

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**



**SCHOOL OF BUSINESS**

**BUDGET AND BUDGETARY CONTROLS AS A TOOL FOR THE EVALUATION  
OF MANAGEMENT PERFORMANCE: A CASE STUDY OF ANGLOGOLD  
ASHANTI (GH) LIMITED**

**BY**

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# KNUST



## DECLARATION

I therefore proclaim that this piece is my own work with the exception of references which I have appropriately acknowledged in the direction of the MBA degree and that to the best of my awareness it comprises neither materials beforehand printed by someone else nor materials which have been acknowledged for the granting of some other degree.

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## CERTIFICATION

I hereby certify that this thesis was supervised in accordance with laid down procedures by the University.

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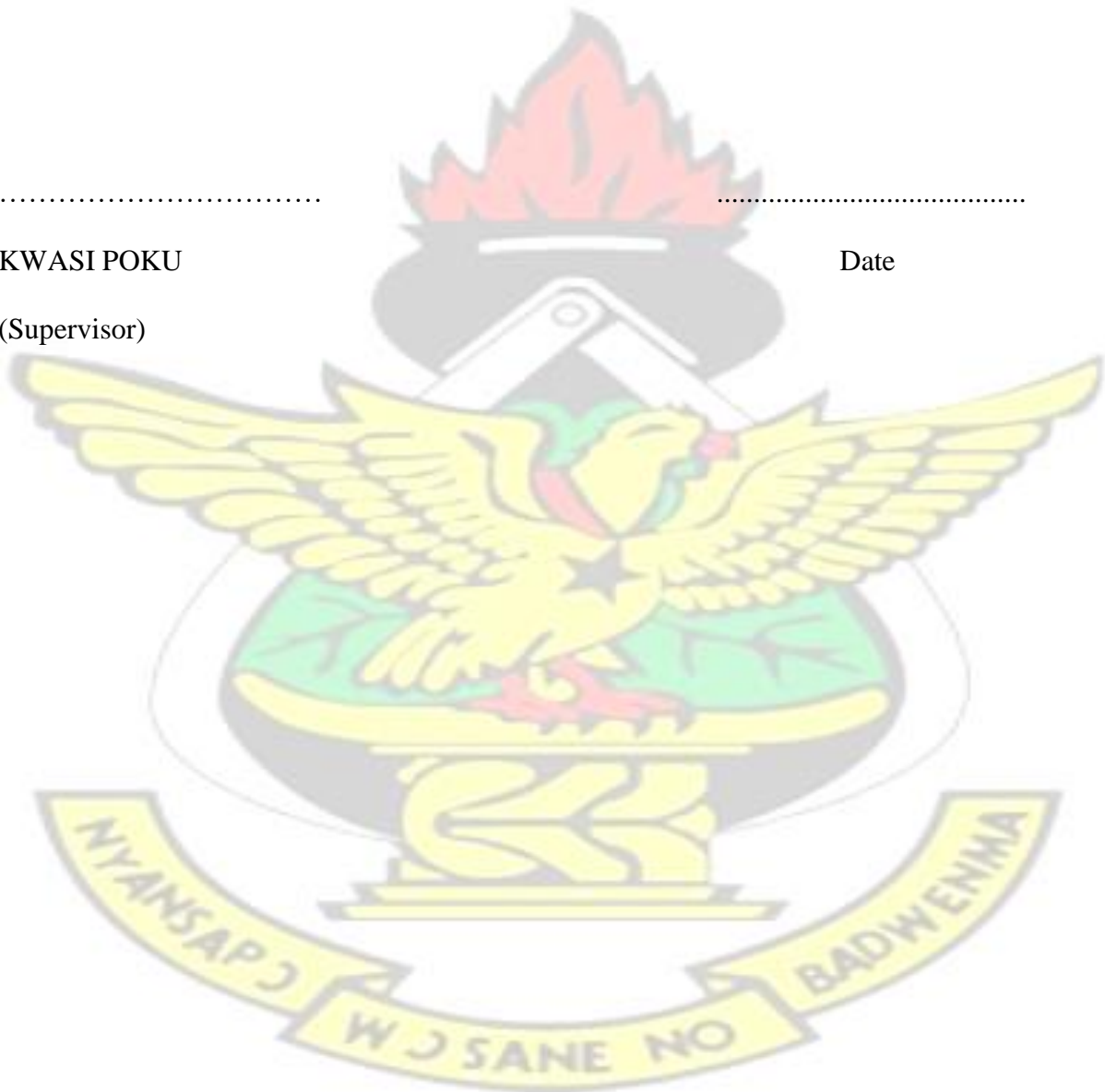
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## DEDICATION

I commit this piece to my dear wife, Frema, for her unwavering backing and reassurance during the challenging time of graduate school and working life. I am sincerely grateful for having you in my life. I would also like to dedicate this piece to my mother, Felicia, who has relentlessly loved me whole-heartedly and whose life experiences have taught me to strive hard for the things I desire to accomplish.





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## **ABSTRACT**

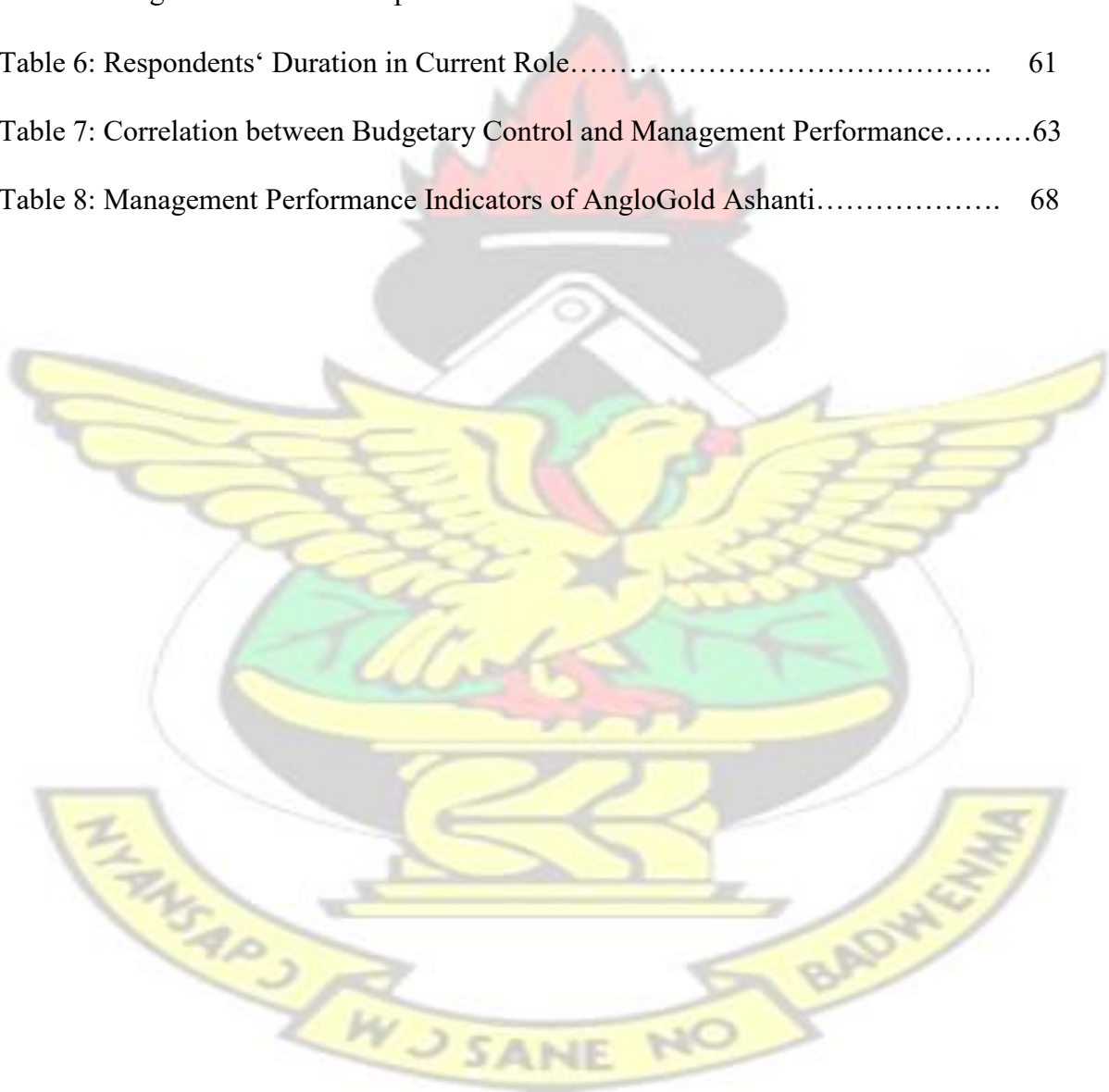
The research enquired examined budgets and budgetary controls as a tool for the evaluation of management performance in AngloGold Ashanti Obuasi mine. The objective of the paper was to identify if there is a link between budgetary control and management performance. A descriptive case study approach was used for the study. Thirteen departmental heads of Anglogold Ashanti Limited were sampled using the purposive sampling technique.

The researcher employed a descriptive study outline for information gathering. From the thirteen departmental heads of Anglogold Ashanti Limited sampled, a carefully designed questionnaire was used to elicit their response as per the subject matter of the study. The data was analysed using the Statistical Package for Social Sciences with descriptive statistics such as frequencies and percentages. A regression analysis model was used to analyse the link between budgetary control and management performance.

The study found that there is a positive relationship between budgetary control and management performance with budgetary control process and challenges in the control systems having the highest influence on management performance among the factors examined. Budgetary control features and human elements in budgetary control also had an influence on management performance but were not as pronounced as the factors in the control process and the challenges in the budgetary control systems. The study recommends that, the management of Anglogold Ashanti Limited must continually review their budget and budgetary control systems in order to ascertain its effectiveness. It also suggests for further research in the same sector but with a larger sample.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

The efficiency and effectiveness of the processes of a business relies on the controls accessible to management. There are several activities happening concurrently in all business organisations, for example, production, procurement, distribution, marketing and financing a product. These activities are interrelated in such a manner that they influence the achievement of the business objectives. Thus, management needs to ensure that the scarce resources available to the organisation are equitably distributed in order that none of these activities are put aside.

A budget and budgetary control system serves as one of the means of controlling the scarce resources available to individuals and business entities.

The Chartered Institute of Management Accountants (CIMA, 2004), describes a budget as "a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective." Drury (1992) cited in Sunkar (2005) stated that, —a budget provides a course of action over a particular period of time, which aids the operations of the business entity. —Budget serves as a tool for coordinating and assessing the performance of individuals or sections of an organisation and also structure the decision making environment (Bruns and Warehouse, 1975 cited in Kpedor, 2012). Thus, they seem to be a suitable control device affecting the performance of organisations.



For a specific period's financial plan to be helpful, the real results at the end of the period must be juxtaposed with the budget. The base of comparison of the budget to the actual results obtained at the end of that particular period is what is referred to as budgetary control.

CIMA (2004) defines budgetary control system as, —the establishment of budgets relating to the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision.¶

—The process of comparing actual results with planned results and reporting on variations is referred to as budgetary control (Lucy, 1989 as cited in Sunkar (2005).¶

According to Wagh and Gadade (2013), —budget and budgetary control system are the regulatory tools of an organisation's operations by instituting benchmarks and objectives regarding income and expenditure, and a constant monitoring and fine-tuning of performance against them.¶ —Budget and budgetary controls provide information and data of past performance and thus helps in making reasonable comparisons between planned and actual progress. In budgetary control, adjustments sometimes made to current budget or future budgets to bridge any performance gaps that may be present (Kpedor, 2012).¶

—Budget and budgetary controls assist management to make a cautious and rational scrutiny of all current operations so as to justify the need to expand, eliminate, restrict or diversify the current practice Fisher, et al, (2000) cited in Igbinosun and Ohiokha (2012).¶

According to Steven (2002) as cited in Igbinosun and Ohiokha (2012), —budget and budgetary control involves a particular outline of choices in an organisation which is fit for determining its targets, purposes or objectives, and how these objectives are accomplished by establishing key policies and plans

According to Bierman (2010); and Bonner (2008) as cited in Raghunandan, Ramgulam and Raghunandan-Mohammed (2012), —the budgeting process includes strategic goals and objective setting, development of revenue, cost, production and cash flow forecasts by setting up the investment and financing strategy. This will aid the finance function in deciding on the choice of investments to be made and the means of financing these investment choices

—Budgeting pulls together choices with respect to capital budgeting, capital structure and working capital (Drake and Fabozzi 2010 cited in Raghunandan et al. 2012).

The end result of the procedure is the creation of the formal report referred to as a —budget (Raghunandan et al. 2012).

Every organisation, notwithstanding its size, sophistication or segment, depends strongly on budgets and budgetary controls to accomplish strategic objectives (Raghunandan et al. 2012).

—The achievement and significance of budgeting relates to the identification of organisational goals, sharing of responsibilities regarding achieving these goals, and hence its execution (Shah, 2007); Robinson 2007; Drake and Fabozzi 2010 cited in Raghunandan et al., 2012).

According to Raghunandan et al. (2012), one of the most successful and useful management accounting techniques, budget and budgetary control, if properly understood and implemented can yield good results for organisations. Budget and budgetary control is a management role that encourages individuals to plan and formally accomplish their plans quantitatively.

Thus, it is an essential instrument that management uses to co-ordinate an organisation's numerous activities.

