sectors and activities, as directed by central government. The nature of fiscal relations between central and local governments influenced the way accountability and governance were understood and practised by councillors, local and central government executives. Generally, excessive control by central government over the finances of LGAs had contributed

partly to the dominance of a managerial accountability relationship in both councils. Many of the executives felt that this was the most important accountability relationship within LGAs. This also seemed to contribute to a weakening in other types of accountability relationships in the LGAs, especially executive-councillor accountability.

Moreover, the excessive control seemed to influence understandings and hence the practice of governance by different groups of participants. For instance, many local government executives felt that their role in governance was to ensure compliance to directives by central government.

#### **7.3.26.2 The ongoing Local Government Reform Programme (LGRP)**

The local government executives and councillors felt that the LGRP had slightly influenced accountability and governance in the LGAs in two main ways. Firstly, the training provided to councillors under the programme had enhanced understanding of their roles in LGAs. Secondly, the LGRP had contributed to efforts to promote the transformation from a top-bottom planning to a bottom-up participatory planning approach. Councillors and local government executives at both LGAs felt that slight achievements in the adoption of a participatory planning and budgeting approach had improved marginally the participation of members of the general public in governance and promoted a sense of public accountability amongst local government executives.

#### **7.3.26.3 The influence of external donors**

Several external donors, such as the World Bank, have been providing substantial financial assistance to LGAs in the country to fund various activities. For instance, the LGAs under study have been receiving a significant amount of funds for the health and education sectors from donors through the Health Basket Funding and Primary Education Development Programme (PEDP). Such donor funding has been under some conditions that have implications on accountability and governance within LGAs. For example, under PEDP funding, the donors have insisted on the effective involvement of stakeholders, particularly at grassroots level. This seemed to

contribute to improving the involvement of members of the general public in governance.

#### **7.4.0 Summary**

This chapter has identified the research themes that emerged in the course of data collection and analysis, which formed the focus of this thesis. Emergent themes are briefly outlined as they gradually become evident, as the grounded theory analysis moves from open coding to the point of emergent substantive theory. The chapter also presented open coding, which is the initial stage of grounded theory analysis. The interpretive analytical process has involved identifying, examining, labelling and categorizing all phenomena significant to the participants (Glaser and Strauss, 1967). Such phenomena were conceptualized through the use of a constant comparison method into open concepts and categories (Charmaz, 2000). Open categories describe issues, concerns, and matters that emerge as significant to the participants in the subject of study (Strauss and Corbin, 1998). Twenty-six open categories are delineated in the chapter, together with emerging relationships between different categories. However, the relationships between different open categories are the focus of the next two chapters.

# Chapter 8

## AXIAL CODING

### 8.1 Introduction

This chapter deals with axial coding which is the second stage of grounded theory analysis. However, open and axial coding are not necessarily sequential analytical processes, even though they differ in purpose (Strauss and Corbin, 1990). Axial coding involves exploring relationships between different categories (Strauss and Corbin, 1998). The purpose of axial coding is to reassemble data that was fractured at the open coding stage in order to establish connections between the categories (Strauss and Corbin, 1998). Open and axial analytical processes have occurred both sequentially and concurrently. Axial coding entailed the existence of some categories, but emerging connections between the categories were also evident at the stage of open coding. Several main categories delineated in this chapter evolved from further conceptualization of the open categories. These include categories such as participant groups' perceptions of *utawala* and *uwajibikaji* and organizational arrangement. At the same time, the other main categories, such as the nature of relationships between and amongst the different groups of participants, emerged and were explored during the open coding process. This chapter provides details on the main categories derived from the data as well as the way such categories relate to each other.

#### 8.2.0 The main categories

The twenty-six open categories delineated in Chapter seven are subsumed into nine main categories. Table 9 shows the open categories that were subsumed to form the nine main categories. The table identifies only the core open categories of a particular main category. In fact, to some extent other open categories beyond the core ones had a bearing on the main categories. In addition some of the open categories contributed to more than one main category

**Table 9: The main categories and subcategories**

| Main categories |                                                                                                                 | Related core open categories |                                                                    |
|-----------------|-----------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------|
| 8.2.1           | Participant groups' perceptions of <i>utawala</i>                                                               | 7.3.1                        | Meanings associated with governance by the individual participants |
|                 |                                                                                                                 | 7.3.2                        | Involvement of different groups of participants                    |
|                 |                                                                                                                 | 7.3.4                        | Roles of different groups of participants                          |
|                 |                                                                                                                 | 7.3.3                        | Regulations and policies                                           |
|                 |                                                                                                                 | 7.3.5                        | Participants' attitudes towards governance                         |
| 8.2.2           | Participant groups' perceptions of <i>uwajibikaji</i>                                                           | 7.3.6                        | Meanings associated with accountability by the participants        |
|                 |                                                                                                                 | 7.3.7                        | Typologies of accountability relationships                         |
|                 |                                                                                                                 | 7.3.8                        | Participants' attitudes towards accountability                     |
|                 |                                                                                                                 | 7.3.2                        | Involvement of different groups of participants                    |
| 8.2.3           | Organizational arrangement                                                                                      | 7.3.3                        | Regulations and policies                                           |
|                 |                                                                                                                 | 7.3.14                       | The political context                                              |
|                 |                                                                                                                 | 7.3.20                       | Administrative structures                                          |
|                 |                                                                                                                 | 7.3.25                       | Resource allocation processes                                      |
| 8.2.4           | The nature of the relationships between and amongst groups of participants                                      | 7.3.11                       | Trust relationships                                                |
|                 |                                                                                                                 | 7.3.12                       | Trust culture                                                      |
|                 |                                                                                                                 | 7.3.17                       | Influence relationships among groups of participants               |
|                 |                                                                                                                 | 7.3.18                       | Impact of organizational groups                                    |
|                 |                                                                                                                 | 7.3.19                       | Influence of organizational conflicts                              |
| 8.2.5           | Knowledge possessed by the different groups of participants                                                     | 7.3.13                       | Importance of knowledge                                            |
|                 |                                                                                                                 | 7.3.2                        | Involvement of different groups of participants                    |
|                 |                                                                                                                 | 7.3.4                        | Roles of different groups of participants                          |
| 8.2.6           | Perceptions of roles in accountability and governance interactions amongst the different groups of participants | 7.3.2                        | Involvement of different groups of participants                    |
|                 |                                                                                                                 | 7.3.4                        | Roles of different groups of participants                          |
|                 |                                                                                                                 | 7.3.3                        | Regulations and policies                                           |
|                 |                                                                                                                 | 7.3.7                        | Typologies of accountability relationships                         |
|                 |                                                                                                                 | 7.3.8                        | Participants' attitudes towards accountability                     |

| Main categories |                                                           | Related core open categories |                                                                      |
|-----------------|-----------------------------------------------------------|------------------------------|----------------------------------------------------------------------|
| 8.2.7           | Information flow between different groups of participants | 7.3.2                        | Involvement of different groups of participants                      |
|                 |                                                           | 7.3.9                        | Information flow between different groups of participants            |
|                 |                                                           | 7.3.10                       | Trust and information flow among the participants                    |
| 8.2.8           | The position and usage of accounting information          | 7.3.15                       | Position of internal audit                                           |
|                 |                                                           | 7.3.16                       | External audit and social interaction between groups of participants |
|                 |                                                           | 7.3.21                       | Budgeting and implications for accountability and governance         |
|                 |                                                           | 7.3.22                       | Transformation to a bottom-up participatory planning approach        |
|                 |                                                           | 7.3.23                       | Usage of performance indicators and measures                         |
|                 |                                                           | 7.3.24                       | Usage of annual financial reports                                    |
| 8.2.9           | The general external context                              | 7.3.26                       | The general external context                                         |

### 8.2.1 The participant groups’ perceptions of *Utawala*

The first main category is the participant groups’ perceptions of *utawala*. *Utawala* is a *Swahili* word equivalent to governance. *Utawala* means authority to direct and control. The perceptions of *utawala* held by the different groups of participants were closely related to the literal meaning of the word. The participants’ perceptions of *utawala* centred on the way authority is used by participants or the manner in which it is shared amongst different groups of participants.

Most of the councillors were more concerned with the way authority to run local government was shared amongst different groups of participants. To most of the councillors, governance was more about the extent of their involvement in and ability to influence the activities of LGAs. They felt that their participation in governance was marginalised by the central and local government executives. The local

government executives also felt that their ability to influence the activities of LGAs was constrained by the central government executives.

On the other hand, many of the local and central government executives, external auditors and members of the parliamentary committee were more concerned with the way authority was used in LGAs. Such groups of stakeholders associated governance more with compliance to regulations, national policy, and directives issued by the central government. These groups of participants felt that authority was supposed to be used to ensure that the activities of LGAs were in compliance.

Most councillors and members of the parliamentary committee were also more concerned with performance in public service delivery than local and central government executives. The councillors related governance with performance, mainly because they felt that they had limited authority to influence performance in LGAs. Members of the parliamentary committee also associated governance with performance because they felt that they had to use the authority of the committee to improve performance in the delivery of public services.

Perceptions of *utawala* amongst participants influenced the way the different groups of local government participants viewed their roles in governance and hence the roles that they played in interactions. Councillors, for example, felt that their main role in governance was to enhance their involvement in the activities of LGAs. They were particularly concerned with their ability to influence decisions on such activities. The roles played by different groups of local government participants also influenced perceptions of *utawala*. Many of the councillors, for instance, felt that they had limited ability to influence the activities of LGAs. This is partly why they conceived the extent of their participation in the activities as the most important dimension of governance.

Perceptions of *utawala* held by different groups of local government participants affected and were also affected by accounting to some extent. Accounting was viewed as useful by the different groups of local government participants, particularly in circumstances in which it appeared to facilitate their perceived roles in governance. For example, many of the councillors felt that budgeting was the most useful

accounting practice, mainly because it facilitated and reflected the extent of their involvement in local government activities.

The perceptions of *utawala* were mainly the outcome of organizational arrangement, the general external context and knowledge possessed by different groups of participants.

### 8.2.2 The participant groups' perceptions of *Uwajibikaji*

*Uwajibikaji* is a Swahili word meaning discharge of responsibilities and demonstrating this through action or provision of information required by another party. Overall, local government participants conceived *uwajibikaji* as a relationship between two or more parties, whereby one party has both specified and unspecified responsibilities, and hence has a duty to demonstrate the discharge of those responsibilities to other interested parties.

Differences on perceptions of *uwajibikaji* amongst the different groups of local government participants were mainly related to the perceived importance of different types of accountability relationships. The typologies of accountability relationships that emerged from the data were subordinate-superior, executive-councillor, professional, public, political, and administrative. Details of these types of accountability relationships were provided in Chapter seven.

All types of accountability relationships were mainly associated with the overall administrative structures. Subordinate-superior or managerial accountability involved interactions between executives at different levels of the administrative hierarchy. In terms of executive-councillor accountability, in accordance with administrative structures, local government executives were supposed to be accountable to councillors through committees and council. Political accountability involved relationships between councillors and executives, on the one hand, and political parties, on the other hand. Public accountability involved interactions between the general public and other local government stakeholders, that is, councillors, executives, external auditors and members of the parliamentary committee. Administrative accountability involved interactions between individual local

government participants (councillors, executives, external auditors and members of the parliamentary committee) and the various administrative organs, such as committees, council, departments, central government organs, and the parliament. For instance, the councillors felt accountable to the committees, council, local government departments, central government ministries and parliament through the parliamentary committee responsible for the accounts of LGAs. Professional accountability was about ensuring that activities carried out by local government were in compliance with professional requirements and national policies. Professional accountability was mainly the concern of local and central government executives.

Many local and central government executives felt that managerial accountability represented the most important accountability relationships within LGAs. Most councillors, members of the parliamentary committee and external auditors viewed public accountability as the most important relationship within LGAs. Many local government executives demonstrated a poor sense of accountability to councillors as well as to the general public.

The perceptions of the different groups of participants of responsibilities entailed in accountability relationships influenced the way they perceived their roles in such interaction. The councillors, for example, viewed ensuring the availability of adequate and better quality public services, particularly in the respective constituencies, as one of their main roles in accountability interactions within LGAs. The councillors also presumed that this was one of the main responsibilities of the executives in accountability interaction. On the other hand, the executives felt that managerial and professional accountability represented the most important roles in accountability relationships.

The perceptions of *uwajibikaji* held by different groups of participants influenced the nature of information flow between local government stakeholders. For example, perceptions amongst most executives and councillors that the general public is not interested in financial information contributed to poor communication of such information to such group of local government stakeholders. On the other hand, information flows between the different groups of local government participants also influenced perceptions of *uwajibikaji* and roles in accountability interaction.

Persistent adverse audit opinions on the annual financial reports of many LGAs in the country, for instance, contributed to perceptions amongst the councillors, central government executives and members of parliamentary committee that financial discipline was a crucial accountability responsibility in LGAs. Hence, such groups of local government participants felt that ensuring financial discipline within LGAs was one of the important roles in accountability interactions.

### 8.2.3 Organizational arrangement

Organizational arrangement refers to the overall organizational set up for accountability and governance processes, including administrative structures, regulations, policies, procedures and resource allocation processes. Organizational arrangement prescribes the roles to be played by different groups of local government participants in accountability and governance interactions. For instance, at the level of LGAs, it implies that executives are accountable to councillors. However, in practice, this, to a great extent, was not the case in both LGAs. Other factors besides organizational arrangement appeared to shape significantly the way groups of local government participants perceived their roles and hence the roles that they played in interactions. The perceptions of *utawala* and *uwajibikaji* and the nature of relationships between and amongst the different groups of participants were extremely important in shaping the way the participants perceived their roles and hence the roles that they played in accountability and governance processes. For example, the perceived importance of managerial accountability amongst executives, as well as their ability to influence the activities of LGAs contributed to the dominance of such accountability relationships and a weakening of other forms of accountability interactions. Organizational arrangement also contributed to perceptions of *utawala* and *uwajibikaji* amongst the different groups of participants. Perceptions of the different typologies of accountability relationships that emerged were mainly associated with organizational arrangement. Similarly, the perceptions of *utawala* were partly related to organizational arrangement. For example, perceptions amongst local government executives that compliance to central government directives was an important dimension of governance were mainly associated with the nature of the relationship between central and local governments.

