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The Effect of Internal Audit on Budget Management of Local Government of Rwanda

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Abstract- This study aimed at investigating the effect of internal audit on budget management of local government of RwandatakingMusanze District as case study. The problem of failing to consolidate transactions and balances of NBAs in financial statements of local government has still persisted. Many local governments have not been examining efficiently the internal audit in budgeting process and execution and this has consequently led to mismanagement; lack of control and less budget execution from their activities or operations. Moreover to prove the general objective, the results of this study was presented in accordance with specific objectives stated by the researcher such as, to analyze the internal audit functions in local government of Rwanda; to assess budget process and execution in local government in Rwanda and to analyze the relationship between internal audit and budget process and execution in Rwanda. Descriptive research design was adopted for this study using both qualitative and quantitative methods of data collection.

Keywords: internal audit, budget process,execution and local government.

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The Effect of Internal Audit on Budget Management of Local Government of Rwanda

Jean Bosco Harelimana

Abstract- This study aimed at investigating the effect of internal audit on budget management of local government of RwandatakingMusanze District as case study. The problem of failing to consolidate transactions and balances of NBAs in financial statements of local government has still persisted. Many local governments have not been examining efficiently the internal audit in budgeting process and execution and this has consequently led to mismanagement; lack of control and less budget execution from their activities or operations. Moreover to prove the general objective, the results of this study was presented in accordance with specific objectives stated by the researcher such as, to analyze the internal audit functions in local government of Rwanda; to assess budget process and execution in local government in Rwanda and to analyze the relationship between internal audit and budget process and execution in Rwanda. Descriptive research design was adopted for this study using both qualitative and quantitative methods of data collection. The studyused a sample of 18 employees of Musanze District office selectedpurposivesampling techniques from a targeted population of 18 employees from department of finance of Musanze district Office. The study used primary data collected from semi-structured questionnaires. Based on the findings of this study, it was found that asset management; management control and staffing management are well used to enhance good budgeting process and execution in local government as it was indicated by 100% of respondents. The budget process and execution in local government is based on budget formulation; budget proposal and dialogue, budget monitoring, budget adjusting, budget control and budget reporting (100%). As significant level is at 0.01 (1%), the p value of 0.000(i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship correlation between internal audit and budget process and execution in Musanze district office. As it was recommended that Musanze District should put more efforts in raising more revenue to supplement the government transfers and smoothen the budget execution.

Keywords: internal audit, budget process,executionand local government.

I. General Introduction

The problem of failing to consolidate transactions and balances of Non Budget Agencies (NBAs) in financial statements of local government has still persisted. Many local governments have not been examining efficiently the internal audit in budgeting process and execution and this has consequently led to mismanagement; lack of control and less budget execution from their activities or operations (Raghunandan et al. , 2012).

According to Association of Certified Faud Examiners (2014), the majority of organizations today have created the internal audit department to examine the fraud issues, financial reporting and misappropriation of the organizations assets by ensuring accuracy, objectivity and consistency of the financial statements as a prerequisite in monitoring proper organizational financial performance.Hansen & Kræmmergaard (2013) confirm that , accessing the high level of budgeting process and execution is a challenging task for local government. However, these financing constraints tend to be more difficult for some local government to overcome.

The Ministry of Finance only requires Local government to compile a separate report of balances of budget execution for information purposes (as a disclosure note in financial statements) and they are not consolidated in balances reported in financial statements of Local Government (Daske & Gebhardt, 2006). This implies that balances reported in financial statements of Local government do not includeamountsfrom non budget agencies and hencemaking District financial statements and state consolidated financial statements incomplete. The problem of failing to consolidate transactions and balances of NBAs in financial statements of local government has still persisted (Brook, 2010).

Hawkesworth et al.(2011) shown that, many local governments have not been examining efficiently the internal audit in budgeting process and execution and this has consequently led to mismanagement; lack of control and less budget execution from their activities or operations. However, there is no evidence of adequate follow up done to verify the accountability reports submitted to Districts by non- budget agencies and to follow up activitiesreported by non budget agencies. Such follow up should have been done on a regular basis by Internal Audit unit(Onumah & Krah, 2012). As a consequence, there is a continued problem of misuse and misappropriation of public funds being perpetuated through non budget agencies.

