

**FACTORS AFFECTING BUDGET UTILIZATION IN  
GOVERNMENT TECHNICAL AND VOCATIONAL  
EDUCATION AND TRAINING (TVET) COLLEGES IN  
ADDIS ABABA**



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SCHOOL OF GRADUATE STUDIES**

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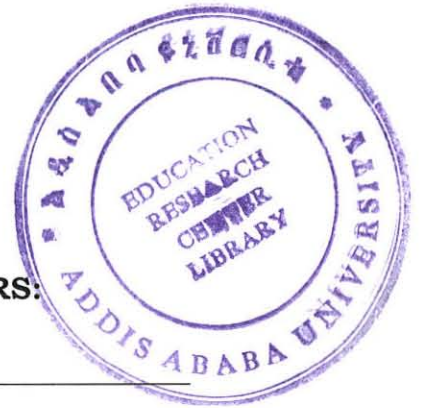
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**BY**

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## **Acronyms and Abbreviations**

CSRP:	Civil Service Reform Program
MOE:	Ministry of Education
MOFED:	Ministry of Finance and Economic Development
TVET:	Technical Vocational Education and Training
BOFED:	Bureau of Finance and Economic Development
DSA:	Decentralization and Support Activity
UNDP:	United Nation Development program
UNICEF:	United Nation International Children Fund
WFP:	World Food Program
UN:	United Nation

## **ABSTRACT**

*The purpose of this study is to assess factors that affect budget utilization of Government TVET Colleges in Addis Ababa City Administration. The study was conducted in 3 selected colleges and 2 concerned offices for the study. In order to relate the findings of the study, adequate related literature and documents were reviewed. The descriptive survey method was employed to conduct the study. Out of 105 questionnaires distributed, 94 were collected and used as source of data. Furthermore, interview data obtained from 10 Finance and Economic Development Bureau officials, experts and auditors were used as source of data. The sources of data for this study are college Deans, Department and section heads, and Administration and finance staffs. Sampling preferred for this data was purposive sampling. Questionnaire and interview were the data gathering instruments employed and documents also used for data collection. The Collected data were analyzed mainly using percentage, frequency and Pi- Chart. The study revealed that the TVET College's budget dominantly comes from government. Internal income was also found to be additional source. Even though the colleges have internal income, there was lack of transparency on its implementation. The allocated budget for the colleges were not fully utilized because of less participation of concerned persons, inadequate number of finance personnel, lack of clear line and defined rules and regulations, and absence of recognition on basic concepts of financial and administration and budget management. This shows that the above stated problems had hindered the Colleges' proper budget utilization. In light of these findings the study concluded that, besides government budget it is necessary to give attention to include internal income as one source for budget allocation purpose by finance and Economic Development Bureau. Improve the competency of financial personnel mainly through training, and making necessary amendment on financial rules and regulation and other commendable recommendation to improve budget implementation in the college.*

# CHAPTER ONE

## Introduction

### 1.1 Background of the study

Government wants to undertake several economic and non economic activities and pursue certain policies which have their financial counter parts in the form of revenues, borrowings and expenditures. Accordingly, the Government describes its intentions and policies which it would like to pursue during the forthcoming period (usually a year) and draws up a financial plan.

The Government budget represents a plan or forecast by Government of its expenditure and revenues for a specific period. Commonly Government budget is prepared for a year, known as financial year or fiscal year. In Ethiopia the fiscal year is from July 7 of the current year to July 6 of the next year ( Hamle 1-sene 30 in Ethiopian calendar). Budgeting involves different tasks on the expenditures and revenues side of Government finance. On the side of expenditure it deals with the determination of the total size of budget that is total amount of money for the year, size of outlays on different functions and the magnitude of outlays on various activities. On the revenue side it involves the determination of the size of overall revenue and foreign aid (Nebiyu,ND:168).

The budget is the common method for implementation as it should encompass the communication of attainable goals while engaging the participating and support of all levels of management. It also provides information for evaluation. Budgeting is a common technique used as

Planning, coordinating and controlling device in management, its usage is widespread in organizations of budgeting ( Kazmi , 2006:309)

The budget as lifeblood of a government of Ethiopia is recent practice hence, state expenditure which likewise the size of the government was minimal and small for years until the late time. Consequently the question of allocating society's scarce resources through the medium of the budget was not felt conceptually until 1944, which marking the making of the budget in the history of the government's modernization started reflecting its choices, policies and activities through the budget never the less, after a series of legal provisions in the 1931 constitution and later budgetary stem amendments in the 1956 constitution.

Conceptually inadequacy in preparation which is poor estimate of expenditure and revenue appear reducing the budget effectiveness in resources allocation and management of the public finance. Thus laying down the receipts of the government's treasury, the legality of spending by various spending bureaus was limited to amounts set in their appropriated annual budget.

Apparently, although the opportunity for controlling the utilization of resources by the budgetary method was created, the main concern of the budget remained by and large to check administrative abuses in government spending and control of public finance. In addition to these the budgetary method lack basic system of codification, classification and identification of expenditure until the late fifty's. It should be mentioned however, that budgetary reforms have evolved, budget reform involved two changes: change of processes and structures. Budget processes are how the budget is prepared and implemented. Budget structures are the formats that organize budget data. The design of budget process and structures implements the strategy of budget reform under civil service reform (CSR). The civil service

strategy of budget reform is to move from current emphasis on control using line item budget to an emphasis on management using cost center budget. (MOFED, 2000:1)

The central context of budget reform is Ethiopia's ambitious decentralization administrative responsibility has been devolved to regions and with in regions to zones and woredas. To understand financial administration in Ethiopia one must understand three frameworks:

- 1 Decentralizations as devolution
- 2 The function of public finance especially the allocation role and fiscal federalism,
- 3 The assignment of expenditure functions under fiscal federalism. ( CSRP, 1998:184)

It is the policy of the Federal government to have effective budget that comply with financial laws or regulations, directives , that comprehensively manage public expenditure and debt target that promote a balance of capital and recurrent expenditure.

The Technical Vocational Education and Training (TVET) system in Ethiopia is currently undergoing a major reform process. A profound reform of the system determinants is discussed at Federal and Regional levels aimed at creating a TVET system which is employment oriented, demand driven and appropriate to the development needs of the Ethiopian Economy (MoE,2003:3)

The overall objective of the national TVET strategy is to create a competent, motivated, adaptable and innovative work force in Ethiopia contributing to poverty reduction and social and economic development through facilitating demand driven, high quality technical and vocational education and training relevant to all sectors of the economy, at all levels and to all people in need of skills development (MOE, 2006:10).

According to the Addis Ababa City Government Technical and Vocational Education and Training colleges, establishment regulations No 22/2006 each college shall have the following objectives:

1. Providing technical and vocational education and training,  
Conducting research, and
2. Rendering consultancy service to the Technical and Vocational Education and Training Institutes, government schools and other Bodies.

In order to improve and extend the current TVET system, make it necessary to maintain resources, college's establishment regulation No 22/2006 Article 22 states "the sources of fund of college shall be derived from:

1. Annual budget and subsidy to be allocated by the government.
2. Tuition to be collected from the trainees
3. The college's internal incomes, and
4. Donations and assistance the college may receive

The non-wasteful and economical management of the budget is another useful instrument in strengthening the financial capacity to provide quality education

Thus the researcher initiated to assess factors that affecting budget utilization in government (Public) Technical and Vocational Education and Training (TVET) colleges of Addis Ababa to have appropriate methods, techniques in the system and help to introduce cost effectiveness and efficiency.

## **1.2 Statement of the problem**

Technical and vocational education and training (TVET) which meets the needs of the economy and of technological progress is valuable entry point

into gainful employment or self employment. It plays for the nation, for enterprises and for families to invest in it. The government of Ethiopia is presently undertaking a reform of the TVET sector to make the training institution, the trainers and enterprises fit for the challenge of the world of work .To facilitate the reform develop financing mechanism and more efficient and effective use of existing resources.

Resources at the disposal of educational institution are always limited in comparison with the various services the institution would like to provide. There are factors beyond governments in poor countries like Ethiopia that complicate the allocation process; firstly there is too little to spend in the economy. Secondly, they find it very painful to spend rationally because they are not certain how much will have in their treasuries (Almesege, 1987:36) As a result education managers must try to use resources as economic and efficiently as possible.

A very important task that each educational institution has to do is co-ordinating interrelated aspects of decision making and balancing all materials and human inputs departments and functions so that the institution can meet its objectives. One approach to co-ordinate this activity is to prepare a quantified and explicit plan of action for some definite period in the future for both the individual units in the organization and for the whole organization as one entity. In the simplest term, the detailed plans are commonly called budgets; the co-ordinating activity is usually referred as budgetary process ( Nebiyu, ND:153).

In order to attain efficiency budget proposal has to be evaluated in terms of their cost and benefits and ensure that the chosen program are subject to test of actual performance against expected results. The formulation of budget proposal should consider various factors which could affect its implementation. Successful implementation depends up on the soundness of the proposal, the adequacy of the organizational structure and

qualification of the staffs.

The most important factor that influences attainment of educational goals is effective and wise allocation of available resources, particularly finance.

It is obvious that allocation of more finance and getting greater share of the government resource alone do not produce quality education and meet goals of the educational policy (Melaku, cited in Alebachew 2005:6)

Factors which impede the annual budget utilization

1. During budget planning there is overestimated Budget for the project and delay in the approval and release of funds by the higher bodies
2. There are rules and regulations which impede the utilization of allocated budget .
2. Delay in fund releasing by donor agencies, unable to use and government matching funds ( Ayalew, 2001:86)

In general scarce resources are the existing problems of government institutions. The purpose of this study is to asses factors affecting budget utilization in selected government TVET colleges of Addis Ababa. Addis Ababa is selected as an area of study because the researcher has been working for a long period of time in the region so has enough experience about the problem.

The study attempts to answer the following basic Questions.

1. How do TVET colleges prepare and request the budget?
2. What are the major factors and constraints on implementation of the budget?
3. How is the controlling mechanism on budget utilization?
4. Are the public TVET colleges' officials and personnel competent to manage and control budget properly?
5. Are the existing financial rules, regulations and procedures conducive to budget utilization?

6. How does Bureau of Finance and Economy Development release the requisition of public TVET allocated budget fund?
7. How do TVET institutions spending?

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

The main objective of the study is to assess factors affecting budget Utilization in selected government TVET colleges of Addis Ababa.

#### **1.3.2 Specific objective of the study**

The study has the following specific objectives

- To asses the problems in budget utilization
- To examine how the controlling system in TVET and Finance and Economic Development Bureau are performed.
- To examine the presence of competent deans, department heads, finance administrators and accountants to carry out budgeting.

### **1.4 Significance of the study**

The Government has introduced a new program of action, the education sector development. The program emphasizes improvements in the quality of education and promotes a more equitable distribution of educational opportunities through out the country. This strong government's commitment reflected by shifting public expenditure to human resource development. This research is targeted to investigate factors that are

affecting budget utilization in selected government TVET colleges and to make recommendations helpful for educational administrators and Bureau of Finance and Economic Development. So that it will:

1. Serve as a basis in assisting educational and financial planners and policy makers.
2. Provide new ideas to overcome the short coming of budget utilization and to safe guard educational finance from corruption.
3. Serve as a reference material and initiates future researchers Who wish to investigate the situation in depth?
4. It may help the City Administration and TVET colleges to revise the existing structure in relation to controlling budget.

### **1.5 Delimitation of the study**

The scope of the study is delimited to assess the target government colleges of Addis Ababa. There are five Government TVET colleges in Addis Ababa. These colleges are Entoto, General Wingate, Tegbare-id, Nifs Silk and Misrak TVET colleges. Among these five colleges, three purposely selected for this study because of that only three of them are practically undertaking the program at the college level while the rest two are not yet conducting the program. In this regard, Entoto, General Wingate and Tegbare-id are the three colleges selected for this study.

