

Organisational work compliance and budgetary dysfunctions in an emerging economy

Gifty Kenetey¹, Ashish Singh², Boris Popesko³

DOI: 10.32725/978-80-7394-976-1.38

Abstract: Political pressure for budgetary compliance and the lack of competitive markets characterise public sector organisations. As a result, preventing budgetary dysfunctions is a key component of budgetary performance in public organisations. One factor that sets local Government's budgeting apart from the national level is its prominence as a public institution. Subsequently, all Government divisions budget for their operations, but the local government budgeting has a unique structural arrangement. The three most significant pieces of local legislation intended to enforce reform in Ghanaian local governance are Ghana's Local Government Act 462, composite budgeting, and the Functional organisational Assessment (FOAT) system. However, compliance with high statutes seems complicated for local governments to adhere to strict laws due to internal and external constraints. The aim is to investigate and explore organisational work compliance concerning budget dysfunctions and their effect on work performance. The paper offers insight into local Government Budgetary regulations and compliance and brings to bare the shortcomings (Budgetary dysfunctions) in abiding by these regulations. This study used the general interdisciplinary research strategy as the foundation for its methodology, and the documentary analysis style was adopted. A conceptual model that describes and analyses the study's assertions are offered. Finally, Future empirical testing will be conducted by the study's offered structure.

Keywords: Budgetary dysfunctions, Organisational work compliance, Work performance, Local Government, emerging economy

1 Introduction

Disruptions in control system norms and procedures, as well as organisational and behavioural effects on managers brought on by budgeting, are referred to as dysfunctional behaviour (Paino et al., 2010; Hartmann, 2000). Political pressure for budgetary compliance and the lack of competitive markets characterise public sector organisations. As a result, preventing budgetary dysfunctions is a key component of budgetary performance in public organisations (Johansson & Siverbo, 2014)). One factor that sets local Government's budgeting apart from the national level is its prominence as a public institution. Subsequently, all Government divisions budget for their operations, but the local government budgeting has a unique structural arrangement (Gianakis & McCue, 1999; Matsoso et al., 2021). The three most significant pieces of local legislation intended to enforce reform in Ghanaian local governance are Ghana's Local Government Act 462, composite budgeting, and the Functional organisational Assessment (FOAT) system. However, compliance with high statutes seems complicated for local governments to adhere to strict laws due to internal and external constraints (Musah-Surugu et al., 2018).

Managers must comply with various internal and external regulations incorporated into the development of budgetary control. These regulations comprise operating procedures, local ordinances, and national laws and regulations (Bedford & Malmi, 2015; Almklov et al., 2018). Control is demonstrated to be effective by rigorously enforcing compliance standards, demonstrating how the importance of compliance is connected to managerial performance assessment (Merchant & Van der stede, 2017; Siverbo, 2021). In Ghana, the annual administration of FOAT is a performance-based grant program that encourages local governments to carry out governmental directions at the federal level. Effectiveness, accountability, and essential community services are all ensured during this FOAT assessment. The District Development Facility (DDF) fund is a result base aid given to local government organisations that perform well in the FOAT. The DDF is not accessible to local government institutions that do not operate satisfactorily. Prior to the start of the fiscal year,

¹ Tomas Bata University in Zlin, Faculty of Management and Economics, Mostní 5139, 760 01 Zlín, Czech Republic, kenetey@utb.cz

² Tomas Bata University in Zlin Tomas, Faculty of Management and Economics, , Department of Business Administration, Mostní 5139, 760 01 Zlín, Czech Republic, singh@utb.cz