Organizational arrangement formed the basis of relationships between and amongst different groups of local government participants. For example, organizational arrangement provided central government executives with greater influence over the activities of LGAs than local government executives and councillors. Nevertheless, organizational arrangement resulted in relationships that were beyond those implied by the structures. For instance, the existence of different committees of council, which is the supreme governing body at local level, contributed in diminishing the influence of councillors over the activities of LGAs. The councillors stated that the committees reduced their ability to act as a group of participants. Similarly organizational arrangement partly contributed to conflicts amongst councillors, which constrained their ability as a group of participants to influence the activities of LGAs.

#### **8.2.4 The nature of the relationships between and amongst different groups of participants**

The nature of the relationships between and amongst the different groups of local government participants had a significant influence on accountability and governance as well as on the position and usage of accounting in such interactions. The relationships between and amongst the different groups of local government participants were complex, dynamic and involved several dimensions. The relationships which were significant to accountability and governance in the context of both LGAs were influence relationships, trust relationships, conflicts between and amongst different groups of participants, and interactions between formal and informal groups of participants. Details of such relationships were provided in Chapter seven.

The relationships between and amongst the different groups of local government participants were mainly the outcome of organizational arrangement, the general external context, and knowledge possessed by different groups of local government participants. For example, influence relationships between central and local government executives were associated with administrative structures, regulations, and policies. These provided the former with more influence over the activities of LGAs than the local government executives. The knowledge gap between councillors and local government executives strengthened the influence of the latter group over

the activities of LGAs at the expense of that of the former stakeholders. This was despite the fact that administrative structures provided councillors rather than local government executives with more influence over the activities. The committees of the council (formal groups) seemed to contribute towards weakening the influence of councillors on the activities, as they affected their ability to act as a group of participants.

The nature of the relationships between different groups of local government participants affected and was also affected by the roles they played in accountability and governance interactions. Influence relationships between the councillors and local government executives, for instance, influenced the roles played by both groups of participants in governance interaction. In accordance with organizational arrangement, councillors were the final decision makers on all matters of LGA. In practice, local government executives had a greater influence over decisions made by councillors. Many councillors felt that the executives were the effective decision makers. This phenomenon was partly attributed to the nature of existing relationships between and amongst the different groups of participants. For example, conflicts amongst the councillors and the existence of groups, both formal and informal, diminished the influence of councillors. On the other hand, the roles played by local government participants also influenced the relationships between different groups of participants. For example, emphasis on compliance to professional requirements and national policies by local government executives sometimes contributed to tensions and conflicts between councillors and executives.

Information flow, including accounting information, between different local government groups influenced and was also influenced by the nature of the relationships between groups of participants. For example, adverse audit opinion affected trust relationships between local government executives and other local government stakeholders. Poor trust amongst councillors in local government executives promoted the usage of related non-accounting information by the former. Such perceived poor trust also contributed to an insistence by councillors on physical inspection of all major projects undertaken by the LGAs. Similarly the ability of the participants to influence the activities of LGAs had implications on information flows between the different groups of participants. Those groups of participants with greater

influence, such as central government executives and members of the parliamentary committee had greater influence on the development of accounting practices in LGAs. For example, the members of parliamentary committee could demand extra accounting and non-accounting details in the audited annual reports submitted by LGAs to the committee.

#### **8.2.5 Knowledge possessed by the different groups of participants**

Knowledge possessed by local government executives and councillors emerged as an important phenomenon to accountability and governance within both LGAs. In particular, the knowledge gap between councillors and local government executives had a significant impact on accountability and governance. The knowledge gap between groups of participants was reflected in the councillors' level of formal education, as well as the lack of professionals and relevant work experience amongst them. Many of the interviewed local government participants stated that the level of primary education possessed by many councillors was not adequate, given their positions and roles in LGAs. The knowledge gap was mainly related to the ability of councillors to understand and perform their roles in accountability and governance interactions. Generally, a lack of knowledge, especially professional/technical, among most councillors, affected their ability to perform effectively their overall role of monitoring and controlling the activities of LGAs. The knowledge gap between executives and councillors influenced the relationships between these groups. Professionalism provided local government executives with extra influence over the activities, especially in decision-making. Many of the councillors felt that the local government executives were sometimes using professionalism to justify personal interests. Thus the knowledge gap also influenced trust relationships among councillors and local government executives.

Accounting also contributed to the knowledge gap between councillors and local government executives. Poor understanding of accounting amongst councillors had two main implications on the role and usage of accounting information in interactions. Firstly, the nature of the relationships between different groups of participants and the perceptions of the roles associated with accountability and governance amongst the councillors influenced significantly the position of accounting in the interactions.

Lastly, deficiencies in accounting knowledge, especially amongst councillors seemed to be complemented by usage of related non-accounting data and comparison of accounting and non-accounting data to make sense of accounting information. However, the various accounting practices, such as budgeting and external auditing, also contributed to the way councillors perceived their roles as well as the position of accounting in the interactions.

#### **8.2.6 Perceptions of roles in accountability and governance interactions amongst different groups of participants**

A comprehensive definition of the concept of role is provided in Jackson (1972) as “*a pattern of behaviour and sentiments, organized in relation to presumed motivations, and frequently but not always connected to a specific organizational position*” (p. 74). The definition implies that roles may include ‘position roles’ and ‘preference roles’. The former are associated with positions that require the performance of specific duties and responsibilities, while the latter are generally shaped by the preferences of the role players (Searing, 1991).

The category of the perceptions of roles involves the conceptions amongst the local government participants of appropriate actions, activities and goals with respect to accountability and governance. They emerged formally as well as informally, over time through social interaction. The perceptions influenced what the different groups of local government participants felt they had to do and achieve in accountability and governance processes in LGAs. A pattern of rigid views of the roles was observed amongst the different groups of local government participants. The perceptions of the roles amongst the groups of participants were the outcome of organizational arrangement, knowledge possessed by groups of participants, the general external context, the nature of the relationships between groups of participants, and perceptions of *utawala* and *uwajibikaji*. Accounting also influenced to some extent the way local government participants perceived their roles as regards accountability and governance. For example, adverse audit opinion on financial reports over several years, in many LGAs in the country contributed to perceptions that financial accountability was one of the important roles in accountability relationships, amongst

members of the parliamentary committee, central government executives, and councillors.

Organizational arrangement prescribed the roles to be played by the different groups of local government participants in accountability and governance interactions. However, the nature of the relationships between groups of participants and perceptions of *utawala* and *uwajibikaji* had a significant influence on the way the participants perceived their roles. For example, in accordance with administrative structures, the executives were supposed to be accountable to the councillors at the level of LGA. However, in practice, partly due to the nature of the relationship between councillors and executives and amongst councillors, and perceptions of *utawala* and *uwajibikaji* held by these groups of participants, executive-councillor accountability was weak in both LGAs. The perceptions of *utawala* and *uwajibikaji* influenced significantly the way participants perceived the roles. For example, the executives, external auditors and members of the parliamentary committee, who conceived governance more in terms of compliance to regulations, national policy and directives by central government, felt that ensuring adherence was one of their main roles in governance in the context of LGAs. Central government executives also felt that their other role in governance was to influence the allocation of resources in accordance with national priorities and policy.

On the other hand, the councillors felt that their main role in governance was to secure effective participation in the activities of LGAs, particularly the ability to influence the activities. Both councillors and members of the parliamentary committee were more concerned with the issue of performance in public service delivery than the executives. Hence they also regarded this as their other important role in governance. The councillors felt that they lacked adequate authority to influence performance in LGAs. The members of the committee felt that they had to use the authority possessed by the committee to influence and improve performance in LGAs. The members of parliamentary committee also felt that their other role in governance was to protect the interests of those groups of local government participants who were not participating directly in the day-to-day activities of LGAs, such as external donors and non-governmental organizations.

*“It is the duty of our committee to protect the interests of those who are not there... We have specifically requested the auditors [external] to examine thoroughly funds provided by external donors and others who are not there. We know such funds are likely to be misused. We also focus on funds from central government because we believe the councillors may not be well informed on these. I believe the councillors are well informed of local revenues.”* (Member, Parliamentary Committee).

The councillors, external auditors, and members of the parliamentary committee viewed public accountability as one of the most important accountability roles in LGAs. The councillors, external auditors, central government executives, and members of the parliamentary committee also considered ensuring financial discipline in LGAs as their important role in accountability relationships. On the other hand, the executives who felt that managerial accountability was the most important accountability relationship in LGAs considered this as one of their main roles in accountability interactions.

The nature of the relationships between different groups of participants also influenced the way they perceived the roles. For example, views amongst councillors that central and local government executives had greater influence over the activities of LGAs contributed to perceptions amongst councillors that enhancing their ability to influence these activities was a crucial role in governance. The perceptions of the roles also affected the nature of the relationships between groups of participants. For instance, the emphasis by local government executives on adherence to professional requirements and national policy sometimes resulted in tensions, conflicts and distrust between executives and councillors.

The general external context, which included the nature of fiscal relations between local and central governments, the influence of external donors and the ongoing LGRP affected both directly and indirectly the way different groups of local government participants perceived their roles. For instance, the excessive control of central government over the finances of LGAs contributed to a poor sense of accountability amongst local government executives to councillors as well as to the general public. The general external context also influenced perceptions of *utawala* and *uwajibikaji* held by the participants and hence the way they perceived their roles.

For example, excessive control by central government over finances contributed to perceptions amongst executives that managerial accountability was the most important role in accountability relationships within LGAs.

The perceptions of roles in accountability and governance interactions amongst different groups of local government participants influenced and were also influenced by the nature of information flow as well as accounting, as described in sections 8.2.7 and 8.2.8.

#### **8.2.7 Information flow between the different groups of participants**

All local government participants felt that the flow of information, both accounting and non-accounting, between the different groups of participants was crucial to accountability and governance relationships in LGAs. Many of the participants, particularly councillors and local government executives at lower administrative levels, namely wards, villages and neighbourhoods, were concerned with the nature of information flow between the different groups of participants. They felt that poor information flows between top executives and other local government participants at the bottom limited the extent of involvement of some participants in accountability and governance interactions. The perceived poor information flow was described mainly in terms of nature and timing of information among participants. Councillors and local government executives at the lower levels of administrative structures were of the view that limited information flowed from the top, and this was mainly in the form of instructions and orders. They also felt that less information from wards, villages, and neighbourhoods was taken into consideration by local and central government executives.

The councillors also talked of insufficient time provided by local government executives to review information from the latter before various committee and council meetings. They further indicated that they were unable to share the information with other representatives of the general public, such as village and neighbourhood leaders, before committee and council meetings.

Information flow among the different groups of participants was affected by the nature of the relationships between the groups of participants. For example, trust relationships between the different groups of participants influenced the type and amount of information required by participants. Perceived poor trust amongst councillors in local government executives and internal auditors, for instance, contributed to a demand for detailed non-accounting information as well as periodical physical inspections of all major local government projects by the former group of participants. Information flow between the different groups of local government participants also affected the nature of relationships between the different groups of participants. For example, the councillors felt that the executives had greater influence over the activities of LGAs partly due to their greater accessibility to information.

The nature of information flows between the participants influenced and was also influenced by perceptions of *utawala* and *uwajibikaji* among the different groups of participants. For example, the councillors associated their perceived level of involvement in governance with the nature of information flow. Similarly the councillors and local government executives felt that members of the general public were more concerned with the availability and quality of public services than the financial reports of LGAs. Hence they were less interested in the dissemination of that information to the general public.

The perceptions of roles in accountability and governance interactions amongst local government participants affected and were also affected by the nature of information flows between participants. For example, local and central government executives, who viewed national policies and other central government directives as central to both accountability and governance, felt that conveying such information to other participants was amongst their important responsibilities. Information flow between the different groups of participants was also associated with the ability of local government participants to perform their roles. For example, the councillors felt that poor information flow between them and central and local government executives diminished their ability to control and influence the activities of local government.

### 8.2.8 The position and usage of accounting information

All the groups of local government participants viewed accounting as essential to accountability and governance processes. Nevertheless, differences were noted in the way and extent the different groups of local government participants used accounting information in the interactions. The way the different groups of local government participants perceived their roles in accountability and governance interactions, together with their perceptions of *utawala* and *uwajibikaji*, and the nature of the relationships between the different groups of participants influenced the position and usage of accounting information.

*“You know, my department deals with education. Educational matters are our primary responsibilities. Therefore the reports which are important to us are school inspection reports. These reports help a lot in our basic functions. They take into account educational standards; you get to know the real situation in schools. I am not saying that issues of money, financial reports are not important. Without money we cannot undertake our activities. Budgeting, for example, we have to prepare a budget for the department, to defend it in committees and council. I am responsible for the expenditures, to ensure we spend in accordance with budget. The central government is very serious on this. The problem with budgets, we have very little say, I think the government should let us plan on how best to use the grants.....”* (Municipal Education Officer).

*“....it depends on circumstances and how people perceive the reports [external audit reports]. On our part, administrators, when you get a bad report [adverse opinion], it affects us. Some people have reached a stage of alleging that administrators are stealing public money...It complicates our relationships with central government, and even councillors, we are not trusted. That is why the government insists on conditional grants, they believe otherwise funds will be misappropriated. The councillors, even if you get a good report they may allege that the auditors have been bribed. You see there is no trust in administrators. A bad report does not mean that we are misusing funds. For example, last year we had a bad report; one reason was failure to include proper values for our school buildings in the balance sheet. This does not mean that we are misusing money...”* (District Trade Officer).

The members of the parliamentary committee, external auditors, and central and local government executives, conceived accounting as a mechanism that was supposed to

demonstrate financial discipline on the part of local government executives. They also felt that accounting was supposed to reflect compliance to regulations, national policy, and central government directives. Hence these groups of local government participants valued those accounting practices that were deemed to contribute more to the accomplishment of what they perceived as their main roles as regards accountability and governance. Members of the parliamentary committee and councillors, who were more concerned with performance than other participants, also presumed that accounting would reflect the overall performance of LGAs.