The research study covers mainly the fiscal years from 1997 to 1999E.C

### **1.6 Limitation of the Study**

The major problem encountered during the study was lack of accessibility to get relevant and adequate data. This is due to the problem of getting the

required personnel (TVET College Deans, Department and Section heads). In addition, unwillingness of the Administration and Finance staffs to provide records and documents was the other challenge confronting the study as to obtain the required data timely. Moreover, reluctance of respondents to fill and return the questionnaire was another problem so that this had made time consuming.

## **1.7 Research Methodology**

### **1.7.1 Methods**

Descriptive survey method was used as the method of research, with the assumption that it could help to get description of current situation by examining and describing the problems in relation to budget utilization in Government TVET Colleges in Addis Ababa.

### **1.7.2 Population and Sample size and sampling techniques**

The research was conducted in 3 government Colleges of the Addis Ababa City Administration in order to assess factors affecting budget utilization in Government TVET Colleges of Addis Ababa.

To make sample size manageable and representative for the research purpose, from the five government TVET Colleges Entoto, General Winget, Tegbaried, Nefasilk and Misrak TVET colleges established in the City, the three Entoto, General Winget, and Tegbaried were selected purposively because these three colleges were formerly restructured or conducting a TVET college program than the rest two (The Misrak And the Nefas Silk). Hence the selected colleges can have relevant data for the study.

The three selected government TVET Colleges, Finance and Economic Development and Education Bureaus were taken as the study areas. Purposive sampling was used to select respondents from the selected TVET Colleges; Finance and Economic Development Bureau and Education

Bureau, because these officials were expected to have rich experience of budget preparation, implementation and control.

So that 105(100%) of the sample, nine college Deans (one Vice Dean and two Assistant Deans in each Colleges), eighty one Department and Section heads, three colleges Administration and Finance Department heads, twelve budget and accounts staffs from the colleges were selected to fill questionnaire. Six Finance and Economic Development Bureau officials and auditors, four Education Bureau and College auditors were contacted for the interview.

**Table I**

**Distribution of respondents**

Types of respondents	Entoto TVET college	G.wingate TVTE college	Tegabared TVET college	Finance& economic bureau	dvvet.	Education bureau	total
<b>1. Respondent</b>							
Deans	3	3	3				9
Department and Section heads	38	27	16				81
Administration &finance department head	1	1	1				3
Budget and accounts staffs	4	4	4				12
Total							105
<b>2. Interviewee</b>							
Auditors	1	-	1			2	4
Treasury disbursement team leader				1			1
Accounts Department team leader				1			1
Budget department head				1			1
Treasury and accounts department head				1			1
Inspection auditors				2			2
Total							10

### **1. 7. 3 Instruments, Procedures, method of data analysis.**

#### **Sources of Data**

Relevant data for this study were collected from both primary and secondary sources. Primary data were gathered through questionnaire and interview from the three selected government TVET colleges; Education Bureau and Finance and Economic Development Bureau. In this regard, respondents were Deans, Department and Section heads, Administration and Finance Department heads, Budget and Accounts staffs from the selected colleges. The interviewees were Inspection Auditors, Budget, Treasury and Accounts Department heads, Team Leaders and Experts from Finance and Economic Development Bureau and Internal auditors from TVET colleges and Education Bureau. These data sources were the immediate reference group of budget process and they frequently dealt with financial activities of the colleges and have adequate knowledge on the subject matter of the study. Secondary data were gathered from documents and reports of Finance and Economic Development Bureau and the three selected Government TVET colleges in the city.

#### **Data Gathering Instruments**

Questionnaire, interview and document inspection were employed as a means of data collecting instruments. The questionnaire was pre-tested at Entoto TVET College and so that some necessary corrections were made before the actual survey was conducted. One type of questionnaire was prepared for Deans, Department and Section Heads, Administration and Finance Staffs. Questions were in closed form, but some times the closed type questions were followed by open-ended questions. The second data-gathering instrument was interview with Finance and Economic Development Bureau officials, experts and auditors and TVET

colleges and Education Bureau auditors to get expertise opinion and information. The third data gathering instrument was document inspection which was made to analyse budget utilization. These data collection instruments were used to get facts and complete information.

### **Data Collection Procedure**

In order to maintain the quality of the data, data collectors were selected and oriented on how to distribute, collect and handle the questionnaire. The mechanism used in the data gathering process were presenting co-operation letter written from the Department of Business Education and undertaking earlier consultations with the sample Colleges' concerned staff so that the respondents render co-operation for the study. The interview was administered and close follow-up was made by the researcher.

### **Methods of data analysis**

After the data were collected and organized, relevant statistical tools, which are important for the analysis of the data, are used. Percentages and frequency were used to measure and analyze the magnitude of respondents' opinion. In addition, Percentage was also used to compare budget allocation and utilization.

## **1.8 Definition of Terms.**

The following key terms and phrases are operationally defined as follows.

**Public body:-** Is an entity financed through the annual approved and appropriated budget. (CSRB 2000:219)

**Budget Transfer:-** Moving budgeted funds between public bodies, budget institution, projects or items of expenditure, without changing the total approved budget. (Federal budget Manual 2006: 46)

**Budgeting:-** Is the process of allocating scarce resource to un limited demands, dollars and cents plan of operation for a specific period of time.

**Cost Center:-** A floating budget classification that is, it can be found in any part of the budget at any level of the budget CRDP , (2000:1)

**Efficiency:-** Is the fullest possible attainment of specific objectives standards. (Knight, 1993:18)

**Effectiveness:-** Is the fullest possible attainment of the goals and objectives of the school. (Knight, 1993:18)

## **1.9 Organization of the study**

The study was organized in to four chapters. The first chapter includes back ground of the study, statement of the problem, objectives, significance of the study, delimitation of the study, limitation of the study, research methodology and sampling procedure, organization of the study, and definition of terms.

The second chapter dealt with the review of related literature. The third contains the presentation, analysis and interpretation of the data. The fourth chapter presents the summary of major findings, conclusions and recommendations of the study.

# **CHAPTER TWO**

## **REVIEW OF RELATED LITERATURE**

This chapter tries to review related literature of budget. Virtually every one has heard the term budgeting and has concept of its meaning. Like many accounting terms budgeting is used commonly in our daily language. This concept is raised for the purpose of introducing the basic framework of the budget.

Moreover budget can be defined by different scholars in different manners. However, most of them have come up with similar connotation of budget and budgeting.

### **2.1. Role of the Budget**

In the present day a high proportion of economic activity is controlled, directly or indirectly by various hierarchies (Federal, or Central, State, Local. etc.). Thus the budget has taken on a number of other functions as well as the simple monitoring of the overall revenue and expenditure of government. Expenditure programs are now planned in considerable detail, but the sheer scale of public spending raises major control problems, and varying systems of control have been tried in different countries. Taxation is used not only to raise revenue but also to redistribute income and to encourage or discourage certain activities. Government borrowing, in order to finance recurring deficits or wars, is so substantial that budgetary policy has important effects on capital markets and on interest and credit generally. Because the budget is now so important to national economies, a number of different procedures for deciding on the structure of the budget have developed, and these vary considerably between countries. As the scale of Government activity increased, the levels of expenditure and taxation were seen to have substantial direct effects on the total demand for goods and services in the economy. This raised the possibility that by changing this level the government could use its fiscal policy to achieve

full employment and reduce economic fluctuation. This stabilization function has been used by many countries, with varying degrees of success, to expand the economy out of recession and to control inflationary pressures. The budget may have significant (intended and unintended) effects in specific areas. Taxes affect incentives to work or to consume, while taxes, benefits, and expenditures all affect the distribution of income. In this manner, budgets, particularly those that cause major changes, have considerable political as well as economic impact. In order to deal with the increasing complexity of government's role, most countries have experimented with a variety of forms for the budget and its presentation. Among the more important of these are the administrative budget, the current and capital budget, program and Zero-base budgeting, and the full employment budget. [www.britanica.com/eb/article-26325/government-budget-79k](http://www.britanica.com/eb/article-26325/government-budget-79k)

## **2.2. Definition of Budget**

It is necessary to understand clearly just what constitutes budget. There is no standard accepted definition of budget; different authors' gives different definition. It can be expressed in terms of money or quantity for a specific period of proposed plan of an organization. Therefore the following definition is important to this study.

Nebiyu (ND: 153) defined that "A budget is a quantitative expression for a specific period of a proposed plan of the institution. A budget can be expressed in terms of money or quantity or both. Budget covering financial aspects quantifies the institution's expectations regarding expenses in relation to the plans it will follow the upcoming period".

A budget is an appraisal of expected expense projected against anticipated income for a certain future period. The term budgeting is used to indicate

controlling based on budget. The process of preparing budget is planning and the budget itself is the single use plan. Like any other plan, the budget must have flexibility, objectivity and structure form (Murugan , 2004:99)

Pandey (1992: 240) defines that “a budget is a comprehensive and co-ordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific period in the future”

Bowman and Asch (1987:196) explain that the budget is the common method for implementation as it should encompass the communication of attainable goals while engaging the participation and support of all levels of management. It also provides information for evaluation.

### **2.3 The structure of the budget**

Budget structures are the formats that organize budget data. Budget data could be classified in different ways and for different purpose. In the early days, for instance, budget classification basically focussed on providing a better understating of the intentions and purpose of government for which funds were planned to be spent. Latter on, the budget structures started to be influenced largely by the issue of accountability (Alemayehu and Birhanu, 1999: 166).

The budget prepared by the public undertakings may be divided as follows:

1. Revenue budgets- Budgets income; expenditure of revenue  
Account
2. Capital expenditure budget –Budgets covering proposals of  
Acquisitions and disposal of fixed assets including sources  
From which such expenditure is expected to be financed.

3. Cash budgets – cash receipts and disbursement in a given  
Period (MOHSIN, 1980: 145)

**1. Revenue budget**

The revenue budget is the starting point of budgeting. The government revenue budget consists of the annual forecasted revenues to be raised through taxation and other discretionary measures. The magnitude of the revenue to be raised depends on the level of economic development and the measure taken to collect revenues. In Ethiopia the revenue budget is classified into three categories (1) ordinary revenue (2) external assistance and (3) capital revenue. (Nebiyu , N.D : 170)

Revenue may be operationally defined in governmental fund accounting context as all increases in fund net assets except those arising from inter fund reimbursements, inter fund operating and residual equity transfers of long – term debt issues.( Lynn and Freeman, 1983:148)

**2. Expenditures budget**

Expenditure budget can be divided in to recurrent and capital expenditure. Recurrent expenditure focussed on the improvement of quality of education, enhancing professional capability of teachers, provision of text books, increasing the supply of instructional materials. This will also have a significant contribution in reducing dropout rates. Under capital expenditure major components are equipment, construction and furniture.

Expenditure budget is the amount of money the government plans to spend on administration and development activities. Broadly these expenditures are classified as recurrent and capital budget (Nibiyu, N.D:172)

Public expenditures refer to the expenses which the government incurs for its own maintenance as also for the society and the economy as a whole. (Bhatta, 1994:231)

Expenditure of a governmental units are classified to serve several purposes first, a government's financial resources are in various funds the appropriations for the expenditures must necessarily be classified. According to these funds, and as we have seen, the expenditures must be related to the appropriation. Second, appropriate classification provides information that is helpful in preparing budgets for succeeding years. Third, appropriate classification provides information to control the expenditure of funds. Fourth, proper classification permits aggregating expenditure data by fund type and for the general government as a whole for analyses and special purpose reports - example by function, programs, organization units, and activities object class. Fifth, the properly classified expenditures provide information for the financial statements and for financial statistics that may be used for comparative purpose.

