

Analysis of the Application of Budgetary Control in Non-Profit Organisations: A Case Study of Adra Namibia

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Abstract

Non-profit organisations (NPOs) are faced with difficulties in maintaining financial stability and sustainability due to lack of funding and poor resource management. This has resulted in failure and abandonment of various projects. Thus the aims of this paper are: to assess the significance of budgetary controls in reviewing the performance of NPOs in Namibia, to examine the challenges associated with designing, implementing budgets and budgetary controls in non-profit organisations and to evaluate whether the budget is regularly monitored against actual results. A qualitative case study design was used to get an in-depth understanding of the matter. The population comprised of all employees of ADRA in Namibia from which ten participants were chosen using non-probability purposive sampling. Data was collected by means of unstructured interviews. A narrative and thematic analysis was used to analyse the data. The findings revealed that ADRA has sound financial management due to functional and clear budgetary control procedures despite the challenges faced in designing and implementing budgetary measures and scarcity of resources in the NPO sector. Furthermore, budgetary controls at ADRA have provided a roadmap which is vital in achieving strategic goals and financial stability for the organization. Hence, NPOs should consider establishing board committees that are responsible for directing and approving the budgetary processes and constantly review the financial position of the organisation. Management should draw up a comprehensive budget policy manual that outlines the budgetary framework and the control thereof.

Key Words: Non-profit organizations, budget, budgetary controls, ADRA
JEL Classification: C19, G13, G14

1. Introduction

Non-profit organisations (NPOs) are experiencing cutbacks in funding; hence it is becoming increasingly important for these organisations to manage limited resources against infinite natural and humanitarian crisis. Therefore, using budgeting and budget control represent the central logic for planning, control and accountability (Johansson & Siverbo, 2014). However, due to changing trends for example in the 1990s money from donors used to pay salaries and run projects over a long period of time but now donor funding are mainly earmarked for specific projects over a shorter time periods rendering budgets more important for funding approval (Riley, 2012). Budget management demands for, among others goal congruence for an effective service delivery. In the wake of increasing fiscal challenges, effective budget management becomes a critical mechanism (Scott & Enu-Kwesi cited in Mpaata, Kakumba & Lubogoyi, 2019). A key component of financial sustainability of a non-profit organisation is the commitment of board members and staff to financial management that includes a timely review of financial reports and advanced planning (Joshi, Al-Mudhaki, Bremser, 2003). Similarly, strict adherence to budgets is one of the fundamental building blocks of sound financial management where the annual master budget is compiled with due care linking it to the organisation's plan and consideration of dwindling sponsorship both from private and government NPOs (Wu, Boateng, Drury, 2007). One of the key advantages of budgeting for NPOs is that if planned and executed properly, the likelihood of NPOs to be economically sustainable improves (Blazek, 2008).

The Adventist Development and relief agency (ADRA) is the International independent humanitarian agency that was formed and is operated by the Seventh-day Adventist Church as a non-profit organisation. It was initiated for the purpose of individual and community development and disaster relief. The organisation fulfils its primary objectives without regard to race, gender, political or religious affiliation. ADRA International was formed in 1956 in the USA while ADRA Namibia was registered in Namibia in 2004 (ADRA, 2005, 2016). The organisation currently operates in 125 countries with five core portfolio activities which are: food security, economic development, primary health, emergency management and basic education.

1.1 Research Problem

Non-profit organisations are essential in providing relief in episodes of natural disasters and in upgrading the living standards in disadvantaged regions (Uyar & Bilgin, 2011). However, due to their reliance on external funding, NPOs are likely to encounter serious capital problems as a result of a decline in social welfare spending; this leaves them grappling with the problem of limited resources and funding (LeRoux, 2005). ADRA Namibia only employs Seventh-Day Adventists church members and people managing the organization are

pastors and clergy only, thus they lack the expertise in financial management as well as the organization depends mainly on its members to fund its activities. Over the years the organization has been operating through scarce resources owing to budget constraints as a result most activities are hampered. Little is known how the organization do fundraising with other stakeholders and there is little research in non-profit organizations, literature reviews of accounting research on budget control show an almost complete dominance of research on private sector organizations (Johansson & Siverbo, 2014). As a result of poor budgetary control many NPOs face budget shortfalls and operate with a deficit. An NPO that has few liquid assets can find itself in serious financial trouble if the situation fails to improve over time. According to (Gambino and Reardon, 1981 cited in Zietlow, 1989) emphasized that the use of forecasting and budgeting, in particular, is generally poor for the well-established NPOs.

