Memorandum

To:

From:

Subject

Date:

The purpose of this report is to analyze and present a report highlighting some areas of questioning in the budget. The analysis of the actual budget and adopted budget shows some variances and therefore, it raises questions the operations of the department and the way it spends based on the budget adopted. The analysis indicates that it spends outside the budget adopted. The analysis of the actual and adopted budget indicates that there is a slightly difference between the actual and adopted budget spend by the department. The budget focuses the period between 2015 and 2018, to determine the level or rate at which the department utilizes its budget during financial year.

**Positive variance in particular spending**

There is positive spending of the department, which raised a lot of questions. The positive spending means that the department spent less than what was budgeted and this could mean other budgeting and the department is cut down its expenses. But a huge a gap can mean fall play in the system which must be analyzed. Based on the budget analysis, which provided by the county, it is evident that there is positive variance among the spending of the county. It also obtained that there pending on employees benefits is not consistent and it keeps fluctuating and increases as well. From 2015, the variances of spending on employees benefits have been increases and during the FY 2018, the variance was 7.4%, which lower the spending for FFY 2017 by almost 50% because during the financial 2017, the spending variance was 15.6% in 2017 and 7.6% in 2018. The large positive variance established in employees benefits are not proper in can affect the spending on other items. The spending on employees benefits is high other expected during every financial year from 2015 to 2018. The rate at which the employees’ benefits fluctuate and increased high can be questions. It would be important to analyze the pattern in details to find out the main reasons for the high gap and constant fluctuation. There is a consistent increase of employees’ benefits every year and this is matter, which must be analyzed. The increase could be as a result of performance of employees, which allow them to get high benefits.

**Negative variances in particular categories**

The negative variances are caused by overspending of the department. It means that the department spent more than what was budgeted and therefore, there must be a reason for such over spending. There is a negative various with the salary spending and service and others. The analysis of the budget both adopted and actual shows that salaries paid during the financial 2018 are higher than the approved salaries to be paid. The increase of salaries to be paid indicates that the salaries were paid more than approved and therefore, it raises a lot of questions. The team approved salary of $ 1,963,500 but what was paid was $2,014,182, and the variance is -2.6%. The -2.6% is a high variance which is likely to affect the performance of the company in the market. It means that the department spent more in salaries than what was earlier budgeted for and this should be explained to avoid such from happening in the future. However, the overspending on salaries is not much because it is below -5% and therefore, the company workout to keep the budget within the adopted and agreed budget.

Moreover, the spending on services and others is too much and should be investigated. The analysis of the budget also indicates that there is a negative spending on suppliers and others during FY 2018. The budget shows that there is consistent or a trend of increasing suppliers and others from 2016. It has realizes variances from 5.6% to -6.7% and this is negative indication of the spending nature of the department. The budget indicates that it used to have a positive variance until 2016, when the department started to register a negative variance. The differences and the increase of spending on service and others could be reflected in different ways but it does not reflect well on the spending nature of the court department. The spending on services and others raised a lot of questions and it should be checked to determine the reasons for overspending. There is unexpected increase of products in the market. The increase of prices of products must have been caused by the demands on the market and the weather condition of the county. The increase of the prices could also be as result of production of products which are used by the county, the supplier is low and therefore, the demand increases, which increased the price of service and others. The services and others are also related to products which are used during winter.

**Effective communication**

Based on the analysis of the budget, there is a tendency of positive variance on the budget. The consistent positive variance is realized in employee benefits. The high variances are witnessed from 2015 to 2018 and this should be properly communicated. Based on the analysis of the variances there is a high percentages variance between 2015 -2017 and 2016 -2018. The variance for 2015 is 51.1% and 54.6%. This is high positive variance and it shows high level of less spending by the department on the suppliers. It could also mean that the department has not paid suppliers for a longer time and therefore, a lot of suppliers finances are accumulated in the department. There is also negative variance communication between 2015 – 2017 and 2016 – 2018 financial year. The analysis indicates there is a decline in budget between 2015-2017 and 2016 and 2018. The analysis shows that the budget reduced from 1.8% from 2.1% and this could be due to efficient spending actualized by the department. Based on the result from the analysis, it is evidence that the department overspends and under spends to some extends and therefore, there is need to streamline the operations of the county department so that to remove high level of positive and high negative variances.