The most common approaches to operating expenditure budgeting may be characterized as follows:

1. Objective of expenditure
2. Performance
3. Program and planning – programming budgeting
4. Zero – base budgeting both in practice and in budgetary theory the budget is designed to provide information to decision makers and to indicate the decisions that have been made. (Lynn and Freman,1983 : 58-59)

Recurrent expenditure is defined as “the money which is used for the day-to-day, weekly or monthly running cost of educational services”. Therefore,

recurrent expenditure covers such items of expenditures as wages, or salaries and allowance of teachers and non teaching staff (administrators and junior staff), purchase of books, stationary transport, and uniforms and other consumable goods and services.

Three factors that influence recurrent expenditure on education are:

1. Pupil/teachers ratio and students/teachers ratio
2. The average teacher's salaries and allowances
3. The size of institution

b) Factors influencing capital expenditure in education

Capital expenditure is defined as "the amount of resources devoted to construction of new classrooms and other physical facilities."

Two such factors are the number of children that are grouped together as a class or stream and average cost of the class room construction.

Another factor is the average cost of classroom construction (Mbua, 2002:35-37)

## **2.4. Objectives of Budget**

The purpose of budget is to implement the policy which is formulated by management to attain a given goals and objectives. Budget is, of should be , a management tool for planning ,implementing and evaluating a work definition would be a plan for the allocation and expend true of resources to achieve the objectives of the school (Knight , 1993:128)

The basic objectives of Government budgeting as stated by permchand (1987:66) are:

- A) To relate expenditure decisions to specified policy objectives and to existing and future resources.

- B) To relate all major decisions to the state of national economy.
- C) To ensure efficiency and effectiveness in the implementation of government program.
- D) To facilitate legislative control.

Pandey (1992:244) explains the major purpose of budget or budgeting are:

1. To state the firm's expectations (goals) in clear
2. To communicate expectations to all concerned with management of the firms
3. To provide a detailed plan of action for reducing uncertainty and for the proper direction of individual and group efforts to achieve goals,
4. To co-ordinate the activities and efforts in such a way that the use of resources is maximised.
5. To provide a means of measuring and controlling the performance of individual and units and to supply information on the basis of which the necessary corrective action can be taken.

A budget, as planning device, provides a detailed plan of action for attainment of the institutions objectives and goals. A second purpose of budgeting is its usefulness for control purpose (Nebiyu, ND:156).

## **2.5. Sources of budget**

It is important to observe the necessary resources that are available before the implementation of any educational plan, or program. To produce greater quality and equality within education system, it requires the provision of adequate finance from different sources. It must be given more attention to

increase the resources. Public training sector is mainly funded through budget allocation of government of Ethiopia and donor funds.

According to Transitional Government of Ethiopia proclamation no. 7/1992 Article 35 the financial and income source of the national/regional transitional self government shall be revenues collected from taxes and grants to be given by the central transitional government, internal borrowing and other sources of income.

Schools manage finance from four sources

- Delegated tax borne or trust funds or similar fees
- Fund raising
- Income generation (Knight, 1993:58)

The education of a given society and its role to meet a clearly set objective ( for instance, development or economic and social growth ) is closely related with the resource available and the financing method it employs, any given education system, therefore , has to have a clear financial policy by which it is directed. And the financial policy has to take two basic (issues) matters, which are:

- To make an efficient and quality education system that can serve as basis for growth with minimum possible expenditure available to the broad population.
- To ensure equity and fair distribution of educational opportunity.

The major share (portion) of educational finance is from the government. In this regard, the Education Policy has the following provisions on financing education.

- Government financial support shall focus on education up to the completion of general secondary education and training (up to grade 10).

Beyond this level, the students cost sharing in educational expenditure will increase with each step in the education level.

- For regions that were relatively disadvantaged in the provision of educational services in the past, the government will allocate special support fund to bring them on par with the others.
- The government shall especially encourage the education of women through financial support.
- The government shall create conducive conditions and provide various types of support for private investors to build and run schools at all levels, for educational institutions to strengthen their income generating capacity and use such income to further strengthen themselves, and for students to pay for education through service or through post employment payment schedule. (MOE, 2002:63-66)

Ethiopia has historically received a fairly low proportion of bilateral aid (exclusive of emergency relief), and generally higher proportion of multilateral aid. Over the past five years bilateral sources have accounted for about 45 percent of aid, (based upon UNDP data), and multilateral sources of 55 percent. The largest multilateral donors were IDA (about 53 percent), the UN system (particularly UNICEF and UNDP, with WEP providing substantial emergency relief), the European Union (17 percent), and the African Development Bank (11 percent). The largest bilateral donors historically have been the United States, Japan, Italy, and Canada (in that order), followed in almost equal shares by Germany, the Netherlands, Norway and Ireland.

The share of education spending going to primary education has declined in recent years, partly because of a large push to expand university and Technical Vocational Education and Training (TVET). Donors have typically taken the position that priority should be assigned to funding primary education. The

government takes the position that higher level education and training is also critically need if Ethiopia is to have the skilled manpower and professionals needed to break out of its low level poverty trap.

In thinking about how the government manage aid, there are a number of complicating factors. One is the role of off-budget assistance. As noted earlier, Ethiopia like many developing countries receives much external assistance that is outside the framework of the formal government donor aid apparatus. (<http://www.Globaleconomicgovernance.Org/docs/Furtado>)

There are three basic management approaches to financing VET. The first Views funding as traditional fund disbursement simple budgeting and disbursement procedures assume that certain standard cost for existing VET institutions (wages, and other operational and maintenance costs) are established and resources are allocated to them from year to year irrespective of the types of programme they deliver, enrolments and outputs (Budgeting and funding per institute rather than per output) (Gasskov, 2000:198)

## **2.6. Financial management and control**

The Ethiopian Government has set its compromising standards of financial management. An updated financial legislation is being put into practice. This makes it obligatory to bring all public funds, including aid in kind as well as financial grants, within the scope of the consolidated fund and budgetary process. The regions have a substantial degree of autonomy, but required to report their expenditure in the formats and at the time specified by the Ministry of Finance. The Federal Government also takes the lead in setting financial management standards. The Ministry of Finance has overall responsibility for the management of public funds, including subsidies to the regions. All Federal and Regional Offices are required to submit monthly report on expenditure.

A successful and sound budgeting system is based upon certain prerequisites; these prerequisites represent management attitude, organization structure and managerial approaches necessary for the effective and efficient application of the budgeting system.

### **2.6.1 Financial Management**

Financial management is concerned with the acquisition of financing, and managements of assets with some overall goal in mind. The decision function of financial management can be broken down into three major areas the investment, financing, and asset management decisions (Horne, 1999: 2).

Governmental Accounting system should be organized and operated on a fund basis. A fund is defend as fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions, or limitation (Lynn and Freeman, 1983: 28)

It is the responsibility of financial management to allocate funds to current and fixed assets, to obtain the best mix of financing alternatives, and to develop an appropriate dividend policy within the context of the firm's objectives .These functions performed on a day to day basis as well as through infrequent approaches to the capital markets to acquire new funds. The daily activities of financial management include credit management, inventory control, and the receipt and disbursement of funds (Block and Hirt, 1992:11)

As to the Addis Ababa City Government executive and municipal service organs establishment proclamation no. 2/ 2003 Article 20 the power given to the Bureau of Finance and Economic Development to establish general accounting system of the City Government, publish and distribute financial receipts,

formats and registers to the central organs of the Government and submit consolidated financial report.

The monthly report provides information of revenue, expenditure that shows actual expenditure in comparison with budgeted expenditure verification and reconciliation of cash transfers between Bureau of finance and public bodies, receivables, payables and bank reconciliation statement. This will avoid fragmentation of financial management, to ensure that Ministry of Finance has full picture, avoid wastage and UN necessary duplication of effort and allow government to concentrate its scarce financial management manpower in the financial management manpower in the financial bodies instead of trying to build up a variety of accounting capabilities in sector Bureaus or Ministry offices.

Levacic in Abebaw (2006:19) lists standard sequential stages of financial management in schools as follows:

- The first stage is the acquisition of resources.
- The second stage of the financial management is allocation of Resources and planning the budget
- The third stage of the financial management cycle is an evaluation of implementation of the budget plan.

Adesina in Abebaw (2006:22) explains that in administering the school budget, the primary concern is to ensure that the results achieved by school system justify the financial outlay. The concern is not as many believe, to direct attention to keeping expenditure in line with what the plan specifies. When emphasis is said too much on the amount to be spent or keeping expenditure without limits the value of educational outcomes is then played down.

## **2.6.2 Budgeting and control**

The detail budget is consistent with and conforms to the broader strategic elements; a comparison of the budget with actual results will measure progress towards attainment of the strategic objectives.

It is not possible to prevent fraud completely. But it is possible and important to set up a system that is reasonably effective both to reduce temptation and to prevent corruptions. The system needs to be a coherent and through out set of policies, regulations, practices and procedures and guiding principles can be established.

For control to be effective a suitable communication system must exist. The communication system in most enterprises has both formal and informal features, procedural manuals, job descriptions, formal meeting and so on. Informal measures would include in formal gatherings, say between supervisory staff and employees (Bowman and Asch, 1987:200).

For internal control to be operationally effective it is very important that qualified accountants, who have the requisite accounting experience, job responsibilities ; the allocation of staff to respective responsibilities. Internal control system includes all the policies and procedures adopted by the head of the public body to assist in achieving its objective and ensuring as far as

practicable, the orderly, economical, efficient, and effective conduct of its operation, including adherence to internal policies, governments polices, rules and regulation, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial and management information and fairly disclosing that data in a timely report. When describing internal control by their role in the public body, they have often been organized in to two: financial control and management control. Financial control which is primarily

concerned which legitimacy of expenditure and the security of assets and income. Management control, which are created and maintained by management to ensure that an activity is relevant to the needs of a public body and is carried out in the most effective manner (MoFED,ND:41-42).

Budget control has two key elements

1. expenditure is incurred only if there is an available budget
2. actual expenditure does not exceed the adjusted budget

Budget is achieved using a system of commitments (DSA, 2006:11)

According to Addis Ababa City proclamation no. 16/2003 Article 20 commitments no contract or other arrangement requiring payment shall be entered into by any public body unless there discharge any debt that will be incurred during the fiscal year or other arrangement is made.

In general, a budget shows the financial accounts of the previous year, the budget and revised estimates of the current year, and the budget estimates of the next year. Furthermore, the estimates of next year are split up in to two parts those based up on the assumption that the current year taxes and their rates, and the expenditure policy, would continue, and those based upon the proposal changes therein (Bhatta, 1994:260).

Advantages of budgeting and budget control as stated by (Murugan, 2004:422)

1. It is an all inclusive management control
2. It provides standards against which actual performance can be Measured
3. It is an important tool of co-ordination.
4. It helps in reducing UN productive operations by minimising Waste of resources.
5. It makes financial planning and control easy.
6. It facilitates control by exception.

7. It is important device for fixing the responsibility of various positions.
8. It has the fruits of pooled judgement and experience; it is the result of combined wisdom.

9. Budgetary control promotes two ways of communication Responsibility for operational control necessarily belongs to the operating for operational units of the government, and the heads of such agencies are primarily responsible for compliance with specified methods and procedures. The ultimate responsibility rests with the central agencies, the chief accountants control is exercised through pre-audit procedures, which provide an overview of methods and procedures in use (Lynn and Freeman, 1983: 204).

Budgetary monitoring and control are often treated as being synonymous. Actually they are distinct monitoring indicates actual expenditure against estimated, whereas control safeguards funds and ensures they are spent as authorised (knight, 1993:147).

Limitations of Budgeting and Budgetary control as stated by (murugan, 2004:422-423)

1. Estimates:

The effectiveness of budgetary control depends upon the accuracy with which estimates are made about the future. But future events can rarely be predicted with cent percent accuracy. When conditions change budget figures become unreliable

2. Carbon Initiative:

It does not allow freedom in resource allocation and decision making

3. Over budgeting:

Budgeting is worth while only when expected benefits from it far Exceed the cost of the system.

4. No substitute for management :

Budgeting and budgetary control is only a tool, but some managers turn a blind eye to this responsibly as to decision making once a budget is prepared.