Consequently, external audit, budgeting, and annual financial reports were regarded as useful accounting practices, especially amongst members of the parliamentary committee and central government executives. Lack of performance measures and indicators and the limited scope of external audit (exclusion of performance audit) promoted usage of budget information amongst members of the parliamentary committee. They used budget information in attempts to evaluate the performance of LGAs in public service delivery. All LGAs were required to include budgets and actual performance over the previous three years as well as estimates for the coming financial year, in the audited annual reports submitted to parliamentary committee. The central government executives used budgeting to monitor financial discipline on the part of local government executives and to ensure compliance to national policy. For example, many central government executives stated that conditional grants to LGAs were necessary to ensure financial discipline and to influence resource allocation in accordance with national priorities and policies. The central government executives and members of the parliamentary committee felt that annual financial reports together with external audit facilitated the assessment of financial accountability in LGAs. Members of the committee also felt that annual financial reports and external audit reports facilitated their role in safeguarding the interests of groups of participants not involved directly in the day-to-day activities of LGAs, such as external donors and non-governmental organizations. For example, during the sessions of the parliamentary committee in 2003, several LGAs were required to resubmit their audited annual reports because they lacked detailed schedules of receipts and expenditures on funds provided by external donors and non-governmental organizations.

The councillors, who were mainly concerned with the extent of their involvement in the activities of LGAs, presumed that accounting would facilitate and reflect such involvement. Many of the councillors considered budgeting as the most useful accounting practice, both to accountability and governance. This was mainly because they felt that budgeting facilitated their participation in accountability and governance interactions. For example, the councillors related the perceived level of involvement in governance with the extent to which they were able to influence budget decisions. Overall, the councillors in both LGAs felt that their level of participation in governance was poor, because they had very limited ability to influence budget decisions. The councillors also felt that local budgeting reflected the level of accountability to the general public (public accountability) and the discharge by executives of their obligations to the ruling political party (political accountability). These were associated with the extent to which the budgets of LGAs were perceived to deal with the problems in public service delivery in the constituencies of the councillors. The councillors also felt that budget information facilitated examination of financial discipline on the part of local government executives as well as the assessment of performance. Internal and external audit reports seemed to be utilized to a limited degree by councillors in accountability and governance processes. The weak position of internal audit within both LGAs in terms of the scope of internal audit, capacity and power of internal audit staff seemed to contribute to poor usage of internal audit reports by both councillors and executives. More importantly, the councillors believed that the internal auditors were not capable of providing independent audit information, as they were too involved with local government executives. External audit reports were used to a limited degree by councillors, though pronounced as paramount. Poor usage of external audit reports amongst councillors was due to delays in the release of the reports, limited trust in external auditors, and poor understanding of the reports, amongst other contextual factors, as detailed in Chapter seven. Annual financial reports were regarded by many of the councillors as the least useful accounting practice in accountability and governance interactions. Monthly and quarterly revenues and expenditure reports were the only aspects of financial reports considered by councillors as useful in interactions. The councillors felt that quarterly reports were particularly useful when used together with the annual budget. They were of the view that these allowed the evaluation of the extent to which

the agreed plans are implemented by the executives as well as the examination of financial discipline.

Many of the local government executives felt that annual financial reports were mainly prepared for audit purposes and for submission to the parliamentary committee responsible for the accounts of LGAs. Thus the local government executives were of the view that annual financial reports were mainly prepared for the sake of complying with regulations. Many local government executives and councillors believed that members of the general public were less interested in the annual financial reports of LGAs. The local government executives also felt that budgeting provided a useful mechanism for ensuring adherence to professional requirements.

Overall, budgeting was described by the participants, particularly councillors, and central and local government executives as the most important accounting practice in terms of both accountability and governance. The participants felt that budgeting supported to a great extent the roles they had to play in accountability and governance processes. External audit was also considered as important particularly amongst members of the parliamentary committee and central government executives.

### **8.2.9 The general external context**

The general external context refers to the important factors within the overall external environment in which the LGAs operated, which, from the participants' perspectives, had a significant influence on accountability and governance. These included the nature of fiscal relations between central and local governments, the influence of external donors, and the ongoing Local Government Reforms Programme (LGRP). Details of these were provided in Chapter seven.

The general external context influenced both directly and indirectly perceptions of roles in accountability and governance interactions amongst different groups of participants. Excessive control by central government over fiscal matters in LGAs contributed to perceptions amongst local and central government executives that managerial accountability was the most important accountability role in LGAs. These perceptions contributed to a weakening of other accountability relationships,

especially councillor-executive and public accountability. Furthermore, both councillors and local government executives felt that the excessive control had contributed towards marginalizing the extent of their involvement in governance, particularly their ability to influence the activities of LGAs. The general external context also affected the perceptions of the roles amongst the groups of participants through its impact on perceptions of *utawala* and *uwajibikaji* and on the nature of the relationships between different groups of participants. For instance, it contributed to perceptions amongst local and central government executives that observance of central government directives was a crucial dimension of governance. The emphasis by some of the external donors and the LGRP on the effective participation of different groups of participants, particularly members of the general public, in planning for the activities of LGAs contributed to enhancing the sense of public accountability amongst local government executives. The conditions imposed by external donors, and the LGRP also contributed to a slight change in the perceptions of executives as well as councillors on the role of the general public in the activities of LGAs. In both LGAs, for instance, executives and councillors had recently started to make efforts to mobilize and involve members of the general public in some activities. The following quote from an interview with a councillor reflects such a change in attitude towards members of the general public.

*“If we have accepted local government reforms, decentralization, central government should give authority to the people. The administrators should work with, close to the people, and their representatives. There should be no classes among the participants, those who can do this or that and those who cannot. The public will understand, people want to see the government is serious about their participation...”* (Councillor, Member of Finance Committee, Municipal Council).

## 8.2 Summary

This chapter has described nine main categories evolving from the data. The main categories are: participant groups' perceptions of *utawala*; the participant groups' perceptions of *uwajibikaji*; organizational arrangement; the nature of the relationships between and amongst different groups of participants; the perceptions of roles in accountability and governance interactions amongst different groups of participants; knowledge possessed by the different groups of participants; the general external

context; information flow between the different groups of participants; and the position and usage of accounting information. These main categories have subsumed the twenty-six open categories described in Chapter seven. Some of the main categories emerged and were developed during open coding, while others were the product of further conceptualization of the open categories. The chapter also narrates emerging connections and relationships between such main categories. The next chapter presents the final analytical process of this grounded theory research.

# **Chapter 9**

## **THE EMERGENT SUBSTANTIVE GROUNDED THEORY**

### **9.1 Introduction**

This chapter presents the final analytical stage as well as the emergent substantive grounded theory. The final analytical process, known as selective coding, employs the paradigm model (Strauss and Corbin, 1990, 1998) to integrate the main categories described in Chapter eight to generate a substantive grounded theory. A substantive theory is a theory generated from study of a particular area of inquiry and from a specific population that explains the data from which it is derived (Strauss and Corbin, 1998). Following Strauss and Corbin's (1998) suggestions, the paradigm model was applied flexibly, taking into consideration the implications of the prior analytical processes, namely, open and axial coding. This chapter deals with the identification of the central or core category and description of the emergent substantive grounded theory. Details on all the main categories and the way such categories relate to each other were provided in Chapter eight. This chapter describes the paradigm model and demonstrates its application in this research. The emergent substantive grounded theory is summarized in section 9.4.

### **9.2 Application of the paradigm model**

Strauss and Corbin (1998) proposed a coding paradigm model as a device for integrating the main categories to develop a theory from a grounded study. The main components of the paradigm model are 'causal, contextual or intervening conditions, phenomenon, actions and interactions, and consequences' (Strauss and Corbin, 1990, p. 96).

In the paradigm model, conditions can be causal, contextual or intervening or all of these. Causal conditions mean events and incidents that result in the occurrence of the phenomenon.

The phenomenon refers to the central idea or pattern of happenings, incidents or actions and interactions associated with specific conditions, actions and interactions and consequences. Intervening conditions are factors that affect the way the causal condition impacted on the central phenomenon. Contextual conditions are the specific patterns of conditions in which the phenomenon is situated. Actions and interactions refer to strategies that are employed to manage or respond to the phenomenon under specific conditions. Consequences refer to the outcome of the phenomenon as a result of the actions and interactions involved.

Strauss and Corbin (1998) emphasize that the paradigm model should be employed pragmatically to allow a theory to evolve from data. They state that:

*“...analysts should keep in mind that it is not the notion of conditions, actions/interactions, and consequences that is significant; rather, what is important is discovering the ways that categories relate to each other. The paradigm is just one device that analysts can use to think about such relationships. Although helpful, the paradigm never should be used in rigid ways; otherwise, it becomes the end rather than the means.”* (p. 142).

The prior analytical processes have influenced to a great extent the way the paradigm model is employed in this grounded theory study, rather than the components of the model itself. This is evident in sections 9.3.0 to 9.3.2.

### **9.3.0 The core category or central phenomenon**

The core category represents the central phenomenon that pulls together all the other main categories to form an explanatory whole (Glaser and Strauss, 1967).

Strauss and Corbin (1998) propose that a core category: ‘must be central, that is, it must link all other major categories; must occur frequently in the data; must provide logical and consistent explanations about the data; has to be sufficiently abstract that it can be used to do research in other substantive areas; must possess high explanatory power; and must be able to explain variations as well as the main points indicated by the data’ (p.147). They suggest further that the central category can evolve from the existing categories, when there is a category that seems to capture the whole story, or outside the existing categories, when there is none that meets the condition.

The core category in this grounded theory study has evolved from the existing main categories. The perceptions of roles in accountability and governance interactions amongst different groups of participants emerged as the central category or main theme of this grounded theory study. These perceptions influenced the way participants viewed the position of accounting in interactions. On the other side, accounting also contributed to some extent to the manner in which the participants perceived their roles. The different groups of local government participants valued more those accounting practices that were considered to facilitate what they perceived as their roles in accountability and governance processes. For example, the councillors felt that budgeting was the most important accounting practice for accountability and governance because it facilitated their involvement in the activities of LGAs. The councillors considered enhancing their involvement in the activities of LGAs as their main role in governance. They also felt that budgeting reflected the level of public and political accountability as well as financial discipline on the part of executives. These were regarded as the most important accountability roles amongst councillors. However, the councillors also felt that budgeting contributed to a limited extent to the level of their involvement in governance as well as to public and political accountability relationships. They attributed this to the fact that the councillors had very limited influence over local budget decisions.

Budgeting, annual financial reports and external audit were regarded as useful accounting practices amongst members of the parliamentary committee and central government executives. The central government executives were of the view that their main roles in governance were ensuring that resources are allocated in accordance with national priorities and policy and the activities in LGAs are in compliance with central government directives. They felt that budgeting and in particular conditional grants to LGAs were useful in this respect. They also felt that budgeting together with external audit facilitated the assessment of financial discipline in LGAs. Central government executives regarded this as one of their important accountability roles in LGAs. Members of parliamentary committee were of the view that budgeting was useful in the evaluation of performance in LGAs. This was perceived by members of the committee as one of their important roles in governance. For instance, members of the committee felt that annual financial reports indicated the financial position of LGAs as well as their ability to collect sufficient revenues to meet expenditures. They

were particularly concerned with the financial position of LGAs. For example, during the sessions of the committee in 2003, several LGAs were required to provide detailed schedules of outstanding liabilities, together with an outline of strategies that would be adopted to discharge them within a specified period of time. Similarly, the central government executives, particularly at the ministry responsible for LGAs, showed concern about such matters and were of the view that annual financial reports were useful in that context. Members of the committee also felt that annual financial reports provided a mechanism for discharging public accountability, which they regarded as one of their main accountability roles. They insisted on the publications of such reports by LGAs at their own offices and in newspapers in order to ensure that the information reached members of the general public. For example, all LGAs were required to submit evidence to the committee that the financial reports had been published in newspapers. Members of the committee and central government executives also felt that external audit contributed to their roles in accountability and governance processes. They stated that the accounting practice was useful in the evaluation of financial discipline in LGAs. They regarded this as one of their main accountability roles in LGAs. They were also of the view that external audit demonstrated whether LGAs were in compliance with regulations, national policy as well as directives by central government. This was perceived as an important role in governance.

The members of the committee also mentioned safeguarding the interests of different groups of participants, especially those not involved directly in the daily activities of LGAs (such as external donors and non-governmental organizations), as their other role in governance. They felt that external audit and annual financial reports were useful in this context. For example, during the sessions of the committee in 2003, several LGAs with clean audit reports were required to resubmit their audited annual reports with detailed schedules of receipts and expenditures of funds provided by external donors and non-governmental organizations, as well as special funds from central government. In addition, members of the committee requested the external auditors to examine thoroughly reports on such types of funds.

The local government executives felt that budgeting was the most important accounting practice to both accountability and governance, as it supported

professional and managerial accountability as well as compliance with directives from central government. These were viewed as the most important accountability and governance roles in LGAs.

However, the interaction between the participants' perceptions of the roles and accounting was shaped to a great extent by the nature of the relationships between different groups of participants and perceptions of *utawala* and *uwajibikaji*. For example, poor trust in local government executives and limited trust in external auditors amongst members of the parliamentary committee affected the usage of external audit information. In addition, members of the committee felt that external audit could not address the issue of performance, which they considered to be an essential role in governance in the context of LGAs. The main conditions that resulted in the perceptions of the roles amongst the groups of local government participants are described in section 9.3.1.

### 9.3.1 Causal conditions

Both micro and macro conditions were responsible for the emergence of the central phenomenon in this grounded theory study. Micro conditions are those conditions that are close to the central phenomenon and affect it directly, while macro conditions affect it mainly indirectly (Strauss and Corbin, 1998). However, micro conditions may originate from macro conditions, and hence, in some situations the distinctions between the two may be artificial (Strauss and Corbin, 1998).