³ Tomas Bata University in Zlin Tomas, Faculty of Management and Economics, , Department of Business Administration, Mostní 5139, 760 01 Zlín, Czech Republic, popesko@utb.cz

projects must be carefully planned and given the necessary funding under the composite budgeting and FOAT systems. Failure to adhere to these procedures will make the assembly incapable of taking on projects. The pressure mounted on these local government agencies in Ghana to comply with meeting the FOAT assessment and other budgetary compliances could be a factor that influences budgetary dysfunctions like slack. According to (Hartmann, 2000), dysfunctional behaviour is a normal reaction to compliance or control rather than being a characteristic of humans. The degree to which such compliance is thought to affect performance, evaluation, and rewards is also believed to cause stress and tension, potentially leading to dysfunctional behaviour like budgetary slack. Additionally, Internal audit was implemented as a part of modifications introduced to local government financial management; however, internal auditing appears ineffective in preventing deviations. Moreover, many governmental institutions, especially local governments, are perceived to be deceptive and occasionally mismanage resources (Aikins et al., 2022). Given the elaborations above, this study aims to investigate and explore organisational work compliance concerning budget dysfunctions and their effect on work performance

2 Literature review

Organisational work compliance

In reliance on local governments to carry out policy, central governments confront issues with compliance. The main obstacles to good governance worldwide are compliance issues resulting from centralised policies (Anderson et al., 2019). Public organisations have more socio-political pressures, political compliance, and legal bounds. Additionally, public sector employees are subject to more formal bureaucratic systems and red tape. Local council politicians' interference, central government control, and non-compliance with citizen policy are a few examples of the external environmental factors that local officials must deal with. These elements, along with organisational management and individual elements, have diverse effects on turnover intent and local government bureaucrats' output (Jeong & Han, 2021).

2.1 Pursuit for budgetary compliance and dysfunctional issues in Ghana

The annual administration of FOAT is a performance-based grant program. By applying performance metrics, the FOAT audit awards local governments with allocation to external grants from the District Development Facility (DDF). The primary goal of FOAT is to evaluate local governments in Ghana in terms of how strictly they adhere to and comply with the legal and regulatory frameworks that support their goals and operations. Along with assuring effectiveness, accountability, and the provision of essential social services, it thus subsidises local governments in carrying out national policy objectives. The movement of funds from a planned item to one not budgeted for is strenuous with the FOAT system and the current local government budgetary control system. Projects need to be meticulously planned and given the necessary funding before the fiscal year starts to comply with the requirements of the FOAT scheme and composite budgeting. The most efficient method of giving help in current development assistance is to emphasise results and the evaluation methods used to produce them by presenting these findings as proof of success. The clever strategy used by aid users and donors in response is interpreted as the "numbers game." Sabbi & Stroh (2020) explain this "numbers game." in the sense that regardless of the actual delivery of services or local population satisfaction, agencies provide results to meet assessment expectations. According to the authors, Results-based aid's (RBA) pre-assessment procedures give the context necessary to examine municipal councils' responses to financial resources.

2.2 Work Performance

According to Uddin et al. (2021), Key performance indicators are crucial because they let practitioners identify "what has to be done," which enables them to comprehend performance measurement in practice. While they may not align with the instigators' goals, these understandings are important. They argued that the distinction between what is planned and what occurs can be seen in practitioners' perceptions of what makes meaning of actions and phrases. The authors went on to discuss the "teleoaffective" structure, which is crucial to "what actually happens," as Schatzki (1996) emphasised. The implementation of new performance measurement rules may become unimportant as a result of the "teleoaffective" formations that result from actors' purposeful projects, such as "just doing the job," "manipulation," "raising one's voice, if necessary," and "symbolic/ceremonial practices". Expanding on this, they concentrated on the "organisation of practice" to better understand how organisational players behave in dynamic environments (the socio-material context).

3 Methods

This study used general interdisciplinary research as the foundation strategy by integrating the discipline of Budgeting, Work performance and organisational compliance to form the framework for the study. This style of the method is a reflection of (Syrtsseva et al., 2021). Organisational Compliance: Failure to effectively monitor, identify, investigate, and remedy misbehaviour within an organisation's levels could have disastrous effects. Although organisations recognise the value of the compliance role, all organisations, whether private or public, must ensure that their members abide by legal and regulatory requirements, industry standards, and internal norms and expectations. They are responsible for monitoring

how many hundreds of laws are followed by thousands of members. Compliance failures at these complex organisations can be severe and extensive in breadth and associated damage (Martinez, 2020). However, this study is of the view that although control is demonstrated to be effective by rigorous compliance standards (results-based aid), it also tends to create budgetary dysfunctions. Organisational compliance as a variable is intended to be measured empirically in a future study by the level of rigorousness to comply with results-based aid regulations (FOAT).