Spending plan preparation is seen as a serious component of management (Otley&Pollanen, 2000 and Otley, 2003 as cited in Kpedor, 2012). As budget and budgetary control give the requisite benchmarks against which performance could be measured, the budget can therefore be used to assess the performance of the organisation.

It is therefore against this background that this study seeks to study budget and budgetary control as a tool for the evaluation of management performance.

## **1.2 Problem Statement**

Budgets are very essential to judiciously manage limited financial resources and equally serve as a medium of approval, regulation and assessment of expenditure. Income generating establishments; consider budgets and budgetary controls as significant components in their strategy development. Budget can therefore shape the direction of firms and thus make firms successful or fail. The failure or success of an organization hinges generally on budget preparation and powerful budgetary controls.

The absence of or weak budgets and budgetary controls in most organisations characterized by managerial, financial, administrative and production constraints has led to failure of these organisations recently (Bradstreet, 2004).

It is of no doubt that one of the key performance indicators of every entity is budget and budgetary control system.

Budgeting provides a suitable benchmark for measuring performance that motivates managers and employees. According to Horngren, (2003) cited in Onduso, (2013), —budgets provide

valuable data for managers to assess firm performance and inform financial allocation strategies across various components of a firm.¶

Budgets, therefore, encourage employees to contribute their best in the business which is also geared towards the achievement of the goals of the organisation.

Thus, the budget of every business organisation is the instrument of making decision, the pivot around which all decision on any venture is derived.

Realising how sensitive and the significant a budget is to every business entity, it is therefore incumbent on management of organisations to get accurate budget information that presents the real state of affairs; as the performance of management could be measured on the basis of the budget and budget control systems.

There are however lots of empirical literature that assess the performance of firms using budget and budgetary control systems as tools for the evaluation of performance. However, though the mining industry across the world also plays significant roles in the economy of countries that engage in mining, there has been scanty literature assessing how budget and budgetary control can be used as tools to evaluate the performance of management.

It is therefore on the basis of the problem above that this study seeks to assess how budget and budgetary control system can be used as a tool for the evaluation of management performance in Anglogold Ashanti.

### **1.3 Objectives of the Study**

The general aim of the research is to ascertain how budgets and budgetary controls can be utilised as a tool for the evaluation of management performance.



The specific objectives are:

- i. To ascertain the linkage between budgetary control and management performance in AngloGold Ashanti's Obuasi Mine.
- ii. To ascertain the challenges related with budgets and budgetary control in AngloGold Ashanti's Obuasi Mine.
- iii. To identify ways to improve the performance of management of AngloGold Ashanti's Obuasi Mine through budgetary control measures.

#### **1.4 Research Questions**

The following questions conducted the study:

- i. What relationship exists between budgetary control and the Obuasi Mine's management performance?
- ii. What are the challenges related with budgets and budgetary controls in the Obuasi Mine?
- iii. How can the Mine's management performance be enhanced by the use of budgetary control measures?

#### **1.5 Scope of the study**

The study shall concentrate on the Obuasi Mine of AngloGold Ashanti in Obuasi; in the Ashanti Region of Ghana. The research covers the budgeting processes and budgetary controls of the Obuasi Mine and how it can effectively be used to evaluate managerial performance. Within



the extent of this study, the findings could not be generalised to other mining companies be it in Ghana or other parts of the world.

## **1.6 Limitations of the Study**

The constraints of the researcher in carrying out this research were as follows:

The time used to carry out the study was limited. As a full time worker, the time was loaded with tight work schedules to be met and other academic activities. The interview responses from the management staff were also a bit slow due to the sensitive nature of the topic. Thus, the respondents feared breaching their confidentiality oath.

Only department heads relevant to the objectives of the study have been covered.

The identity and responses of the respondents will not be available due to privacy concerns.

Sampling size is too small, thus a study with different sample size or on different geographic location may present different results.

## **1.7 Significance of the study**

This research will add immensely to research and policy.

For research, this study will serve as the foundational stone upon which further studies on the subject matter of this study in the mining industry would be built.

The study will serve as a guide for budgeting and budgetary control to the management of AngloGold Ashanti, Obuasi Mine in imminent monetary decision. It will also assist as a stimulus in the development of institutional policy framework on prudent financial management, which is relevant for survival in the turbulence (tumbling gold prices) being experienced in the Gold Mining Industry.

## **1.8 Organisation of the Study**

The study has been grouped under five chapters. Chapter one introduced the context to the study and defined the exact problems addressed in the study, as well as importance of the study.

Chapter two presents a review of literature and applicable research related to the problem addressed in this study.

Chapter three presents the methodology and procedures used for data collection and analysis as well as the design components.

It also presents the profile of the organisation under study, AngloGold Ashanti (Ghana) limited, Obuasi Mine.

Chapter four comprises an analysis of the findings and discussion of the findings.

Chapter five presents a summary and discussion of the research findings, propositions for practice and recommendations for further studies on the topic.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This area of the study shows a point by point audit of the concepts under study. The particular subheadings of the study are the historical backdrop of Budgets and budgetary control, the idea of budget, qualities of a budget and budget manual and its goals. Different subheadings incorporate sorts of Budgets, arrangement of a budget, budget cycle, budget period. The area additionally involves the reason, advantages and the difficulties of a budget. This part additionally presents the idea of control and budgetary control, goals of budgetary control and states of powerful budgetary administration frameworks. It likewise exhibits a Nitti gritty audit of how the budget can be utilized as a device for money related performance, explanations behind measuring budgetary performance and criteria for measuring budget performance. The segment closes by taking a glance at an audit of other related studies that have been directed on related concepts.

#### **2.1 The History of Budget and Budgetary Control**

Truly, it is acknowledged that financial plan began as late as the Stone Age regime, when the first human was unsuccessful to acquire all that he requires and was compelled to arrange and use the pint-sized he had regarding nourishments and other essential things. He managed his nourishment over a period to prevent himself from being famished.

During the surplus seasons, the early man preserved the fruits he plucked during their seasons and used them when they are out of season in order to avoid starvation during that period.

Because the early man was not sure whether he will make a catch the following day, the early man was also believed to have preserved some of the meat that he was able to catch.

In this way, the early man made arrangements for the future bearing in mind the uncertainty the future holds. He is said to be involved, specifically or incidentally, in indigenous planning (Siyanbola, 2013).

As indicated by Siyanbola (2013), present day budgeting started amid the Egyptian and Roman human progress times around 2500BC and 500BC individually. At that point the Shippers faith in assembling every single expected income against expected pay in appreciation of their organizations in order to identify the sort of business which is beneficial. Recognized lay out and readiness of financial plan begun amid the mid age Britain when the Chancellor of the Exchequer used to take a shot at his yearly record to be perused to the legislative body in a scroll, ordinarily put in a bag. Amid the period for discourse on the funds of the nation he regularly opened his sack enclosing the explanation of financial records to be perused to the legislature. The bag was referred to as the budget, from the original French word boguette. As time came, the monetary report assumed control over the bag's name; subsequently current annual monetary account for regimes is known as budget. Great Britain pioneered the routine of a yearly state financial plan in 1787; the legislature tackled the 'Consolidated Fund Act' which accommodated a solitary overall trust for accepting and keeping records of all income and costs. This laid the reason for a modern budget framework. By 1822 the chancellor of Exchequer had tackled the act of introducing a yearly budget explanation to record council for individual survey of Chequer and Review Act gave a different post review.

The United State received this mechanism by 1912, as the government budget framework was set up by the budget and accounting act of 1912 and by 1831, the French parliament protected the unmistakable parts of allocation.



Right now, much consideration has been focused on reinforcing of budget and planning and their related nations and business organizations.

Be that as it may, in the expressions of Igbinosun and Ohiokha (2010), the traceability of the beginning of the ideas of budget, budgeting and budgetary control goes to Book of scriptures days, especially the times of Joseph in the land of Pharaoh. Records related that "nothing was given out of the fortune without a composed request". Also, times gone by related that Joseph planned and housed grains, which existed for the Pharaoh and his people all through the dry spell which lasted for seven years.

As indicated by Chow, et al, (1988) referred to in Igbinosun and Ohiokha (2010), budgets were initially presented in the 1920s as gadgets for expense administration and trade streams in immense business organizations. Sunkar (2005) sets that organizations started to utilize financial plans to learn what individuals expected to consider during the 1960s. Performance advancement was in light of accomplishing monetary aims instead of viability, organizations then confronted difficulties in the 1980s and 1990s when they were not eager to consume cash on new thoughts to be in accordance with the unbending Budgets. Organizations were just concerned with meeting deals targets, which they considered as essentials, to the inconvenience of clients fulfilment and how they were being dealt with.

## **2.2 The Concept of Budget**

As indicated by Chartered Institute of Management Accountants CIMA (2004), a budget is a budgetary and/or quantifiable explanation, arranged and acknowledged in connection to a characterized duration of time, of the approach to be attempted amid that time allotment with the end goal of accomplishing a set goal. According to Drury (1992) cited in Sunkar (2005),



—a budget provides a plan of action over a period of time, which aids the operations of the business entity. A budget is therefore a proposal of the result of the organisation's operation in a given period referred to as a financial year.

Siyanbola (2013) shares the perspective that budget —is a financial plan summarising the financial experience of the past, stating the current plan and projecting it over a specified period of time in future.

In this manner, a financial plan turns into a premise of monetary organization and the different processes in the range of money have a relationship through the tool of a spending plan. A financial plan is in this manner seen as a monetary report of explanations and proposals which are presented to administration of organizations irregularly for it to be allowed and approved. It is the report of the whole money related activities of the organization and offers a considered future course of action and decisions of organizations (Siyanbola, 2013).

"Budget" has turned into the most well-known language or the most favoured medium of activity or in real life by the management and workers of both open and private organizations. Management at different levels inside of organizations have utilized the budget as their spread or reason when gone up against or confronted with any choice.

It's very phenomenal to diverse expressions like "the financial backup does not give us energy to or it's not inside of our financial plan. Frederick (2001) characterizes spending plan as —a plan that is quantifiable and auspicious. Bruns and Waterhouse (1975) referred to in Qi (2010) additionally depict spending plan as monetary arrangements that gives the justification for coordinating and surveying the performance of people or areas of establishments. Vendor (1981) characterizes financial planning thoughts as a blend of data streams and regulatory

systems and techniques that are typically an indispensable piece of the medium term arranging and control structure of an organization.

Drury (1992) referred to in Sunkar (2005) characterizes financial plan as a proposal given in numerical, generally fiscal term catching a particular scope of time for the most part a year at the end of the day a budget is a breakdown arrangement for the utilization of labour and material resources. For business organizations Budgets are seen as an assessment of future expenses and benefits.

Lucey (1996) characterizes budget as an arrangement represented in cash values. It is set up and conceded to before the financial backing and may indicate salary, costs and the cash flow to be utilized. It might be drafted up indicating incremental impacts of past planned or real amount, or be assembled by zero - based financial planning. Blocher et al (2002), contend that financial plans support to distribute assets, compose activities and give a method for accomplishment appraisal.

### **2.2.1 Characteristics of Budget**

As per Gregory (2005), a reasonable financial plan has the accompanying qualities:

- i. Participation – numerous individuals are included during the time spent drawing up the budget;
- ii. Comprehensiveness-a decent budget needs to grasp the entire organization;
- iii. Standards – a great budget must be taking into account set up norms of performance;
- iv. Flexibility – gives space for changing conditions;

- v. Feedback – consistently monitor results and achievements; vi. Assessment of expenses and incomes – this can be completed on the grounds of product offering, segments or consumption focuses.

### **2.2.2 Budget Manual and its Objectives**

According to Harper (1995), the various functional managers require instructions and procedures regarding the preparation of their budgets. Hence, there should be a budget manual. The budget manual, according to Frimpong (2009), is a laid out set of guidelines and pertinent information that serves as a rule book and reference for the carrying out of a budget plan.

According to Frimpong (2009), the budget manual tells what to do, how to do it, when to do it, and which form to do it. The preparation of a budget manual is laborious and time consuming but according to Frimpong (2009), the efforts and time needed for the manual's preparation are justified by its long-run usefulness, its tendency to crystallize all aspects of a budget programme, and its documentation of procedures.

The objective of the financial plan handbook is to institute a financial plan sequence and outline a summarised procedure that will facilitate the advantages listed below to be provided after the implementation of any agreed amendments. Thus according to the Kpedor (2012), the following are the objectives of a budget manual:

- i. To reduce the span within which the budget is reorganised and finalised
- ii. to provide clarity on the roles and responsibility of financial plan data providers
- iii. To ensure that the financial plan presents the accurate image of our core occupation.
- iv. to replicate the developing corporation's working procedure in the financial plan procedure

- v. to combine and appreciate all complete operational financial plans
- vi. to evaluate and appreciate the full monetary spending plan to guarantee that it meets the ventures objectives, the territorial methodology and the group procedures
- vii. to clarify the financial plan's evaluation procedure
- viii. to appreciate then spending plan as the tool for viewing planned execution
- ix. it is a mode of edifying executives
- x. it functions as an official document clarifying the capacities and obligations of every official
- xi. by title together in connection to the development and the application of the financial plan
- xii. It helps executives to enhance cooperation where inclusion in the planning procedures is improved.

### **2.2.3 Types of Budget**

The particular varieties of financial plan to be laid out by administration of an institution will rely on upon such a variety of variables, for example, the nature, size, multifaceted nature, activities of the organization. In any case, in expert administration, the accompanying sorts of budget are basic.