The macro conditions that resulted in the occurrence of the core phenomenon were organisational arrangement, knowledge possessed by different groups of local government participants, and the general external environment. The macro conditions also created micro conditions, namely perceptions of *utawala* and *uwajibikaji* held by the different groups of participants and the nature of the relationships between different groups of participants.

Organizational arrangement created the central phenomenon both directly and indirectly. Organisational arrangement prescribed the roles to be played by different groups of participants in accountability and governance interactions in LGAs. This

affected the way the participants perceived their roles and hence the roles that they played in interactions. Organizational arrangement influenced perceptions of *utawala* and *uwajibikaji*. For example, the different types of accountability relationships such as executive-councillor and subordinate-superior were mainly associated with administrative structures. Organizational arrangement also formed the basis of the various forms of relationships between and amongst the different groups of local government participants. However, in some situations, the actual relationships that emerged were beyond those implied by the structures. For instance, organizational structures provided the councillors with greater influence than the local government executives over the activities of LGAs. However, in practice the latter had more influence than the councillors over the activities at the local level.

In turn, perceptions of *utawala* and *uwajibikaji* and the nature of the relationships between different groups of participants were extremely important in shaping the way different groups of local government participants perceived their roles. For example, the limited ability of the councillors to influence local government activities contributed to perceptions among them that enhancement of the extent of their involvement was their main role in governance.

The knowledge possessed by the different groups of local government participants contributed to the core phenomenon directly and, through its impact, on the nature of the relationships between groups of participants as well as perceptions of *utawala* and *uwajibikaji* held by the participants. Lack of professionals amongst councillors, for example, enhanced the influence of local government executives over the activities of LGAs at the expense of that of the councillors. The councillors felt that sometimes the executives were using professionalism to protect their own interests. Thus, the knowledge gap between the two groups of participants also affected trust relations. The professional background of the local government executives contributed to perceptions on the importance of professional and managerial accountability amongst them. Knowledge possessed by the different groups of participants also had a direct impact on the roles played by the participants. Poor knowledge amongst many of the councillors, for example, affected adversely their ability to perform their roles in LGAs.

The general external environment also contributed to the emergence of the core phenomenon both directly and indirectly. The general external environment included the nature of fiscal relations between central and local governments, the influence of external donors and the ongoing local government reform programme. The general external environment influenced perceptions of *utawala* and *uwajibikaji* amongst the participants as well as the nature of the relationships between different groups of participants. For example, excessive control by central government over local finances and expenditures enhanced the influence of central and local government executives over the activities of LGAs. This also contributed to a poor sense of accountability amongst local government executives to the councillors as well as to the general public and hence weakened such types of accountability relationships in the LGAs.

Generally the two micro conditions, namely the nature of relationships between the groups of participants, and perceptions of *utawala* and *uwajibikaji* were the outcome of the macro conditions. These were crucial in shaping the participants' perceptions of the roles and the manner in which these affected and were affected by accounting. The interaction between the central phenomenon and the micro conditions had several consequences, as described in section 9.3.2.

### 9.3.2 The consequences

The general consequences of interaction between the core phenomenon and micro conditions were the position and usage of accounting in accountability and governance processes, social pressure for change in accounting practices, the nature of required information flows between the different groups of participants, and the importance of other management practices beyond accounting in the facilitation of accountability and governance.

The participants' perceptions of the roles were central to the way in which accounting linked with accountability and governance. However, perceptions of *utawala* and *uwajibikaji* and the nature of the relationships between groups of participants also influenced the position of accounting in interactions. These factors were also influenced to some extent by accounting. The factors together with the perceptions of

roles contributed to social pressure that in some cases resulted in the improvement in accounting practices in LGAs. For instance, perceived poor trust in local government executives and limited trust in external auditors as well as the limited scope of external audit (lack of performance evaluation) made members of the parliamentary committee demand extra accounting and non-accounting details, even from LGAs that had been issued with clean audit reports. During sessions of the parliamentary committee in 2003, for instance, several LGAs were required to resubmit their audited annual reports to the committee for further scrutiny after the inclusion of additional accounting and non-accounting details. Such social pressure influenced both the size and content of the annual financial reports submitted by LGAs to the committee.

The perceptions of the roles influenced and were also influenced by the nature of information flow between the groups of participants. For example, local and central government executives who viewed national policies and central government directives as crucial to accountability and governance, considered the communication of such information to other participants to be essential. The councillors associated their perceived limited extent of involvement in governance with the nature of information flows between them and local and central government executives. The councillors felt that limited information from the wards was taken into consideration by local and central government executives. They also felt that the time they were given to review information from the executives before committee and council meetings was not adequate for them to examine the reports and to share information with the other representatives of the general public at ward, village and neighbourhood levels.

The perceptions of the roles amongst the groups of participants coupled with perceptions of *utawala* and *uwajibikaji* and the nature of the relationships between groups of participants demonstrated the importance of other management practices beyond accounting to accountability and governance processes. For example, the participants expressed the belief that other management practices were also important to accountability and governance in LGAs. The following quote illustrates this.

*“Of course, financial matters are very important in local government. As central government, we are serious about that. We have experiences of misallocation of educational funds by local officials. Our Ministry [Education and Culture] considers*

*conditional grants important, it helps to deal with such misuses, you see. The auditors [external] assist us; they raise queries when they observe improper transfer of funds. But the Ministry is basically responsible for education; we are concerned with education policy and quality issues. We have a section that deals with schools inspections...*

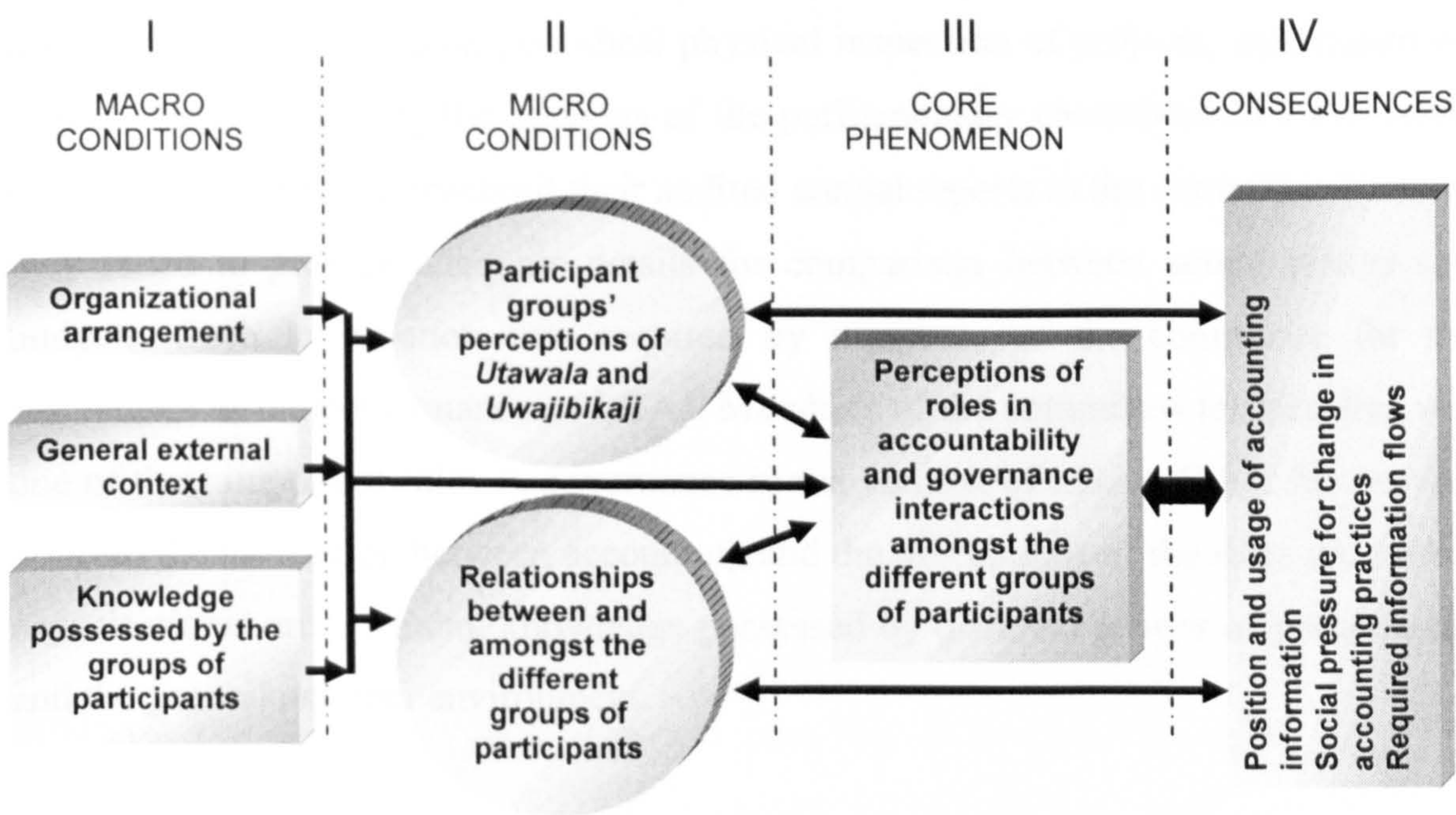
*I think school inspection reports are crucial to matters of accountability and governance. Nowadays, we are serious about community involvement in school management..."* (Director - Education).

The participants also demonstrated that the contribution of accounting towards accountability and governance was dependent upon the overall environment from which the information emanates. For instance, the usefulness of external audit information appeared to be influenced by potential users' views of both auditors and auditees. The perceived level of trust in both auditors and auditees had significant implications on the way and extent to which external audit reports are utilized by local government participants. Thus the management of trust relationships between groups of participants emerged as a crucial dimension of the phenomena of accounting, accountability and governance in the context of LGAs.

### **9.3.3 The paradigm model for accounting, accountability and governance**

The emergent paradigm model for the phenomena of accounting, accountability and governance in the LGAs is summarised in Figure 6.

Figure 6: The paradigm model for accounting, accountability and governance



As indicated in Figure 6, the paradigm model comprises four components, namely macro and micro conditions, the core phenomenon and consequences. Both macro and micro conditions result in the occurrence of the core phenomenon. However, the macro conditions create micro conditions, which in turn, shape significantly the core phenomenon and its consequences. The thicker arrow in the figure indicates that the core phenomenon contributes largely to the consequences and is also affected by the latter. However, the consequences influence and are also influenced directly by the micro conditions.

#### 9.4 The emergent substantive grounded theory

The paradigm model in Figure 6 summarizes the emergent substantive grounded theory. It proposes that the phenomena of accounting, accountability and governance involve interplay between accounting and the participants' perceptions of roles in accountability and governance interactions. The nature of the relationships between groups of participants and perceptions of *utawala* and *uwajibikaji* are also important to the interplay. The emergent substantive grounded theory also proposes that these factors coupled with the perceptions of the roles contribute to the improvement in accounting practices in LGAs. For example, poor trust in internal auditors amongst

councillors as well as perceived weaknesses in both internal and external audits have contributed to a demand for details on related non-accounting information and insistence by councillors on periodical physical inspection of projects, undertaken by LGAs. Similarly, during the sessions of the parliamentary committee in 2003, some LGAs were required to resubmit their audited annual reports to the committee because they failed to provide adequate details for comparison between actual results and budgets. Such information was required by members of the committee for the assessment of the performance of LGAs. Members of the committee felt that this was one of their important roles in governance in the context of LGAs. Other factors that affected the interaction between accounting and the perceptions of the roles are formal organizational arrangement, knowledge possessed by different groups of participants, and the general external environment.

## 9.5 Summary

This chapter has presented the final analytical process for the study as well as the emergent substantive grounded theory. Strauss and Corbin's (1990, 1998) paradigm model has been applied to integrate the main categories described in Chapter eight in order to generate a substantive grounded theory on the phenomena of study. The emergent substantive grounded theory proposes that the phenomena involve interplay between accounting and the way different groups of local government participants perceived their roles in accountability and governance interactions. The participants' perceptions of *utawala* and *uwajibikaji* and the nature of the relationships between different groups of participants were also important in the interrelationships. The substantive grounded theory also proposes that accounting practices can evolve in the course of interaction between participants. It implies that this occurs as a result of social pressure associated with the way participants perceive the roles involved in accountability and governance processes, perceptions of *utawala* and *uwajibikaji*, and the nature of the relationships between groups of participants. The next chapter compares the emergent substantive grounded theory with the relevant extant literature, with the aim of proposing a more formal grounded theory.

# Chapter 10

## FROM SUBSTANTIVE TO FORMAL THEORY

### 10.1 Introduction

This chapter explores the emergent substantive grounded theory in the light of the relevant extant literature. The purpose is to propose a more formal grounded theory. Glaser and Strauss (1967) proposed comparative analysis of an emergent substantive theory with an existing general theory as one of the appropriate approaches for the development of a formal grounded theory. Accounting studies of accountability and governance in the public sector are informed by different theoretical perspectives such as stakeholder and agency theories, institutional theory, Giddens' structuration theory, and Bourdieu's concept of habitus (Mayston, 1993; Goddard and Powell, 1994; Broadbent et al., 1996; Boyne et al., 2002; Bourmistrov and Mellemvik, 2002; Lawrence et al., 1997; Goddard, 2004, 2005).

The new institutional theory of sociology (NIS) is particularly well suited to exploring further the main findings of this grounded theory study. It covers to a great extent the core findings of the research. The concept of the roles of participants, the core phenomenon of this study, is central to NIS analysis (Berger and Luckmann, 1967; Goodin, 1996). Furthermore, other researchers have employed institutional theory to discuss the roles of participants in governance (Hung, 1998; Cornforth and Edwards, 1999; Edelenbos, 2005). They suggested that the theory is appropriate because it considers the contexts in which the roles evolve. Drawing on NIS, Edelenbos (2005) observed that formal organizational structures contribute to the institutionalisation of the participants' perceptions of roles in governance. This chapter draws insights from both the emergent substantive theory and NIS and proposes a more formal grounded theory. The chapter begins with brief descriptions of institutional theory. A review of accounting studies informed by institutional theory is also made to summarize their contributions to the accounting literature.