Work performance: The work performance construct includes actions that employees can influence and support organisational objectives. In human resource management, work performance is referred to as the "ultimate dependent variable," which elevates the evaluation of this factor to the level of capital concern. It is equally critical to be able to describe the performance and measure it using appropriate tools (Ramos-Villagrasa et al., 2019). This variable will be empirically tested in the future by Increases in economic development infrastructures and the number of completed by the MMDAs

Budget dysfunction (slack) will be empirically tested in the future based on the scores presented in table 1.1 below. The test will also include the level of budget target deviation.

Data was collected through the documentary analysis and observation form of qualitative research focused on the local Government service of Ghana. This data was retrieved from the published reports on the Consolidated Annual Budget Performance of the MMDAs by the ministry of finance. In Ghana, the MMDAs (Metropolitan, Municipal, and District Assemblies) are the Governmental institutions that form the local Government. There are 254 MMDAs in Ghana, which are scattered across the 16 regions of the nation. Since our goal was to undertake in-depth case analyses of a few municipal governments, qualitative research was deemed appropriate. Using a qualitative rather than a structured questionnaire survey, we examined the composite budget relating to selected MMDAs of Ghana to higher statutes much more thoroughly.

4 Research Results

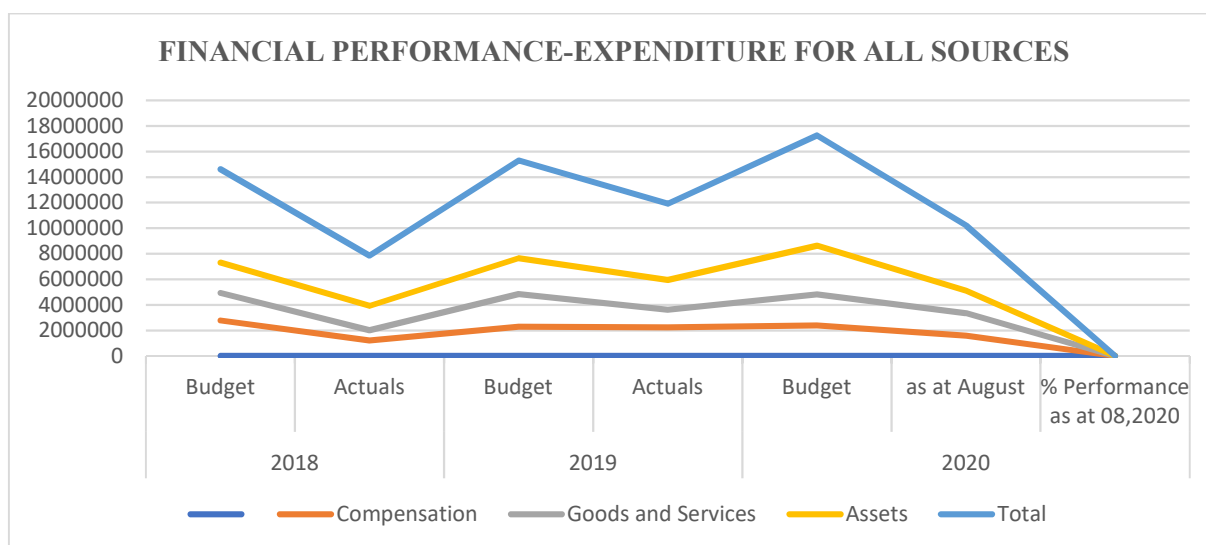
Table 1.0 Results of Budget Sub-Programme of the Asuogyaman district Assembly for 2021

Main Outputs	Output Indicator	Past years		Projections		
		2018	2019	2020	2021	2022
Projects and programs monitoring	No. of monitoring visits undertaken	2019	10	7	12	12
Improved level of Revenue Improvement Action Plan (RIAP) implementation	Percentage of RIAP Implementation	80%	85%	88%	100%	100%
Increased citizens participation in planning, budgeting and implementation	No. of public hearings undrtaken	4	3	2	6	6