The question that arises to the researcher therefore, is to make the analysis on the role of internal audit in budgeting process and execution on local government in Rwanda.

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The main objective of this study is to assess the effect of internal audit on budget process and execution of local government in Rwanda.Specific objectives of this study are the following:To analyze the internal audit functions in local government of Rwanda; to assess budget process and execution in local government in Rwanda and to analyze the relationship between internal audit and budget process and execution in Rwanda.

The usefulness of this research is the improvement of the budgeting process and execution based on internal audit system in local government, the results of findings is very useful to the government. The Government and people now know how it can intervene in budgeting process and execution of much internal audit system in local government in Rwanda through its policies and regulations in terms of taxes.The local government is the backbone of development of its citizens through the funds invested from non budget agencies and national badget prepared and issued by MINALOC if were used and reported well so the internal audit must involved in the management of those funds in order to show the accuracy and fair value of report from Local government. The reason why the researcher intends to assess the effect of internal audit in budget process and execution of local government.The local government is great get importance because some suggestions clarifies where they have to improve and how they are supposed to do it in terms of its budget implementation.

II. Material and Methods

In conducting this research, the data were obtained from primary and secondary sources. The primary data was collected by use of a structured interview and questionnaires and the secondary data wasobtainedfromdifferent data base including books and Musanze District annual report.

According to Bartlett et al. (2001), population is the full set of cases from which a sample is taken. Population of this study is concerned with all staffs (employees) working in Musanze District (Headquarters) whereby 63 district members of staff were considered as the population to study.

According to Stumpf & Kerle (2011), "the sample is to choose a limited number of individuals, of object or events whose observation makes it possible to draw the conclusions applicable to the whole population inside which the choice is made". This definition relates to the fact of starting from a limited number of elements to draw the conclusions applicable to the unit in which were drawn. Daniel (2012)further defined purposive sampling as a type of sampling in which, ''particular settings, persons, or events are deliberately selected for the important information they can provide that cannot be gotten as well from other choices. Purposive sampling technique was used to select respondents from different units of the district office and sectors because they were expected to have necessary information with respect to objectives of the study, their availability and their willingness to participate. The questionnaire was administered to the 18 respondents who are relatedwith budget process and executionfromemployees of Musanze District. Moreover, Secondary data was obtained from many existing documents.

As said byTeubner & Woods (2013), data processing is concerned with classifying responses into meaningful category called codes ; it consists of editing the schedule and coding the responses. The data processing included: editing, coding, and tabulation. Data was cleaned and edited to ensure consistence of responses.

Becker et al. (2013) defined data analysis as the process of compiling and study data to provide summaries, description and conclusion. Data analysis is developed to deal with manipulation of the information that was gathered so as to present the evidence. Regarding this research the researcher was analyze views give finding by respondent through questionnaire .on this, the qualitative technique was be used. All of those were applied in order to find out and assess the relationship between the both variables included in this study. After coding, data were input into the statistical package for social sciences (SPSS) for analysis. The data were analyzed using the descriptive statistics like percentages in frequency table in statistical package for social science (SPSS) software version 20.

III. Results and Discussion

This chapter presents data gathered from Musanze district office using questionnaires administered, interviews conducted and documentary review. The chapter also presents the analysis of the data with relevant interpretation and from the presented data, conclusion and suggestions were drawn.

a) Characteristics of Respondents

This section was considered imperative that the biographical information of sampled respondents. Presented information includes gender, age, education level and years of working experience.

Gender was assessed in this study since gender can affect the level of judgment on a given phenomenon. Hence, the researcher wanted to determine the gender of the respondents and asked to respondents to indicate their gender as depicted in the table below.