5. Lack of Action:

In some cases budgets and budgetary control are considered as pressure device and employees react unfavourably to them

6. Precedents:

Budgets tend to grow from precedents

### **2.6.3 Chart of accounts and budget classification**

The chart of accounts is the system of coding government uses to present financial entities (public bodies), item of revenue external assistance, external loans, and cash transfers domestic borrowing and items expenditure. (MoFED, 2000:6)

The procedure for closing expenditures and related accounts is determined by the government's legal and policy provisions pertaining to the lapsing of appropriation and to the treatment of encumbrances outstanding at year end (Lynn and Freeman, 1983:108).

### **2. 6. 4 Auditing**

Auditing is one of the controlling mechanisms budgets by measuring and evaluating it. The Federal Office of the Auditor General is the supreme audit institution of Ethiopia, with responsibility for auditing all Federal funds, and it is responsible directly to the council of people's representatives.

Auditing of Regional expenditure is constitutionally the responsibility of Regional Auditor General, although regions are able to delegate responsibilities to Federal Government. Internal Audit mechanism also is set to continuously

monitor financial management and proper adherence to financial and procedural regulation.

Auditing can be defined as the process by which a competent independent person , accumulates and evaluates evidence about quantifiable information related to specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria ( MOFED, ND:2 ).

In carrying out an audit of government expenditure, the auditor examines whether the essentials conditions for incurring government Expenditure has been satisfied or not. This involves examining

- a/ The provision of funds for the expenditure
- b/ Sanctions
- c/ Compliance propriety of the expenditure (Gupta , 1996:612).

## **2.7. Budget planning and its cycle**

Planning is the main duty of the public government sector. This holds true for educational planning where the growth of government school is a well known feature of educational development. The plan and budget together provide a composite picture of what is intended and expected and the means by which the objective are achieved. That is, budget is a powerful tool in the planning process.

Producing a plan for the school is one thing. Actually linking it to the budget is another. This linkage is technically quite difficult, for various reasons.

The financial calendar includes a planning and budget cycle. A financial calendar clearly defines and adequately schedules tasks so that plans and budgets are linked and are systematically prepared, approved and implemented

.Version 1 of the budget reform design manual found that a major weakness of budgeting in Ethiopia was the low of an authoritative budget calendar with clearly defined and scheduled budget tasks. An authoritative financial calendar is needed for effective budget because budgeting depends up on the planning cycle (MoFED,2000:95).

### **2. 7. 1 Expenditure planning**

In large organizations expenditure planning should be considered a year round activity. The budget director and his budget examiners should be continually studying the agencies with whose budgets they will work because analyses of agency operations. Including both what the

Agency does and how it does it are essential if the budget officer is to give proper consideration to agency requests.( Lynn and Freeman, 1983:78)

School development plans need a long time horizon, ideally three to five years, a budget only covers twelve months.

Development plan need not be firmly fixed to dates; budget has to operate from the start of the financial year.

The problem can be solved quite easily if we think of a plan as comprising

- A long term strategy, say 4-5 years
- A medium plan term strategy say 1-3 years
- Operational planning the current school year and the start of the next one ,i.e. 0-1 year

Only the operational planning needs to be linked to the budget, although the medium term strategy ideally, needs some budget for casts. (However in many

states schools world wide for casting budgets more than a year ahead is currently very difficult owing to national budget uncertainties. (Knight ,1993:35).

Budgets are proposed plan expressed financially for future periods. We have not yet specified for how long is that future period. Two types of budgets are distinguished based on time period, short term and long term budgets. The short term budget covers a period of one year. The annual budget is often subdivided by quarters, by months for even may be broken down on weekly periods. Long term budget concerned with many years and usually integral parties an institution's strategic planning (Nebiyu, ND: 159).

### **2.7.2 The Budgeting cycle**

Factors such as the general policy and strategy of Ministry of Education are considered in budgetary process, although this should also be in line with at the overall development strategy of the country (AKinkug, 2001:77)

1. The budget cycle has four parts as stated by (MoFED ,2000:104)
2. Executive preparation
3. legislative adoption
4. executive implementation
5. Audit and evaluation

The budgetary process is the means by which the executive and legislative branches together formulate a coherent set of taxing and spending proposals.

## **Executive preparation of the budget**

Before public bodies receive their budget ceiling in the budget call, they will prepare the background information needed to support their budget request.

The budget preparation stage has three tasks:

1. Development of unit costs
2. Program review and
3. Work plan development .The preparation stage is scheduled between October 1st and March 15<sup>th</sup> with the cooperation of the work plans.

An executive preparation is done by the executive branch of government and includes seven stages as stated by (MoFED ,2000:113 )

1. Budget preparation
2. Budget call
3. Preparation of the formula for the regional subsidy
4. Request for the budget
5. Notification of the regional subsidy estimate
6. Notification of the recommended budget
7. Approval of the recommended budget

Sound financial planning requires that preparation of the budget be started in time for its adoption before the period to which it applies to insure that adequate time will be allowed, a budget calendar listing each step in the budgetary procedure and the time allowed for its completion should be prepared (Lynn and Freeman, 1983:75)

Ministry of finance will release the budget ceiling to the line ministries in budget call provides each ministry such information as the macro-economic environment ,an aggregate budget ceiling and priorities to budget

Proclamation No. 16/2003 financial Administration proclamation of Addis Ababa city government” Article 12 states a bout the format and ceiling of budget

- The head of the Bureau shall determine the procedural format of budget. Such procedure may prescribe.
  - a. the capacity of every public body to present the ceiling of budget
  - b. The ceiling of budget request that every government office may forward.

### **Budget instructions**

The instructions the budget officer sends to the agencies should include:

1. the budget calendar
2. A statement of executive goals, polices and expectations relative to the upcoming budget period.
3. Other appropriate comments or instructions explaining how decisions regarding amounts to be requested should be made, necessary supporting data.
4. An explanation of how to perform the mechanics of filling out the budget estimate forms with emphasis up on any changes from prior years. (Lynn and Freeman, 1983:79)

### **Legislative consideration and Action**

After receiving the executive budget document the legislative body must adopt an official “budget” the appropriation bill. A legislature or the congress usually turns the proposed budget over to a committee or committees to make investigations, to call on department heads and the chief executive for justifications of their requests, and to conduct public hearing .The committee

then make its recommendation to the legislature. At the municipal level the council or board of supervisors is likely act as a committee of the whole in its consideration of the budget. After completing the budget hearing and investigations, the legislative body adopts the budget by passing an appropriation act or ordinance ( Lynn and Freeman, 1983:92).

### **Legislative approval and appropriation of the budget**

Approval is the review by parliament to ensure that public expenditure and their financing accord with government policy. An appropriation is an authorization by an act of the parliament that permits public bodies to incur obligations and to make payment out of the consolidated fund for specific purposes, By appropriating just the total of the capital and recurrent budgets and not the specific allocations to public bodies the appropriation does not focus on the specifics of expenditure and whether public expenditure accords with government policy (MoFED ,2000:202)

Addis Ababa City Government proclamation no. 16/2003 Article 13 states that the budget approval and notification.

1. The sub-Cities block grant and the city center offices budget shall be approved unit July 7 and shall be notified by July 14.
2. Sub-Cities shall notify the allocated block appropriation budget by July 17 to the public offices under them. The block budget granted for them.

### **Budget execution**

Just as budget approved by the legislative body express in financial terms the government's planned activities the process of budget execution includes every operating decision and transaction made during the budget period( Lynn and Freeman ,1983:92).

There are three tasks in budget operation for public body the first task is to adjust the work plans of cost centers to the ceiling in the proclaimed budget and to prepare financial and physical action plans. The financial action plan shows projected deliverable by month for the cost center. Public bodies are required to submit this action plan for recurrent and capital expenditure to the Ministry of Finance and Economic Development. The second task in budget operation is for public bodies to take action plans which are submitted to Ministry of Finance and integrate them with their work plans. The third task of budget operation is for public bodies to use the form for proclaimed capital budget notification to manage and control expenditure (MoFED, 2000:214)

Budgets will be prepared and implemented in compliance with the financial laws, regulation and directives.

Proclamation No 7/1992 “A Proclamation to provide for the establishment of national /regional self government” Article 37 explain that the budget of the national /regional transitional self government shall be based on the budget approved by the national / regional council.

Proclamation No. 16/2003 “financial Administration Proclamation of Addis Ababa city government” article 13 and 17 states about budget approval and notification the sub cities block grant and the city center offices budget shall be approved unit July 7<sup>th</sup> and shall be notified by July 14. If the city council has not approved the annual budget until July 7, the approved budget of the previous fiscal year shall be implemented on a monthly basis until the annual budget for the current fiscal year is approved.

### **Implementation**

Proclamation No. 16/2003 “financial Administration proclamation of Addis Ababa City Government” Article 18 no disbursement shall be made out of the

consolidated fund without the prior authorization of the City Council in the form of budget appropriation.

Executive implementation of the budget after parliamentary approval and appropriation of the budget, the executive public bodies have to implement the budget. There are three stages in implementation.

1. notification of the proclaimed Budget to public bodies
2. operation of the proclaimed budget
3. Implementation of the proclaimed budget (MoFED. 2000:211)

Budget will be prepared and implemented in compliance with the financial law, regulation and directives. Thus to manage public expenditure proclamation no. 57/ 1996 “financial administration proclamation of Ethiopia” states the budget will comprehensively manage public revenues and expenditures. The proclamation require that all public monies except those allowed by law be placed in the consolidated fund be approved by the council of people’s representatives through an appropriation. An appropriation will be done through the annual budget and through supplementary budget as necessary. In the course the budget year supplementary or additional budget will be proclaimed when necessary, following almost the same process as the initial budget preparation like wise budget reallocation will be made mainly based on performance. No expenditure or commitment of expenditure can be incurred from an appropriation with out approval of the Ministry of Finance.

Implementation is the last phase of budgeting and involves three tasks. One task is to manage the request and recording of transfers and supplementary allocation. The second task is to prepare a monthly report to the Ministry of Finance and Economic Development and cooperation on the status of the action plan for financial implementation and physical implementation. The third task is to identify expected saving in on going projects and transfers the expected saving to other priorities (MoFED, 2000:214)

## **Basic concepts, principles and basic issues of financial administration of Addis Ababa City Proclamation 16/2003**

The decentralized organisation resulted in a structure where by the city government is composed of the executive organs at the central and sub city level and those with municipal and non municipal powers and responsibilities and it is necessary to define their respective powers and responsibilities with regard to the administration of finance:

### **Accountability**

Article 4 describes Accountability .The head of every public body shall be accountable in accordance with Addis Ababa City Government executive and municipal service body establishment Proclamation No. 2/2003 or Addis Ababa sub city and qebele establishment proclamation No. 1/2003, for the responsibility to ensure that the provisions of the proclamation and of regulation made under it are fully and properly implemented by the public body for which he/she is responsible as appropriate.

### **Public disbursement**

According to Article 18-21: No disbursement shall be made out of the consolidated fund with out the prior authorization of the City council in the form of budget appropriation. No withstanding to the provision of sub article, refund revenue rebate according to the law, may be out appropriation of the budget expenditure. No expenditure or commitment of expenditure shall be incurred from an appropriation with out the approval of the Bureau or the office as appropriate.

**Disbursement limits** – Except as provided in Article 14 to 14 here in above no disbursement to public bodies shall be made in a fiscal year which exceed the amounts appropriated in the budgetary proclamation for that fiscal year.

**Commitments** - No commitment shall be made against an appropriation except by instruction of the head of the public body or by a person authorized by him in writing.

- No contracts or other arrangement requiring payment shall be entered into by any public body unless there is a sufficient encumbered balance from the budget to discharge any debt that will be incurred during the fiscal year or other arrangement is made.
- The Bureau shall establish the procedure to be followed and the form in which records for the control of financial commitment chargeable to each budgetary item will be registered.
- The head of the public body shall maintain the records for the control of financial commitments chargeable to each budgetary item.