## 10.2 Institutional theory

Institutional theory has developed rapidly in recent years, particularly in disciplines such as economics, political science and sociology (Scott, 2001). Scott (2001) identifies three main strands of institutional theory on the basis of disciplines as institutional theory in economics, institutional theory in political science, and institutional theory in sociology. Recently, institutional theory has increasingly been adopted to explore the phenomenon of accounting in different organizations and social settings (Dillard et al., 2004). Accounting research from the institutional theory perspective is informed by the old institutional economics (OIE), new institutional economics (NIE), and new institutional sociology (NIS) theories (Burns and Scapens, 2000).

Overall, NIS is primarily concerned with interactions between organizational structures, practices, behaviours, and the wider social environment in which organizations operate (Hussein and Hoque, 2002). The main propositions of the theory are firstly, that many elements of formal organization structures, practices, and characteristics arise as a consequence of the social expectations of appropriate practices (Bealing et al., 1996). Secondly, organizations are motivated to interact with their environment in ways perceived as appropriate by the various stakeholders for the sake of survival and maintenance of legitimacy (Dillard et al., 2004). Finally, behaviours and practices in organisations both at micro and macro levels are shaped by '*coercive, mimetic and normative isomorphic processes*' (DiMaggio and Powell, 1983, p.147). *Coercive isomorphic* processes occur when an organization changes in response to both formal and informal pressures exerted by other organisations on which the organisation is dependent as well as by the expectations of the public it serves. *Mimetic isomorphic* processes occur when an organization faces high levels of uncertainty and hence imitates other organisations that are perceived to be successful in order to deal with it. *Normative isomorphic* processes involve changes in an organization resulting from professionalism that influences the behaviours of the individuals working in the organisation.

### 10.3 Accounting studies informed by institutional theory

Accounting studies informed by institutional theory have explored several themes, including performance measurements in various organizations, both in public and private sectors (Johnsen, 1999; Brignall and Modell, 2000; Lawton et al., 2000; Modell, 2001, 2003, 2005; Hussain and Hoque, 2002), management accounting changes in organizations (Burns and Scapens, 2000; Burns, 2000; Soin et al., 2002; Granlund, 2001; Siti-Nabiha and Scapens, 2005), and cost allocation processes and techniques (Carmona and Danoso, 2004; Ahmed and Scapens, 2003; Carmona and Macias, 2001). Other issues investigated are budgeting in governmental organizations and schools (Edwards et al., 2000; Collier, 2001; Seal, 2003), accounting regulations and the role of accounting in organisations (Bealing et al., 1996; Forgarty, 1996; Forgarty et al., 1997; Seal, 1999; Lapsley and Pallot, 2000; Carpenter and Feroz, 2001; Hines et al., 2001; Eden et al., 2001; Broadbent et al., 2001; Kurunmaki et al., 2003; Forgarty and Rogers, 2005), accounting and institutionalisation processes (Burns and Scapens, 2000; Dillard et al., 2004; Burns and Baldvinsdottir, 2005), and external auditing (Basu et al., 1999).

Some of the studies have suggested that accounting is sometimes employed in organizations as a legitimating device rather than one for facilitating operations and informed decision making (Bealing et al., 1996; Forgarty, 1996; Forgarty et al., 1997; Lapsley and Pallot, 2000; Modell, 2001; Hines et al., 2001; Ahmed and Scapens, 2003; Kurunmaki et al., 2003; Carmona and Danoso, 2004). Other studies have indicated that existing institutions influence the way accounting information is used by organizational actors as well as the introduction of new accounting systems and techniques in organizations (Burns, 2000; Granlund, 2001; Soin et al., 2002; Forgarty and Rogers, 2005). The research has also observed that accounting practices may be ‘decoupled’<sup>20</sup> from the core operations of various organizations (Basu et al., 1999; Johnsen, 1999; Edwards et al., 2000; Collier, 2001; Modell, 2003; Siti-Nabiha and

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<sup>20</sup> Some institutional theorists use the terms ‘decoupling’ and ‘loose coupling’ interchangeably to describe poor or absence of connection between what organizations display to the outside world, particularly to important stakeholders, and actual internal operations or systems. Others distinguish between the two concepts. They argue that, in the former, the distinction between external and internal operational structures and systems are distinct and separate, while in the latter they are different but interdependent (Basu et al., 1999; Forgarty and Rogers, 2005).

Scapens, 2005). Several studies have also demonstrated that institutional pressures (coercive, mimetic and normative) contribute to the development and/or adoption of new accounting practices in organizations (Seal, 1999; Lawton et al., 2000; Carpenter and Feroz, 2001; Eden et al., 2001; Carmona and Macias, 2001; Hussain and Hoque, 2002).

Generally, the extant institutional theory literature proposes that accounting practices influence and are influenced by economic, political, regulatory and social environments, both within the organizations in which they are practised and in the wider external environment.

However, institutional theory based accounting research has not adequately addressed institutionalisation processes (Dillard et al., 2004). This is also one of the main limitations of the institutional theory literature in general (Scott, 2001; Philips et al., 2004). Accounting researchers have recently started to focus on the institutionalisation processes (Burns and Scapens, 2000; Seal, 2003; Dillard et al., 2004; Modell, 2005; Burns and Baldvinsdottir, 2005). These studies are referred to in section 10.4.

#### **10.4 Accounting and the institutionalisation of accountability and governance**

This section combines insights from both the emergent substantive grounded theory and NIS to propose a more formal grounded theory. The section introduces concepts of institutions and institutionalization before describing the notion of the institutionalisation of accountability and governance, which is derived from institutional theory. The link between the concept of role and NIS is also discussed.

North (1990) defines institutions as “*human devised constraints that shape human interactions*” (p. 3). North categorizes institutions into formal and informal. Formal institutions comprise laws and rules, which are designed to structure human interaction. Informal institutions include unwritten norms, traditions, codes of conduct and values that shape human behaviours and actions. North (1990) suggests further that some institutions are deliberately created, while others evolve automatically in the course of human interaction.

Scott (2001) provides a comprehensive definition of institutions as ‘social structures which comprise regulative, normative and cognitive elements, that control and constrain human behaviours and provide stability and meaning to social life’ (p. 48). In accordance with Scott (2001), institutions may operate at different levels of international or interpersonal interaction. He identifies regulative, normative and cognitive structures as the three ‘pillars of institutions’. Regulative structures include regulatory processes, such as the establishment of rules intended to influence and structure interactions. Normative structures refer to societal values and norms that influence individuals and organizational behaviours. Cognitive structures refer to shared meanings that arise in the course of interactions between individuals which shape their behaviours and actions.

Generally, scholars within the NIS describe institutions as patterns of social behaviours and actions continuously created through self-regulating mechanisms (Philips et al., 2004). Institutions shape the way of thought and action of a group of people (Burns and Scapens, 2000). They control human conduct by setting up predefined patterns of conduct and generally manifest themselves in actions and behaviours of considerable numbers of people (Scott, 2001). When certain behaviours, actions, or routines in an organization such as a specific budgeting system, become the unquestionable way to perform, they are said to become institutionalised (Burns and Scapens, 2000).

Institutionalisation is generally described as a social process, through which social structures such as rules, routines, and norms, are established as taken for granted ways of thinking and acting (Meyer and Rowan, 1977; Scott, 2001). Institutional theorists view institutionalisation as a variable property, in the sense that the degree to which behaviours, actions, and practices are institutionalised might vary from low to high (Zucker, 1977; Mayer and Rowan, 1977; Scott, 2001; Phillips et al., 2004). According to Zucker (1977), for instance, highly institutionalised acts acquire ‘taken-for-granted status’:

*“For highly institutionalised acts, it is sufficient for one person simply to tell another that this is how things are done. Each individual is motivated to comply because otherwise his actions and those of others in the system cannot be understood.”* (p. 726).

NIS suggests that institutionalisation occurs in the course of human interaction (Meyer and Rowan, 1977). Thus the study of institutionalisation requires investigation of how patterns of social interactions develop into social structures that constrain or enable action (Philips et al., 2004; Dillard et al., 2004). Grounded theory methodology incorporates techniques that are appropriate for the study of institutionalisation processes. This is because the methodology focuses on the understanding of the basic social processes that create a specific social phenomenon (Glaser and Strauss, 1967; Charmaz, 2006). Glaser and Strauss (1967) emphasized that:

*“Although this method can also be used to generate static theories, it especially facilitates the generation of theories of process, sequence, and change pertaining to organizations, positions, and social interaction”* (p. 114).

The emergent substantive grounded theory is about the factors and social processes through which the prevailing perceptions of roles as regards accountability and governance amongst the groups of local government participants evolve and the manner in which they affected and were affected by accounting.

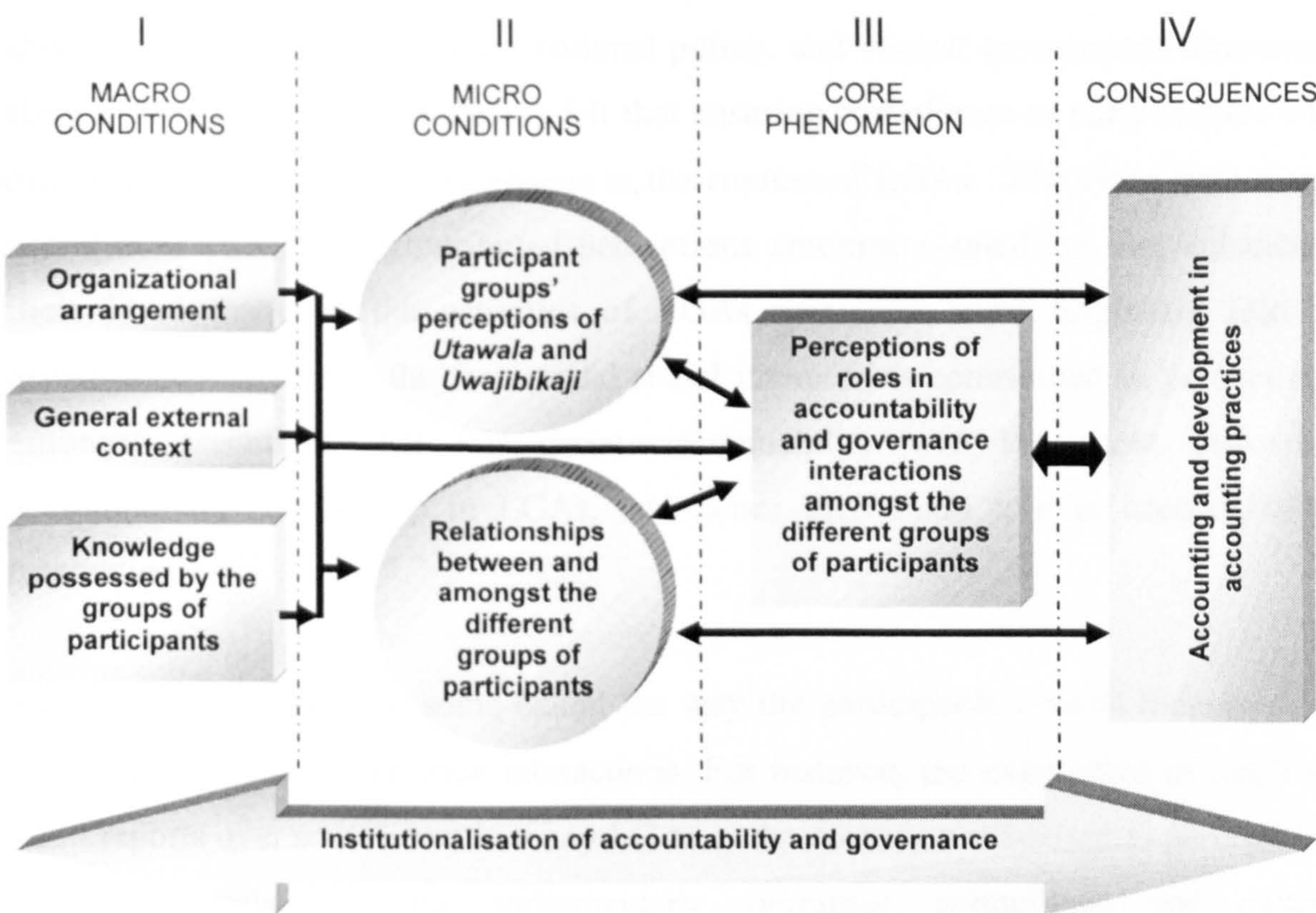
The concept of role participants, which is the core phenomenon of this grounded theory study, is central to the institutional theory analysis (Goodin, 1996; Berger and Luckmann, 1967). The concept is mostly described as the set of prescriptions defining what the behaviour and actions of an individual or a group should be in a given social position (Biddle and Thomas, 1966). The analysis of roles is of particular importance to the understanding of institutionalisation processes because roles are one of the ways through which institutions are represented (Berger and Luckmann, 1967). This representation occurs at two levels, namely, the conceptions or perceptions of roles and the performance of the roles. The perceptions of roles involve the actors' subjective understandings of activities or functions that are part of the roles. The conceptions of roles amongst organizational actors tend to create persistent patterns of collective behaviours and actions, that is, institutions (Goodin, 1996; Edelenbos, 2005). The performance of the roles signifies the existence of institutions and also reveals their characteristics. Thus institutionalisation involves the development of patterns of conceptions of roles amongst participants in a social setting that restrain and enable their behaviours and actions. Berger and Luckmann (1967) emphasized the importance of the perceptions of roles in the institutionalisation processes as follows:

*“It can readily be seen that the construction of role typologies is a necessary correlate of the institutionalisation of conduct. Institutions are embodied in individual experience by means of roles...The question as to which roles become institutionalized is identical with the question as to which areas of conduct are affected by institutionalization, and may be answered the same way. All institutionalised conduct involves roles. Thus roles share in the controlling character of institutionalisation” (p. 75).*

The analysis of institutionalization processes may involve firstly, the identification of the patterns of conceptions of roles that comprise the institutions. The second stage is the examination of the degree of persistence of such conceptions and the extent to which they are embedded in behaviours and actions of the actors. Roles create institutions, but they also are shaped by institutions, which structure the perceptions of roles as well as the way the roles are played by actors (Searing, 1991).