### **2.2.3.1 Fixed Budget**

An unaltered budget is a budget which is custom-made to continue through to the end paying little mind to the volume of result or benefit accomplished. It is a solitary financial plan without evaluation of expense. The motivation behind a settled financial plan is at the arranging level when it goes for clarifying the assorted targets of the firm where there is no investigation of costs into stationary and adjustable.

### **2.2.3.2 Flexible budget**

Adaptable budget is a budget which is planned by distinguishing diverse expense conduct standards, to change as the mass of action modifies for control reason, it is important that adaptable comparing so as to plan is regulated just what the costs ought to have been with the costs brought about at the genuine movement level can any control be worked out.

An adaptable budget frequently shows, expand or diminish in business operations inside of an organization.

In a few organizations, contrasts may be more prominent in a few divisions and littler in others. The inclination in some divisions is to deliver extra components devoid of gathering extraordinary extra expense whereas in others, expenditure rises or reduces correspondingly to creation expand or reduction.

### **2.2.3.3 Cash Budget**

A cash budget structures basic estimation of predicted money incomes and instalments for the expected year or period. This is on account of while it might be probable for an association to be available and keep on making due without salary; the survival of an association is undecided



without cash to pay for its obligations when they fall due. A cash budget consequently perceives conceivable time of money deficiency or money left-over to the business. This business will then help the contradicting impact of money crush (absence of money) by requesting for an overdrawn bureau or to enhance the advantage related with excess stores over a short-run venture.

#### **2.2.3.4 Master Budget**

The expert budget likewise distinguished as benefit arrangement is an exhaustive situated of financial plans encompassing all facets of an organization's undertakings for a distinct era. The expert financial plan is the significant yield of a financial planning structure.

It is a colossal income arrangement, which entwine all phases of an organizations form. It comprise of numerous discrete independent financial plans - Operational budget and financial budget.

**Operation budget:** This showcase by what means approaches will be done to yield an institution's services and products. The embodiment of functioning financial plan is for the firm to have the capacity to encounter the cases for its merchandise and administrations.

**Financial Budget:** This showcases by what means an association will achieve budgetary incomes amid the period of the financial plan.

#### **2.2.3.5 Sales Budget**

Sales budget demonstrates the limits of every item that the organization chooses to offer and the imaginary offering sum. This budget is extremely huge on the grounds that it is an informed speculation of the income to be delivered by the group from its methods. It gives the estimate of the aggregate income from which money earnings from customers are anticipated and it

additionally provides the simple information for making financial plans for generation expenditure and for vending, dissemination and executive consumptions.

The sales financial plan is the groundwork of every other budget since all costs is over the long haul subject to the extent of offers. This budget likewise works as a gadget for record supervision.

#### **2.2.3.6 Rolling Budget**

This is additionally perceived as an endless financial plan. It is an order of revising so as to budget that includes endlessly redesigning budgets the genuine outcomes for a careful era in the financial backing and characterizing a financial plan for the coordinating era.

There would be financial plan each quarter or half year so that as the present phase finishes up, the financial plan delayed by an additional period, rather than arranging a financial plan for every annum,

#### **2.2.3.7 Short term budget**

These budgets are built up for utilization over a brief era, for the most part a year, which is used for regulatory commitments by the risk officer. This is typically being used in created businesses because of the composite and element surroundings in which they work.

#### **2.2.3.8 Long term budget**

This is an amplified term arrangement, additionally referred to as expansion strategy. It is as a rule for a base interim of 5 years and is occasionally known as the conscious arrangement of the association.

#### **2.2.4 Preparation of Budget**

Maitland (2001) refers to the technique of sorting out and conceding to a budget as a method for changing over the entire goals of the firm into itemized, feasible arrangement of activity.

Budget arrangement is one of the brain desensitizing undertakings that any organizations ought to encounter. The readiness strategy for the yearly financial plan takes in a lot of vitality, period, and expenditure. In this manner, it is basic that an organization must have the capacity to track precisely every one of the ways and method for defining a budget. In make budgetary game plans, the accentuation is to set up the budget, as well as all the more imperatively to have a subsequent operation for budgeting and to act presenting to known information.

Along these lines, Falk (1994) refers to that budgets are fiscal articulations of an organization's line of assault for a stretch of time. It provides area and by what means the organization will exhaust cash and the source of the cash compensate for these consumptions. He likewise incorporates that financial plans establish parameters. Other than establishing parameters, Andrews and Slope (2003) state —that financial plan additionally offers the insurance that the most key needs of a nation are met first and less huge needs are put off until there are satisfactory trusts in which to pay for them. Despite the fact that financial plan preparation is not the sole thing that needs thought in budgeting, the premise of it is still wanted with a specific end goal to have at any rate close estimation.

### 2.2.5 The Budget Cycle

In all organizations, financial plan is established by the management accounting team with respect to the institution's targets. In a business, it is given to the governing body or CEO for support. At the point when acknowledged it comes to be an official request.

It is anything but difficult to end the budgeting methodology as starting at the time the initial financial plan is set, and as being entire when the expert financial plan is finished. In conviction, the financial planning technique starts for some organizations earlier prior to the commencement of the financial plan period and the movement closes as soon as the financial plan duration has finished up.

This implies that financial planning practice is an extremely long procedure. —Ordinarily, for an extensive institution, the pre-planning stage can start up to a year prior to the financial plan period initiates (Adu-Gyamfi, 2008).<sup>1</sup>

Finney (1994) structures these steps or cycle in making a potent budget:

- i. Budget structure and mandates are circled to directors;
- ii. It is rounded out and submitted;
- iii. Separate financial plan are changed to suitable financial plan and bookkeeping expressions and converged into a comprehensive corporate financial plan;
- iv. The financial plan is overhauled, adjusted as obliged and affirmed;
- v. A definitive budget is then utilized all during that time to represent and measure the organization.

### 2.2.6 The Budget Period

Time of the financial plan is the era for which an arrangement of financial plan is sorted out.



Ordinarily, as indicated by Jones and Pendlebury (1984), —the financial plan period is of an annual length, and will be intended to interface with an organization's or governments fiscal or monetary year.‖

There is no goal why a financial plan length of time must be one year, yet regularly it is made so. These authorities then again, express that on the off chance that we are delineating a venture, and then the financial plan will obviously be joined with that employment.

A three-month venture will have a financial plan catching the entire venture and will along these lines be a quarterly budget.

Most organizations will divide up their financial plan period into schedule months or periods while others have thirteen-period years the greater part of an identical four week period. In specific circumstances, the financial plan time will be broken down as indicated by some specific component of the task in that condition. For example, in some advertising/deals divisions of a few organizations, their year may be isolated into "records" of week by week and month to month length of time. Really, these parcels of a budget period are controller periods.

### **2.2.7 Purpose of Budget Preparation**

Williamson (1996) opined that budgets ought to be set up to fill the under listed needs:

#### ***Planning***

There is the probability that managers may be attracted to not get ready for future procedures due to normal hassles and agent hindrances. The arranging procedure guarantees that administrators do arrangement for up and coming jobs, and that they contemplate on by what

means circumstances in the following year may enhance adjustment and what stages they ought to embark on now to react to these transformed settings.

### ***Coordination***

It draws differing portions of the financial backing together, sunk into a typical procedure. Financial plans are not orchestrated to the advantage of persons included in the methodology however for the best enthusiasm of the institution or the invested individual.

Without direction in this manner, administrators may check their own particular workable resolution in disagreement of the general target of the organization.

### ***Communication***

Everyone in the financial plan setting sequence must be mindful of their information to the accomplishment of the organization's monetary arrangement. This will promise that all are made responsible for the performance of the financial plan. It will likewise then assist in sorting out all financial plan exercises for levelled performance of the outline.

### ***Motivation***

A financial plan conveys a benchmark that administrators will assess their accomplishment with. When they accomplish their objectives intermittently, they are intrigued to take on more prominent imprints. In the event that budget is constrained down from above and complete on the individuals who are to apply the arrangement, it will to some degree not impact employees and may be repulsed. This can likewise be utilized as a significant gadget for affecting organization conduct and urging supervisors to make accomplishment in accordance with the organizational purposes.

## ***Control***

Purposely composed activities can be compared to the genuine so work will be centred on determining the explanations for the changes.

In looking at the intentions in the progressions, supervisors may have the capacity to order inadequacy, for example, the acquisitions of unremarkable quality supplies. Material controlling activity will then be completed when explanations behind deficiencies have been built up.

## ***Performance Evaluation***

Most managers might want to evaluate their own performance regardless of the fact that they are not surveyed by their superiors. Then again performance is generally evaluated by surveying a supervisor's performance close by the financial plan and the capability to accomplish the objectives would bring about advancement or reward. The financial plan along these lines offers an exceptionally valuable system for advising directors of how well they are carrying on in meeting objectives that they have in the past served to accomplish.

### **2.2.8 Benefits of a Budget**

Lucey (1996) synopsis the advantages of financial plan in the list below:

- i. It offers clear strategies for directors and administrators and is the principle way that corporate goals are changed into positive obligations and thoughts identified with individual managers;
- ii. This money related procedure is a key system for correspondence and

synchronization both vertically and on a level plane;

- iii. Based on the rejection standard, which is at the centre of financial regulation, organization time can be kept and consideration centred to zones of most extreme concern;
- iv. Incorporation of financial plan takes into account conceivable improved money and operational fund administration;
- v. Improved control of existing methodology is helped by altered, orderly checking and reportage of happenings;

As indicated by Kaplan (1992), budget might likewise achieve overhauling and adequacy in the setting so as to work circumstances of the institution out goes for the organization and giving advantages for work to understand these imprints along these lines everyone perceives what they are working for and given the obliged assets which will promise efficacy.

### **2.2.9 Challenges of a Budget**

Lucey (1996) discovers the accompanying as the setbacks of a financial plan;

- i. Frequent changes because of differing settings and poor projection as a consequence of administrative performance.
- ii. Financial plan being created round on-going organization structures which could be unfitting for present day circumstances.
- iii. The vicinity of appropriately reported plans may bring about idleness and a nonattendance of adaptability in acclimatizing to alterations.
- iv. Poorly held financial structures with unjustified weight or respect to behavioural issues may bring about disdain and may decrease assurance.

Drury (2006) additionally has the assessment that, budget can be seen as a weight gadget upheld by organization bringing about diminished work dealings and mistaken record keeping.



Sectorial clashes over resources procurement and blaming one another when objectives are not met (Anohene, 2011). This may include a considerable measure of work they are uncertain of.

As per Adams, Bourne and Neely (2003), budgets are from time to time deliberately centered and are as often as possible conflicting; on the grounds that;

- (a) They concentrate on expense diminishing and not on worth creation;
- (b) They go about as point of confinement to readiness and adaptability, and are for the most part a hindrance to change;
- (c) they include slight quality, rather they swing to be inflexible and hose inventive considering;
- (d) They take a considerable measure of time and lavish to sort out.
- (e) They are enhanced and overhauled too sporadically: typically yearly.
- (f) It is taking into account doubtful presumptions and estimation; accordingly rousing gaming and unreasonable or broken behaviour;
- (g) They fortify vertical charge furthermore control;
- (h) They don't mirror the new system structures that organizations are tackling. (i)  
They support departmental obstructions as opposed to motivate data sharing and  
(j) Making individuals feel unrecognized.

What Adams et al (2003) is underscoring is that budgeting techniques that are employed as a part of firms are falling to deliver needed outcomes.

The budget readiness procedures are excessively time crushing, making it impossible to tackle, embolden in-house political affairs and gaming attitude, and are excessively egotistical, with makeshift culture that stresses on accomplishing a budget figure. Adams et al (2003) further

call attention to that budget as an organization device independent from anyone else is neither great nor terrible. The way directors oversee Budgets is the way to their value. It is along these lines how it is directed that makes it great or awful.

## **2.3 Budgetary Controls**

### **2.3.1 The Concept of Control**

The target of control is to guarantee adjustment to processes and execution of arrangements. This incorporates all procedures which verify that the activities of the corporation are engaged in the direction of the predetermined objectives. Koontz et al (1979) referred to in Siyanbola (2013) clarifies control as the "regulation of work activities as per foreordained arrangements, for example, to guarantee the achievement of the organizations destinations". Control in this manner works inside of standard furthermore surveys the work performance relying upon these goals and right deviances from the typical. The suspicion is that there is a standard or arrangement as opposed to which performance is looked at. Lucey (2003), in consent to the above, expresses that control frets about the compelling utilization of resources for accomplishment of a predetermined goal, or set of objectives contained inside of a plot.

As indicated by Siyanbola (2013), the progressions in control are comprised of:

- a) Forming arrangement, objective or fair choice principle;
- b) Keeping record of genuine performance of operation.
- c) Designing of an instrument to coordinate the two stages above;
- d) Taking out contrasts, that is, the distinction between the initial two stages;
- e) Investigating the reasons prompting these distinctions;
- f) Improving the change or making suitable move on the fluctuations.

With the above strides in the idea of control, let me now toss all the more light about budget and budgetary control.

### **2.3.2 Budgetary Control**

Lockyer (1983) referred to in Siyanbola (2013) was of the perspective that once a financial plan has been set up, it can be utilized as a tool of regulation by intermittently coordinating genuine with planned execution. At the point when all exercises of the organization have the capacity to pass on in budgetary terms, the breath of control likely is extremely immense (Siyanbola, 2013). Consequently controlling budget is a piece of the general course of action of obligation bookkeeping inside of an organization, as consumption and incomes are analysed as per zones of particular obligations of the budget proprietors through allowing money related appraisal. Budgetary regulation relates costs to the workers in charge of the different overheads at the different expense focuses so that every administrator is considered in charge of the expense by which he has authority over.