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Table 3.1: Distribution of Respondents by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	14	77.8	77.8	77.8
	Female	4	22.2	22.2	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

The Table 3.1 illustrates that 77.8% of respondents were male whereas 22.2% of respondents were female. This implies that majority of respondents are males indicating that males are more than female in the sample. However, since the research were not gender sensitive the researcher deduct that the information that is obtained from both male and female will be equally relevant and reliable to answer the stated research questions. This implies that both women and men have adequate information on the budget processing and execution in Musanze District

Age of respondents was identified since age would affect the level of judgment of individuals. Here the researcher wanted to know the age distribution of respondents included in the sample. Hence, respondents were requested to indicate their age category as depicted by the table below.

Table 3.2: Distribution of respondents by age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 and above	18	100.0	100.0	100.0

Source: Primary Data, 2016

Table above depicts that 100% of respondents were in the age range of 26 years and above. This implies that sampled respondents are distributed in all categories of age and involve young and mature as well as oldindividualswho are employees of Musanze district. This indicates that the information collected from these individuals covers ideas and opinions of individuals in many different age categories which make it accurate considering its source.

Education level of respondents was assessed in this study since education achievement represents the potential and ability to reflect on a given phenomenon. Hence, respondents were asked to indicate their highest level of education to ensure that selected respondents are knowledgeable about the variables under study. The results are presented in the table below.

Table 3.3: Distribution of respondents by education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	1	5.6	5.6	5.6
	Diploma	3	16.7	16.7	22.2
	Degree	14	77.8	77.8	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.3 illustrates that 77.8% of respondents acquired masters and bachelors as their highest level of education whereas majority of respondents equivalent to 77.8% attained university and are masters or bachelors' degree holders in different field of study whereas 16.7% of respondents have advanced diploma and 5.6 attained Secondary. This implies that majority of sampled respondents have acquired degrees and another portion have diploma in different field of study which makes them able to understand the questions and provide information on the variables under study.

Experience is considered worth an asset for an organization because the long experience that one has in executing the task, the more expertise they accumulated making them better task performers. Here, the researcher wanted to know the period in which they worked for Musanze district. Hence, respondents were asked to indicate the period for which they had served for the institution under study to ensure that sampled employees have adequate information about the functioning of the budgeting process in the District.

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Table 3.5: Distribution of respondents by years of experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3-4 years	7	38.9	38.9	38.9
	5 years and above	11	61.1	61.1	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.5 shows the years of service for whichrespondentsworked for Musanze district. Findings in the table 3.5 show that 61.1% of respondents have worked for Musanze District for a period of 5 years and above whereas minority of respondents equivalent to 38.9% of respondents have worked for the district in a period between 3 to 4 years. This implies that the majority of respondents worked for the district for a considerably long period indicating that they have vast information about the functioning of the budget processing and execution of Musanze District they work for.

b) *Analysis of Respondents' Views on Internal Audit of Budget Process and Execution in Local Government*

Preparation of budgets in an organization is a management function as well as an accounting task. Here, the study wanted to know the budget processing and execution's practices adopted by Musanze district and requestedrespondents to presenttheir views on different practices and functions. Hence, this section presents the budget processing and execution practices adopted by Musanze district.

Respondents were asked to highlight whether asset management is a systematicapproach of maintaining and operating physicalassets in Musanze district office. The view of respondents is presented in tables below:

Table 3.6: Respondents view on whether asset management is a systematic approach of maintaining and operating physical assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	61.1	61.1	61.1
	Strongly Agree	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.6, the greater number about 61.1% of respondents agreed that asset management is a systematic approach of maintaining and operating physical asset sin Musanze District while 38.9% of all respondents strongly agreed that asset management is a systematicapproach of maintaining and operating physical assetsin Musanze District. This means that asset management iswellused in Musanze District office in order to make a good budget preparation and execution through good practice of internal audit.This is in line with Zhang et al.(2009) who stated that asset management is a systematic approach of maintaining, upgrading, and operating physical assets cost effectively. Bhamidipati (2015) added that it combines engineering principles with sound business practices and economic theory, and it provides tools to facilitate a more organized, logical approach to decision making. Thus, asset management provides a framework for handling both short- and long-range planning.