In this paper, we define budgetary control as a system that uses budgeting and reporting to plan and control the operation of an organisation to achieve set objectives. According to Venkatesh & Blaskovich (2016), budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances if any. First of all, budgets are prepared and then actual results are recorded. Brown and Howard (2002), define budgetary control as a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability.

1.2 Research Objectives

The following three research objectives guided this study

- To assess the significance of budgetary control in reviewing the performance and sustainability of ADRA Namibia
- To examine the challenges associated with designing, implementing budgets and budgetary controls at ADRA Namibia.
- To evaluate whether the budget is regularly monitored against actual results at ADRA Namibia.

1.3 Organisation of the Study

The remainder of this study is organised into four sections, the second section explains the literature review related to budgets in NPOs, the third section entails the research methods guiding the study, the fourth section reveals our findings and present the discussion and finally, the last section brings the conclusions, recommendations and suggest avenue for future research.

2. Literature Review

2.1 Importance of Budgeting

While the word budget has negatively become synonymous with restricted spending but a budget should really mean more efficient use of resources. Vohwinkle (2018) sees a budget as a quantitative expression of a plan of action and an aid to coordination and implementation of the organisation's goals. Budgets are a very useful tool in resource allocation between the organisation's departments, this helps in coordinating the operations and identifying the key areas to focus on (Blocher & Chen, 2002). In the studies conducted by Jones (2008) the results obtained showed that there are three major reasons for which non-profit organisations use budgets: evaluate performance, aid control and planning. Other authors pointed out benefits such as preventing information asymmetry between top managers and lower-level managers, enhancing employees' work attitudes, providing motivation to department and committee heads resulting in a greater level of goal commitment by lower-level managers (Oak & Schmidgall, 2009; Gosh & Chan, 1997).

Accordingly, Uyar and Bilgin, (2011) outlined the reasons for budgeting, in the order of their importance as follows: control expenses, profitability, aid long-term planning, coordinate the operation, aid short-term planning, evaluate performance, motivate managers, motivate employees and communicate plans with employees. Hence, in many organisations budgetary control has been found to be the most important task of the controlling function (Mouritsen cited in Henttu-Aho, 2016).

In the NPO field there are typically two major types of budgets, these include the following: (a) Cash budget and (b) Capital budget. The cash budget is a forecast showing the firm's projected cash inflows and outflows over some specified period. These budgets can be constructed on a monthly, weekly, or even daily basis (Correia, Flynn, Uliana, Wormald & Dillon, 2015). It is important for such a budget to be prepared to ensure there is sufficient cash available on hand for smooth running of the organisation. Correia et al. further state that capital budgeting is the analysis and evaluation of investment projects that normally produce benefits over a number of years.

2.2 Significance of Budgetary Control in Reviewing the Performance and Sustainability of an NPO

The paradigm shifts in technological advancement, the complexities of global humanitarian demand and world crisis makes it more difficult and significant for NPOs in developing budgets. As a result, the budgetary control process is central to their performance and sustainability (Austen & Hailstone, 2008; Mouritsen cited in Henttu-Aho, 2016).