The Chartered Institute of Management Accountants (CIMA, 2006) defined budgetary control as —the establishment of executive to the requirement of policy and the continuous comparison of actual with budgeted results, either to secure by individual action, the objectives of that policy or to provide a basis for its revision.

It is noteworthy that financial plan does not work independently; there is much prominence placed on its regulation through the comparison actual results with planned results.

Lucey (2008) clarified budgetary control as the course of contrasting the genuine outcomes and the proposed outcomes and providing details regarding the varieties alluded as change. This as indicated by him, sets a regulatory structure which aids dispensing to be held inside of

an understanding points of confinement, individualities are noticed from the beginning for accommodating activities. In a few occasions, it might be fundamental to audit objective however this ought not to be a typical event but rather just in novel circumstances.

Basically, budgetary control embodies departmental or sectional or practical figures in the association, accepting a duplicate of financial plan connecting to his or her exercises. Every month he will acquire a duplicate of financial plan statement indicating obviously the areas of over or under spend his planned stipend. This will provide him the capacity to pick on the restorative stride to settle on. This is consistent with the way that, disparities are the obligation of departmental or sectional figures and each of them needs to clarify the error and act so as to counteract future event of unfriendly fluctuations.

It is not of shock for one to experience contrasts in the budgetary control forms. At the point when a change exists between the genuine sum maintained or acknowledged, and the adjusting planned (forecasted) figure, there is budget difference (Garrison, et al., 2003 referred to in Qi, 2010). Therefore there could be an occasion whereby the real sum brought about is higher than the sum acknowledged or the case whereby genuine cash caused being not exactly the sum figured it out. As per Qi (2010), this budget fluctuation could be further separated into ideal changes and unfavourable differences.

Concerning income things, if real incomes surpasses planned incomes, the difference is great; while if genuine incomes are not exactly the planned sum, this is unfavourable budget change (Qi, 2010). For expense things, an unfavourable difference alludes to a fluctuation that reductions working pay in respect to the planned sum; a good change, in any case, expands working wage near to the planned sum (Qi, 2010). Friedlob & Plewa in 1996 referred to in Qi (2010) point out that, good budget contrasts are "for the most part indications of productive, compelling expense administration and increments in net salary". Then again, unfavourable



budget differences are results from incapable, inadequate expense administration, and lessened net salary.

Hirsch, (1994) referred to in Qi (2010) condenses the reasons for change and subdivided the reasons into four reasons which are expressed underneath;

- i. Firstly, fluctuation is likely the consequence of vague information.
- ii. Secondly, an expanding change in costs (value standard) or generation situations (amount standard) can bring about an unfavourable fluctuation.
- iii. Furthermore, change can be the result of irregular occasions (something that is suspicious to happen on a proceeding with premise.)
- iv. Lastly, change can be the deciding aftereffect of particularly very much sorted out or wasteful activities.

### **2.3.3 Objectives of Budgetary control**

As indicated by Siyanbola (2013), the real objectives of budgetary regulation can be outlined as:

- a) Blending of thoughts across the phases of administration in the planning of financial plan;
- b) Synchronisation of different undertakings of business;
- c) Revealing wherever a business would need to cure a circumstance;
- d) Controlling and arranging of all salary and expenses to accomplish most extreme advantages for the association;

- e) Setting up a measuring stick against which clear results can be looked at close by foreordained result;
- f) Channelling of capital costs in most financially savvy way.

#### **2.3.4 Conditions for Effective Budgetary Control System**

The under-listed settings are essential to set up for a budgetary control to be compelling (Siyanbola, 2013):

- a) Being included in the support of top administration;
- b) Clearly expressed data of long haul business targets inside which the planning framework will work;
- c) An achievable business arrangement with plainly characterized obligations;
- d) Full cooperation of the chiefs in all part of the budgeting system;
- e) Establishing fitting bookkeeping and data structures which will comprise of the record of spending and performance identified with commitment; snappy and exact reporting framework showing genuine against budget; capacity to offer more top to bottom data or exhortation upon interest;
- f) Consistent survey of budget and destinations, where important;
- g) Must be completed in an adaptable manner. Fluctuating situations may give rise for variations in arrangements. Strict devotion to Financial plans which are obviously wrong for existing circumstances will bring about the entire planning framework to lose respectability and viability.

## 2.4 The Budget as a Tool for Financial Performance

Merchants and Stede (2003) referred to in Anohene (2011) proposed that outcomes identifies with subjective and quantitative delineation of consequences which can help shape the possibility of an organization.

The heading of performance estimation is stressed by the famous saying "what you measure is the thing that you get" (Kaplan and Norton, 1996 referred to in Anohene, 2011). Bogt (2004) demonstrates that estimation identifies with authoritative operations, creation or yield and in general society segment performance examination identifies with essential operations and result following from open strategy.

Performance estimation is only a path for assessing advancement towards evaluated objectives. It is not fundamentally foreseen to go about as a compensation or discipline instrument, yet somewhat as a correspondence and administration instrument.

The objective of presenting performance estimation in organizations is to move the centre from the amount of benefits dispensed, to the outcomes acknowledged with those advantages.

Performance evaluation in the organizations can help a mixed bag of purposes. Principally, it functions as an instrument for correspondence showing whether the organization is performing or not. From that point, it serves as a special device. To workers inside of the organization, procedures indicate what is important, and what is fundamental for achievement of objectives. —Ultimately, measures can help as a vital administration and policymaking device, giving actualities that can be utilized to make propels in system plan and administration supply (Anohene, 2011).||

## 2.5 Reasons for Measuring Financial Performance

Behn (2003) specifies eight explanations behind utilizing performance estimation as a part of evaluating budgetary performance:

- i. to evaluate how well an organization is flourishing;
- ii. Empower chiefs and administrators to guarantee their assistants are on the right track;
- iii. To budget – Budgets are fundamental instruments in enhancing performance;
- iv. To support for better outcomes;
- v. To empower establishments interconnect their endeavours to partners particularly proprietors;
- vi. To backing to persuade individuals that an establishment is doing great;
- vii. To study;
- viii. To progress on existing circumstances.

In the sentiment of Kaplan and Norton (1996), a general thought of the routine of performance estimation is that, it is utilized to go down the arrangement and performance of hierarchical arrangements. Thompson (2007) states that, financial planning strategists and key administration share a co-appointment in the direction of enhancing institutional performance, as each is utilized to alter an organisation on a right way to achievement and aide its head's choice and actions.

Reginald et al (1971) look at budget as the framework and practice that joins all the working arrangements to express the fiscal outcomes and savvy performance of a corporation and that the aggregate monetary concerns coming about because of whole of every single working arrangement is the last degree of financial performance. Drury (2002) says that —if budgets are being used as points, then administration will wish to know whether those objectives have



been realised, and the reason for deviation if not realised. This is referred to as performance examination. Achieving the division's financial plan is typically the obligation of the division administrator, and it is consequently the performance of the supervisor which will be cross examined if the financial plan is not realised.

Administrative performance is regularly surveyed by the extension to which money related focus for which singular administrators are at risk having been accomplished.

Administrative prizes, for example, extra advantage or performance related pay can likewise be identified with acknowledgment of fiscal objectives.

They can likewise make utilize the financial backing to appraise their own particular performance and spell out that they are so near to realising altered performance objectives. In this perspective, financial planning and budgetary controls can be utilized as a key for the assessment of managerial performance.

## **2.6 Criteria for Measuring Budget Performance**

As indicated by Anohene (2013), picking of specific measures to utilize is incompletely a craftsmanship and halfway a science. The inclination of measures will to a great extent depend on the expected:

- i. Understanding — the measure and information are just comprehended by people in general, and satisfactorily portray how performance is being assessed;
- ii. Significance — the measure is a careful illustration of what is being evaluated. The data offered is very much timed and specifically connected to the subject material;

- iii. Dependability — the data is confined from shortcoming, fair and entirety. The outcomes additionally can be repeated by others utilizing the comparative data and methodologies.
- iv. Comparability – results can be compared to different years or to related institutions group of onlookers and what they have to recognize (cited in Anohene, 2013).

The essential centre of administration performance measures is for reporting purposes. Consequently, the main consultation is that the measures and the confirmation they give ought to be clear and simple to be acknowledged.

As per Alberta (1996) referred to in Anohene (2011), in deciding budget exhibitions it is crucial for the chief to ask successions of enquiries, for example, these:

- i. Does the measures identify with the clear essential organizations and goals?
- ii. Is the measure significant and is the wording justifiable?
- iii. Does the measure genuinely show the activities government arrangements to have for the system?
- iv. Is the outcome measured at somewhat incompletely inside of the organization's ability to impact?
- v. Does the measure demonstrate the extent to which objectives have been figured it out?
- vi. Is the information exact and can the information being gathered after some time all the time?
- vii. Has the information been genuinely accumulated and mulled over? Are the techniques substantial for more than one period without real deviations?

- viii. Do the measures license for stands out from past accomplishments, different institutions, and other additional wards?
- ix. Can others using the same information achieve comparable results or inductions?
- x. Is the financial backing for gathering the data practical?
- xi. Do the measures convey performance realities on service/government principle concerns?
- xii. Will the data be reachable on time?

## **2.7 Review of Related Studies**

Anohene (2011) led a study to survey how budgeting and budgeting controls can be utilized for improving money related administration as a part of nearby dominant presences in the Afigya Kwabre District Assembly. The study utilized meetings and polls were utilized to request information for the study.

The exploration figured out in addition to other things that Metropolitan, Municipal and District Assemblies plan Budgets and control the budgets. Likewise, among the key revelations of Anohene (2011) are that there is changing inclusion of the considerable number of divisions in the budget readiness as each division gives out their thoughts into the yearly budget proposition and their division heads are asked for to be available at budget advisory group gatherings to back their recommendations and this energizes dynamic commitment in the budget definition and performance at AKDA prompting increment money related performance; The study additionally clearly demonstrated that on account of Afigya Kwabre District Assembly this is valid.

This study likewise affirmed that budgetary controls enhance money related running in MMDA's as they help in disposing of or decreasing defilement, support viable pay assembly, share errands and make certain viable utilization of advantages.

One the opposite, the study likewise uncovered that poor budget definition and performance and low income era base make it troublesome for MMDAs to experience their commitments as partners to the focal government in national advancement.

Kpedor (2012) led a study with exceptional reference to Budgeting, Budgetary Control and Performance Evaluation arrangement of Allterrain Services Group with the feeling to build up the part that the financial backing plays in the business and how the key players of the budget draw in its practices in their regular operational achievements. The study made utilization of 44 specialists at different administrative levels of the firm of the study as test populace.

The examination built up that the utilization of budget among the key on-screen characters are at the lower level at Allterrain Service Group furthermore settled that month to month performance report don't get down to the task chiefs, and the greater part of the floats in the performance in appreciation of supper expense and the quantity of workers for a venture are lost in the financial backing. Despite the fact that the financial backing layout for the firm looks complex, it is additionally settled that the key on-screen characters promptly get up to speed when taken through. Most venture supervisors are additionally eager to take an interest in the budget building as they would be made to represent it toward the end of the month. Again the correspondence stream between the Regional Business

Managers and the undertaking units on budget related issues are additionally settled to be insignificant.



It likewise became visible that venture administrators' pivot are done without plan of action to the budget in this way making budget deficiency much of the time and that influence the performance level of the undertakings.