**Payments for Goods and Service**

-No payment shall be made by any public body unless, in addition to any other voucher or certificate? The head of the public body or other person.

- The Bureau may prescribe the procedures to be followed to give effect to the certification and verification required by this Article.

Addis Ababa city government financial administration proclamation no. 16/2003 Article 14-24 describes about budget transfer and disbursement as follows:

Budget transfer – no transfer shall be allowed from the capital budget to

Recurrent budget

- no transfer shall have allowed from other recurrent Expenditure to salary, wage or premium
- Capital or recurrent budget may be transferred in between the center and Sub- cities or with in sub cities or public bodies

from one project to another in accordance with regulator issued by the cabinet.

### **Evaluation of budget**

There are three aspects

1. financial efficiency comparing the out turn budget with the start of year estimate
2. Resource efficiency- looking at what the one was spent on.
3. effectiveness- assessing whether the expenditure has achieved the outcomes hoped for (Knight :1993:152)

Financial efficiency question need to be asked

What a bout the budget format: what are the main under & overspends?  
Where there any specific problems or difficulties in the Budget process  
example inaccurate late & inadequate information, poor communication,  
under responsibilities are there any areas where additions savings or  
economies could be made or financial efficiency improved? Where there  
special problem here or any aspects which should be improved? (knight  
,1993: 152)

If students do not complete the required educational period, or fail to be promoted to the next class or dropout of school then it can be said that there is educational wastage.

The chief causes of educational wastage are: improper utilization of resources, paucity of quality of education, poor and Un conducive organization of schools to the learning – teaching process (MOE 2008:68)

The main reasons of inadequate performances are:

- A) Different Decision makers
- B) Accident Due to the economic of political situation can play role
- C) Contradiction b/n ambitious goals in the plan and financial

constraints. (Akinkug, 2001:191-92)

National expenditure on education, line expenditure by all other government sector is thus subject to subject to budgetary procedures at the center level.

## CHAPTER THREE

### **Presentation and analysis of data**

This chapter deals with presentation and analysis of data gathered from questionnaire administered to the TVET College deans, department and section heads, administrative and finance, budget and accounts staffs. Interviews conducted with Finance and Economic Development Bureau; budget and treasury department heads, team leaders and experts, Inspection Auditors and with TVET colleges and Education Bureau Auditors. Besides, records and relevant documents were used as secondary sources of the data.

Purposive sampling technique was employed to select respondents. The total samples were 105 (9 Deans, 81 Department and Section heads, 3 Administrative and Finance heads and 12 Budget and accounts staffs)

Out of the total 105 questionnaires distributed 94 (89.5%) were filled and returned. From total 94 responses of TVET colleges, 7 Deans, 75 Department and Section heads, 3 Administrative and Finance department heads and 9 budget and account staffs were organized. The questionnaires were tabulated and analyzed using percentage and frequency. Interpretation and analysis were made based on the basic questions raised in chapter one of the report.

## Back ground of respondents

Back ground of respondents was Occupation, Sex, Age, level of education and Service years. These shows in Table II and III

**Table II occupation of college respondents**

Present position	Name of colleges			Total
	Enoto TVET college	G.Wingate TVET College	Tegbare_ Id TVET College	
Dean	3	1	3	7
Department and section head	34	26	15	75
Administration& finance department head	1	1	1	3
Budget & Accounts head	1	1	1	3
Accountant	1	1	1	3
Casher	1	1	1	3
Total	41	31	22	94

As it has been seen from Table II each college has the same size of personnel dealing with the financial activities of the college. All of them have administrative and finance heads, Budget and accounts heads, Accountants and casher except budget controller.

Table. III Characteristics of Respondents

No	Variable	Deans		Department and section heads		Administrative & finance department heads		Budget & Account staffs		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%
1	Sex										
	Male	5	71	59	79	2	67	5	56	71	76
	Female	2	29	16	21	1	33	4	44	23	24
	Total	7	100	75	100	3	100	9	100	94	100
2	Age										
	18-25			5	7	0	0	1	11	6	6
	26-35			22	29	0	0	2	22	24	26
	36-45	5	72	15	20	1	33	1	11	22	23
	46-55	1	14	26	35	2	67	3	33	32	34
	56 and over	1	14	7	9	0	0	2	22	10	11
	Total	7	100	75	100	3	100	9	100	94	100
3	Level of education										
	10 <sup>th</sup> grade complete	0	0	1	1.3	0	0	0	0	1	1
	12 <sup>th</sup> grade complete	0	0		0	0	0	2	22	2	2
	College diploma	0	0	13	17.3	0	0	6	67	19	20
	B.A/B.S.C	3	43	56	74.7	2	67	1	11	62	66
	M.A/Msc & above	4	57	5	6.7	1	33	0	0	10	11
	Total	7	100	75	100	3	100	9	100	94	100
4	Service year in current position										
	1-5	4	57	25	33	2	67	4	44	35	37
	6-10	0	0	10	13	0	0	0	0	10	11
	11-15	1	14	8	11	1	33	2	22.5	12	13
	16-20	0	0	1	1	0	0	1	11	2	2
	21 and above	2	29	31	41	0	0	2	22.5	35	37
	Total	7	100	75	100	3	100	9	100	94	100

As it has been revealed in Table III, item one, 71(76%) are male and 23(24%) are female. This indicates that female's involvement or participation being low. As to the

age composition of respondents, 32(34%) falls between 46 years and 55 .The level of education of individuals can have direct influence on the quality of their performance and on the attainments of the college objectives. The qualification of the respondents includes all levels of education from 10<sup>th</sup> grade up to M.A/M.Sc levels. 62 (66%) of the respondents have BA/B.Sc., 2 (67%) and 1(33%) of Administrative & finance department heads have BA/B.Sc. and M.A/M.Sc respectively, 6(67%) of budget and accounts staffs have college diploma .This implies that they perform financial activities. Furthermore, the years of service at their current position of the respondents show that 35(37%) recently employed and 35(37%) served more than 21 years. This implies that equal proportion give pertinent information. Thus it is possible to rightly conclude the existence of proportionate representation of respondents as to age, education and service years and hence ideas and opinions of different groups were reflected.

### Sources of Budget

Sources of budget were Government, Foreign aid, foreign loan and Internal Income. These were analysed in Table IV and V

Table IV. Main source of budget

Item	Question	Number	Percent	
			Response	cases
	Main source of the colleges budget			
	Government budget	94	53	100
	Foreign aid	16	9	17
	Foreign loan	1	1	1
	Internal income	68	38	72
	Other	0	0	0
	Total Responses	179	100	190

The analysis shows that the main source of the college’s budget and answers given by respondents for multiple questions. According to the data 53% of the respondents indicated that the main source of budget for their college is government budget. In addition to this 38% and 9% revealed that the source of

their college budget was from internal income and foreign aid respectively. Thus, these different sources of budget show that the colleges have different accessibilities of source of finance to deliver education service.

**Table V. TVET Internal Income**

No	Variable	Number	Percentage
1	Does the college have internal source of income?		
	Yes	86	92
	No	1	1
	I Don't know	7	7
	Total	94	100
2	Does the college's budget financed or supported by internal income?		
	Yes	75	80
	No	1	1
	I Don't know	18	19
	Total	94	100
3	Does your college have any payment from internal income with out authorization of Bureau of Finance & Economic Development?		
	Yes	17	18
	No	18	19
	I Don't know	58	62
	No response	1	1
	Total	94	100

As can be seen from Table V, Item 1 and 2, 86 (92%) and 75(80%) of the respondents agreed that the colleges have internal source of income and the college budget is supported by internal income respectively.

As to the budget Department interviewees, income generating activity did not consider at the time of budget allocation.

In item 3, regarding the authorization of internal income by Finance and Economic Development Bureau, 58 (62%) and 18(19%) of respondents responded negatively either by saying ‘I don’t Know’ and ‘no’ payment was made with out authorization of BOFED respectively.

## Budget Process

Budget process includes preparation, request, approval, appropriation and implementation. These shows in Table VI and VII

**Table VI. Budget preparation and request**

Item	Question	Response	Number	Percent
1	How to conduct need assessment and requesting budget for the college?			
		Each Department present budget request	63	67
		Administrative and Finance Department prepares the budget request	15	16
		Planning and program Department prepare budget request	4	4
		Budget committee prepare budget request	2	4
		The college management prepares budget request	9	10
		No response	1	1
		Total	94	100
2	When the college starts budget preparation?			
		First quarter	30	32
		Second quarter	15	16
		Third quarter	18	19
		Fourth quarter	4	4
		I don’t Know	24	26
		No response	3	3
		Total	94	100

In referring Table VII item 1, 41(43%) of respondents indicated that approved budget was little less equal to the amount requested. This indicates that the City Government gives priority to education as compared to scarce resources,.

As indicated in Table VII item2, about notification of the approved budget, 38 (40.4%) of respondents said "I do not know". Where as 22 (23.4%) and 16 (17%) of respondents asserted that between July 7 and 14 and July 15-31 .This shows that approved budget notify between July 7 and 31.

As Table VII item 3 , 26 (27.66%) and 23 (24.47%) of respondents asserted that their participation on budget preparation was less and very less respectively.

## VII Budget Notification

Item	Question	Response	Number	Percent
1	Is the approved budget to your college equal to amount requested			
		Equal	10	11
		less equal	41	43
		Medium	19	20
		Less	12	13
		Very less	4	4
		No response	8	9
		Total	94	100
2	When is the approved budget notified to your college?			
		July 7-14	22	23.4
		July 15-31	16	17.0
		August	7	7.4
		September	6	6.4
		I don't know	38	40.4
		No response	5	5.4
		Total	94	100
3	To what extent participation of Deans, Department and Section heads on budget preparation?			
		Extremely high	14	14.89
		Very high	13	13.83
		High	13	15.96
		Low	26	27.66
		Very low	23	24.47
		No response	3	3.19
		Total	94	100

In referring Table VII item 1, 41 (43%) of respondents indicated that approved budget was little less equal to the amount requested. This indicates that the City Government gives priority to education as compared to scarce resources.

As indicated in Table VII item 2, about notification of the approved budget, 38 (40.4%) of respondents said "I do not know". Were as 22 (23.4%) and 16 (17%) of respondents asserted that between July 7 and 14 and July 15-31. This shows that approved budget notify between July 7 and 31.

As Table VII item 3, 26 (27.66%) and 23 (24.47%) of respondents asserted that their participation on budget preparation was less and very less respectively.

## Constraints or problems of Budget Utilization

Problems of budget utilization were shown In table VIII

Table VIII. Factors that affect budget utilization

Question	responses	Number	Percentage
Factors that affect budget utilization			
	Presence of long process in procurement and construction	80	12.5
	Lack of appropriate experience on budget implementation	85	13.28
	Poor financial planning	67	10.47
	The allocated budget doesn't disbursed on time	64	10
	The approved budget doesn't notify on time	54	8.44
	Misuse of financing by college officials	46	7.19
	Administrative and finance staffs are not enough in number	77	12.03
	The existing financial rules and regulations	83	12.97
	The absence of trained personnel	84	13.13
	Total	640	100

Table VIII shows a list of factors, which were supposed to have negative effect on budget utilization of government TVET Institution. Accordingly, the data reveals that, 13.28% lack of appropriate experience on budget implementation, 13.13% the absence of trained personnel, 12.97% the existing financial rules

and regulations, 12.5% presence of long process in procurement and construction and 12.03% Administrative and Finance staffs were less in number.

In relation to these interviewees also agreed that the colleges did not place the appropriate and trained personnel.