Budgetary control is essential for policy planning; it also provides a financial roadmap which is vital in achieving strategic goals of an organization. According to Achim (2009) states that the key objectives for budgetary control, especially for NPOs are: (i) ensure

planning for future by setting up various budgets, the requirements and expected performance of the organization and (ii) operate various cost centres and departments efficiently and economically. This second key objective have to be emphasized in dire economic difficulties by tightening budget controls in order to lessen budget deviations when facing budget turbulence (Johansson & Siverbo, 2014). Budgetary control also helps in anticipating the capital expenditure for the future; it also centralizes the control system and ensures the fixation of responsibility of various individuals within the organization. The budgetary control system helps in setting and fixing the goals of the organisation as a whole and in providing the step to be taken in order to achieve it. However, Johansson and Siverbo (2014) pointed out the negative of tightening budget control system in situations of low budget turbulence that it does not lead to better control and thus challenges the idea that tight budget control is universally effective when precision in budget compliance is important.

Riley (2012) emphasises that budgets bring different departments together to work towards the greater good of the whole organisation, coordination of various executives and subordinates is also necessary for achieving the budgeted targets. This motivates the employees as they feel the sense of contributing to the undertaking of the organisation especially in the humanitarian organisations where most employees are not money driven. The strategy and policies are decided by those charged with governance then all efforts are put together to reach the common goal of the organisation. Every department is given a target to be achieved, the efforts are directed towards achieving specific aims this reduces any chances of a conflict of interests between the departments by providing already set targets for various departments. Mpaata, Kakumba and Lubogoyi (2019) echos the same view that the use of budget measure performance motivates employees to do better even though participants were of the opinion that there is no proper monitoring and evaluation of the budget performance. Moreover, Bogt and Jan van Helden (2011) reveals that there is no relationship between plans and the performance expected to be realised in a particular year.

This is because budgetary control systems are often seen as constituting part of the technical procedures by which organisations gather essential information required for monitoring their activities, reducing inefficiencies and assisting in directing their development activities (Henttu-Aho, 2016). According to Blocker and Weltmer (1980) budgetary control provides a benchmark against which managerial performance is measured. The budgeted targets are compared to actual performance and variances are determined, thus it is a useful tool in evaluating the performance of related management personnel. This performance review exercise based on budgetary control brings about improvement and efficiency, as enough resources are provided for all departments to work towards achieving the budgeted targets (Kaplan & Norton, 1996).

In the present competitive world and with the dwindling funding for non-profit organisations budgetary control plays a significant role in reducing the costs and channelling resources towards their optimum use. Mzini (2011) found that due to strict measures which are put in place it ensures that only allocated funds are spent. The performance of each department is reported to the management, this system enables the introduction of management by exception. Budgetary control makes the planning of expenditure systematic and brings about economy in spending. The finances will be put to optimum use as expected by the donors. Deviations between budgeted and actual performance enable the determination of weaker spots, efforts are then concentrated on those aspects where performance falls under the budgeted standards.

2.3 Challenges Associated with Designing, Implementing Budgets and Budgetary Control in NPOs

Existing literature has evidently revealed that budgetary control has a number of challenges that can at times be a hindrance towards achieving its overall objective of efficient use of resources and sustainability. Margah (2005) noted that one of the leading problems for NPOs is presenting a fixed, pre-set and unchanging target. This proves to be of little or no value in a world of constant change and uncertainty as a budget can become outdated during the course of the year or even before it takes effect. The current volatile world economic environment requires that NPOs adapt new and flexible practices. Given the new competitive realities, there is need to embrace budgetary planning and control systems. It may be useful if NPOs adopt new ways in preparing budget by incorporating some modification and allow informal and negotiated processes thereby increasing interrelationship in budget processes among the preparers (Nogueira & Jorge, 2017; Henttu-Aho, 2016).