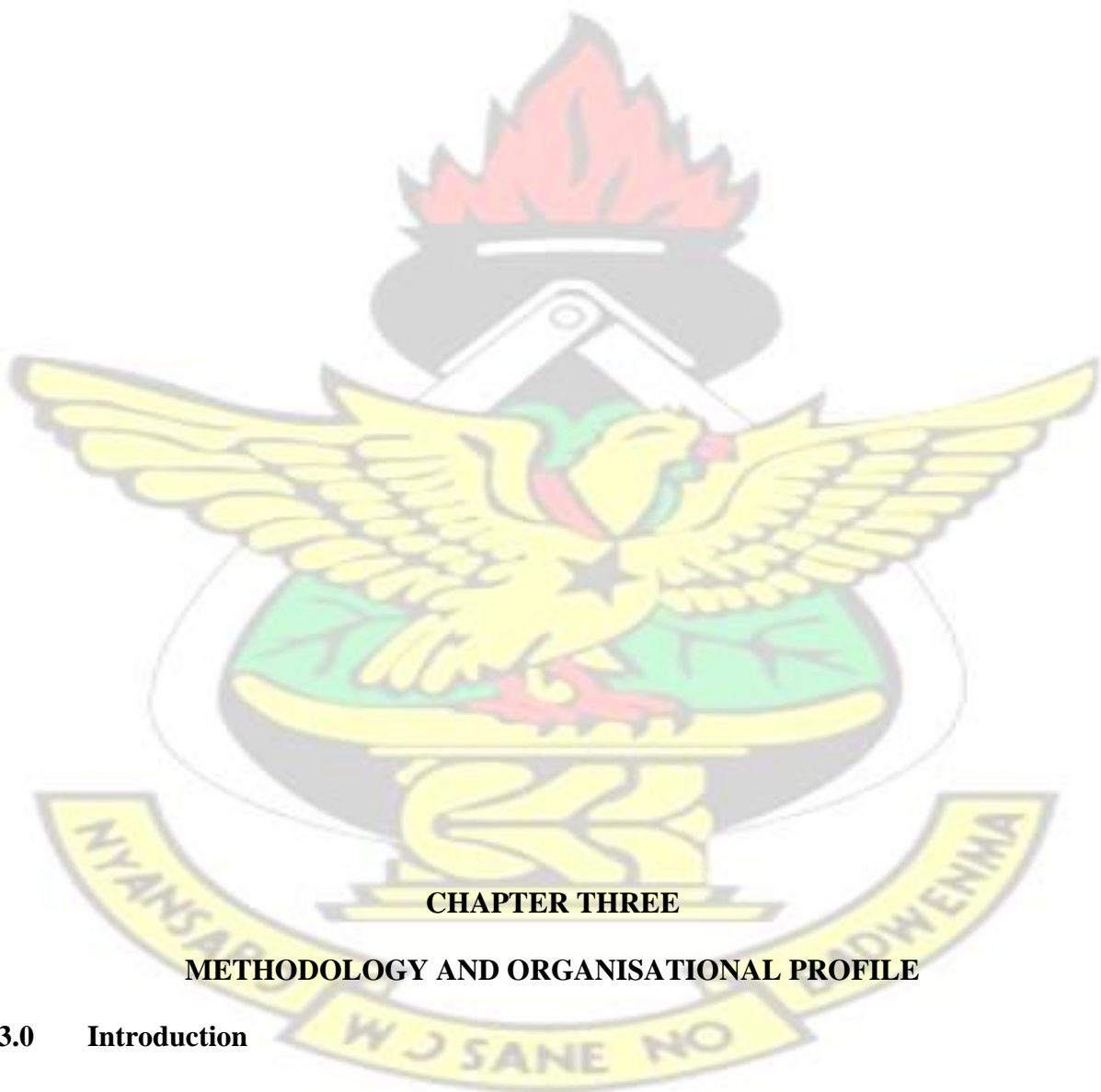
Frempong-Manso (2014), directed a study with the reason for looking at budgeting and budgetary control practices and techniques in the timber firms in the Kumasi Metropolis and particularly inspecting the budgeting practices and strategies that exist in the timber firms, the criticalness of budgeting and budgetary control framework as an performance measures at the timber firms, and the difficulties that are available in the timber firms in Kumasi through the course of budget readiness and usage. To handle these destinations, feelings were inspired from all the 35 heads of offices and 53 seconds-in-summons in four chose timber firms in the Kumasi Metropolitan zone utilizing overview technique.

Aftereffects of Frempong-Manso (2014) uncovered that budgeting and budgeting control measures are a fundamental piece of timber firms and that it serves as a premise of arrangement, checking expense of operations and evaluating performance of representatives of these organizations. Then again, regardless of the noteworthy advantages of budgeting Frempong-Manso (2014) found that test of readiness, application and human components that additionally have a tendency to influence budgeting of timber firms in the Kumasi Metropolis.

In deciding the impacts of Budgets on money related performance of assembling organizations in Nairobi County, Onduso (2013) directed a cross-sectional study utilizing 18 assembling firms recorded as a part of the Nairobi Securities Exchanges.

By utilizing a registration overview to cover every single assembling firm inside Nairobi County, Onduso (2013) utilized both essential and optional information. Onduso (2013) uncovered that there is an in number beneficial outcome of Budgets on budgetary performance on assembling organizations as measured by return for resource employed (ROA)

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### **CHAPTER THREE**

### **METHODOLOGY AND ORGANISATIONAL PROFILE**

#### **3.0 Introduction**

The chapter seeks to make clear, enlighten and present the context underlining the research objectives. This presents the methodology and procedures used for data collection and analysis

as well as the design components. It also presents the profile of the organisation under study, AngloGold Ashanti (Ghana) limited, Obuasi Mine.

### **3.1 Research Design**

The research pattern used for this study was a case study. The researcher chose a case study as it provided the researcher the opportunity of establishing a comprehensive account of the issue under study and make available objectivity and thorough study in a short period.

McMillan and Schumacher (1997) asserted that —case studies can offer a detailed description and analysis of processes or themes voiced by participants in a particular situation.¶

A single case study approach was engaged to search and obtain a preliminary and thorough insight of budget and budgetary control systems as a tool for the evaluation of management performance in Ghana from the perspective of AngloGold Ashanti Ghana Limited, Obuasi Mine. This style permits a prevailing issue to be studied in a great detail and needs no control over the issue under examination.

### **3.2 Population of the Study**

Polit and Hungler (1999) refer to the population as —an aggregate or totality of all the objects, subjects or members that conform to a set of specifications.¶ Thus, a population is the aggregate of the considerable number of people who have distinguished attributes and are of enthusiasm to an analyst and are keen to a researcher.

The population of the study consists of the entire management staff of AngloGold Ashanti (Ghana) limited, Obuasi Mine which is made up of the Executive Committee of AngloGold Ashanti (Ghana) limited (Ghana EXCO) and Departmental heads of the various departments of the Obuasi Mine. It also comprises the Management Accounting team of AngloGold Ashanti (Ghana) limited, Obuasi Mine.

### **3.3 Sampling Techniques**

The researcher chose the non-probability; purposive sampling technique was used for selecting respondents in the finance department as well as those in managerial roles for this study.

Purposive sampling is frequently used in case study evaluations because, in order to study the reasons something either did or did not happen, the researcher must be sure that the units in the sample have the potential to reveal those reasons.

An advantage of the purposive sampling technique is that investigator can effortlessly get the better comprehension about the different forms of the study.

—The purposive sampling is very much useful in a situation where we need to target the population much more quickly (Lohr, 2010).||

### **3.4 Sample Size**

The determination of sample size is dependent on the number of respondents that a researcher can have access to when conducting a study (Frenkel and Wallen, 2002). The researcher's sample size for this study was thirteen (13); consisting of twelve (10) heads of department and three (3) management accountants.



Time and money were saved by choosing a sample to be examined instead of endeavouring to examine the whole populace of Obuasi Mine employees. Finding data from the entire mine employees and also analysing and interpreting massive volumes of data would have been unbearable to complete in the time constraints and with the limited financial resources at the researcher's disposal.

### **3.5 Data Sources**

Data for the research was collected from both primary and secondary sources. Malhotra & Birks (2007), refers to Primary data as data created by the researcher for the precise purpose of solving the research problem. The primary data is very reliable and valuable in ascertaining responses to accomplish the research objective and specific questions to the study as it was gathered by the researcher. The primary data used were the answers from the sample retrieved by the use of questionnaires and observation.

—Secondary data are data collected for some purpose other than the problem at hand (Malhotra & Birks, 2007 p. 94).

Secondary data used for this study were collected from AngloGold Ashanti Ghana Limited and published online articles in refereed journals.

### **3.6 Instruments for Data Collection**

The principal method of primary data gathering was from questionnaires directed to departmental heads and Account officers and observation. The structured questionnaire was designed to comprise of issues related to the objectives of the study. Thus the guide was designed to ascertain the connection between budgetary control and management performance in AngloGold Ashanti's Obuasi Mine, to ascertain the difficulties associated with budgets and

budgetary control in AngloGold Ashanti's Obuasi Mine and also to identify ways to improve the performance of management of AngloGold Ashanti's Obuasi Mine through budgetary control measures.

### **3.7 Reliability and Legitimacy of the Instrument**

The legitimacy of this study was ensured by way of exposing the data collection instrument to censure by my research supervisor apart from peer evaluation steered by the researcher. The unwavering quality of the instrument was gotten through a test-retest technique to scrutinise the data collected.

### **3.8 Data Analysis**

Data gathered by the researcher was analysed using both quantitative and qualitative techniques. Qualitative data analysis included a clarification of data acquired from the experimental writings and in addition an examination of the financial reports of AngloGold Ashanti. The quantitative analysis included the application of numeric procedures in deriving the scores of answers provided.

### **3.9 Ethical Considerations**

A letter was taken to the Human Resource Department of AngloGold to seek permission to carry out the study as this provided access to the respondents during the actual research. Also to the respondents, were assured of their anonymity and confidentiality as they responded to the researcher's interviews and were also assured that their responses shall be used purely for academic purposes.

### **3.10 Profile of AngloGold Ashanti Obuasi Mine**

Gold mining began at Obuasi Gold mine more than 117 years ago, in 1897 when it originally known as the Ashanti Mine.

The Ashanti territory was brought under direct British control in 1896 after the ousting of the Ashanti king and Edwin Cade was subsequently given the authorisation to mine the region.

Cade registered the Ashanti Goldfields Corporation Ltd (AGC) on the London Stock Exchange and established the Obuasi operations respectively on June 11 and December 24, 1897. The Obuasi mine produced 2,544 ounces and 4,673 ounces of gold respectively in its first year and second years' of operation.

Ashanti's rapid growth was nurtured by its earlier years' success, together with the destruction of the South African gold trade during the Boer War (1899-1902). The rapid growth continued till the rebellion of the Ashanti people against British rule in 1900.

In 2004, AGC merged with Anglo-America, a South African gold mining company which has its corporate headquarters in South Africa. After the merger, the new company adopted the name —AngloGold Ashanti (AGA).

The business combination of two of Africa's leading gold mining companies was in line with the group's strategy of achieving geographic and ore body diversity, and resulted in an increased portfolio of shallow, low-cost surface mines.

AngloGold Ashanti, one of the world's leading gold mining companies, has twenty gold mining operations in ten countries as well as several exploration programmes in both the established and new gold producing regions of the world. The operations are grouped into four regions namely: the Americas, Australia, South Africa and Continental Africa Regions. The Obuasi Mine is in the Continental Africa Region which comprise all its African operation with the exception their South African operations.

Its group comprises long-life; comparatively low-cost assets and differing ore body types in key gold producing regions around the globe.

Activities range from deep-level hard-rock mining to open-pit mining and include exploration, brownfields and greenfields as well as research and development.

## **Vision**

AngloGold Ashanti has as its vision —to be a Leading Mining Companyl.

## **Mission**

AngloGold Ashanti has as its mission —to create value for our shareholders, our employees and our business and social partners through safely and responsibly exploring, mining and marketing our products.

Our primary focus is gold, but we will pursue value creating opportunities in other minerals where we can leverage our existing assets, skills and experience to enhance the delivery of value

## **Values**

AngloGold Ashanti has business values and beliefs which guide their behaviour, in order that they make a positive impact. These behaviours and beliefs link the mine's business activities to their social performance. The values of AngloGold Ashanti are stated as follows:

- i. **Safety** - Safety is our first value
- ii. **Dignity and Respect** - We treat each other with dignity and respect
- iii. **Accountability** - We are accountable for our action and deliver on our commitments
- iv. **Diversity** - We value diversity
- v. **Communities** - The communities and societies that we operate in shall be better off for AGA having been there.
- vi. **Environment** - We respect the Environment



Mining operations are primarily underground, to a depth of 1.5km. Some surface mining in the form of open pit and tailings reclamation occurs.

Obuasi currently treats sulphide ores from underground at the south plant, following the decommissioning of the tailings treatment plant in October 2010. The south plant also treats sulphide tailings and has a capacity of 360,000 tonnes per month.

AngloGold Ashanti, Obuasi mine's association with its key stakeholders is a source of pride to itself.

The mine cordially relates with its local, traditional and political authorities and social institutions in their operational areas and in Ghana as a whole. The company has assisted local communities with infrastructure projects and societal facilities such as roadwork's, water and electricity access and education.

The mine has achieved a lot over its more than hundred years of operation. Some notable achievements of the Obuasi mine in include:

- i. The establishment of the malaria control project to help control the spread of malaria in its operational areas.
- ii. This project caught the attention of the world and has grown into a full-fledged company through a partnership with Global Fund which provided funding in addition to that provided by the mine to extend the coverage of the project across other parts of the country including the Western region, Northern region, Upper East and West regions and other surrounding towns in the Ashanti region which hitherto were not covered. The project provides employment and livelihood to the over thousand people it employs in its catchment areas.

- iii. The Obuasi mine also owns the AshGold football club which also employs over hundred people and also serves as a source of entertainment and avenue for revenue generation to the Obuasi community. The mine also provides an annual funding of over US\$400,000 to run the activities of the club.
- iv. The mine also supplies electricity to the Anyinam and Bedieso Communities and also to the Metro Mass Transit office in Obuasi.
- v. The mine has also set up a community trust fund in which it donates 1% of its annual profit as funding towards community development activities.

Through, the fund, the mine has provided eight communities with state of the art places of convenience and portable drinking water through mechanised boreholes.

## **CHAPTER FOUR**

### **ANALYSIS OF FINDINGS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

This study assessed the budget and budgetary controls available at AngloGold Ashanti Limited. This section of the study provides the results derived from the study. In all thirteen (13) employees from various departments in the company participated in the study out of fifteen questionnaires distributed. The rate of response of the study was 86.7%. —A response rate of

50% is adequate enough to achieve the study objectives (Mugenda, 2003 as cited in Adongo et al, 2013).<sup>1</sup> Thus, the response rate achieved was sufficiently acceptable to identify the link between budgetary control and management performance.

The socio-demographic data of the respondents were also analysed to provide an insight of the type of employees who participated in the study. Other sections of the data analysis were done in congruence with the research objectives.

#### 4.1 Analysis of Demographic Data

This portion of the results analyses the demographical data of the respondents used for the study and as such has variables such as gender, age, educational background, department and position of work and the tenure of work as well as duration at respondents' current position of work.

**Table 1: Gender of Respondents**

Gender	Frequency	Percentage (%)
Male	13	100
Female	-	-
<b>Total</b>	<b>13</b>	<b>100</b>

**Source: Field Data, 2015**

Table 4.1.1 illustrates the gender of the respondents for the research. It revealed that, the entire respondents used for the study were males which give the indication that all the departmental heads used for the study at AngloGold Ashanti Ghana Limited are males.