Source: authors' estimation based on (Government of Ghana, 2021)

Table 1.0 above shows the sub-program results for planning, budgeting and coordinating a specific local government organisation. Creating thorough, precise, and trustworthy action plans and budgets falls under the purview of this sub-programme. IGF (internally generated funds), DACF (District Assembly Common Fund), and DDF (District Development Fund) are the sources of funding for the program. The community members, development partners, and assembly departments will profit from the efficient performance of this sub-programme (Government of Ghana, 2021). Sabbi & Stroh (2020) express concern about results-driven agendas encouraging decision-makers to set relatively easy-to-reach Budget targets. (Budget slack). This brings to bare that published reports on budget performance are not enough if the reported performance is not reflected in the development of the communities of the MMDAs.

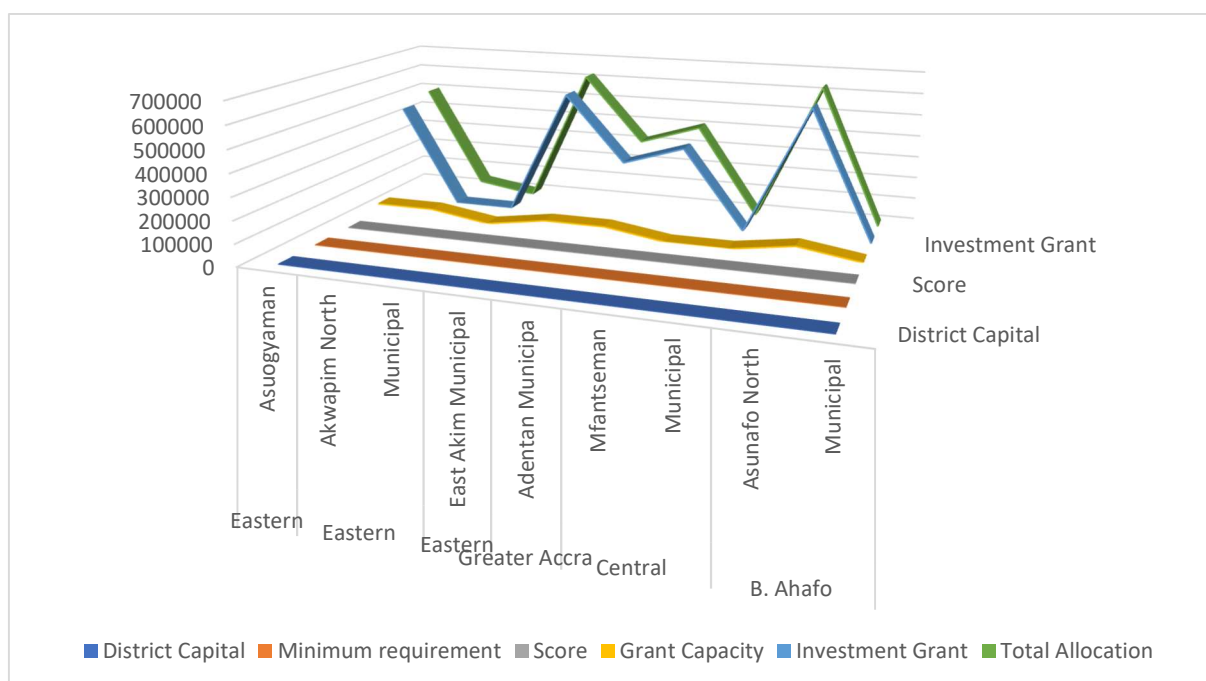
Figure 1.0 Financial Performance Expenditure for all sources



Source authors' estimation based on (Government of Ghana, 2021). Figures are stated in the Ghanaian cedi currency

Figure 1.0 above shows sources of revenue for a specific MMDA in Ghana (Asuogyaman district assembly). As shown in the table, it appears the district is on a soundtrack. The concern is to examine the possibility of slack creation by the MMDA or to identify if results-based aids influence them to create dysfunctions. Based on the report on FOAT assessment by (Local Government service, 2011), to carry out their assigned duties, MMDAs must comply with the Government's current policies, rules, regulations, and procedures.