Another challenge is that budgetary control in NPOs may discourage efficient volunteer workers since under budgetary control system the targets are given to every person in the organisation. The preparations of accounting information requires experts and in most cases in NPOs people entrusted to make decisions lack the expertise as well as skills in budget management, due to their limited knowledge non-finance managers usually have minimal input in the generation of budget-related information's and at times NPOs face challenges to access suitably qualified financial professionals (Jorge, Jorge de Jesus & Nogueira, 2019; Henttu-Aho, 2016; Mzini,2011; Mpaata, Kakumba and Lubogoyi, 2019). The common tendency is to achieve targets only and not evaluate efficient people who could exceed the targets but rather it makes them feel content after reaching the targets. Hence, budgeting may serve as a constraint on organisation's initiatives (Venkatesh & Blaskovich, 2012). There are some limitations when tightening budgetary controls it changes the behaviors of employees from what they are accustomed and puts them in a discomfort zone which demotivates them not to support the goals of the organizations, as Bourmistrov & Kaarboe

(2017) pointed out that tightening budgetary control resulted in line managers contesting this new budgetary focus and they wanted a focus on the balanced score card. McNally (2002) criticizes the budgeting process of NPOs and states that it is time consuming and may incur very high expenditure as cost-benefit analysis; especially humanitarian ones are not taken seriously in most organizations. Consequently, when the budget is approved and authorized, it may no longer serve its purpose of efficient use of resources and this causes problems for NPOs in today's unpredictable and fast-paced global economic climate. A study by Motloli-Litjobo and Makhele (2019) concluded that the challenges during budget implementation originate from various factors such as low budgetary allocation, which results in the suspension of other central programmes and activities; delays in the release of funds which hinder other fundamental activities; low commitment and participation during budget development process and implementation; unplanned expenditure caused by inability to comply with procurement plans; and a lack of clarity, fairness and objectivity on budget information. Finally, inadequate monitoring and evaluation of budget performance results in the repetition of irregularities.

3. Methodology

This study used a qualitative method in the form of a case study design. A case study is adopted in order to understand one person or situation in greater depth. According to Leedy and Omrod (2016) they emphasize that in a case study a researcher collects extensive data on the individual (s), program (s) or event (s) on which the investigation is focused. This approach is relevant for this study in order to obtain more information from ADRA Namibia since it is rich in description, in-depth inquiry, and it captures direct quotes about people's feelings and experiences.

For this study, the population comprised of all employees of ADRA in Windhoek, Namibia in total they are 10 employees. The sample was drawn from the target population using purposive sampling, which is a non-probability sampling technique. Purposive sampling was thought as appropriate as it allowed the researcher to purposefully only collect data from the relevant participants who are knowledgeable and can contribute to meet the objective of the study. Due to a small number of the population all 10 employees were purposively sampled such as senior managers, accounting personnel and clerks. The study used un-structured interview to solicit information from participants. . The researchers sent emails to the participants giving them a brief background of the study and requested for an appointment to be interviewed. Data collected from primary sources and secondary sources were checked for completeness. Qualitative data were coded to enable interpretation and discussion using thematic analysis (Miles & Huberman, 1994).

4. Results and Discussion

The discussion and sub-headings that follows is structured according to interview questions that were developed.

4.1 Department Responsible for Preparing Budgets

All the respondents highlighted that ADRA Namibia does not have a separate functioning department responsible for preparing budgets. The preparation of budgets is integrated under the finance department. Specifically, one of the participants said:

Finance department is mainly given the responsibilities over the organisation's finances, among them the preparation of annual budgets.

This finding is supported by Jorge, Jorge de Jesus and Nogueira (2019) emphasizing that only accounting experts should prepare the budget information. Similarly, Phatshwane (2004) state that in many organisations the budget process is usually carried out within some kind of budget cycle, either formal or informal and non-finance divisional manager have limited access to the budgetary and accounting systems in their divisions; they also have minimal input in the generation of budget related information. However, this is not a universal practice that only finance staffs are responsible to prepare the budget. According to Motloli-Litjubo & Makhele (2019) found that those employees who are directly involved in various operations whether in finance or not are required to make input during budget preparation. Thus, the finance department should have the responsibility of compiling the budgets after receiving proposals from the department heads. This is because the finance departments keep all the financial records of the organisation so they are well acquainted with the position of the organisation in terms of the resources available at a particular time. The involvement of the financial department in the budget preparation makes it easier to conduct budget approvals and to assign cash resources to other departments and also the evaluation of the effectiveness of budgetary control as all records are kept by the department.