**Table 2: Age of Respondents**

Age	Frequency	Percentage (%)
36 - 45yrs	4	30.8
46 and above	9	69.2

**Total**

**13**

**100**

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**Source: Field data, 2015**

Table 4.1.2 represents the age distribution of the respondents used for the study. The figure shows that 69.2% of the respondents were aged 46 years and above and 30.8% were aged between 36-45 years.

Therefore according to the figure, majority of the respondents who were departmental heads at AngloGold Ashanti Ghana Limited are middle-aged adults who have enough experience in their respective departments.





**Table  
3: Educational Backgrounds of Respondents**

Qualification	Frequency	Percentage (%)
Diploma	1	7.7
Post Graduate Diploma	3	23.1
First Degree	1	7.7
Masters' Degree	8	61.5
<b>Total</b>	<b>13</b>	<b>100</b>

**Source: Field data, 2015**

Table 4.1.3 gives the educational background and qualifications of the respondents used for the study. As per figure 2, 7.7% each of the respondents had Diploma/Higher National Diploma and a First Degree respectively. On the other hand, 23.1% of the respondents had postgraduate diploma degree while 61.5% of the respondents had Masters' Degree qualifications. This gives a clear indication that, majority departmental heads of Anglogold Ashanti Limited have higher educational qualifications which makes them much knowledgeable and competent in their various fields of study and departments.

## Table

**4: Department of Respondents**

Department	Frequency	Percent	%
Accounts	1	7.7	
Community Relations	1	7.7	
Engineering	1	7.7	
Finance	3	23.1	
Human Resources	1	7.7	
IT	1	7.7	
Mining	1	7.7	
Processing	1	7.7	
Safety, Health and Environment	1	7.7	
Security	1	7.7	
Supply Chain	1	7.7	
<b>Total</b>	<b>13</b>	<b>100.0</b>	

**Source: Field data, 2015**

Table 4.1.4 presents the departments within which the respondents/managers work in AngloGold Ghana Limited. As per the table, 7.7% of respondents/managers each were chosen from the Accounts, Community Relations, Engineering, Human Resource, Information Technology, Mining, Processing, Safety, Health and Environment, Security and the Supply Chain departments while 23.1% were chosen from the Finance department. From the table, it could be concluded that the department that has the major representation in the study is the

**Table**

Finance department. It could also be seen that the study covered a widespread of disciplines on the mine so as draw a holistic view of the various disciplines on the issues under review.

<b>5: Length of Service at AngloGold Ashanti Ghana Limited</b>		
Minimum	Maximum	Mean
3 Years	22 Years	13Years

**Source: Field data, 2015**

Table 4.1.5 presents a descriptive statistics of the tenure of service of the respondents at AngloGold Ashanti Ghana Limited. As per the table, the respondent with the minimum number of years working for AngloGold Ashanti Ghana Limited has worked 3 years and the worker who has worked longest among the respondents has worked 22 years. However, on the average, employees who participated in the study have served in the organization for 13 years. It can be inferred from the above that all the respondents covered were well experienced in their various disciplines.

**Table 6: Duration of Service at Respondents Current Position**

Minimum	Maximum	Mean
2	10	4

**Source: Field data, 2015**

Table 4.1.6 presents a descriptive statistics of the duration of service at the respondents' current position at AngloGold Ashanti Ghana Limited. According to the table, the minimum number of years worked in the respondents' current position was 2years while the maximum number

**Table**

of years worked in their current position was 10 years. However, the mean number of years that managers have worked in their current position was 4 years.

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## **4.2 The link between budgetary controls and management performance**

The investigator's quest to establish the link between budgets and budgetary control and management performance was set on three broad factors. These covered of the following:

- i. The features of budgetary controls and their link to management performance ii.

The human elements in budgetary controls and their link to management performance iii. The budgetary control process and challenges of the budgetary control system in relation to management performance.

Respondents were asked to indicate their agreement on a number of statements in relative to the factors listed above. The survey results have been talked over in the subsequent section.

### **4.2.1 Analysis of budgetary control features in relation to management performance**

This section presents an analysis of the results on the budgetary control features as set out in the table in appendix 2.

Appendix 2 assessed from the respondents whether budgetary control is able to result in cost effective procurement and thus surplus revenue. As per the table, 30.8% and 61.5% responded Strongly Agree and Agree respectively. However, 7.7% of the respondents also responded Disagree. Therefore, analysis from appendix 2 reveals that budgetary control able to result in cost effective procurement and surplus revenue.

As per table in appendix 2, 61.5% of the respondents responded Agree while 15.4% each of the respondents also responded Strongly Agree and Disagree respectively. However, 7.7% strongly disagree with the assertion. Thus, from the table in appendix 2.1, it could be concluded that majority of the respondents were in agreement of the statement that surplus revenue is not assured through increased budgetary controls.

All the respondents were in agreement of the statement that, budgetary controls have been crafted to suit their organisation's situation and thus save cost. 30.8% and 69.2% of the respondents strongly agreed and agreed respectively to this statement. Thus, it could be inferred that for budgetary controls to be effective they should be crafted to have features that suit the organisation's case so as to the management performance objectives of the business.

In assessing whether management performance is likely to increase through accurate budget prediction; 7.7% of the respondents each responded 'Agree' and 'Neutral' whiles 53.8% and 30.8% of the respondents responded 'Disagree' and 'Strongly Disagree' respectively to the statement that —Management performance does not increase through accurate budget prediction. Therefore from the table, it could be concluded that management performance can increase through accurate budget prediction as this will serve as a device for assessing expected performance against actual performance.

According to results from the table in appendix 2, 46.15% of the respondents each responded 'Strongly Agree' and 'Agree' whiles 7.7% of the respondents responded 'Disagree' to the assertion that —budget controls provide expenditure tracking and helps management to reduce operational cost. From the table, it could be inferred that majority of the respondents agreed with the above assertion.

The researcher also assessed from the respondents whether budgetary control provides managers with avenues of allocating resources to the sectors of the organisation where they can be used efficiently. 46.15% of the respondents each responded 'Strongly Agree' and

‘Agree’ respectively while 7.70% of the respondents responded ‘Disagree’. It is clear from the responses that majority of the respondents are in agreement with the assertion.

This gives a clear indication that budgetary control provides managers with avenues of allocating resources to the sectors of the organisation where they can be used efficiently.

It was also assessed from the respondents whether budgetary controls do essentially increase management output through internal enthusiasm. The responses were 23.10%, 53.80%, 15.4% and 7.70% for ‘Strongly Agree’, ‘Agree’, ‘Disagree’ and ‘Strongly Disagree’ respectively to the assertion that —budgetary controls do essentially increase management output through internal enthusiasm. Therefore, it could be concluded to a greater extent, budgetary controls do not essentially increase management output through internal enthusiasm between management.

On the assessment of budgets as management tools that help in the estimation of performance indicators; 7.7% of the respondents responded ‘Neutral’ and ‘Strongly Disagree’ while 15.40% and 69.20% of the respondents responded ‘Strongly Agree’ and ‘Agree’ respectively. Therefore, it could be concluded that budgets were used as management tools for the estimation of performance indicators at AngloGold Ashanti Limited.

#### **4.2.2 Analysis of the human elements in Budgetary Control in relation to Management Performance**

This section of the analysis assesses the human elements in budgetary control and management performance at AngloGold Ashanti Ghana Limited as set out in appendix 3

The table in appendix 3 assessed that majority of the respondents disagreed with the assertion that management's commitment to budgetary controls does not increase management's performance which thus translating into increase in the firm's profitability.

From table, 7.7% of the respondents responded 'Neutral' while 53.8% and 38.5% of the respondents responded 'Disagree' and 'Strongly Disagree' respectively. From the table, the bulk of the respondents disagreed which gives the indication that managerial commitment to budgetary controls has increased profitability of AngloGold Ashanti Ghana Limited.

It was also assessed from the respondents whether complete acceptance of budget controls by management has not led to profits in AngloGold Ashanti Ghana Limited. From the table in appendix 3, 7.7% of the respondents responded 'Neutral' meaning they neither agree nor disagree while 61.5% and 30.8% of the respondents responded 'Disagree' and 'Strongly Disagree' respectively. From this analysis, it could be deduced that, complete acceptance of budget controls by management has led to profits at AngloGold Ashanti Ghana Limited.

The researcher also assessed from the respondents whether the use of budget control to pressure employees has led to mismanagement of funds. As per analysis from table in appendix 3, 7.7% of the respondents responded 'Agree' while 69.2% and 23.1% of the respondents responded 'Disagree' and 'Strongly Disagree' respectively.

Since majority of the respondents disagreed, it could be concluded that the use of budgetary control to pressure employee has not led to mismanagement of funds at AngloGold Ashanti Limited.



All the respondents were in agreement that employee participation in the budgetary control process has resulted in increased output. This was supported by the fact that, 84.6% of the respondents responded Disagree while 15.4% of the respondents responded Strongly Disagree with the assertion that;  
—Employee participation in the budgetary control process has not led to increased output in AngloGold Ashanti Limited.¶

The respondents also assessed whether the use of budgetary control to achieve organisational goals has led to increased profitability. 7.7% of the respondents responded Neutral while 23.1% and 69.2% of the respondents responded Strongly Agree and Agree respectively. From table, it could be concluded that the use of budgetary control to achieve organisational goals has led to increased profitability.

On the assessment of whether the value that management places on employees in budgetary controls increases the revenue of the company; 7.7% of the respondents each responded Strongly Agree, Neutral and Disagree while 76.9% of the respondents responded Agree. Therefore the results do confirm that, the value that management places on employees in budgetary controls bring about increase in revenue for AngloGold Ashanti Limited.

A slim majority of the respondents agreed that using budgets a fault finding tool by managers would likely impact negatively on the performance of management. Appendix 3 also assessed whether management performance has been impacted by the use of budget to fault managers. From appendix 3, 15.38% of the respondents each responded Strongly Agree and Disagree while 38.48% and 30.76% of the respondents responded Agree and

‘Strongly Disagree’ respectively. This gives the indication that, to quite a larger extent management performance has been impacted by the use of budget to fault managers.

However, it is possible that, the extent at which management performance is affected by the use of budget to blame managers is low hence the reason why as much as 15.38% and 30.76% disagreed and strongly disagreed respectively.

All the respondents‘ agreed to the assertion that profitability in AngloGold Ashanti Ghana Limited is affected by degree of top management‘’s obsession to technical aspects of the budget. This supported by the fact that, 7.7% of the respondents‘ responded ‘Strongly Agree‘ while 92.35% of the respondents also responded ‘Agree‘. Thus, management should strive to strike a balance on their focus on both the procedural aspects of the budgets and also its capability to enable fiscal growth.

The respondents were divided in the opinions on whether positive cost difference is due to awareness and understanding by management. From table in appendix 3, 23.1% each of the respondents responded ‘Strongly Agree‘ and ‘Neutral‘ respectively while 15.4% and 38.5% of the respondents responded ‘Agree‘ and ‘Disagree‘ respectively. It could however be deduced that, to some extent positive cost difference is due to awareness and understanding of management but not at all instances.

#### **4.2.3 Analysis of budgetary control process and challenges of budgetary control systems in relation to management performance.**

This section of the analysis assesses the budgetary control process and the challenges of the budgetary control system in relation to management performance at AngloGold Ashanti Ghana Limited as set out in appendix 4.

The bulk of the respondents agreed that involving all the stakeholders in the budget setting process had a link with the budget achieving its intended target. The table in appendix 4 assessed whether the respondents were involved in the budget setting process; 7.7% of the respondents responded ‘Strongly Disagree’ which indicates that they are not involved in the budget setting process while 23.1% and 69.2% of the respondents responded ‘Strongly Agree’ and ‘Agree’ respectively. Therefore, it could be concluded that heads of departments are mostly involved in the budget setting processes and hence enhances their performance.

It was also agreeable that there was adequate involvement and support of top management in the budget and budgetary control process to provide clear guidance and also clarify the set goals to all stakeholders. This is backed up by the responses given by the respondents as 15.4% and 76.9% of the respondents responded ‘Strongly Agree’ and ‘Agree’ respectively to the assertions. However, 7.7% of the respondents responded ‘Strongly Disagree’. It could therefore be concluded that there is involvement and support of top management in the budget and control process which contributes to management performance.

The respondents were also in agreement that the finance team of AngloGold Ashanti provides them with the needed leadership and support throughout the budget cycle.

This is done by way of providing comprehensive budget templates and taking them through as to how to accurately complete and submit their budget inputs and also helping to review their

estimates in line with the budget guidelines provided by management. This is backed up by the responses given by the respondents as 69.2% and 23.1% of the respondents responded

‘Strongly Agree’ and ‘Agree’ respectively to the statement.

However, 7.7% of the respondents responded ‘Strongly Disagree’. Therefore it could be concluded that leadership and support is given to all department throughout the budget by the finance team to ensure that the performance of management is well enhanced.

It was also agreed by the bulk of the respondents that the budgetary control system helped the respondents in the forecasting and regulation of all revenue and expenses to get huge gains for the organisation. 69.2% and 15.4% of the respondents responded ‘Strongly Agree’ and ‘Agree’ respectively while 7.7% each of the respondents responded ‘Neutral’ and ‘Strongly Disagree’ respectively to the assertion. As per the analysis from appendix 4, it could be concluded that the budgetary control system help the management of the Obuasi mine in the forecasting and regulation of all revenue and expenses to realise huge gains for AngloGold Ashanti Ghana Limited.