The notion of the institutionalisation of accountability and governance is used in this context to refer to factors and social processes that resulted in prevailing views of roles associated with accountability and governance amongst the different groups of local government participants. The substantive grounded theory identifies factors and social processes that have resulted in patterns of understandings of the roles amongst the groups of local government participants, and the way in which these influence and are influenced by accounting. Figure 7 summarizes the factors and social processes. Alternatively, the substantive grounded theory is about the process of institutionalisation of accountability and governance and the way the process influences and is influenced by accounting, as indicated by the labelled arrow in Figure 7.

**Figure 7: Accounting and the institutionalization of accountability and governance**



The term process of institutionalisation of accountability and governance does not imply stages or phases, but rather refers to the ‘evolving sequence of interactions’ amongst participants and between participants and structures that resulted in prevailing views of roles in accountability and governance interactions amongst local government participants (Strauss and Corbin, 1998). The factors and social processes that resulted in perceptions of roles as regards accountability and governance amongst groups of participants include organizational arrangement, knowledge possessed by different groups of participants, general external environment, accounting, the nature of the relationships between groups of participants, and perceptions of *utawala* and *uwajibikaji*. The latter two factors were extremely important in shaping the way the participants perceived their roles, as well as the interrelationships between accounting, accountability and governance.

Organizational arrangement, knowledge possessed by groups of participants, and the general external environment resulted in perceptions of *utawala* and *uwajibikaji* amongst different groups of local government participants as well as the nature of the relationship between groups of participants. A combination of these factors and social

processes, for instance, resulted in pervasive views amongst executives, external auditors and members of the parliamentary committee, that governance was more about compliance to regulations, national policy, and central government directives. Hence these groups of participants felt that ensuring compliance to such matters was one of their main roles in governance in the context of LGAs. The same factors and social interactions also contributed perceptions amongst councillors that enhancing their involvement in the activities of LGAs was their most important role in governance. Similarly, the factors and social interactions contributed to perceptions amongst executives that managerial accountability was the most important accountability relationship in LGAs, and hence their main role in accountability interaction.

Accounting influenced to some extent the way the participants viewed their roles in accountability and governance interactions. For instance, the experience of negative audit reports over some years in many LGAs in the country contributed to perceptions amongst members of the parliamentary committee, councillors, and central government executives that ensuring financial discipline was one of the most important accountability roles in LGAs. Similarly, budgeting, which emerged as the most important accounting practice to accountability and governance, influenced the way the councillors viewed their roles in governance. The councillors felt that securing effective participation in the activities of LGAs was their main role in governance, partly due to the perceived limited ability to influence local budgeting. However, the way the groups of participants perceived their roles, as well as the nature of the relationships between groups of participants and perceptions of *utawala* and *uwajibikaji* constrained the usage of accounting in interactions. For instance, prevailing attitudes of distrust in local government executives and limited trust in external auditors amongst councillors and members of the parliamentary committee influenced the extent and manner in which external audit reports are used. Such factors also contributed to social pressure for change and hence development of accounting practices in LGAs. For example, during the sessions of the parliamentary committee in 2003, several LGAs with clean audit reports were required to resubmit their audited annual financial reports because they failed to provide detailed schedules of receipts and expenditures on funds provided by external donors and non-governmental organizations. The members of the committee stated that such detailed

information was necessary in order to safeguard the interests of groups of participants not involved directly in the activities of LGAs. They felt that this was one of their main roles in governance in the context of LGAs.

The factors and social processes that contribute to the institutionalisation of accountability and governance as suggested by substantive grounded theory are consistent with those identified in other accounting studies that have dealt with institutionalization in different contexts and organizations (Burns, 2000; Seal, 2003; Dillard et al., 2004; Modell, 2005; Burns and Baldvinsdottir, 2005). Burns (2000), Dillard et al. (2004) and Modell (2005) identified power relationships amongst organizational actors as well as individual or group interests as factors that contribute to institutionalisation, both at organizational and inter-organizational levels. Dillard et al. (2004) suggested that, to a great extent, institutionalisation is 'the ongoing product of efforts of actors both at societal and organizational levels to accomplish their interests' (p. 510). Other studies have also proposed that formal organizational structures, including organizational routines and the professional background of organizational actors, are important contributors to the institutionalisation processes (Burns and Scapens, 2000; Burns, 2000; Seal, 2003; Burns and Baldvinsdottir, 2005; Edelenbos, 2005). For example, Seal (2003) suggests that management structures and regulations contributed to the institutionalisation of an incremental budgeting approach in local councils in the UK. Burns (2000) demonstrated how the professional background of the employees in the product development department of a chemical company influenced the way they perceived their roles in the department. Institutional based accounting research has also suggested that prevailing organizational arrangement and external conditions may contribute to the institutionalisation of roles of organizational actors (Burns and Baldvinsdottir, 2005). Burns and Baldvinsdottir (2005), drawing from NIS, demonstrated that changes in organizational structures and unfavourable external business conditions transformed the roles of management accountants in a multinational company from routine financial management to a strategic and customer oriented approach.

Furthermore, Perri et al. (2002), drawing from NIS, suggested factors that are necessary in the process of institutionalisation of governance, which are in a way similar to those proposed by emergent substantive grounded theory. They argue that

the process of institutionalisation of governance requires six factors. The first is that it should fit with the socio-economic environment, especially in terms of legitimacy and the vested interests of actors. Secondly, institutionalisation exists when there is evidence that institutions shape participants' understandings and roles. Thirdly, institutionalisation requires groups of actors who have interests in specific institutions as well as power to perpetuate them. Fourthly, institutions must shape and manage the expectations of organizational participants. Fifthly, institutionalisation cannot be achieved without the support of appropriate organizational structures. Finally institutions cannot be sustained without some form of visible repeated behaviours and actions, which display their nature and purpose to existing and potential actors.

To summarize, drawing insights from both emergent substantive theory and NIS, it emerged that the phenomena of accounting, accountability and governance in the LGAs involve interaction between accounting and the institutionalisation of accountability and governance, as summarized in Figure 7. The emergent grounded theory implies that accounting contributes to some extent to the institutionalisation of accountability and governance in the LGAs. Accounting contributes to the way local government participants perceived their roles in accountability and governance interactions. Budgeting, which emerged as the most important accounting practice to accountability and governance, contributed to the institutionalisation of managerial accountability. The participants with substantial influence over the activities of LGAs employed budgeting as a mechanism for implementing their entrenched views of accountability and governance. On the other hand, the patterns of perceptions of the roles amongst groups of local government participants together with perceptions of *utawala* and *uwajibikaji*, and the nature of the relationships between groups of participants constrained the position and usage accounting in interactions. The emergent grounded theory also implies that, in certain situations, such factors also contribute to change in accounting practices. Members of the parliamentary committee, for example, demanded extra accounting and non-accounting details even from LGAs that had been issued with clean audit reports. This was due to, firstly, perceived limited trust in external auditors and poor trust in local government executives. Secondly, external audit information lacked performance evaluation, which was considered as an important role in governance amongst members of the committee. The LGAs had to provide detailed annual financial reports to meet the

demands of members of the committee. Thus pressure from members of the committee influenced both the size and content of the audited annual reports.

## 10.5 Summary

This chapter draws on insights from both substantive grounded theory and institutional theory to propose a more formal grounded theory for the phenomena of accounting, accountability and governance in the LGAs. The emergent formal grounded theory proposes that the phenomena involve interplay between accounting and the institutionalization of accountability and governance. The concept of the institutionalization of accountability and governance refers to factors and social processes that resulted in patterns of perceptions of roles as regards accountability and governance amongst groups of local government participants. The grounded theory suggests that accounting contributed to some extent to the established views of the roles. It also proposes that the perceptions of the roles coupled with perceptions of *utawala* and *uwajibikaji* and the nature of the relationships between groups of participants restrained the usage of accounting in interactions. In some cases, these factors also contributed to the development of accounting practices in the LGAs. The emergent grounded theory is consistent with the view that accounting “*is a social phenomenon that interacts with its various social and organizational contexts, both influencing and being influenced by such contexts*” (Guthrie and Parker, 1999, p. 304). The next chapter presents the conclusions and contributions of this research.

# Chapter 11

## CONCLUSIONS AND CONTRIBUTIONS

### 11.1 Introduction

This chapter summarizes the contributions of this research. It also provides suggestions for future research on the phenomena studied. Section 11.2 provides a summary of the research. Reflections on the application of grounded theory analysis are outlined in section 11.3. Section 11.4 presents the key contributions. The last section outlines the implications for future research.

### 11.2 Summary of the research

This thesis has explored the role of accounting in accountability and governance in LGAs in Tanzania. The research aimed at the construction of a theory from data relevant to the phenomena. It adopted the interpretive research methodology and employed Strauss and Corbin's (1990, 1998) grounded theory procedures in the collection and analysis of data.

The thesis suggests a substantive theory and a more formal grounded theory on the phenomena (Glaser and Strauss, 1967). The substantive grounded theory proposes that the phenomena involve interaction between accounting and the participants' perceptions of roles in accountability and governance interactions. However, perceptions of *utawala and uwajibikaji* held by the participants and the nature of the relationships between groups of participants were also crucial to the interplay. These together with the perceptions of the roles, constrained the usage of accounting in the interactions, and, in some cases, resulted in the improvement of accounting practices in the LGAs.

A more formal grounded theory was developed from theoretical insights drawn from both emergent substantive theory and NIS. This proposes that the phenomena involve interplay between accounting and the institutionalization of accountability and governance. The concept of institutionalisation of accountability and governance

refers to the factors and social processes through which the local government participants make sense of the roles associated with accountability and governance. The grounded theory suggests that established patterns of views of the roles amongst groups of participants influences the way and extent to which accounting contributes towards accountability and governance processes.

### **11.3 Reflections on the application of grounded theory method**

Grounded theory offers the prospect of development of pre-existing theories as well as the possibility of proposing new theories through rigorous study, in this case of accounting in different social and organizational contexts (Parker and Roffey, 1997). The thesis demonstrates the construction of a substantive grounded theory through the application of Strauss and Corbin's techniques. This is synthesized with NIS to propose a more formal grounded theory.

Some authors have suggested that Strauss and Corbin's (1990; 1998) grounded theory procedures are too prescriptive and hence risk diverting the attention of researchers from the data (Charmaz, 2000; Glaser, 2002). However, when the techniques are employed flexibly, they are more likely to result in a theory that is well grounded in the data (Strauss and Corbin, 1998). The procedures can be adapted to suit the nature of the data, provided that the fundamental features are followed to ensure that a theory emerges from the data. For instance, the study adapted the paradigm model, an analytical tool suggested by Strauss and Corbin (1990; 1998) for integrating the main categories, to generate an emergent substantive theory. They proposed that the coding paradigm features include causal conditions, the core phenomenon, contextual conditions, intervening conditions, actions/interactions, and consequences. However, in this research the final empirical results are presented in terms of firstly the core phenomenon, secondly the causal conditions, which are categorized as micro and macro conditions, and thirdly the consequences of interaction between the core phenomenon and the micro conditions.

Grounded theorists should aim to move beyond substantive studies and seek to extend pre-existing theories or generate new formal theories. One of the appropriate approaches to achieving such a goal is through systematic comparison of emergent

substantive theories with pre-existing theories employed in the prior literature on the substantive area as well or beyond (Glaser and Strauss, 1967; Parker and Roffey, 1997). This does not imply that substantive theories are not valuable, because such theories, if systematically constructed, provide the basis for the future development of a general formal theory. The main challenge to grounded theorists is therefore how to move from substantive theories to a general formal theory.

#### **11.4.0 Contributions of the research**

This research makes several theoretical and practical contributions as follows.

##### **11.4.1 Extension of grounded theory research to an unexplored social setting**

The research has extended interpretive grounded theory research on the phenomena of accounting, accountability and governance to a social, economic, regulatory and cultural setting where such research is lacking (Broadbent, 1999). The thesis provides additional evidence on various phenomena observed in other empirical accounting studies in developed countries. These include, firstly, the importance of budgeting to accountability and governance (Goddard, 2004, 2005). Budgeting has emerged as the most important accounting practice to accountability and governance in the context of LGAs.

Secondly, the findings indicate that annual financial reports contribute marginally to accountability and governance. Steccolini (2004) also observed that annual financial reports provided an ineffective accountability mechanism in Italian local government.

Thirdly, the research demonstrates the importance of trust and mutual influences with accounting (Tomkins, 2001; Goddard, 2004). Poor trust among local government stakeholders in local government executives and limited trust in external auditors affected the usage of external audit information in accountability and governance processes. Trust also contributed to social pressure for change in accounting practice in the LGAs. For instance, partly due to perceived limited trust in external auditors, the members of the parliamentary committee demanded extra accounting and non-accounting details even from LGAs issued with clean audit reports. The demand for

more information compelled LGAs to prepare detailed annual financial reports to meet the requirements of members of the committee.

Fourthly, the research has demonstrated the influence of culture on the usage of accounting information in organizations (Berry et al., 1985; Dent, 1991; Abdul-Rahman and Goddard, 1998). The culture of distrust in local government executives and internal auditors amongst councillors has affected the usage of accounting information by councillors. Similarly, strong beliefs amongst local government executives and councillors that the general public lacks interest in the financial reports of LGAs contributed to poor efforts to communicate the reports to members of the public.

Finally, the thesis contributes to theorizing on the phenomena of accounting, accountability and governance in local government entities through grounded theory. The emergent grounded theory extends Goddard's (2004, 2005) theorising on the relationship between accounting, accountability and governance. He proposes that accountability perceptions coupled with trust and power are at the core of the interaction between accounting, accountability and governance, in particular budgetary practices. In addition to the factors pointed by Goddard (2004, 2005), this research suggests that the perceptions of roles associated with accountability and governance is an important dimension of the phenomena.