4.2 The budgeting process at ADRA

Regarding the budgeting process at ARDA participant 1- shared the following information:

First stage all departments are required to submit proposals, second stage the finance committee seat and analyse the proposed budgets then it is sent to the board for approval.

Participant 2 said - *Departments are requested by treasury to submit their budgets, once treasury receives such then finance committee compiles the budget to be approved by the board.*

These two statements by the participants show that ADRA is using the participative budgeting approach (Motloli-Litjubo & Makhele, 2019). This is further supported by literature which states that participative budgeting approach uses the input of lower- and

middle-management employees to draw up departmental budgets for the organisation with the compilation of the overall budget done by the budget committee (Lanen, Anderson and Maher, 2014). All necessary employees participate in the drawing up of the budget hence the term participative. This approach to budgeting motivates employees as they feel involved in the running and decision making in the organisation. Participative budgeting has, among its advantages that the information used for budgetary purposes is provided by those on the ground who have the day to day knowledge of the requirements of the projects. As a result, this helps ADRA to channel resources to where they are needed most.

Participants 3- further highlighted that the organisation uses previous and current budgets to forecast budget requirements for the following periods. One of the respondents said:

This process involves gathering information on the previous/past financial period performance to determine the future spending. Once that information has been acquired estimates are made by adding minimum percentages to the budget for the following year in order to adjust for uncertainties.

This response clearly shows that in addition to the participative budgeting approach, ADRA also uses incremental budgeting methodology in forecasting future period's budget requirements. It is further supported by literature, Rilley (2012) outlines that an incremental budget is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period, thus the previous budget becomes a base on which adjustments for inflation and other economic changes are made in order to determine the budget for the next period. Motloli-Litjobo & Makhele (2019) pointed out there are limitations when using incremental budgeting such that the department have no control over changes in funding. However, this approach helps ADRA to have a baseline to its budgeting and budgetary control exercise, besides providing a benchmark upon which to base the next period's budgets, the incremental budgeting approach which allows for modifications may give ADRA the flexibility to adjust its budgets as it becomes necessary. NPOs may not operate fixed budgets as there is a considerable uncertainty surrounding them, they need to constantly adjust in order to match the circumstances. As pointed out earlier in section 2.2. That it may be useful if NPOs adopt new ways in preparing budget by incorporating some modification and allow informal and negotiated processes thereby increasing interrelationship in budget processes among the preparers (Nogueira & Jorge, 2017; Henttu-Aho, 2016)

4.3 The significance of budgets and budgetary control at ADRA

The importance of budgeting and controlling the budget at ADRA is beyond doubt, while other respondents only answered "yes" without further explanation to the question of the importance, others provided mouthful information. Participant 3 - shared this information:

Budgeting is very important in every organisation to control spending; it helps management to operate within the limits of their means.

Participant 1 said: *Budgets are very important because they play the role of a financial plan and mapping for the future.*

Participant 2 said: *Budgetary control is a very important tool used by the organisation to evaluate how funds are being used and to trace whether the organisation is using donor money for the right cause.*

From the above responses by the participants it can be seen that within the ADRA budgets and the control thereof is not taken lightly. The participants further elaborated that the organisation takes budgetary control as one of the tools for ensuring the success of the organisation. They further highlighted that budgeting and managing the organisation are inseparable as both have the common goal that is to direct and control the organisation towards achieving its objectives. The above responses provide an insight to the management's culture with regards to budgeting and budgetary control at ADRA, it clearly shows that ADRA leadership takes budgetary exercise very serious and that permeates to the employees too. However, Johansson and Siverbo (2014) suggest that tightening budget control system in situations of low budget turbulence does not lead to better control and thus challenges the idea that tight budget control is universally effective when precision in budget compliance is important. On the contrary, Hunttu-Aho (2016) emphasized that budgetary control has been found to be the most important task of the controlling function in organizations. Though there are negative perceptions of tightening budget control, but there are many benefits. Hence, NPOs should follow the same route ensuring that there are effective budget controls if they are to survive because, in the words of one respondent, "an organisation that does not budget is sure to fail".