The Obuasi mine has an appropriate accounting and information system which has the capability to make available more accurate and reliable facts or recommendation on demand about budget. This was backed by the responses from the respondents as a majority - (92.30%) - of them was in agreement of the assertion that —there is an appropriate accounting and information system which has the capability to make available more thorough facts and recommendation on demand about the budget.



However, a major problem that was found in the budgetary control system of the Obuasi mine of AngloGold Ashanti was that the control system was highly regulated that it was difficult to allow change in times of fluctuating conditions. Thus it lacked flexibility. This affects gravely management performance as the system does not easily allow for change in performance targets even when the fundamentals of the budget changes during implementation.

This was evident in the responses of the respondents as a majority (61.54%) of them disagreed with the assertion that the budgetary control system of Anglogold Ashanti Ghana Limited is administered in a flexible manner.

#### **4.2.4 Analysis of the rating of the budgetary control factors in relation to management performance.**

Based on the responses given by the respondents on the assessment of the individual factors of budgetary control as discussed above, they were examined to give their general rating of the three factors as to the level of influence they would have on management performance in the obuasi mine. The results as set out in appendix 5 indicate that although all the factors have an influence on the performance of management on the mine; with the budgetary control process and system challenges having the highest influence on management performance with as the respondents rated it as 61.5% having a ‘\_high relationship’, 30.8% - ‘\_low relationship’ and 7.7% rated it as having no relationship with management performance.

The features of the budgetary control process was rated next to the control process as having a higher influence on managerial performance by the respondents. They rated it 45.5% and 54.5% for low and high relationship respectively.

The respondents however, rated the human elements in the budgetary control as the one with the least influence on management performance. The ratings were 30.8% for no relationship, 46.2% for low relationship and 23.1% for high relationship respectively.

It can be inferred from the analysis above that to enhance the performance of management.

#### 4.3 Correlation analysis on the relationship between budgetary control and management performance

The researcher conducted correlation analysis using the budgetary control factors as the independent variables and management performance as the dependent variable to establish the extent of the dependence of management performance on budgetary controls.

**Table 7: Correlation between budgetary control and management performance**

##### Correlations

	MANAGEMENT PERFORMANCE	HUMAN ELEMENTS INSIDE BUDGETARY CONTROL	FEATURES OF BUDGETARY CONTROLS	BUDGETARY CONTROL PROCESS AND SYSTEM CHALLENGES
MANAGEMENT Pearson Correlation	1	.389	.473	.789*
Sig. (2tailed)		.237	.111	.004
N	13	13	13	13

\*Correlation is significant at the 0.01 level (2-tailed).

From the above table, the significance level  $p < 0.05$ , thus it is statistically significant. It can also be seen that the Pearson's correlation coefficients are positive for all the budgetary control

factors. Thus all the factors, that is, human elements, budgetary control features and budgetary control process and system challenges indicate a positive correlation between management performances. There is a strong correlation between budgetary control process and system challenges and management performance. This is because it has a Pearson's correlation of ( $r = 0.789$ ) which is close to 1. Also with a significant value of 0.004 which is less than 0.05, it can be concludes that there is a statistically significant correlation between budgetary control process and system challenges and management performance.

Thus, a change in change in the budgetary control process and system changes will have a high influence on management performance.

However, there was a weak correlation between features of budgetary control and human elements in budgetary control and management performance as they both have a Pearson's  $r$  of 0.473 and 0.389 respectively which is closer to 0 than 1. Both features of budgetary control and human elements in budgetary control have significant values of 0.111 and 0.237 respectively which are greater than 0.05. It can be concludes that budgetary control features and human elements in budgetary control have no statistically significant correlation between management performance. Thus, a change in either of these two factors does not significantly influence on management performance.

#### **4.4 Management Performance Trend in AngloGold Ashanti, Obuasi Mine**

At Anglogold Ashanti, management performance is measured using some five key performance distinct indicators. The indicators are safety, production, people productivity cost and the environment. In consonance with the mine's value for safety, management is expected to carry out the organisations core activity of gold production devoid of any fatalities and any injuries

and in a cost effective manner so as to increase its revenue. Management is also expected to at all times operate in an environmentally sound manner.

This table below provides the trend of management performance from the years 2012 to 2014, notwithstanding the fact that budget and budgetary controls have been effective in the organization as previous subsections of this chapter have already established.

**Table 8: Management Performance indicators for AngloGold Ashanti from 2012 to 2014**

	Units	2014	2013	2012
<b>SAFETY</b>				
Numbr of fatalities		0.00	1.00	2.00
All injury frequency reate (AIFR)	per million hrs worked	3.01	2.39	2.13
<b>PRODUCTION</b>				
Gold Produced	000 Oz	243.00	239.00	280.00
<b>PEOPLE</b>				
Productivity	Oz/TEC	6.10	4.10	5.19
<b>COST</b>				
Total Cash Cost	\$/Oz produced	1,086.00	1,406.00	1,187.00
<b>ENVIRONMENT</b>				
Number of reportable environmental incidents		1.00	3.00	1.00

From the table above, it could be deduced that, the mine's performance on safety as a result of effective budget and budgetary is on the ascendancy.



The company, through the efforts of its management a 100% fatality free record, as it was able to improve on its safety performance from two (2) fatalities recorded in the year 2012 to a zero fatality in the year 2014. However, the performance on the frequency of injuries declined by 41% as it moved from an AIFR of 2.13 in the year 2012 to a rate of 3.01 in the year 2014. This decline was partly attributed to the apprehension on the employees as result of the retrenchment exercise that was going on the company in the year 2014.

Gold production also saw a 13% decline in the year 2014 as compared to the year 2012 but there was a slight improvement of 2% in year 2014 production as compared to that of the year 2013. This decline was also attributed to the apprehension on the employees as result of the retrenchment exercise that was going on the company in the year 2014.

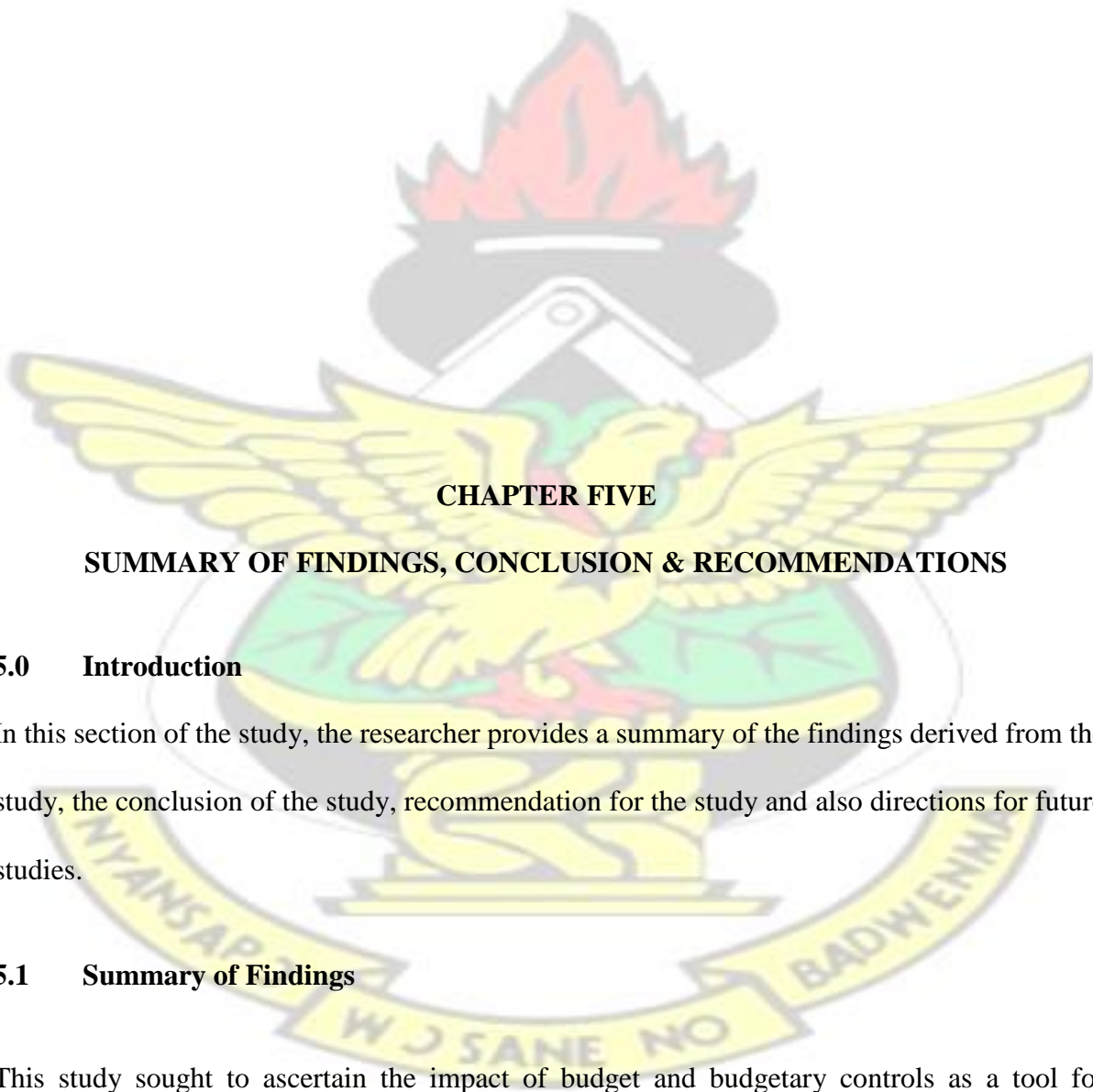
Productivity saw an improvement in year 2014 of 18% and 49% in ounces of gold produced per employee costed as compared to the years 2013 and 2013 respectively.

There was also an improvement in cash cost in year 2014 if 9% and 23% as compared to the years 2012 and 2013 respectively. Reportable environmental incidents also reduced in the year 2014 as compared to 2013 by 67% but were however the same as compared to the year 2012.

From the analysis above, it could be concluded that the overall management performance in the year 2014 far outweighs that of 2012 and 2013 as is shows an increasing trend in management performance on all the indicators. The total number of employees including contractors had decreased from 5,373 in 2012 to 3,541 in 2014 due to the retrenchment exercise.

Based on this analysis, the researcher concludes that, through the effective budget and budgetary controls at Anglogold Ashanti, the performance of management is well enhanced when measured on the five performance indicators in the table above

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## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION & RECOMMENDATIONS**

#### **5.0 Introduction**

In this section of the study, the researcher provides a summary of the findings derived from the study, the conclusion of the study, recommendation for the study and also directions for future studies.

#### **5.1 Summary of Findings**

This study sought to ascertain the impact of budget and budgetary controls as a tool for evaluating management performance at Anglogold Ashanti Limited. In all thirteen Departmental heads from accounts, community relations, engineering, finance, human

resources, IT, processing, safety, health and environment, security and supply chain participated in the study. On the average, the departmental heads had worked in their current departments for a period of four years which makes them much experienced enough to provide the researcher with relevant and appropriate information for the study.

According to the findings of the study, budgetary controls have led to cost effective procurement thereby enabling the company to gain surplus revenue. However, the study revealed that, surplus revenue is not assured through increased budgetary controls which give the indication that there is the possibility of other indicators that brings surplus revenue to AngloGold Ashanti Limited. Further, it was discovered that, the suitability of budgetary controls to the organization's situation saves cost. Also accurate budget prediction through budgetary controls does increase management performance at AngloGold Ashanti Limited. Budgetary control also provides expenditure tracking and helps management to reduce operational cost. Further, budgetary controls provide managers with avenues of allocating assets to those sectors of the organization where they can be used efficiently.

It was also found that budgetary controls do not increase management output through internal enthusiasm to a greater extent. However, budgets are used as management tools for the estimation of performance indicators at AngloGold Ashanti Limited.

The study further evaluated human factors within Budgetary Control and Management Performance at AngloGold Ashanti Limited. Management commitment to budgetary controls and management acceptance of budget controls were key indicators for ensuring the profitability of the company. Also the use of budgetary controls to pressure employees had led to the effective management of funds and also adequate employee participation in the budgetary processes has resulted increased output in the company. Moreover, the value placed on employees by management had also led to increased revenue in the organization. The study also

identified that, budget and budgetary controls at AngloGold Ashanti Limited was very effective because a number of indicators have been properly established. First of all, departmental heads are engaged in the budget setting process. Further, there is involvement and support of top management in the budget and budgetary control process. Leadership and support is also given to all departmental heads throughout the budget process by the finance team. Further, the budgetary control systems put in place by the organization has helped departmental heads in the forecasting and regulation of all revenue and expenses and hence realises huge gains. There is also a suitable accounting and information system which has the capability to make available more thorough information or recommendation on application. However, the budgetary control of the company is highly regulated which makes it difficult to adjust to change in times of fluctuating conditions. Thus the system lacked flexibility. It was also established that there is a statistically significant correlation between budgetary control process and system challenges and management performance. Thus there exists a relationship between budgetary control and management performance.

## **5.2 Conclusion**

This study evaluated the impact of budget and budgetary controls as a tool for the evaluation of management performance at AngloGold Ashanti Limited. Dwelling on the results of the study, the researcher concludes that, there is a positive correlation between budget and budgetary control and management performance and thus it is adequate enough to be used as a tool for evaluating management performance at AngloGold Ashanti Limited.