The respondents have given their own suggestions for financial and budget management improvement

- revise or amend the financial rules and regulations specially procurement;
- budget norms are related to the market price;
- appointed trained personnel;
- budget must be prepared by each department or cost center;
- budget preparation and allocation is based on plan;
- taking measure to ensure the fiscal transparency;
- release budget on time and control budget implementation;
- training must be given;
- zero balance system was not be applicable;
- establish permanent bid committee, and;
- incentive is necessary for bid committee;
- give the right to use internal income;

Management and Control of Budget  
Table IX. Internal and External Auditing  
Activities

Item	Questions	Response	Frequency	Percent	Valid percent
1	To what extent is the internal Auditing activity accomplished in your college?				
		Every day	5	5	18.5
		Monthly	3	3	12
		Quarterly	3	3	12
		Semi annually	3	3	12
		Annually	12	14	45.5
		No response	68	72	
		Total	94	100	100
2	How often external auditing is carried out in your college?				
		Semi annually	0	0	0
		Annually	1	1	1
		Every 2 years	17	18	20
		More than 2 years	5	5	6
		I don't know	62	66	73
		No response	9	10	
		Total	94	100	100

With regard to the accomplishment Internal Auditing activity in the college, 68(72%) of respondents didn't give response, 12 (14%) of respondents responded annually. In item 2 of Table VIII, 62(66 %) of respondents saying, "I don't now", and 17 (18%) external Auditing can be carried out every two years. This shows that there is no auditing activity in the college. According to Ministry of Finance Audit manual, internal audit is important to measuring and evaluating the effectiveness of internal control system .Internal auditors

audit the organization through out the year while the external audits the organization periodically, usually once or at most twice a year.

According to the Auditor interviewees, financial control covers the controls performed during the realization of the procedures and control by Administration and Finance Staffs and determined by Finance and Economic Development Bureau. More over auditing, financial report and budget ledger card also the controlling mechanisms to examining compliance with financial laws and regulations in each budgetary institution.

## Availability of personnel

**Table IX. Placement and competence of  
Administrative and finance staffs**

Item	Questions	Response	Number	Percent
1	Which of the following financial personnel are not placed in your college?			
		Administrative and finance department head	4	4
		Budget and Accounts head	27	29
		Accountant	0	0
		Budget controller	32	34
		Casher	1	1
		No response	30	32
		Total	94	100
2	How do you judge the competence of the colleges administrative and finance staffs?			
		Very high	15	16
		High	30	32
		low	13	14
		Very low	6	6
		I cannot determine	26	28
		No response	4	4
		Total	94	100

As indicated in Table IX, item 1, 32 (34%) and 27 (29%) of respondents responded that the colleges didn't have budget controller and budget and accounts heads. During the interview, respondents asserted that all TVET colleges have no budget controller due to their structures were lacking to incorporate such job title. And they further, suggested that to establish

adequate and effective internal control system, the colleges should have qualified accountants, administration and finance, budget controller and cashier.

These personnel are important to control the approved budget and over spending. As to Federal Government of Ethiopia accounting system Volume 1 version 1.1 the organizational structure of the financial administration with in public body have 3 sections; Finance department heads, Budget section and Accounts section including accountant and cashier.

As Item 2 of Table IX, 30(32%) of the respondents asserted that the competency of Administrative and finance staffs were high.

### **Financial Rules and Regulations**

Budget will be prepared and implemented in compliance with financial law regulation. This shows on Table X.

**Table X. Existing Rules and Regulations**

Item	Questions	Response	Number	Percent
1	Purchasing and other expenditure payments are made according to financial Administration regulation and directives?			
		Strongly agree	22	23
		Agree	39	41
		Disagree	9	10
		Strongly disagree	4	4
		Undecided	14	15
		No response	6	7
	Total	94	100	
2	Are the existing financial Rules and Regulations are conducive			
		Strongly agree	11	12
		Agree	19	20
		Disagree	15	16
		Strongly disagree	19	20
		I cant decide	20	21
		No response	10	11
	Total	94	100	
3	The process of requisition and authorization for the payments of fund by Bureau of finance and Economic Development is?			
		Excellent	2	2
		Very good	17	18.5
		Good	25	27
		Satisfactory	23	24
		Less satisfactory	6	6.5
		No response	21	22
	Total	94	100	

Regarding the existing rules and regulations, 39 (41%) and 22 (23%) of respondents respectively agreed and strongly agreed on purchasing and other expenditure payments based on financial rules and regulation. According to Addis Ababa city procurement proclamation 28/2006 procuring entities shall have over all responsibility for the procurement processes and contract implementation. Thus, the colleges applied the procurement rules.

As regards Item 2, about the existing rules and regulations 20 (21 %) and 19 (20%) of respondents give negative response on its conduciveness.

As indicated in Item 3, Table X, Twenty five (27 %) and 23(24%) of respondents indicated that the process of requisition and authorization for the payments of funds satisfactory and less satisfactory respectively. Finance and Economic Development Bureau has overall responsibility for management of public funds.

## Spending Expenditure

Table XI. Authorization of expenditure

Item	Question and responses	Number	Percentage	
			Response	Cases
1	Who is authorized to approve the requisition of allotted budget?			
	The college management	60	26	64
	Budget committee	27	12	29
	The college deans	58	25	62
	Department heads	51	22	54
	Administrative and finance department	24	10	26
	Other	2	1	2
	No response	10	4	11
2	Which of the following is the basis for spending college finance?			
	Educational plan	87	27	93
	Deans and Department heads felling	77	23	82
	Activities in teaching and learning process	86	26	91
	Administrative & finance heads felling	75	23	80
	Other	3	1	3
	Total	328	100	349

Regarding expenditure spending, twenty six percent of respondents indicated that requisition of allotted budget authorized by the college management. Twenty five percent and twenty two percent of respondents reported the college deans and department heads respectively. According to Addis Ababa city Financial Administration 16/2003, no commitment shall be made against an appropriation except by instruction of the head of the public body or by person authorized by him in writing. Authorizing officers are responsible for the compliance of spending instructions with budget principles, laws and regulations.

As indicates Item 2 in Table XI, twenty seven percent and 26% of respondents responded spending expenditure based on educational plan and activities in teaching and learning process respectively.

## **Budget Techniques**

Budget Techniques includes Recording and Documentation. These were analysed in Table XII.

**Tables XII Recording and Documentation**

No	Variable	Number	Percentage
1	Does the college have budget manual?		
	Yes	42	45
	No	2	2
	I don't Know	45	48
	No response	5	5
	Total	94	100
2	Does the finance and Economic development Bureau send budget calendar?		
	Yes	51	54
	No	0	0
	I don't Know	41	44
	No response	2	2
	Total	94	100
3	Does the college utilize the entire allocated budget during the fiscal year?		
	Yes	42	45
	No	20	21
	I don't Know	30	32
	No response	2	2
	Total	94	100
4	Does the college prepare financial monthly report?		
	Yes	29	31
	No	22	23
	I don't Know	41	44
	No response	2	2
	Total	94	100
5	Does your college have financial management guide lines?		
	Yes	41	44
	No	0	0
	I don't Know	51	54
	No response	2	2
	Total	94	100
6	Is budget transfer and additional budget is possible in your college?		
	Yes	25	27
	No	3	3
	I don't Know	59	63
	No response	7	7
	Total	94	100

Regarding to budget manual, Table XII, item 1 indicates that 45(48%) of respondents did not give response where as 42(45%) said yes. This indicates the respondents may not have knowledge about it.

As can be seen in Item 2, the availability of budget calendar, 51 (54%) of respondents said yes and 41 (44%) of respondents do not know. As to the budget Department interviewee A budget calendar is needed for effective budgeting of all levels of government. Finance and Economic Development Bureau prepare norms in relation with current market price, preparing general guide lines for budget submission and formulate the ceiling .The budget call letter will holding information about the macro economic environment, budget ceiling, financial calendar and priorities to budget be sent to each government institution and Sub Cites.

As can be seen Item 3, 42 (45%) of respondents agree that the allotted budget is utilized during fiscal year. On the other hand 30(32%) did not know whether the college budget was used during the fiscal year or not. This may reflect less participation on budget implementation. On the other hand the interviewee and document records witnessed that the colleges didn't fully used the allocated annual budget.

In Table XII Item 4, 41 (44%) of respondents did not know about the preparation of monthly financial report .The implication of the answer given is the majority of the respondents did not have any idea about their financial transaction of their college and their involvement is low.

Item 5 shows that the availability of financial management guide lines for the colleges, 51(54%) of respondents didn't know its presence, while 41(44%) were agreed.

As indicated in Item 6, in table XII, 59 (63%) of respondents didn't know whether budget transfer is possible or not.

## Budget implementation

Budget implementation is budget process. This shown in Table XIII

**Table XIII Financial planning and Monitoring**

No	Variable	Number	Percentage
1	Does your college prepare financial or cash flow and physical action plans		
	Yes	22	23
	No	2	2.5
	I don't Know	67	71
	No response	3	3.5
	Total	94	100
2	Does the finance and economic development Bureau release the requested budget fund based on cash flow		
	Yes	31	33
	No	4	4
	I don't Know	51	54
	No response	8	9
	Total	94	100
3	Is there a budget control ledger for monitoring the proper utilization of allocated budget?		
	Yes	25	27
	No	4	4
	I don't Know	59	63
	No response	6	6
	Total	94	100
4	Does the college made purchasing and other contracts based on action plan?		
	Yes	32	34
	No	15	16
	I don't Know	41	44
	No response	6	6
	Total	94	100
5	Do you obtain training on budget preparation and implementation?		
	Yes	25	27
	No	61	65
	I don't Know	8	9
	No response	0	0
	Total	94	100

In referring to Table XIII item 1, 67 (71%) of respondents didn't know the preparation of financial or cash flow and physical action plan.

According to the interviewees, Finance and Economic development Bureau used zero balance disbursement system. Based on this system each public body including TVET colleges were expected to prepare their cash flow and

submitted to Finance and Economic Development Bureau. based on the requested amount of money Finance and Economic and Development Bureau transfer the cash flow amount to the bank to release the fund at the end of every month,. But most of budgetary institution does not applying this system. Thus there is a problem to release the allocated budget fund.

As indicated in Table XIII, items 2 , 51(54%) of respondents didn't know that Finance and Economic Development Bureau release the fund based on financial and physical action plan or cash flow.

Referring in Table XIII Item 3, fifty nine (63%) of respondents didn't know about the budget control ledger card. Budget ledger card is used to maintain a continuous and updated record for each budgeted item of expenditure. Thus the implication from the response is most of them did not monitor or control their budget.

As can be seen in item 4, forty one (44%) of respondents didn't have any idea about purchasing and contracts based on action plan where as 32 (34%) of respondents agreed on it.

As can be seen in item 5 in Table XIII, 61 (65%) of the respondents did not agree on obtaining training on budget preparation and implementation. The interviewees also agreed on this because of shortage of resources they did not give training for all.





As indicated in the Table XV, during the period from 1997 to 1999 the three colleges generate income birr 9,487,992.63. This income generated from sale of products, evening courses, Renting and others. As to source document and finance department explanation cost sharing , 11% of tuitions fee collected from trainees and other income generates must be transferred or deposited to Finance and Economic Development Bureau while they willingly transferred. And 75% of tuition fee paid for salaries of teachers and administrative and finance staffs and 14% of tuition fee and other income generated were used by the college. According to Regulation no. 22/2006 of Addis Ababa City Government Technical and Vocational Education and Training Colleges establishment Article 23 every college shall have the right to utilize the income it generates. Where as the Addis Ababa City Financial Administration no. 18/2005 Article 36 explain that every person who collects or receives public money from a collector or from any other person shall deposit it daily or in accordance with the exceptions contained in directives issued by the Bureau of Finance. This indicates that there is a difference between TVET colleges and Finance and Economy Development Bureau regulation. It needs some amendments on regulations because the city's income depended up on different income generated sources and this source also affected the annual approved budget.

## **CHAPTER FOUR**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter includes a summary of major findings, conclusions and measures that should be taken based on findings obtained in the course of study.