4.4 Budget policy manual

Half of the participants indicated that ADRA does have a budget policy manual while a few refrained from answering the question and another provided contrary information indicating that ADRA does not have a budget policy manual but uses the finance manual to guide in the preparation of budgets further clarifying that the organisation is in the process of developing one. One of the respondents said that:

ADRA like any other company or organisation has a budget manual and this manual guides the company how to budget and the method of budgeting to use.

This is not in harmony with what 25% of the participant said. In response to the question of whether ADRA has a budget policy manual another participant said:

No we do not have a budget manual, we use finance manual, however, we are in the process of developing one.

Similarly, Motloli-Litjobo and Makhele (2019) concluded that the challenges during budget implementation originate from various factors such as a lack of clarity on budget information. The lack of harmony with regards to responses to the budget policy manual question gives a clue that either ADRA does not have a budget manual at all or there is poor communication of such to the employees. A good practice would be to develop a clear and comprehensive budget policy manual that will be effectively communicated to all the employees and made sure that it is understood. Budgeting for NPOs has to be approached by following the policies and leading practices laid out in the policy manual of the organisation to ensure consistency and a trail to refer to if need be.

4.5 Challenges associated with preparing and implementing budgets and budgetary control at ADRA

The major challenge that the participants kept on bringing up is the lack of adequate funds. Expenses most of the times prove to be more than income, this is because some expenses are fixed and are necessary for the day to day running of ADRA while some will be unavoidable like those of projects that are already underway that were not finished during the previous period. According to participant 1, in response to this question of challenges faced, said budgets can be planned well but without the backing up of the cash it will be just a pile of documents.

Participant 4 - said: *ADRA like many other NPOs has a challenge of low budgeted income but higher actual expenditures which results in many projects not being implemented because there are no funds available to utilise. Availability of funds/cash makes it easier to achieve most of our targeted goals.*

Participant 2- said: *We do not really know exactly how much income will be at the organisation's disposal for the coming year to meet all the expenses and cover the deficits that already exist in the current year.*

The responses above is supported by (Motloli-Litjobo & Makhele, 2019) pointing out that the challenges during budget implementation originate from various factors such as low budgetary allocation, which results in the suspension of other central programmes and activities; delays in the release of funds which hinder other fundamental activities; low commitment and participation during budget development process and implementation; unplanned expenditure caused by inability to comply with procurement plans. Many NPOs including ADRA are facing funding uncertainties as a result of the growing donor withdrawals due to economic constraints as revealed by the participants. Major humanitarian donors like governments are withdrawing sponsorship of NPOs because of economic depressions. This is supported by (Wu, Boateng, Drury, 2007) noted that strict adherence to budgets is one of the fundamental building blocks of sound financial management consideration of dwindling sponsorship both from private and government NPOs

Other challenges raised by the participants were those of uncertainty surrounding the budget process, it was also noted that the involvement of estimated and forecast makes it difficult to produce accurate figures as the future cannot be predicted.

Participant 3 said:

The budget is based on the expected income and sometimes the implementation is affected when the organisation does not receive the actual income as it expected in the budgets.

Existing evidence argues that budget plans are based on the estimates and the success largely depends on the accuracy of estimations, but the future is always uncertain (Thomas & Lawrence, 1998). Therefore, the presumed situations may change and information contained in the budgets may be of little or no use. Accordingly, budgetary control limitations are evident as organisations prepare budgets for future periods despite the best estimates being made for the future the predictions may not always come true when actual events take place.

Another budgeting challenge that ADRA faces according to other respondents is the problem of consolidating all budget proposals from different units, this is as a result of units/departments requiring more funds than the organisation is capable of rising.