#### **11.4.2 The New Institutional Theory of Sociology (NIS)**

Despite the fact that institutional theory embraces a conception of institutions as both entities and as processes, theorisation in respect of the latter aspect is scant (Scott, 2001; Philips et al., 2004). In addition, empirical NIS research has focused more on the macro-level processes involved in institutionalization, rather than how both individual organizations as well as organizational actors contribute in shaping institutions (Modell, 2005; Burns and Baldvinsdottir, 2005). This research contributes to both gaps by proposing grounded theory on the relationships between accounting and the institutionalisation of accountability and governance. The grounded theory is about the process of institutionalisation of accountability and governance and the way this influences and is influenced by accounting. It identifies

factors and social processes that result in the pattern of views of roles in accountability and governance interactions amongst participants and how these influence and are influenced by accounting. The grounded theory suggests that the interplay between accounting and the institutionalisation of accountability and governance is mainly shaped by the participants' perceptions of the roles together with perceptions of *utawala* and *uwajibikaji* and the nature of the relationship between groups of participants. The other factors that influenced the interrelationships are organizational arrangement, knowledge possessed by the different groups of participants, and the general external environment.

The emergent grounded theory implies that accounting practices can evolve from interaction between participants in organisations, and not just from external institutional forces, as documented in other accounting studies informed by institutional theory (Seal, 1999; Lawton et al., 2000; Carpenter and Feroz, 2001; Eden et al., 2001). For example, in both LGAs, the councillors had decided to conduct periodical physical inspections of the major projects carried out by the entities, partly as a way of dealing with perceived weaknesses in both internal and external audits.

The factors that influence the institutionalisation of accountability and governance, as proposed by the emergent grounded theory, are consistent with those identified by other accounting studies that have explored institutionalisation processes in different organizations (Burns, 2000; Seal, 2003; Dillard et al., 2004; Modell, 2005; Burns and Baldvinsdottir, 2005). Thus the emergent grounded theory contributes to the literature on relationships between accounting and institutionalisation processes, in particular, with respect to accountability and governance. Some institutional theorists have proposed that moving from theorising on institutions to underlying social processes that lead to institutionalisation provides an important avenue for refinement of institutional theory (Basu et al., 1999; Dillard et al., 2004; Modell, 2005).

### **11.4.3 Reconceptualization of governance**

The research proposes an alternative way of conceptualizing and examining governance in the public sector. This may also be relevant in the private sector. The literature on governance in the public sector has emphasized several dimensions, particularly conformance, performance, market-based governance and the management of relationships among different groups of participants. The conformance dimension of governance emphasizes observance of certain proposed structures, elements, and processes of 'good governance' (Hodges et al., 1996; Edwards, 2002). The performance dimension of governance emphasizes efficiency and effectiveness in delivery of public services (Hodges et al., 1996; Ryan and Chew, 2000; Edwards, 2002; Goddard, 2005). Market-based governance emphasizes transfer of traditional government functions to private sector entities and the introduction of market-based management approaches and mechanisms of accountability into the public sector. Some authors suggest that governance in the public sector is now becoming a matter of managing relationships between different groups of public sector stakeholders (Stoker, 2000; Feldman and Khademian, 2002; Edwards, 2002; Perri et al., 2002). Edwards (2002) argues that corporate governance in both the private and public sectors is in a state of transition. He argues further that the increased involvement of private sector entities and other players in the public sector domain calls for an 'integrated approach to governance or participatory governance' (p.56). Similarly, Stoker (2000) suggests that the key concern for public sector governance is the 'processes of networking and partnership' (p. 3).

Both the conformance and performance dimensions of governance emerge as important to participants in the research. The councillors and members of parliamentary committee were more concerned with performance in public service delivery, while executives and external auditors were more biased towards compliance to regulations, national policy and central government directives. The members of the parliamentary committee were also concerned with issues of conformance. The main concern about governance amongst councillors was the perceived level of involvement in the activities of LGAs. They were particularly concerned with their ability as a group of stakeholders to have an influence. Thus, the extent of participation of different groups of stakeholders in the activities of local

government, particularly the ability of each group to have an influence, emerged as a crucial dimension of governance. This has also been identified in recent literature as an essential element of public sector governance (Feldman and Khademian, 2002; Hodges et al., 2004b).

This research has demonstrated that governance structures create dynamic and complex roles and relationships between different groups of participants, which are sometimes beyond those implied by the structures. For example, it emerged that the roles played by both councillors and local government executives in accountability and governance interactions were beyond those implied by organizational arrangement. In both LGAs, for example, the top governing body, the council, was actually dominated and manipulated by executives rather than councillors, as implied by the governance structures.

Several researchers, acknowledging the complex nature of the phenomenon of governance, have recently called for an alternative way of thinking and studying governance to expand knowledge (Feldman and Khademian, 2002; Letza et al. 2004). Letza et al. (2004) assert that the agency theory of governance, which is grounded in economic arguments, has failed to provide adequate explanations of the phenomenon. *“ The economic rationale employed in the governance debate ignores the basic fact that corporate governance is a social process, which cannot be isolated from social and other non-economic conditions and factors such as power, legislation, social relationships and institutional context”* (Letza et al., 2004, p. 256).

In a way the findings of this research challenge the relevance of the agency theory of governance, at least in context of both LGAs. The research proposes that investigation of the underlying social processes created by governance structures is a potentially valuable way of conceptualizing and theorizing governance in public as well as in private sector contexts.

#### **11.4.4 Practical contributions**

The findings of this research have several policy implications for accountability and governance as well as accounting in the context of LGAs. These are, firstly, the current reforms programme in LGAs in the country aimed at improving accountability

and governance, should address institutional structures as well as the pervasive way of thinking about and practising accountability and governance. Changes in institutional structures are important in transforming the nature of accountability and governance processes in the LGAs. However, efforts aimed at changing mindset are also imperative. In accordance with the administrative structures at LGA level, for example, local government executives are accountable to councillors. However, to a great extent, this seemed not to be the case in practice at both LGAs. This phenomenon is due to barriers in institutional structures as well as the prevailing way of thinking and practising accountability amongst local government executives and councillors.

Secondly, the knowledge gap between executives and councillors influenced significantly accountability and governance as well as the manner in which accounting contributed to interactions. For instance, poor education and lack of professionals amongst councillors affected their ability to discharge effectively their roles. The fact that their counterparts, executives, held to some extent different interests as far as accountability and governance were concerned further complicated the problem. Thus there is a need for deliberate measures to improve working relationship between councillors and executives. Such measures may include the provision of basic training to councillors on their functions and position in LGAs. For instance, some local government executives and councillors in both LGAs observed that training provided to councillors as part of the local government reforms programme had been useful to some extent in that context.

Thirdly, strong group interests and groups' perceptions of *utawala* and *uwajibikaji* appeared to have a significant influence on accountability and governance as well as the way accounting is implicated in interactions. This may imply that the involvement of different stakeholders in designing accountability, governance and accounting systems might contribute towards harmonising group interests and perceptions of accountability and governance. This may contribute towards improving the practice of accountability and governance, as well as the position of accounting. Prior accounting research on accountability in the public sector lends support to such a view (Goddard and Powell, 1994).

Finally, budgeting emerged as the most useful accounting practice to accountability and governance in both LGAs. In order to enhance accountability and governance, stakeholders and policymakers have to focus more on improvements to budgetary systems and practice (Goddard, 2005). External audit also emerged as important to some groups, particularly members of the parliamentary committee and central government executives. Central government executives did not question the quality of the reports as they mainly served a regulatory purpose. However, councillors and members of the parliamentary committee felt that external audit reports did not address some important issues such as performance. The views of members of the parliamentary committee and councillors were that the effectiveness of external audit could be improved through the inclusion of performance evaluation, timely external audit reports, and the imposition of sanctions against local government executives for any financial irregularities. Furthermore, enhancement of the councillors' understanding of external audit reports can improve the contribution of such an accounting practice to accountability and governance processes. For instance, councillors in the district council were not fully aware of the reasons for the adverse audit opinion issued for three consecutive years, 2000 to 2002 inclusive.

### **11.5 Implications for future research**

The emergent grounded theory has several implications for future research on accounting, accountability and governance in local government as well as in other public and private sector entities. Firstly, the emergent grounded theory explains the phenomena of accounting, accountability and governance in the case studies. Hence the extent to which the theory can be generalized to public sector entities and to other organizations is limited. However, the emergent grounded theory has identified a set of conditions under which theoretical explanations about the phenomena are applicable. These are likely to exist in other organizations. In this sense, the grounded theory can be generalized to other organizations (Strauss and Corbin, 1998). The hypothesized relationships can be tested in similar organizations and beyond. This is likely to provide an opportunity for the refinement and development of a general theory on the phenomena (Strauss and Corbin, 1998).

Secondly, the research suggests that focusing investigation on the underlying social processes created by governance structures is likely to generate additional insights and theoretical explanations that may improve theorisation on governance. The emergent grounded theory proposes that theorisation has to incorporate the fact that governance is essentially a complex social process influenced by factors beyond the economical, organizational and regulatory ones (Letza et al. 2004).

Thirdly, the findings of this research may provide theoretical insights for the study of accounting, accountability and governance in local government in general. However, Bourmistrov and Mellemvik (2002) suggest that differences in political and administrative regimes influence interaction between accounting and governance in local government. Hence comparative contextual studies incorporating different political and administrative systems are essential.

Finally, the research has pointed out important questions about accountability and governance in public sector entities and beyond. These are how and to what extent a group of participants who are largely unprofessional are capable of monitoring and controlling the work of professionals.

# Appendices

## Appendix I: List of interviewees

### 1. The parliamentary committee

| Position                     | Number of interviews |
|------------------------------|----------------------|
| Secretary of the committee   | 1                    |
| Chairperson of the committee | 1                    |
| Members (8)                  | 8                    |
| Total                        | 10                   |

### 2. The National Audit Office

| Position                        | Number of interviews |
|---------------------------------|----------------------|
| Senior Auditor-Local Government | 1                    |
| Principal Zonal Auditor*        | 1                    |
| Regional Auditors (2)*          | 2                    |
| Auditor                         | 1                    |
| Total                           | 5                    |

\*Both the case studies fall within the same National Audit Office Zone. The Regional Auditors are in charge of audit of LGAs in the region. The field study involved two different regions.

**3. Central government executives**

| Organization                                               | Position                               | Number of interviews |
|------------------------------------------------------------|----------------------------------------|----------------------|
| Ministry X *                                               | Accountant                             | 1                    |
|                                                            | Parliamentary committee representative | 1                    |
| Ministry Y*                                                | Director of Planning and Policy        | 1                    |
|                                                            | Acting Director – LGAs                 | 1                    |
|                                                            | Parliamentary committee representative | 1                    |
| Ministry Z*                                                | Director- Education                    | 1                    |
|                                                            | Deputy Director of Planning and Policy | 1                    |
| Local Government Services Commission                       | Secretary of the Commission            | 1                    |
|                                                            | Personnel and Administrative Officer   | 1                    |
|                                                            | Parliamentary committee representative | 1                    |
| Regional Secretariat-responsible for the municipal council | Regional Local Government Officer      | 1                    |
| Regional Secretariat-responsible for the district council  | Regional Administrative Secretary      | 1                    |
|                                                            | Regional Local Government Officer      | 1                    |
| Total                                                      |                                        | 13                   |

\* Names of the ministries are withheld for the sake of confidentiality.

**4. District council**

| <b>Position</b>                               | <b>Number of interviews</b> |
|-----------------------------------------------|-----------------------------|
| District Executive Director                   | 1                           |
| District Treasurer                            | 2                           |
| District Planning Officer                     | 2                           |
| District Administration and Personnel Officer | 1                           |
| District Water Engineer                       | 1                           |
| District Education Officer                    | 1                           |
| District Health Officer                       | 1                           |
| District Internal Auditor                     | 2                           |
| Committee Clerk                               | 1                           |
| District Community Development Officer        | 1                           |
| District Trade Officer                        | 1                           |
| District Engineer                             | 1                           |
| Council Chairperson                           | 1                           |
| Councillors (14)*                             | 14                          |
| Wards Executive Officers (2 wards)            | 2                           |
| Village Executive Officers (2 villages)       | 2                           |
| <b>Total</b>                                  | <b>33</b>                   |

\* The district council had a total of 22 councillors.

**5. Municipal council**

| <b>Position</b>                                | <b>Number of interviews</b> |
|------------------------------------------------|-----------------------------|
| Municipal Executive Director                   | 1                           |
| Municipal Personnel and Administrative Officer | 1                           |
| Municipal Economic Planning Officer            | 1                           |
| Municipal Planning and Coordination Officer    | 1                           |
| Municipal Treasurer                            | 2                           |
| Municipal Internal Auditor                     | 2                           |
| Municipal Trade Officer                        | 1                           |
| Municipal Health Officer                       | 1                           |
| Municipal Educational Officer                  | 1                           |
| Committees Clerk                               | 1                           |
| Municipal Engineer                             | 1                           |
| Mayor                                          | 1                           |
| Councillors (17)*                              | 17                          |
| Ward Executive Officers-2 wards                | 2                           |
| Village Executive Officer                      | 1                           |
| Neighbourhood Chairpersons- 2                  | 2                           |
| <b>Total</b>                                   | <b>36</b>                   |

\* The municipal council had a total of 33 councillors.