Table 3.7: Respondents view on whether asset management is a methodology to efficiently and equitable allocate resources among valid and competing goals and objectives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	10	55.6	55.6	55.6
	strongly agree	8	44.4	44.4	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

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According to the table 3.7, the greater number about 55.6% of respondents agreed that asset management is a methodology to efficiently and equitable allocate resources among valid and competing goals and objectivesin Musanze District while 44.4% of all respondents strongly agreed that asset management is a methodology to efficiently and equitable allocate resources among valid and competing goals and objectives in Musanze District. This means that asset management iswellused in Musanze District office in order to make a good budget preparation and execution through good practice of internal audit.This findings is in line with Pedersen & Garleanu (2015)who stated that asset management is a methodology to efficiently and equitably allocate resources amongst valid and competing goals and objectives. Finally, Bloch & Bloch, (2017), emphasizes the service to the public, which is the end customer of the road agencies and administrations and to him, asset management is a systematic process of maintaining, upgrading and operating assets, combining engineering principles with sound business practice and economic rationale, and providing tools to facilitate a more organized and flexible approach to making the decisions necessary to achieve the public's expectations.

Respondents were asked to highlight whethermanagement control iswellapplied in Musanze District office. The view of respondents is presented in tables below:

Table 3.8: Respondents view on whether management control is well applied in Musanze District office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	44.4	44.4	44.4
	Strongly Agree	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.8, the greater number about 55.6% of respondents strongly agreed thatmanagement control iswellapplied in Musanze District officewhile 44.4% of all respondents strongly agreed thatmanagement control iswellapplied in Musanze District office. This means thatmanagement control iswellapplied in Musanze District officein order to make a good budget preparation and execution through good practice of internal audit.

The findings is in line with Brown (2008) who stated that a management control system (MCS) is a system which gathers and uses information to evaluate the performance of different organizational resources like human, physical, financial and also the organization as a whole in light of the organizational strategies pursued.

Table 3.9: Respondentsview on whetherMusanze district office use formal management control system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	50.0	50.0	50.0
	Strongly agree	9	50.0	50.0	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.9, the greater number about 50.0% of respondents strongly agreed that Musanze district office use formal management control system while 50.0% of all respondents strongly agreed that Musanze district office use formal management control system. This means that management control is well applied in Musanze District officein order to make a good budget preparation and execution through good practice of internal audit.

The findings is in line with Armesh et al. (2010) who stated that management control system influences the behavior of organizational resources to implement organizational strategies. Management control system might be formal or informal.

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Table 3.10: Respondentsview on whethermanagement control helps Musanze district office to achieve its objectives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	50.0	50.0	50.0
	Strongly Agree	9	50.0	50.0	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.10, the greater number about 50.0% of respondents strongly agreed that management control helps Musanze district office to achieve its objectives while 50.0% of all respondents strongly agreed that management control helps Musanze district office to achieve its objectives in order to make a good budget preparation and execution through good practice of internal audit. Those findings are confirmed by the research done by Raduan et al. (2009) that who stated that management control systems are tools to aid management for steering an organization toward its strategic objectives and competitive advantage. Management controls are only one of the tools which managers use in implementing desired strategies. However strategies get implemented through management controls, organizational structure, human resources management and culture(Riccaboni & Luisa Leone, 2010).

Respondents were asked to highlight whetherstaff management iswellapplied in Musanze District office in its internal audit staffing. The view of respondents is presented in tables below:

Table 3.11: Staff management is well applied in Musanze District office in its internal audit staffing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	50.0	50.0	50.0
	Strongly agree	9	50.0	50.0	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.11, the greater number about 50.0% of respondents strongly agreed thatStaff management iswellapplied in Musanze District office in its internal audit staffing while 50.0% of all respondents strongly agreed thatStaff management iswellapplied in Musanze District office in its internal audit staffing in order to make a good budget preparation and execution through good practice of internal audit.This is in the line with Brymer et al. (2014) who stated that before hiring or beginning any type of internal audit staffing, the organization must determine its human capital strategy.