The purpose of this study was to trace and explore factors that affect budget utilization in government TVET colleges of Addis Ababa. In the study, an attempt has been made to address the following basic questions.

1. How do TVET colleges prepare and request the budget?
2. What are the major factors and constraints of budget implementation?
3. What is the controlling mechanism of budget utilization?
4. Are the public TVET colleges' officials and personnel competent and qualified to manage and control budget properly?
5. Are the existing financial rules, regulations and procedures conducive/suitable for budget utilization?
6. How does the Finance and Economic development Bureau release the public TVET requisition of funds?
7. How do TVET institutions spending?

In order to answer these research questions; questionnaire, interview and document analysis were used as data gathering tools. The study was conducted in three selected Government TVET colleges in Addis Ababa. The methodology of the study was descriptive survey approach based on questions and purposive sampling technique was employed to select respondents. The respondents were Deans, Department and Section heads and Administration and Finance staffs. Data was obtained from these sample respondents through

questionnaire, interview and document analysis. The data were analyzed by using percentages and frequency. As the result of data analysis, the following findings, conclusions and recommendations are drawn.

#### **4.1. Summary of findings**

Regarding the main sources of budget, all respondents agreed on government budget and majority of respondents assured that the colleges have internal source of income and the college's budget is supported by it. However, 58(62%) respondents do not know whether payments are authorized and made from internal income.

There is no uniform utilization and transfer activity to Finance and Economic Development Bureau by TVET Colleges for their internally generated incomes.

Concerning budget preparation and request, each Department prepared their own budget request, whereas participation of Deans, Department and Section Heads were below average. More over, the following year budget is prepared at the first quarter of the current year. The approved budget is less than the amount of requested budget. Furthermore, most respondents agreed that Finance and Economic Development Bureau notify the approved budget between July 7 and 31.

With regard to constraints or problems on budget utilization, factors on budget utilization were stated in accordance with their influencing order so that the major problems are: Lack of appropriate experience on budget implementation, absence of trained personnel, the existing financial rules and regulation, long process in procurement and construction, inadequate number of administration and finance staffs. Furthermore problems arising from budget norms due to the fluctuations of market prices, corruption, lack of transparency, late release of funds, zero balance government accounting system, absence of permanent bid or purchase committee and incentives,

lack of training, unplanned budget preparation and allocation, procurement proclamation and lack of recruiting qualified personnel were additional problems traced from the provided suggestions.

The majority of the respondents didn't know about the internal and external auditing activities. This shows that timely auditing activities did not take place in line with regulation of the Ministry of Finance and Economic Development.

The existing financial personnel's have lack of appropriate experience and training. Moreover, all TVET colleges do not have budget controllers. This implies that all activities are done by accountants, thus this lack of controller prohibits activity of controlling the approved / allocated budget.

The majority of the respondents agreed that purchasing and other expenditure payments were made based on financial rules and regulations. Conversely the majority gave negative response on appropriateness of the existing rules and regulations.

The majority of respondents agreed that authorizing expenditures/ spending from the allocated budget were made by the college management. Similarly the basic outlay of the colleges finance is based on the educational plan.

Majority of respondents did not know the budget manual, monthly financial report, cash flow, budget control ledger card, budget transfer, financial management guidelines, and purchasing and other contracts based on action plan. On the other hand, most respondents asserted that the Finance and Economic Development Bureau sends the budget calendar, 42(45%) of respondents agreed that the entire allocated budget is used during the fiscal year. All the colleges were not fully utilize the allocated budget. 61 (65%) of the respondents indicated that they did not get training on budget preparation and implementation.

## 4.2. Conclusions

Based on the above findings and the basic questions the following conclusion has been drawn.

With regard to the college's internal income, the City's expenditure budget allocation is based on the estimated or forecasted revenue. In this case there was lack of clear and common understanding between the Finance and Economic Development Bureau on the right to use the college's internal income. This problem leads to improper utilization of scarce resources, corruption and tied up annual approved budget which can be used for other social and economic development program.

The respondents witnessed that each Department prepares the budget request and notification action within the time frame given by the Ministry of Finance. This is an encouraging and positive/strong side of the colleges to promote accountability and to achieve their plans. Conversely, Participation of Deans, Department and Section heads on budget preparation was less.

Ascertaining the proper utilization of public resource is the responsibility of Public bodies and Finance and Economic development Bureau. On the basis of the principles determined by the Ministry of Finance, appropriated budgets shall be utilized according to institutions' programs and cash planning. However the colleges did not fully utilize their allocated annual budget and the majority do not have the knowledge about cash flow or cash planning. As indicated by most respondents, the major factors that influence budget utilization were lack of appropriate experience ,absence of trained personnel ,the existing financial rules and regulations, long process on procurement and construction and inadequate number administration and finance staffs. In addition to these problems, corruption, lack of transparency, lack of releasing funds on time, zero balance government accounting system, non conducive nature of procurement proclamation, absence of permanent bid or purchase

committee and incentives, lack of training on budget preparation and implementation were suggested by respondents as additional problems of budget utilization

As to the financial control mechanism the process consists of preparation of financial decision and transactions, undertaking commitments, realization of works and documentation. Each institution shall maintain a register of appropriation, budget transfer and allotment and submit financial report to the Finance and Economic Development Bureau of the region. However, according to the findings, TVET colleges didn't submit monthly financial report on time and no timely auditing activity maintained. This indicates that the colleges did not control and follow up their own budget.

The Federal Government of Ethiopia accounting system (2002:22) shows that in budget section, budget controller is responsible for creating, recording, maintaining and controlling the budget. However, in all TVET colleges budget controllers were not placed and the majority of respondents didn't get training on budget preparation and implementation. This had contributed to a negative impact on utilization of the college's educational budget.

Public Finance Management Policy and practice in Ethiopia including budget management is governed by several layers of legislation. These include Proclamations, regulations, directives and procedural manuals. The Addis Ababa City Government Financial Management practice is similar to that of the federal government. In relation to this, majority of the respondents agreed that procurement and payments were made based on the existing financial rules and regulations but it has long process and not conducive for implementation.

With the purpose of ensuring economy in expenditure and conducting a consistent, balanced and effective budget policy, the Ministry of Finance or Finance Bureau the City should take necessary measures. Payment orders is used by the Finance and Economic Development Bureau as evidences for

authorization of payments of funds requested by the City's Scrotal Bureaus or Budgetary institutions. According to the findings, the performance of the Finance and Economic Development Bureau in authorization of the allocated budget fund was not excellent. This leads to a problem of not using the allocated budget timely.

Budget is one of the most popular devices used for planning and control. As to the response given by the respondents, the requisition of allocated budget authorized by the college management was based on educational plans. This is an encouraging point for effective utilization of budget.

### **4.3. Recommendations.**

The purpose of this study was to investigate factors that affect budget utilization in government TVET colleges in the Addis Ababa City Administration. As the outcome of the study revealed, TVET colleges did not utilize their allocated budget exhaustively. To this effect, the following suggestions are forwarded to improve or to solve such problems and to overcome factors that hindered the utilization of allocated annual budget fully.

The Addis Ababa City Government is expected to finance the city's economic and social activity from their own source. However, with regard to management of internal incomes of public institutions, the finance regulation of the region and the TVET Colleges' Establishment Regulations hold contradictory ideas. Ziderman (2002:8) pointed out that "as with training fee policy, local institutional initiative in generating income from production will be stopped if this income doesn't contribute to institutional budgets." This is the case where the sums collected are deducted from institutional budgetary allocation and thus accrue to government budgets or the national training fund.

Therefore, the Finance and Economic Development Bureau and TVET colleges shall make an action on revision and amendment of the internal income

regulations and recognize the TVET College's internal income as a revenue budget and must be controlled. The TVET colleges must also report what they generate, rebate or transfer and utilized it.

Since most aspects of budget process involves the efforts of all staff members, each individual of the college staff should be seen as a person who can contribute to the preparation and utilization of budget. Therefore, the management of the colleges should invite and assign the necessary staff members to take part in budgeting process in order to utilize the resources effectively and efficiently. The purpose of budget is to implement policy formulated by the management, thus to attain the colleges goal and objectives, department and section heads should participate in the financial affairs of the college.

Proper utilization of the allocated budget serves as one of the most important measures that help to achieve educational goals. To solve such problems that are related to budget utilization, the study identified the importance of assigning qualified persons for the required positions; providing trainings regarding with financial rules and regulations, budget process including utilization of resources for all academic and non academic staffs those who participate in the budget request, preparation and implementation.

According to the Addis Ababa City procurement proclamation no. 28/2006 procurement objectives is to ensure the application of fair competitive, transparent, non discriminatory and, value for money. Hence the city government and the Finance and Economic Development Bureau should try to update the existing Financial Administration proclamation and regulation including procurement proclamation to ensure transparency and common understanding.

The Finance and Economic Development Bureau should be able to activate the reform on the fund releasing activity and a zero balance payment system for

timely using the allocated budget. Moreover, TVET colleges preparing cash flow to use the allocated budget.

Financial control measures the effectiveness, economic and efficient utilization of resources. To this effect, the colleges have to make great efforts in order to settle recording and using budget ledger card, submit financial report every month and organize proper documentation. Similarly the Finance and Economic Development Bureau should introduce about concepts and meanings of Government budget techniques and standards used in the City Administration.

Inspection department of Finance and Economic Development Bureau must perform its auditing activity in compliance with financial rules and regulation. Moreover, the internal audit department is responsible for the assurance and consulting activity. Therefore, the Education Bureau Internal Audit Department should have to safe guard the colleges finance from fraud and wastages.

Norms are important to allocate scarce resources. In order to use budget timely Finance and Economic Development Bureau should be able to consider the market price and economic situation at the time of preparing norms.

The objective of purchasing is acquiring new educational materials at the right quality in the right quantity for the right sources and at the right time. Therefore in order to bring efficient and effective utilization of budget, TVET colleges should be able to purchase any materials based on procurement planning.

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# APPENDICES

## **Appendix A**

### ***ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES, COLLEGE OF EDUCATION, DEPARTMENT OF BUSINESS EDUCATION***

#### **Questionnaire to be filled by College deans, Department and section heads and Administrative and finance department staffs**

The purpose of this questionnaire is to assess factors that affect budget utilization of government TVET colleges of Addis Ababa in order to obtain relevant information that would efficient utilization of resources.

Since the research findings will assist policy makers in the formulation process and decision-making, your cooperation in filling the questionnaires is of paramount importance. Hence, please take your time to fill in the questionnaire, be objective, and honest in your response.

#### **Note:**

- You need not write your name
- Please put a tick mark ( ✓ ) in the boxes provided and write brief answers in the blank spaces where necessary.

- Please, give only one answer to each item unless you are requested to do otherwise.