Figure 1.1 Assessment of selected metropolitan, municipal and district assemblies for the 2011 district development facility (DDF)



Source: (Local Government service, 2011). Figures are stated in the Ghana cedi currency

The performance of MMDAs for the fifth assessment conducted by the Ministry of Local Government and Rural Development utilising the Functional Organisational Assessment Tool (FOAT) is shown in figure 1.1 above, along with the DDF and UDG allocations for selected MMDAs. In order to fulfil their assigned functions, the MMDAs are evaluated based on how well they comply with current government policies, rules, laws, and procedures. The local government service report for the 2011 FOAT assessment revealed that only MMDAs that passed the assessment was granted both the DDF and the capacity-building grants. Those MMDAs that failed the assessment were only given the DDF. In order to qualify for the UDG, only 34 MMAs had a result equal to or higher than the 82-point national average for the DDF Performance Metrics. A Capacity Support Fund (CSF) of US\$40,000 is available to each of the 34 MMAs that meet the UDG eligibility requirements.

Quantifying the size of budgetary dysfunction in Ghana's economy (The local Government of Ghana)

Gollwitzer (2011) developed a budget institution index that measures the adequacy of budget intuitions which also measured the governing procedures and rules in Forty-six African countries. The index scaled range is between 0 and 1, the resulting scores for Ghana are presented below. The scores marching the variables for the index uncovers the level or the size of budgetary dysfunctionality in the local Government of Ghana.

Table 1.1 Budgetary regulations and procedures score for Ghana

Centralisation	Rules and controls	Sustainability	Comprehensiveness	Transparency	Overall
0.792	0.542	0.569	0.719	0.250	0.574

Source: (Gollwitzer, 2011)

As shown in Table 1.1 above, Ghana scored 0.792 for centralisation and 0.719 for comprehensiveness, which is close to 1 and thus high. On the other hand, the dimensions of rules and controls and Sustainability recorded average scores of 0.542 and 0.569, respectively. The dimension of transparency uncovers a possible attribute for budget manipulations (slack) and the issue of dysfunctions like the budget deficit, among others.

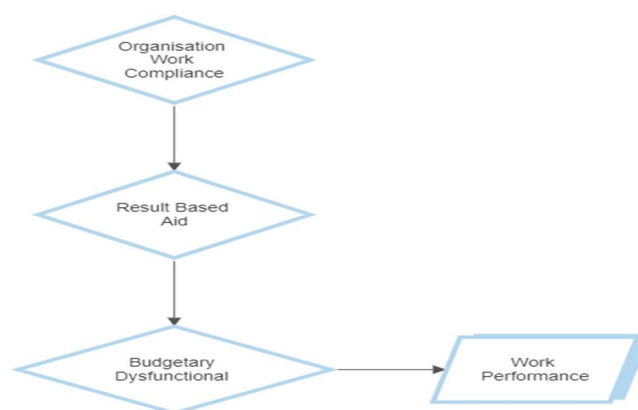
The goals of deficit reduction in the framework of regional convergence criteria are legally grounded in several African nations. The apparent drawback of stringent budgetary regulations is that they may drastically reduce the policy options available to the Government. Medium-term direction, transparency, comprehensiveness in coverage, and consistency in implementation are four aspects that make financial policies successful. Hidden budgeting and corruption are avoided by maintaining transparency throughout the entire budgeting process (Gollwitzer, 2011).

Additionally, Provisional budgetary statistics for the financial year under review reveal that budgetary activities resulted in an overall deficit of GH42,355.00 million (9.2% of GDP), compared to an amended deficit objective of GH41,273.00 million (9.4% of GDP). This is by the consolidated budget evaluation reports from 1 January to 31 December 2021 presented by the MDAs to Parliament (Ministry of Finance, 2022).