Table 3.12: Staff management is well applied in Musanze District office in its internal audit staffing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	61.1	61.1	61.1
	Strongly agree	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

According to the table 3.12, the greater number about 61.1% of respondents agreed thatStaff management iswellapplied in Musanze District office in its internal audit staffing while 38.9% of all respondents strongly agreed thatstaff management iswellapplied in Musanze District office in its internal audit staffing in order to make a good budget preparation and execution through good practice of internal audit.This is in the line withHoekstra (2011) who stated that the first human capital model is the experienced hire career model. AnInternational Accreditation Forum (IAF) that utilizes this model focuses on hiring or "importing" experienced personnel from within or outside the organization (Scontrino, 2006). These functions want to ensure that they have auditors with specialized business knowledge and skills. Internal auditing is seen as a permanent career destination (Jans, Alles, & Vasarhelyi, 2013). The migration model also focuses on ensuring that the IAF is staffed with individuals Core auditors remain with the IAF for an indefinite period of time. This model employs the IAF as a management training ground. Finally, IAFs that employ the change agent model view the IAF as an

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integral part of the organization's human resource strategy. "Companies using this model selectively deploy talent through internal audit to create a pipeline of corporate change agents who flow continuously into business units. Here, the migration of talent to line businesses occurs as part of a formal corporate strategy to achieve this objective and is a primary performance metric for internal audit"(Abbott et al., 2016).

Table 3.13: Respondents' view on internalauditingisseen a permanent career destination in Musanze District office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	15	83.3	83.3	83.3
	Strongly agree	3	16.7	16.7	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.13 reveals that the 83.3% of respondents agreed that internalauditingisseen a permanent career destination in Musanze District officewhile 16.7% of all respondents agreed that internal auditing is seen a permanent career destination in Musanze District office. This means that internal auditing is seen a permanent career destination in Musanze District office as it indicated by 100% of respondents. This is due to the good practice of internal audit.This is in line with Sarens et al. (2011) who stated that internal auditing is seen as a permanent career destination. The migration model also focuses on ensuring that the IAF is staffed with individuals who possess skills that are proven to make the IAF a successful part of the organization. While this model is not designed to automatically move personnel from the IAF to management positions, the movement of successful internal auditors into other areas of the organization is seen as a positive sign of the IAF's ability to add value to the organization(Prawitt et al., 2012). On the other hand, the strategy implicit in the consulting model's strategy is to recruit auditors into the IAF only to later move these individuals into other organizational functions. Under this model, the IAF consists of a group of consultant auditors and another group of core auditors. Consultants are internal auditors who expect to move to other areas of the organization upon gaining valuable experience within the IAF. Core auditors remain with the IAF for an indefinite period of time (Mat Zain etal., 2015).

The respondentsview on budget process and execution in Musanze district office. The view of respondents is presented in tables below:

Table 3.14: Respondents' view on budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	7	38.9	38.9	38.9
	Strongly agree	11	61.1	61.1	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.14 reveals that the 61.1% of respondents strongly agreedthatbudget process and execution in Musanze district office iswellusedwhile 38.9% of all respondents agreedthatbudget process and execution in Musanze district office iswellused. This is due to the good practice of internal audit.According to Johansson & Siverbo (2014), budget process refers to the process by which governments create and approve a budget, which is as follows: The Financial Service Department prepares worksheets to assist the department head in preparation of department budget estimates; the Administrator calls a meeting of managers and they present and discuss plans for the following year's projected level of activity; the managers can work with the Financial Services, or work alone to prepare an estimate for the departments coming year; the completed budgets are presented by the managers to their Executive Officers for review and approval; Justification of the budget request may be required in writing. In most cases, the manager talks with their administrative officers about budget requirements. Adjustments to the budget submission may be required as a result of this phase in the process.

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Table 3.15 : Respondents' view on budget proposals and dialogue is used in budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	2	11.1	11.1	11.1
	Strongly Agree	16	88.9	88.9	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.15 reveals that the 88.9% of respondents agreed that budget proposals and dialogue is used in budget process and execution in Musanze district office while 11.1% of all respondents agreed that budget proposals and dialogue is used in budget process and execution in Musanze district office. This means that budget proposals and dialogue is used in budget process and execution in Musanze district office as it indicated by 100% of respondents. This is due to the good practice of internalaudit.This is in line with Higdon & Topp (2004) who stated that a budget proposal must establish parameters for measuring performance with regard to attaining goals and meeting benchmarks. According to National Priorities Project (2016), measuring performance could be something as simple as monthly sales figures for a small business budget proposal or as complex as the national unemployment rate for the federal government's budget proposal. This standard helps the business predict the likelihood of meeting the goals set forth in the budget proposal. A budget proposal with a high standard for measuring performance may have a lower chance of meeting goals than a budget which requires lower performance numbers(Nisbet et al., 2012).