4.6 Improvements made by ADRA on the budget implementations

The common answer to the question of improvements made by the organisation in budget implementation was the reduction in spending with one respondent saying:

Budget within your means; plan to spend what you are sure to have. Limit your spending if possible, avoid spending outside your budget. Faced with the economic hardships budget cut was our only solution.

The participants seemed to be for and supporting the idea of spending reduction as they believed this is the only effective way of improving the organisation's cash flows. This confirms the finding by (Jonhasson & Siverbo, 2014) that tight budget control lessens budget deviation when facing budget turbulence. However, this also can demotivate employees because it contradicts their known behaviour and puts them in a discomfort zone (Bourmistrov & Kaarboe, 2017).

4.7 The internal report of ADRA and performance reports

ADRA prepares departmental internal reports every month, according to one of the respondents all departments prepare internal reports of their own then the finance department consolidates these into one report for the whole organisation. One respondent also highlighted that monthly internal reports are used by the organisation to evaluate progress of the projects which it undertakes and also to show the position of the organisation in terms of achieving its budgeted objectives. Participant 1- provided the following information:

In every board meeting the financial report should be presented. All board members should be given copies of the report for them to make comments and recommendations. The report should always include the financial information.

The respondents further clarified that the internal report includes all the projects which are currently underway, their percentage of completion and the remaining. It also includes the comparison of budgeted expenditure and actual expenditure utilised to the point.

Another respondent stated that the departmental reports are also used as performance review reports to enhance future performance of the organisation. These performance reports are reviewed quarterly and are used to rate the performance of the organisation's employees.

In response to the question on performance reports and review, Participant 3 said:

Since ADRA deals with projects and receives most of its funds from donors, it is the requirement for the donors to have performance reports. If the organisation as a whole performs well it attracts more donors. Once the organisation wins the confidence of donors then the organisation has marketed itself within and outside the country.

The findings reveal that ADRA has control in place and adhere to internal control systems which promote accountability by those charged with responsibility. An efficient control system is considered a key instrument in validating budgetary and financial information, making it more reliable and ultimately more useful for whatever purpose (Nogueira & Jorge, 2017). Similarly, Mzini (2011) states that annual reporting is an important vehicle through which NPOs makes itself transparent and accountable to beneficiaries, donor and other stakeholders. NPOs depend mostly on donor funding as a source of their income and hence it is necessary to perform well in order to attract more funding, otherwise poor performance taints the image of the organisation thereby pushing away donors. This is supported by literature as argued by Riley (2012), that donor funding is mainly earmarked for specific projects over shorter time periods rendering budgets and good performance more important in attracting donor funding.

4.8 Budgets as a tool for measuring the performance of the organisation towards achieving its objectives

ADRA uses budgets as benchmarks against which actual performance is measured. One of the respondents stated that budgets help the organisation to measure the actual outcome against the planned activities. This helps the organisation to trace and monitor its progress with regard to running projects. Participant 3 - said that: *When one does budgeting there are projects that need funding. In our budget we already know which project should start and end when. That means we have a roadmap to follow as a guideline to achieving the desired outcome of these projects within the time frame specified in the budget schedules. This allows for constantly monitoring progress at various stages of the project.*

The findings reveal that the budgetary exercise is a vital tool for both quality review and performance analysis which helps the organisation to constantly improve the quality of services it provides; thus it helps the organisation to achieve its objectives.

On the question of how ADRA deals with variances, participant 2 stated after comparing standards and actuals variances are reported to the finance department and decision is usually done by the board to transfer from those budget lines which are not fully utilised to those depleted.