5 Research Assertions and Research Model

The study further developed assertions for future empirical testing. H0a: Organisational work compliance does not have a positive influence on result-based aids. H0b: Results-based aids do not positively influence budget dysfunction. H0c: Budget dysfunction does not have a positive influence on work performance

Figure 1.2



Source: Authors' own

6 Conclusion

We observed through our documentary analyses study that compliance in budgeting can be tight (rigid) or loose. When compliance or regulations become tight for managers, their natural response to save their reputation is to create dysfunctions. This study is, however, not of the view that compliance should not be strict. However, we are drawing attention to the fact that policymakers must be aware that result-based assessment like that of the FOAT evaluation should be conducted by putting measure in place that checks the authenticity of budgetary figures or results from the MMDAs. This is also because it is of no use if an MMDA in a particular community seems to be performing well by scoring higher marks but does not reflect in the development of the community.

7 Research limitation/Implications: The explanation of organisational work compliance and budgetary dysfunctions in a unique scenario and the paper's ability to inspire new study topics in emerging economies make it attractive to scholars. We showed that the results-based aid's high-performance ratings influenced by organisational work compliance do not accurately reflect positive work performance or community development. In order to study the micro-processes of organisational compliance and how they have the effect of causing budgetary dysfunctions that would have otherwise gone unnoticed, the paper has focused on "organisations of practice."

8 Practical implication: The paper draws the attention of policymakers, as such various forms of management decisions, to encourage compliance and evaluation procedures conducted with measures that check on avoiding budgetary dysfunctions.

Acknowledgement

This study's authors appreciate the Internal grant agency of Tomas Bata University in Zlin no. IGA/FaME/2022/003 entitled "Budgetary Control and Budgetary Technology in Local Government of Developed and Emerging Economies", and FSR FORD 5-6/2021- 23/FaME/002 entitled "Performance measurement and work motivation in manufacturing firms, including IGA/FaME/2021/003 entitled "Consumer behaviour and Performance management of firms in a competitive digital world". We are also thankful to the organisers of the IMPROFORUM 2022 international conference.