Table 3.16: Respondents' view on budget monitoring is used in budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	44.4	44.4	44.4
	Strongly agree	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.16 reveals that the 55.6% of respondents agreed that budget monitoring is used in budget process and execution in Musanze district office while 44.4% of all respondents agreed that budget monitoring is used in budget process and execution in Musanze district office. This means that budget monitoring is used in budget process and execution in Musanze district office as it indicated by 100% of respondents. This is due to the good practice of internal audit.According to Sponem & Lambert (2016), during budget monitoring, to be successful, a budget proposal must quantify a business' objectives and identify how those objectives may be reached. These are confirmed by Susha et al. (2015) who said that a budget proposal accomplishes this task by creating benchmarks throughout the year, identifying when goals should be met and the level of performance necessary for those benchmarks to be attainable. These benchmarks should be flexible, allowing the business the ability to shift its goals and performance levels easily to compensate for more financially permissible or adverse market conditions.

Table 3.17: Respondents' view on budget adjusting is used in budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	13	72.2	72.2	72.2
	Strongly agree	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

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Table 3.17 reveals that the 72.2% of respondents agreed that budget adjusting is used in budget process and execution in Musanze district office while 27.8% of all respondents agreed that budget adjusting is used in budget process and execution in Musanze district office. This means that budget adjusting is used in budget process and execution in Musanze district office as it indicated by 100% of respondents. This is due to the good practice of internal audit.This findings are in line with Raghunandan et al. (2012) who stated that budgeting adjusting is an extremely individual process which in large part is tied to the fact that we can provide estimates, but we cannot ensure that all students will incur the same cost of living nor that students will arrive with the same financial resources. A hefty part of budgeting comprises an individual's financial resources, such as personal assets and/or financial assistance.

Table 3.18: Respondents' view on budget control is used in budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	44.4	44.4	44.4
	Strongly Agree	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.18 reveals that the 55.6% of respondents agreed that budget control is used in budget process and execution in Musanze district office while 44.4% of all respondents agreed that budget control is used in budget process and execution in Musanze district office. This means that budget control is used in budget process and execution in Musanze district office as it indicated by 100% of respondents. This is due to the good practice of internal audit. These are in the line with Abata (2014) who confirm that Budgetary control refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. In other words, budgetary control is a process for managers to set financial and performance goals with budgets, compare the actual results, and adjust performance.

Table 3.19: Respondents' view on budget reporting is used in budget process and execution in Musanze district office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	2	11.1	11.1	11.1
	Agree	11	61.1	61.1	72.2
	Strongly agree	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.19 reveals that the 61.1% of respondents agreedthatbudget process and execution in Musanze district officewhile 27.8% of all respondents agreedthatbudget process and execution in Musanze district office while11.1% of all respondents agreedthatbudget process and execution in Musanze district office. This meansthatbudget process and execution in Musanze district office as it indicated by 100% of respondents. This is due to the good practice of internal audit.A budget report is an internal report used by management to compare the estimated, budgeted projections with the actual performance number achieved during a period. In other words, a budget report is designed to compare how close the budgeted performance was to the actual performance during an accounting period (MELITSKI & MANOHARAN, 2014).

Respondents were asked to highlight whether there is a relationship between internal audit and budget process and execution in Musanze district office. Respondents' view is presented in table below.