Participant 4 - said: *Variances only occur when we under/over spend; it is much safer for us to have positive variances that show we did not exceed our budget. On the other hand, variances should not be too much because this creates an impression within donors that we were given more funds than we needed as a result next time the donors give limited funds which will be unable to fully finance the projects.*

The findings show that variance analysis is very important for NPOs together with good performance towards achieving the goals of the organisation as this has direct effect on funding. However, previous research by (Motloli-Litjobo & Makhele, 2019) contradict our finding, their study found numerous challenges such as inadequate monitoring and evaluation of budget performance results in the repetition. Bogt and Jan van Helden (2011) found that often there is no relationship between plans and performance expected to be realised in a particular year, this view is supported by (Johansson & Siverbo, 2014) even if budgets are balanced before the fiscal year, the outcome may be a deficit due to a combination of tough budget targets and insufficient budget control. Our study revealed that the participants possess adequate financial knowledge, expertise and experience which contributes to the proper budgeting process and execution thereof. All the participants hold either a bachelor degree or master degree, therefore we argue that this strong financial background is the model of what all NPOs must strive to possess if they are to succeed in ensuring proper financial management (Mpaata, Kakumba & Lubogoyi, 2019). Since budgetary control is key to sound financial management hence the survival of NPOs the right mix of financial knowledge and executive experience is pivotal

5. Conclusions and Recommendations

The research problem of this article was: a lack of expertise among budget managers such as pastors and clergy, too much reliance on Seventh-Day Adventist members to fund the activities of the organization resulting in most planned activities not completed due to budget constraints, similarly it is not known how ADRA do fundraising with other stakeholders and this article contribute to literature as review of existing literature shows little research has been conducted on budgetary controls in NPOs (Johansson & Siverbo, 2014). Thus, the goal of this article was to understand the importance of budgetary controls in the wake of declining

donor funding, to examine challenges in designing and implementing budgetary controls and finally, to examine the internal controls in monitoring budgets.

The findings from both primary and secondary data are consistency with existing literature on budgetary controls. The major findings from our analysis are as follows: regarding the first research objective, our results suggest that even with the shortage of funding, budgetary control remains a major component of the survival and success of NPOs. We find that budgetary control is a very important tool in measuring both the performance of employees and the organization as a whole.

In relation to the second research objective, the study found that ADRA use incremental budgeting and that employees do participate in budget preparations, this is good as it motivate employees to be involved in the activities of the organization. However, our result did not confirm how long it takes to prepare and approve the budget and also whether or not after approval non-finance staff has access to the approved budget. Furthermore, the results revealed that limited funding is a major challenge for budgeting and budgetary controls as a result most planned activities are not implemented. Uncertainty was also raised by the respondents several times as one of the leading budgetary challenges and lack of clarity on budget information (Motloli-Litjobo & Makhele, 2019).

Regarding the third research objective, the study found that ADRA regularly monitors its budgets against actual results as this is a requirement by management whenever monthly internal reports are issued. This exercise makes it easier for ADRA to continually trace and manage the progress of all its projects under way at any point in time. Our result indicated that most of the employees hold bachelor degree in the field of finance, this could be the reason they have adequate monitoring and evaluation but in the interview it was revealed that management takes budgetary controls serious though they are only pastors and clergy. This is very important to note because literature reviewed suggest that lack of expertise is a major challenge in budgetary control especially in management since they do not support effective budget management practice, this challenges the idea that having expertise leads to effective budget management.

Based on our findings, we recommend that (i) NPOs should draw up a comprehensive budget policy manual that outlines the budgetary framework and the control. (ii) NPOs should conduct awareness and marketing campaigns in order to make the organization and its cause known. This may enhance donor's knowledge and attract funding opportunities for the organization from other stakeholder. (iii) NPOs should establish a budget committee to direct and approve the budgetary and control processes and constantly review the stand of the organization.

There is need to conduct research on other NPOs in Namibia for comparison. In addition, future research may also increase the sample size in order to test if the results will be different for a bigger sample on the circumstances surrounding budgeting and budgetary control in NPOs. Finally, this research has contributed to the knowledge on budgetary controls as it challenges the idea that effective budget management practice requires suitably qualified financial professionals (Jorge, Jorge de Jesus & Nogueira, 2019; Henttu-Aho, 2016; Mzini, 2011; Mpaata, Kakumba and Lubogoyi, 2019). In future research, it would be useful to examine the biblical principles of stewardship and ethics on budget management in leadership among NPOs.

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