References

- Aikins, A. E., Mensah, J. V., & Kumi-Kyereme, A. (2022). Investigating the conditions under which internal auditing is carried out in selected local governments in the Central Region of Ghana. *Asian Journal of Accounting*. DOI: 10.1108/AJAR-10-2021-0186
- Almklov, P. G., Antonsen, S., Bye, R., & Øren, A. (2018). Organisational culture and societal safety : Collaborating across boundaries. *Safety Science*, 110(February 2017), 89–99. DOI: 10.1016/j.ssci.2017.12.029
- Anderson, S. E., Buntaine, M. T., Liu, M., & Zhang, B. (2019). Non-Governmental Monitoring of Local Governments Increases Compliance with Central Mandates: A National-Scale Field Experiment in China. *American Journal of Political Science*, 63(3), 626–643. DOI: 10.1111/ajps.12428
- Bedford, D. S., & Malmi, T. (2015). Configurations of control : An exploratory analysis. *Management Accounting Research*, 27, 2–26. DOI: 10.1016/j.mar.2015.04.002
- Gianakis, G., & McCue, P. C. (1999). *Local Government Budgeting: A Managerial Approach*. Greenwodd Publishing Group.
https://books.google.cz/books?hl=en&lr=&id=qPGIDZvdQ9AC&oi=fnd&pg=PR7&dq=LOCAL+GOVERNMENT+BUDGETING,++MANGERIAL+APPROACH&ots=WfezFw1DhJ&sig=0QQB_zh1cve4CJmR8ltZyCl0sfQ&redir_esc=y#v=onepage&q=LOCAL GOVERNMENT BUDGETING%2C MANGERIAL APPROACH&f=false
- Gollwitzer, S. (2011). Budget institutions and fiscal performance in Africa. *Journal of African Economies*, 20(1), 111–152. DOI: 10.1093/jae/ejq035
- Government of Ghana. (2021). *2021 Composite Budget- Eastern Region*. <https://mofep.gov.gh/publications/composite-budget-2021/er>
- Hartmann, F. G. H. (2000). The appropriateness of RAPM: Toward the further development of theory. *Accounting, Organisations and Society*, 25(4–5), 451–482. DOI: 10.1016/S0361-3682(98)00036-1
- Jeong, J. S., & Han, S. H. (2021). Turnover Intention and Productivity of Local Bureaucrats : Focusing on Influences of Local Politicians Intervention , Central Government Control , and Citizen Compliance *. *Korea Observer*, 52(2), 211–238.
- Johansson, T., & Siverbo, S. (2014). The appropriateness of tight budget control in public sector organisations facing budget turbulence. *Management Accounting Research*, 25(4), 271–283. DOI: 10.1016/j.mar.2014.04.001
- Local Government service, G. (2011). *Publication of FOAT V. (2011) Results & Allocation (DDF & UDG)*. <https://lgs.gov.gh/index.php/publication-of-foat-v-2011-results-allocation-ddf-udg/>
- Martinez, V. R. (2020). COMPLEX COMPLIANCE INVESTIGATIONS. *Columbia Law Review*, 120(2), 249–308. <https://medium.com/@arifwicaksanaa/pengertian-use-case-a7e576e1b6bf>
- Matsoso, M. L., Nyathi, M., & Nakpodia, F. A. (2021). An assessment of budgeting and budgetary controls among small and medium-sized enterprises: evidence from a developing economy. *Journal of Accounting in Emerging Economies*, 11(4), 552–577. DOI: 10.1108/JAEE-04-2020-0082
- Merchant, K., & Van der stede, W. (2017). *Management control systems: performance measurement, evaluation and incentives* (4th ed.). Pearson. <http://eprints.lse.ac.uk/id/eprint/76569>
- Ministry of Finanace, G. (2022). *The 2021 Consolidated MDAS Annual Budget Performance Report*. <https://mofep.gov.gh/reports/2022-07-20/the-2021-consolidated-MDAS-annual-budget-performance-report>
- Musah-Surugu, J. I., Owusu, K., Yankson, P. W. K., & Ayisi, E. K. (2018). Mainstreaming climate change into local governance: financing and budgetary compliance in selected local governments in Ghana. *Development in Practice*,

28(1), 65–80. DOI: 10.1080/09614524.2018.1398717

- Paino, H., Ismail, Z., & Smith, M. (2010). Dysfunctional audit behaviour: An exploratory study in Malaysia. *Asian Review of Accounting*, 18(2), 162–173. DOI: 10.1108/13217341011059417
- Ramos-Villagrasa, P., Barrada, J., Fernández-del-Río, E., & Koopmans, L. (2019). Assessing Job Performance Using Brief Self-report Scales : The Case of the Journal of Work and Organisational Psychology Assessing Job Performance Using Brief Self-report Scales : The Case of the. *Journal of Work and Organizational Psychology*, 35(3), 195–205. <https://journals.copmadrid.org/jwop/art/jwop2019a21>
- Sabbi, M., & Stroh, A. (2020). The “Numbers Game” Strategic Reactions to Results-Based.pdf. *Studies in Comparative International Development*, 1(55), 77–98.
- Schatzki, T. . (1996). *Social practices: A Wittgensteinian approach to human activity and the social*. Cambridge University Press.
- Siverbo, S. (2021). The impact of management controls on public managers ’ well-being. *Financial Accountability & Management*, 1–21. DOI: 10.1111/faam.12290
- Syrtseva, S., Burlan, S., Katkova, N., Cheban, Y., PISOCHENKO, T., & Kostyrko, A. (2021). Digital technologies in the organisation of accounting and control of calculations for tax liabilities of budgetary institutions. *Estudios de Economía Aplicada*, 39(7). DOI: 10.25115/eea.v39i7.5010
- Uddin, S., Popesko, B., Papadaki, Š., & Wagner, J. (2021). Performance measurement in a transitional economy: unfolding a case of KPIs. *Accounting, Auditing and Accountability Journal*, 34(2), 370–396. DOI: 10.1108/AAAJ-11-2019-4231