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Table 3.20: Respondents' view on to what extend internal audit contributes to the budget process and execution in Rwanda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Medium (50%-79%)	4	22.2	22.2	22.2
	HIGH (80%-100%)	14	77.8	77.8	100.0
	Total	18	100.0	100.0	

Source: Primary Data, 2016

Table 3.20 reveals that the 77.8% of respondents agreed that internal audit contributes to the budget process and execution in Rwanda at high level (80%-100%) while 22.2% of all respondents agreed that internal audit contributes to the budget process and execution in Rwanda at medium level (50%-79%). This means that there is a relationship between internal audit and budget process and execution in Musanze district office.This is in the line withFrazer (2012)who stated that determine the accuracy and propriety of financial transactions, evaluate financial and operational procedures for adequacy of internal controls and provide advice and guidance on control aspects of new policies, processes systems, verify the existence of assets and ensure that proper safeguards are maintained to protect them from loss, determine the level of compliance with the ministry policies and procedures, and Government laws and regulations, evaluate the accuracy, effectiveness, and efficiency of the electronic information and processing systems, to determine the effectiveness and efficiency of Ministry in accomplishing mission and identify operational opportunities for cost savings and revenue enhancements, coordinate audit efforts with, and provide assistance to, the Audit committee and external auditors finally to investigate fiscal misconduct.

All responses related to the questions of the reasons of the internal audit were summarized to generate a representative independent variable while all responses related to budget process and execution in Musanze district officeweretotaled to give the dependent variable.

Table 3.21: Correlations

			Internal audit	Budget process and execution in Musanze district office
Spearman's rho	Internal audit	Correlation Coefficient	1.000	.987**
		Sig. (2-tailed)	.	.000
		N	18	18
	Budget process and execution in Musanze district office	Correlation Coefficient	.987**	1.000
		Sig. (2-tailed)	.000	.
		N	18	18
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Primary data, 2016

The variation of spearman Coefficient correlation is between -1 and1. Spearman Coefficient correlation has significance when it is equal or greater than 0.01. According to the research, the correlation was 0.987 (98.7%) is located in the interval [0.75-1.00 [categorized as positive and high correlation. As significant level is at 0.01 (1%), the p value of 0.000(i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship correlation between internal audit and budget process and execution in Musanze district office.This is in the line stated by Feng et al. (2015) that to determine the accuracy and propriety of financial transactions, evaluate financial and operational procedures for adequacy of internal controls and provide advice and guidance on control aspects of new policies, processes systems, verify the existence of assets and ensure that proper safeguards are maintained to protect them from loss, determine the level of compliance with the ministry policies and procedures, and Government laws and regulations, evaluate the accuracy, effectiveness, and efficiency of the electronic information and processing systems, to determine the effectiveness and efficiency of Ministry in accomplishing mission and identify operational opportunities for cost savings and revenue enhancements, coordinate audit efforts with, and provide assistance to, the Audit committee and externalauditorsfinally to investigate fiscal misconduct.

IV. Conclusion and Recommendations

a) Conclusion

Based on the findings of this study, the researcher concluded that asset management; management control and staffing management are well

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used to enhance good budgeting process and execution in local government. The budget process and execution in local government is based on budget formulation; budget proposal and dialogue, budget monitoring, budget adjusting, budget control and budget reporting. As significant level is at 0.01 (1%), the p value of 0.000(i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship correlation between internal audit and budget process and execution in Musanze district office.

b) Recommendations

Based on the findings and conclusions of this study, the following suggestions are made for the budgeting and budgetary controls of the district to happen in accordance to the regulations and achieve the desired goals and objectives.

- Musanze District shouldintensify capacity building of its employees in the field of budgeting and budgetary controls ensure that officers keep abreast of the new developments in the field of public finance budgeting.
- Musanze District shouldimprove the participation of all stakeholders in budget execution in enhancing the overall budget performance.
- Musanze district shouldadopt flexible budget which enables the District to adjust possible variances in the course of budget implementation.
- Government of Rwanda should provide its transfers to the Districts and other government institutions at the right time to ensure the timely availability of funds for budget execution and implementation.
- Musanze District should put more efforts in raising more revenue to supplement the government transfers and smoothen the budget execution.
- The researcher suggested that further similar studies need to be conducted in other public institutions in Rwanda in order to assess whether the study could yield similar findings regarding effect of budgeting and budgetary controls on financial performance of public institutions.

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