**Appendix II: List of documents used**

**1. Documents obtained at the parliamentary committee**

| Type of documents                                                                     | Period                              |
|---------------------------------------------------------------------------------------|-------------------------------------|
| Detailed audited annual reports of 32 councils                                        | For the year ended 31 December 2001 |
| Briefing notes by the National Audit Office to members of the parliamentary committee | October 2003                        |
| Reports of the parliamentary committee to parliament                                  | 2002 and 2003                       |
| Circular on the items to be included in the audited annual reports of the LGAs        | 2003                                |

**2. Documents obtained from the National Audit Office**

| Type of document                                                                                     | Period    |
|------------------------------------------------------------------------------------------------------|-----------|
| Reports of the Controller and Auditor General on Local Authority Accounts of all LGAs in the country | 1999-2003 |

### 3. Documents obtained from the LGAs and central government organs

| Type of document                                                                                          | Period                    | Source                                                                 |
|-----------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------|
| Minutes of Council Meetings                                                                               | 2002- 2004*               | Council Office                                                         |
| Minutes of Finance and Administration Committee                                                           | 2002- 2004*               | Council Office                                                         |
| Minutes of City Planning and Environment Committee                                                        | 2002-2004*                | Council Office                                                         |
| Minutes of Social Services Committee                                                                      | 2002- 2004*               | Council Offices                                                        |
| Audited Financial Statements                                                                              | 2000-2003                 | Council Office                                                         |
| Audit Reports                                                                                             | 2000-2003                 | Council Office                                                         |
| Organization Structure                                                                                    | -                         | Council Office                                                         |
| Annual plans and budgets                                                                                  | 2000-2003                 | Council Office                                                         |
| Medium term plan and budget framework                                                                     | 2003/4-2005/6             | Council Office                                                         |
| Five Year Plan                                                                                            | 2000-2005                 | Council Office                                                         |
| Plan for implementation of local government reform                                                        | 2000                      | Council Office                                                         |
| Local Government Financial Memorandum                                                                     | 1997                      | Council Office                                                         |
| Regulations for council meetings and operations                                                           | 2002                      | Council Office                                                         |
| Budget Preparation Guidelines for the local governments                                                   | 2003                      | President's Office-<br>Regional Administration<br>and Local Government |
| Guidelines for Preparation of Reports for submission to the Local Authorities Accounts Committee          | 2002                      | President's Office-<br>Regional Administration<br>and Local Government |
| Reports submitted to the Local Authorities Accounts Committee                                             | 2001-2002                 | Council Office                                                         |
| Election Manifesto of the ruling political party                                                          | 2000-2005                 | Council Office                                                         |
| Report on implementation of plans                                                                         | 2002-2003                 | Council Office                                                         |
| Local Government Service Regulations                                                                      | 2000                      | Local Government<br>Services Commission                                |
| Public Expenditure Supply Votes (Regional)- Details of urban and district councils grants and subventions | July 2002 to<br>June 2003 | Ministry of Finance                                                    |
| Local Government Laws                                                                                     | 2000                      | President's Office-<br>Regional Administration<br>and Local Government |
| Local Government Reform Agenda 1996-2000                                                                  |                           | Local Government Reform<br>Agenda 1996-2000                            |

\*Access was provided to all minutes of council and committee meetings but permission was granted to take a few copies of the minutes.

### Appendix III: List of open categories and the related open concepts

The following table shows the key open concepts that were subsumed to form the related open categories. Given the iterative nature of grounded theory analysis some of the open categories were the outcome of open concepts beyond the key ones. Some open concepts are also applicable to more than one category.

| Open category                                                             | Open concepts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Meanings associated with governance by the individual participants</b> | <ul style="list-style-type: none"> <li>• Participants' perceptions of current administrative structure of local government</li> <li>• Perceived expectations of current structures</li> <li>• Ability of participants to influence activities</li> <li>• Current and expected practices</li> <li>• Group interests</li> <li>• Roles of different groups of participants</li> <li>• Regulations and policies</li> <li>• Local government reforms programme</li> </ul>                                                                                                                                                                                                                             |
| <b>Involvement of different groups of participants</b>                    | <ul style="list-style-type: none"> <li>• Several groups of participants</li> <li>• Local government activities</li> <li>• Achievement of group interests</li> <li>• Struggle between councillors and executives</li> <li>• Influence of group interests</li> <li>• Perceived level of participation</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Roles of different groups of participants</b>                          | <ul style="list-style-type: none"> <li>• Prescribed roles of participants</li> <li>• Perceptions of roles in governance</li> <li>• Real roles played by participants</li> <li>• Perceived clarity of roles</li> <li>• Relationship between roles of participants and authority</li> <li>• Ability of participants to perform their roles</li> <li>• Compliance to regulations, policies and central government directives</li> <li>• Perceived level of participation</li> <li>• Ability of participants to influence activities</li> <li>• Perceived importance of public services delivery</li> <li>• Effective participation</li> <li>• Protecting interests of other participants</li> </ul> |

| Open category                                                      | Open concepts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Regulations and policies</b>                                    | <ul style="list-style-type: none"> <li>• Rules</li> <li>• Policies</li> <li>• Laws</li> <li>• System of setting regulations and policies</li> <li>• Central government guidelines and directives</li> <li>• Professional requirements</li> <li>• Impact of regulations on influence of participants</li> <li>• Concerns over regulations and policies</li> <li>• Dominance of central government</li> </ul>                                                                                                                        |
| <b>The participants' attitudes towards governance</b>              | <ul style="list-style-type: none"> <li>• Beliefs about influence of group of participants</li> <li>• Ability of participants to influence activities</li> <li>• Past experiences of participants</li> <li>• Beliefs about role of the general public</li> <li>• Changes in attitudes</li> </ul>                                                                                                                                                                                                                                    |
| <b>Meanings associated with accountability by the participants</b> | <ul style="list-style-type: none"> <li>• Wajibu-specified and unspecified responsibilities</li> <li>• Kuwajibika- discharging responsibilities</li> <li>• Perceptions of wajibu</li> <li>• Personal and official responsibilities</li> <li>• Uwajibikaji-demonstrating discharge of responsibilities</li> <li>• Financial discipline/accountability</li> <li>• Conflicting responsibilities</li> <li>• Parties involved in accountability relationships</li> <li>• Perceived importance of accountability relationships</li> </ul> |
| <b>Typologies of accountability relationships</b>                  | <ul style="list-style-type: none"> <li>• Subordinate –superior accountability</li> <li>• Executive-councillor accountability</li> <li>• Professional accountability</li> <li>• Public accountability</li> <li>• Political accountability</li> <li>• Administrative accountability</li> <li>• Perceived importance of different types of accountability relationships</li> <li>• Perceptions of roles in accountability relationships</li> <li>• Formal and informal reporting</li> </ul>                                           |

| Open category                                                    | Open concepts                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Attitudes towards accountability</b>                          | <ul style="list-style-type: none"> <li>• Sensitive accountees</li> <li>• Need to keep government secrets</li> <li>• Sense of public accountability amongst executives</li> <li>• Sense of accountability to councillors amongst executives</li> <li>• Perceptions of information needs of the general public</li> </ul>                                                                 |
| <b>Information flow between different groups of participants</b> | <ul style="list-style-type: none"> <li>• Factors perceived to influence information flow</li> <li>• Timing of information flow</li> <li>• Concerns over the reliability of information</li> <li>• Measures to examine the reliability of accounting information</li> </ul>                                                                                                              |
| <b>Trust and information flow between the participants</b>       | <ul style="list-style-type: none"> <li>• Having faith in each other</li> <li>• Relationship between trust and information flow</li> <li>• Perceived importance of trust</li> <li>• Factors perceived to influence trust relations</li> <li>• Trust culture</li> <li>• Knowledge gap between participants</li> <li>• Trust and accounting</li> <li>• Perceived level of trust</li> </ul> |
| <b>Trust relationships</b>                                       | <ul style="list-style-type: none"> <li>• Types and state trust relations between participants</li> <li>• Perceived level of trust</li> <li>• Consequences of trust relationships</li> </ul>                                                                                                                                                                                             |
| <b>Trust culture</b>                                             | <ul style="list-style-type: none"> <li>• Corruption</li> <li>• Political interests</li> <li>• Motives of councillors</li> <li>• Public fund mismanagement</li> <li>• Perceived poor trust in executives by other participants</li> <li>• Impact of trust culture</li> <li>• Tensions and conflicts between participants</li> </ul>                                                      |

| Open category                        | Open concepts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The importance of knowledge</b>   | <ul style="list-style-type: none"> <li>• Professional and non-technical knowledge</li> <li>• Level of formal education</li> <li>• Work experience</li> <li>• Perceptions of roles in accountability and governance interactions</li> <li>• Impact of knowledge on influence of participants</li> <li>• Knowledge gap between councillors and executives</li> <li>• Improper use of professionalism</li> <li>• Poor knowledge of accounting</li> <li>• Comparison of accounting and non-accounting information</li> </ul>           |
| <b>The political context</b>         | <ul style="list-style-type: none"> <li>• Influence of political party over councillors</li> <li>• Election manifestoes</li> <li>• Common stand strategy of the party</li> <li>• Influence of informal council meetings</li> <li>• Tensions between councillors and executives</li> <li>• Compromising with councillors</li> <li>• Negotiations amongst participants</li> <li>• Flexibility in planning</li> <li>• Undue pressures from politicians</li> <li>• Strategies adopted to deal with undue political pressures</li> </ul> |
| <b>Position of internal auditing</b> | <ul style="list-style-type: none"> <li>• Perceptions on position of internal auditors</li> <li>• Strength of internal audit</li> <li>• Physical inspection/audit by councillors</li> <li>• Scope of internal audit</li> <li>• Perceived level of trust in internal auditors</li> <li>• Usage of internal audit information by participants</li> </ul>                                                                                                                                                                              |

| Open category                                                          | Open concepts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>External audit and social interactions between the participants</b> | <ul style="list-style-type: none"> <li>• Perceptions on importance of external audit</li> <li>• Scope of external audit</li> <li>• Perceived level of trust in external auditors</li> <li>• Power of external auditors</li> <li>• Participants' responses to external audit information</li> <li>• Extent of usage of external audit information</li> <li>• Impact of delays in audit reports</li> <li>• Contextual factors influencing usage of external audit information</li> <li>• Power of the parliamentary committee</li> <li>• Auditors' reliance on the parliamentary committee</li> <li>• Importance of performance audit</li> <li>• Social pressures on external audit</li> <li>• Impact of external audit on trust relations</li> </ul> |
| <b>Influence relationships between the groups of participants</b>      | <ul style="list-style-type: none"> <li>• Influence of the different groups of participants</li> <li>• Ability of participants to influence accounting practices</li> <li>• Factors perceived to affect the influence of participants</li> <li>• Impact of influence relationships</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Impact of organizational groups</b>                                 | <ul style="list-style-type: none"> <li>• Formal and informal groups</li> <li>• Sources of organizational groups</li> <li>• Common interests</li> <li>• Impact of organizational groups</li> <li>• Understanding and non-understanding councillors</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Influence of organizational conflicts</b>                           | <ul style="list-style-type: none"> <li>• Sources of conflicts</li> <li>• Parties involved in conflicts</li> <li>• Councillors being close to executives</li> <li>• Lobbying</li> <li>• Common stand amongst executives</li> <li>• Impact of committee structure</li> <li>• Informal alliances between participants</li> <li>• Intensity of conflicts</li> <li>• Power struggle amongst councillors</li> <li>• Impact of organizational conflicts</li> </ul>                                                                                                                                                                                                                                                                                         |

| Open category                                                          | Open concepts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Administrative structures</b>                                       | <ul style="list-style-type: none"> <li>• Participants' perceptions of administrative structures</li> <li>• Participants' motivation to fulfil responsibilities</li> <li>• Influence over staffing matters</li> <li>• Ability to control behaviour of participants</li> </ul>                                                                                                                                                                                                                                                                                  |
| <b>Budgeting and its implication for accountability and governance</b> | <ul style="list-style-type: none"> <li>• Budgeting process/stages</li> <li>• Participants involved in budgeting</li> <li>• Ability of participants to influence budget decisions</li> <li>• Perceived importance of budgeting</li> <li>• Participatory planning approach</li> <li>• Top-bottom planning approach</li> <li>• Extent of usage of budgeting by participants</li> <li>• Budget as a mirror</li> <li>• Impact of budgeting on trust relations</li> <li>• Budgeting and performance evaluation</li> <li>• Budgeting as control mechanism</li> </ul> |
| <b>Transformation to a bottom-up participatory planning approach</b>   | <ul style="list-style-type: none"> <li>• Local Government Reform Programme</li> <li>• Participatory planning approach</li> <li>• Top-bottom planning approach</li> <li>• Effective participation of members of the general public</li> <li>• Influence of external donors</li> <li>• Participants' views of participatory planning approach</li> <li>• Factors hindering the transformation</li> </ul>                                                                                                                                                        |
| <b>Usage of performance indicators and measures</b>                    | <ul style="list-style-type: none"> <li>• Participants' perceptions of performance in service delivery</li> <li>• Types of performance indicators and measures</li> <li>• Lack of performance indicators and measures</li> <li>• Kero- perceived deficiencies in public service delivery</li> </ul>                                                                                                                                                                                                                                                            |
| <b>Usage of annual financial reports</b>                               | <ul style="list-style-type: none"> <li>• Extent of usage of annual financial reports by participants</li> <li>• Participants' views on publication of annual financial reports</li> <li>• Perceived importance of annual financial reports</li> </ul>                                                                                                                                                                                                                                                                                                         |

| Open category                | Open concepts                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resources allocation process | <ul style="list-style-type: none"><li>• Availability of resources</li><li>• Ability of participants to influence resources allocation</li><li>• Criteria for resources allocation</li><li>• Control over resources allocation</li><li>• Priority sectors</li><li>• Involvement of private contractors in public services delivery</li><li>• Impact of resources allocation processes</li></ul> |
| The general external context | <ul style="list-style-type: none"><li>• Fiscal relations between the central government and local governments</li><li>• Excessive control over fiscal matters by central government</li><li>• Impact of fiscal relations</li><li>• Impact of Local Government Reform Programme (LGRP)</li><li>• Influence of external donors</li></ul>                                                         |

## **Appendix IV A glossary of *Swahili* terminologies**

*Swahili* is the national language in Tanzania.

*Utawala*: authority to control and direct.

*Wajibu*: the official and personal responsibilities that an individual has to fulfil in a specific position.

*Uwajibikaji*: the act of discharging responsibilities and demonstrating it through action or provision of information required by another part to the relationship.

*Kuwajibika*: the act of discharging responsibilities entailed in accountability relationship.

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