The researcher also concludes that AngloGold Ashanti has efficient and effective budget and budgetary control systems that provides the needed support for management to become much efficient and effective in their various functions at the workplace. Thus through the effective



budget and budgetary control systems available in the organization, the performance of management is being well enhanced to a greater extent.

### **5.3 Recommendations**

Founded on the discoveries of the study, the analyst suggests the following:

Firstly, the management of AngloGold Ashanti Limited must continually review their budget and budgetary control systems in order to ascertain its effectiveness on regular basis. By so doing, budget and budgetary control systems at the organization will be well updated to help achieve the organizational goals of the company.

Secondly, in order to ensure effective management performance through budget and budgetary controls, there is the need to engage management in training programmes that seek to equip their knowledge and skills in the effective utilization of budget and budgetary control systems to improve the entire organizational performance.

### **5.4 Directions for Future Studies**

The study has evaluated the role that budget and budgetary controls play in the performance of management of AngloGold Ashanti Limited which is a mining company. In this regard, future researchers can replicate this study in other sectors such as manufacturing, banking and health sector among others.

The researcher also recommends for further study in the same area but with a larger sample size.

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The logo of Kwame Nkrumah University of Science and Technology (KNUST) is centered in the background. It features a yellow eagle with its wings spread, perched on a shield. Above the eagle is a red flame. The shield has a green base and a yellow top. A banner at the bottom of the shield contains the text 'WISDOM BEGETS NO BOLDNESS'.

## APPENDICES

### Appendix 1:

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS**

**MASTER OF BUSINESS ADMINISTRATION**

### QUESTIONNAIRE

Dear respondent, I am undertaking a study on **“Budgets and Budgetary Control as a tool for Evaluation of Management Performance: A Case Study of AngloGold Ashanti”** as part of my study at the KNUST School of Business.



The information provided will only be used for **academic purpose**, and will be treated with utmost confidentiality.

## SECTION A: DEMOGRAPHIC DATA

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## **SECTION B: THE RELATIONSHIP BETWEEN BUDGETARY CONTROL AND MANAGEMENT PERFORMANCE**

**Please respond to the following statements by indicating the extent to which you agree or disagree with the activities.**

**Strongly agree [ 1 ]   Agree [ 2 ]   Neutral [ 3 ]   Disagree [ 4 ]   Strongly disagree [ 5 ]**

### **□ Features of budgetary controls in relation to management performance:**

1. Budgetary control has led to cost effective procurement, thus surplus revenue Strongly agree [ ]   Agree [ ]   Neutral [ ]   Disagree [ ]   Strongly disagree [ ]
2. Increased budgetary controls do not assure surplus revenue.  
Strongly agree [ ]   Agree [ ]   Neutral [ ]   Disagree [ ]   Strongly disagree [ ]
3. Budgetary controls have been crafted to suit my organisation's situation and thus save cost.  
Strongly agree [ ]   Agree [ ]   Neutral [ ]   Disagree [ ]   Strongly disagree [ ]
4. Management performance does not increase through accurate budget prediction.  
Strongly agree [ ]   Agree [ ]   Neutral [ ]   Disagree [ ]   Strongly disagree [ ]
5. Budget controls provide expenditure tracking and help management to reduce operational costs.  
Strongly agree [ ]   Agree [ ]   Neutral [ ]   Disagree [ ]   Strongly disagree [ ]

6. Budgetary control provides managers with avenues of allotting resources to those sectors of the organization where they can be utilised effectively

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

7. Budgetary controls do not essentially increase management output through internal enthusiasm.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

8. As management tools budgets help estimate performance indicators by the company.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

☐ **Human factors within budgetary control and management performance:**

9. Our organisation's profitability has not increased through management's commitment to budgetary controls.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

10. Complete acceptance of budget controls by management has not led to profits. Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

11. Use of budgetary control to pressure employees has led to mismanagement of funds.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

12. Employees participation in the budgeting process has not resulted in increased output

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

13. Use of budgetary control to achieve organizational goals has led to increased profitability

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

14. Management values employees in budgetary controls thus increased revenue Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

15. Management performance has been affected by the use of budgets to blame managers.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

16. Profitability in our organization is affected by degree of top management's distraction by technical aspects of the budget.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

17. Favourable cost variance is due to insight and sensitivity by management. Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

**SECTION C: THE PROBLEMS ASSOCIATED WITH BUDGETS AND BUDGETARY CONTROLS PROCESS**

18. I am involved in the budget setting process

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]



19. There is Involvement and support of top management in the budget and budgetary control process.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

20. Leadership and support are given to all departments throughout the budget by the finance team.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

21. The budgetary control system helps me in the planning and controlling of all income and expenditure to achieve maximum benefits for the organisation.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

22. There are appropriate accounting and information system which has the ability to provide more detailed information or advice on request.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ] 23.

Our budgetary control system is administered in a flexible manner.

Strongly agree [ ]    Agree [ ]    Neutral [ ]    Disagree [ ]    Strongly disagree [ ]

#### **SECTION D: RATING THE BUDGETARY CONTROL FACTORS ON THE LEVEL RELATIONSHIP TO MANAGEMENT PERFORMANCE**

24. Budgetary control features in relation to management performance.

High Relationship [ ]    No Relationship [ ]    Low Relationship [ ]

25. Human elements in budgetary controls in relation to management performance. High

Relationship [ ]

No Relationship [ ]

Low Relationship [ ]

26. Budgetary control process and challenges in budgetary control systems in relation to management performance.

High Relationship [ ]

No Relationship [ ]

Low Relationship [ ]

**Thank you for your time.**



## Appendix

### 2 Features of budgetary controls and management performance

	Responses	Frequency	Percentage (%)
Budgetary control has led to cost effective procurement, thus surplus revenue	Strongly Agree	4	30.80
	Agree	8	61.50
	Neutral	0	0.00
	Disagree	1	7.70
	Strongly Disagree	0	0.00
Increased budgetary controls does not assure surplus revenue.	Strongly Agree	2	15.40
	Agree	8	61.50
	Neutral	0	0.00
	Disagree	2	15.40
	Strongly Disagree	1	7.70
Budgetary controls have been crafted to suit my organisation's situation and thus saves cost.	Strongly Agree	4	30.80
	Agree	9	69.20
	Neutral	0	0.00
	Disagree	0	0.00
	Strongly Disagree	0	0.00
Management performance does not increase through accurate budget prediction	Strongly Agree	0	0.00
	Agree	1	7.70
	Neutral	1	7.70
	Disagree	7	53.80
	Strongly Disagree	4	30.80
Budget controls provide expenditure tracking and helps management to reduce operational costs.	Strongly Agree	6	46.15
	Agree	6	46.15
	Neutral	0	0.00
	Disagree	1	7.70
	Strongly Disagree	0	0.00
Budgetary control provides managers with avenues of allotting resources to the sectors of the organization where they can be utilized efficiently	Strongly Agree	6	46.15
	Agree	6	46.15
	Neutral	0	0.00
	Disagree	1	7.70
	Strongly Disagree	0	0.00
Budgetary controls do not essentially increase management output through inner enthusiasm	Strongly Agree	3	23.10
	Agree	7	53.80
	Neutral	0	0.00
	Disagree	2	15.40
	Strongly Disagree	1	7.70

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As management tools budgets help estimate performance indicators by the company.	Strongly Agree	2	15.40
	Agree	9	69.20
	Neutral	1	7.70
	Disagree	0	0.00
	Strongly Disagree	1	7.70

Originated from field data collected

### 3 Human elements in budgetary control and Management Performance

	Responses	Frequency	Percentage (%)
Our organisation's profitability has not increased through management's commitment to budgetary controls.	Strongly Agree	0	0.00
	Agree	0	0.00
	Neutral	1	7.70
	Disagree	7	53.80
	Strongly Disagree	5	38.50
Complete acceptance of budget controls by management has not led to profits	Strongly Agree	0	0.00
	Agree	0	0.00
	Neutral	1	7.70
	Disagree	8	61.50
	Strongly Disagree	4	30.80
Use of budgetary control to pressure employees has led to mismanagement of funds	Strongly Agree	0	0.00
	Agree	1	7.70
	Neutral	0	0.00
	Disagree	9	69.20
	Strongly Disagree	3	23.10
Employees participation in the budgeting process has not resulted in increased output	Strongly Agree	0	0.00
	Agree	0	0.00
	Neutral	0	0.00
	Disagree	11	84.60
	Strongly Disagree	2	15.40
Use of budgetary control to achieve organizational goals has led to increased profitability	Strongly Agree	3	23.10
	Agree	9	69.20
	Neutral	1	7.70
	Disagree	0	0.00
	Strongly Disagree	0	0.00



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Management values employees in budgetary controls thus increased revenue	Strongly Agree	1	7.70
	Agree	10	76.90
	Neutral	1	7.70
	Disagree	1	7.70
	Strongly Disagree	0	0.00
Management performance has been affected by use of budgets to blame managers.	Strongly Agree	2	15.38
	Agree	5	38.48
	Neutral	0	0.00
	Disagree	2	15.38
	Strongly Disagree	4	30.76
Profitability in our organization is affected by degree of top management's distraction by technical aspects of the budget	Strongly Agree	1	7.70
	Agree	12	92.30
	Neutral	0	0.00
	Disagree	0	0.00
	Strongly Disagree	0	0.00
Favourable cost variance is due to insight and sensitivity by management.	Strongly Agree	3	23.10
	Agree	2	15.40
	Neutral	3	23.10
	Disagree	5	38.50
	Strongly Disagree	0	0.00

Originated from field data collected

### 4 Budgetary control process and challenges of budgetary control systems in relation to Management performance

	Responses	Frequency	Percentage (%)
I am involved in the budget setting process	Strongly Agree	3	23.10
	Agree	9	69.20
	Neutral	0	0.00
	Disagree	0	0.00
	Strongly Disagree	1	7.70
There is involvement and support of top management in the budget and budgetary control process.	Strongly Agree	2	15.40
	Agree	10	76.90
	Neutral	0	0.00
	Disagree	0	0.00

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	Strongly Disagree	1	7.70
Leadership and support is given to all departments throughout the budget by the finance team.	Strongly Agree	9	69.20
	Agree	3	23.10
	Neutral	0	0.00
	Disagree	0	0.00
	Strongly Disagree	1	7.70
The budgetary control system helps me in the planning and controlling of all income and expenditure to achieve maximum benefits for the organisation.	Strongly Agree	9	69.20
	Agree	2	15.40
	Neutral	1	7.70
	Disagree	0	0.00
	Strongly Disagree	1	7.70
There is an appropriate accounting and information system which has the ability to provide more detailed information or advice on request.	Strongly Agree	7	53.80
	Agree	5	38.50
	Neutral	0	0.00
	Disagree	0	0.00
	Strongly Disagree	1	7.70
Our budgetary control system is administered in a flexible manner.	Strongly Agree	0	0.00
	Agree	4	30.77
	Neutral	1	7.69
	Disagree	7	53.85
	Strongly Disagree	1	7.69

Originated from field data collected

**Appendix 5 Relationship rating of the budgetary control factors to management performance.**

**FEATURES OF BUDGETARY CONTROLS**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Low Relationship	7	54.5	53.8	53.8
High Relationship	6	45.5	46.2	100.0
Total	13	100.0	100.0	

**HUMAN ELEMENTS INSIDE BUDGETARY CONTROL**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Relationship	3	30.8	30.8	27.3
Low Relationship	6	46.2	46.2	76.9
High Relationship	3	23.1	23.1	100.0
Total	13	100.0	100.0	

**BUDGETARY CONTROL PROCESS AND SYSTEM CHALLENGES**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Relationship	1	7.7	7.7	7.7
Low Relationship	4	30.8	30.8	38.5
High Relationship	8	61.5	61.5	100.0
Total	13	100.0	100.0	

**Originated from field data collected**

## Appendix 6 Obuasi Key Performance Indicators

<i>Obuasi – key statistics</i>				
	Units	2014	2013	2012
<b>Operational performance</b>				
Pay limit	oz/t	0.13	0.23	0.21
	g/t	4.40	7.87	7.29
Recovered grade	oz/t	0.109	0.144	0.137
	g/t	4.67	4.94	4.79
Tonnes treated/milled	Mt	2.2	1.7	2.1
Gold production	000oz	243	239	280
Total cash costs	\$/oz produced	1,086	1,406	1,187
All-in sustaining costs	\$/oz sold	1,374	2,214	2,021
Capital expenditure	\$m	82	196	185
Productivity	oz/TEC	6.10	4.10	5.19
<b>Safety</b>				
No. of fatalities		0	1	2
All injury frequency rate (AIFR)	per million hours worked	3.01	2.39	2.13
<b>People</b>				
Total average no. of employees		3,541	5,194	5,373
– Permanent		3,153	4,728	4,098
– Contractors		388	466	1,274
<b>Environment</b>				
Total water usage	ML	3,696	3,685	3,820
Total water usage per tonne treated	kL/t	1.68	2.14	1.80
Total energy usage	PJ	1.46	1.77	1.74
Total energy usage per tonne treated	GJ/t	0.65	1.03	0.82
Total greenhouse gas (GHG) emissions (CO <sub>2</sub> e)	000t	198	199	197
Total GHG emissions per tonne treated	t CO <sub>2</sub> e/t	0.09	0.12	0.09
Cyanide usage	t	2,632	2,891	2,424
No. of reportable environmental incidents		1	3	1
Total rehabilitation liabilities	\$m	217	184	184

Source: 2014 AngloGold Ashanti Operational Review Report, Obuasi Ghana