Thank you in advance for your cooperation

1. Name of your college \_\_\_\_\_

2. Write your present job title \_\_\_\_\_

3. Age:
- |                |                          |                 |                          |
|----------------|--------------------------|-----------------|--------------------------|
| 1) 18-25 years | <input type="checkbox"/> | 2) 26-35 years  | <input type="checkbox"/> |
| 3) 36-45 years | <input type="checkbox"/> | 4) 46-55 years  | <input type="checkbox"/> |
|                |                          | 5) 56 and above | <input type="checkbox"/> |

4. Sex
- |         |                          |        |                          |
|---------|--------------------------|--------|--------------------------|
| 1) Male | <input type="checkbox"/> | Female | <input type="checkbox"/> |
|---------|--------------------------|--------|--------------------------|

5. Level of Education

- |                                    |                          |               |                          |
|------------------------------------|--------------------------|---------------|--------------------------|
| 1) 10 <sup>th</sup> grade complete | <input type="checkbox"/> | 2) 12th grade | <input type="checkbox"/> |
| complete                           | <input type="checkbox"/> |               |                          |
| 3) College diploma                 |                          | 4) B.A/B.S.C  | <input type="checkbox"/> |
| 5) M.A/Msc. And above              | <input type="checkbox"/> |               |                          |

6. Service years in your current position

- |          |                          |                 |                          |          |                          |
|----------|--------------------------|-----------------|--------------------------|----------|--------------------------|
| 1) 1-5   | <input type="checkbox"/> | 2) 6-10         | <input type="checkbox"/> | 3) 11-15 | <input type="checkbox"/> |
| 4) 16-20 | <input type="checkbox"/> | 5) 21 and above | <input type="checkbox"/> |          |                          |

7. Field of specialization \_\_\_\_\_

8. Does the college have budget manual?

- |        |  |       |                          |                 |                          |
|--------|--|-------|--------------------------|-----------------|--------------------------|
| 1) Yes |  | 2) No | <input type="checkbox"/> | 3) I don't know | <input type="checkbox"/> |
|--------|--|-------|--------------------------|-----------------|--------------------------|

9. What is the main source of budget for your college? ( If you give more than

One answer put them in rank order, 1-4

\_\_\_\_\_ Government Budget

\_\_\_\_\_ Foreign aid

\_\_\_\_\_ Foreign loan

\_\_\_\_\_ Internal income

Other (please specify) \_\_\_\_\_

10. How to conduct the need assessment and requesting budget for the college?

1. Each department present requested budget

2. Administrative and finance department prepare the requested

Budget of the college

3. Planning and program department prepare requested

Budget of the college

4. Budget committee prepare the requested budget of the college

5. The college management prepare the requested budget of the College

11 Does the Finance and Economy Development Bureau send Budget Calendar?

1) Yes  2) no  3) I don't know

12. When does the college start budget preparation?

1) 1st quarter  2) 2<sup>nd</sup> quarter  3) 3rd quarter

4) 4<sup>th</sup> quarter  5) I don't know

13. Is the approved budget to your college equal to amount requested?

1) Equal  2) Less equal  3) Medium

4) Less  5) Very less

14. When is the approved budget notified to your college?

1) July 7-14  2. July 15-31  3. August

4) September  5) other (please specify)

\_\_\_\_\_

15. To what extent the participation of Deans, Department and section heads on budget Preparation?

1. Extremely high  2. very High  3. High

4. Low  5. very low

16. Does your college have internal sources of income?

1. Yes  2. No  3. I do not know

17. Does the college's budget financed or supported by internal income?

1. Yes  2. No  3. I don't know

18. Does your college have any payment from internal income with out being

authorized by finance and Economic development Bureau?

1. Yes                      2. No                          3. I don't know   

19. Which of the following factors do you think affect the budget utilization in your

College? please put in order of their seriousness using number (1-8).

\_\_\_\_\_ Presence of long process in procurement and Construction

\_\_\_\_\_ Lack of appropriate experience on budget implementation

\_\_\_\_\_ poor financial planning

\_\_\_\_\_ The allocated budget doesn't disbursed on time

\_\_\_\_\_ The approved budget doesn't notify on time

\_\_\_\_\_ Misuse of finance by college officials

\_\_\_\_\_ Administrative and finance staffs doesn't enough in Number

\_\_\_\_\_ The existing financial rules and regulations

\_\_\_\_\_ The absence of trained personnel

20. Does your college utilize the entire allocated budget during the fiscal year?

1) Yes        2) No        3) I do not know   

21. If your answer to question 20 is 'No' what are the reasons? Please specify

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---

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22. Does the college prepare financial report monthly?

1) Yes        2) No        3) I don't know   

23. Does your college have internal auditors?

1) Yes  2) No  3) I do not know

24. To what extent is the internal auditing activity accomplished in your college?

1) Every day  2) Monthly   
3) Quarterly  4) Semi-annually   
5) Annually

25. How often is external Auditing carried out in your college?

1) Semi annually  3) every 2 years   
2) Annually  4) More than 2 year   
5) I don't know

26. Does your college prepare financial and physical actions plans (cash flow)?

1) Yes 2) No 3) I do not know

27. If the response of question 26 is "yes" when you prepare? Please specify

---

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28. What is the controlling mechanism that the college used to budget implementation?

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29. Which of the following financial personnel are not placed in your college?

- |                                    |                          |                             |                          |
|------------------------------------|--------------------------|-----------------------------|--------------------------|
| 1) Administrative and finance head | <input type="checkbox"/> | 2) Budget and accounts head | <input type="checkbox"/> |
| Department head                    | <input type="checkbox"/> | 3) Accountant               |                          |
| 4) Budget controller               | <input type="checkbox"/> | 5) Casher                   | <input type="checkbox"/> |

30. How do you judge the competency of the majority of the college's administrative and finance staffs are qualified in carrying out financial management activity is?

- |              |                          |                       |                          |        |                          |
|--------------|--------------------------|-----------------------|--------------------------|--------|--------------------------|
| 1) Very high | <input type="checkbox"/> | 2) High               | <input type="checkbox"/> | 3) Low | <input type="checkbox"/> |
| 4) Very low  | <input type="checkbox"/> | 5) I cannot determine | <input type="checkbox"/> |        |                          |

31. If your response to question 30 is "Very low" what do you think are the possible reasons? (You can give more than one reason)

- |                                             |                          |                          |                          |
|---------------------------------------------|--------------------------|--------------------------|--------------------------|
| 1) Low qualification                        | <input type="checkbox"/> | 2) inadequate experience | <input type="checkbox"/> |
| 3). Lack of training                        | <input type="checkbox"/> | 4) lack of motivation    | <input type="checkbox"/> |
| 5) Irrelevant qualification to the position | <input type="checkbox"/> |                          |                          |

32. The college's Administrative and finance department staffs have clear line of responsibility and job description?

- |        |                          |       |                          |                 |                          |
|--------|--------------------------|-------|--------------------------|-----------------|--------------------------|
| 1) Yes | <input type="checkbox"/> | 2) No | <input type="checkbox"/> | 3) I don't know | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|-----------------|--------------------------|

33. Do you obtain training on budget preparation and implementation?

1) Yes  2) No

34. Does your college have financial management guidelines?

1) Yes  2) No  3) I do not know

35. If your response to question 35 is "yes" what are they? (Please specify)

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36. Do you think that the purchasing and other expenditure payments are made according to financial Administration regulation and directives?

1. Strongly agree  2. Agree  3. Disagree   
4. Strongly disagree  5. Undecided

37. Are the existing financial Rules and Regulations are conducive?

1. Strongly agree  2. Agree  3. Disagree   
4. Strongly disagree  5. Undecided

38. Do the Bureau of Finance and Economic Development release the requested budget fund based on cash flow?

1) Yes  2) No  3) I do not know

39. According to your opinion, the process of requisition and authorization for the payment of fund by Bureau of finance and economic development is?

1) Excellent  2) Very good   
3) Good  4) satisfactory

5) Less satisfactory

40. If your response to question 39 is "poor", what do you think is the possible

reason? Please specify \_\_\_\_\_

41. According to your observation, which of the following is/are the basis for

Spending college finance?

\_\_\_\_\_ Educational plans

\_\_\_\_\_ Deans and Department heads feelings

\_\_\_\_\_ Activities in teaching learning process

\_\_\_\_\_ Administrative and finance heads feelings

Other please specify \_\_\_\_\_

42. Is there a budget control ledger for monitoring the proper utilization of allocated budget?

1. Yes  2. No  3. I don't know

43. Does the college made purchasing and other contracts based on action plan?

1. Yes  2. No  3. I don't know

44. Who is authorized the spending from the allocated budget?

\_\_\_\_\_ The College's management

\_\_\_\_\_ Budget committee

\_\_\_\_\_ The College deans

\_\_\_\_\_ Department heads

\_\_\_\_\_ Administrative and finance Department

Others (please specify) \_\_\_\_\_

45. Is budget transfer and additional budget is possible in your college?

1) Yes       2) No       3) I do not know

46. Please give your suggestion on budget implementation that has to be Improved?

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## **Appendix B**

### **ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES COLLEGE OF EDUCATION, DEPARTMENT OF BUSINESS EDUCATION**

#### **Interview questions conducted with Finance and Economic Development Bureau Officials, experts and auditors. Education Bureau and Colleges auditors**

The purpose of this interview is to gather relevant information that affecting budget utilization government TVET Colleges in Addis Ababa. Since the research findings will have professional implications and assist the policy makers in the policy formulation process and decision –making, your cooperation in giving answers has a paramount importance. Hence, please take some of your time to give answer for the following question send please be objective and complete in your response.

Thank you in advance for your cooperation

#### **1 Personal information**

- 1.1 Name of your office \_\_\_\_\_
- 1.2 Your present job title \_\_\_\_\_
- 1.2 1.3 Sex \_\_\_\_\_
- 1.4 Level of Education \_\_\_\_\_
- 1.5 Field of Specialization \_\_\_\_\_
- 1.6 Age \_\_\_\_\_
- 1.7 Service year in your current position \_\_\_\_\_
- 1.8 Total Service years \_\_\_\_\_

## **2. Questions for Finance and Economic Development Bureau Budget department head**

1. How is the Finance and Economy Development Bureau release budget call with the ceiling? What is the trend?
2. What are the issues or priorities on budget hearing?
3. How is the budget department notifying the approved budget to TVET institutions? When you notify?
4. Does the city have budget calendar, which is proclaimed?
5. Is the college's internal income permitted by finance and economic development Bureau?
6. How competent the colleges finance and administrative staffs carry budget preparation and control?

### **3. Questions for Finance and Economic Development Bureau Treasury and accounts department head and experts**

1. Does the TVET College present the work plan and cash flow on time?
2. How the Finance and Economic Development Bureau release the requisition of allocated budget fund? Please verify?
3. How competent are colleges finance and administrative staffs carry out budget preparation and control, accounting work and financial report?
4. What the structure must have the TVET colleges administrative and finance department for effective internal control system?
5. What are the existing problems or constraints on budget utilization of TVET colleges of Addis Ababa?
6. Are the existing financial rules and regulations conducive?
7. Does the Finance and Economic Development Bureau giving training on budget preparation and implementation?
8. What is the controlling mechanism on budget implementation?

#### **4. Questions for Auditors in Finance and Economic Development Bureau, Education Bureau and colleges**

1. When do you Audit the TVET colleges of Addis Ababa? How is the trend?
2. Is the TVET colleges used the entire allocated annual budget? How is the past experience?
3. Are the TVET colleges applying financial rules and regulations on budget implementation?
4. What measures would you think to be taken to make TVET College's efficient utilization of budget?
5. How competent are colleges finance and administrative staffs to carry out financial management activities and budget control?
6. Are the colleges having internal Audit?
7. What are the existing problems or constraints on budget utilization of TVET colleges of Addis Ababa?
8. Are the existing financial rules and regulations conducive?

## **Appendix c**

**Formats that is used for budget approval,  
transfer, budget controlling ledger card and  
financial report**







በአዲስ አበባ ከተማ አስተዳደር  
የፋይናንስና ኢኮኖሚ ልማት ቢሮ ጽ/ቤት  
የቦጀት ዝውውር እና ሽግሽግ መጠየቂያና መፍቀጃ

ለ \_\_\_\_\_  
\_\_\_\_\_

ከዚህ በታች በቀረበው ዝርዝር መሠረት የቦጀት ዝውውር ለሽግሽግ እንዲፈቀድልን እናመለክታለን።  
የዝውውሩ ምክንያት

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ከ			ወደ		
	ስም	መለያ ቁጥር		ስም	መለያ ቁጥር
የሰልጣን ወሰን			የሥልጣን ወሰን		
• ከተማ			• ከተማ		
• ክፍለ ከተማ			• ክፍለ ከተማ		
• ተበሌ			• ተበሌ		
የመንግሥት መ/ቤት አርዕስት			የመንግሥት መ/ቤት አርዕስት		
ክፍል ስም/የአርዕስት			ክፍል ስም/የአርዕስት		
ሥራ ክፍል/የአርዕስት			ሥራ ክፍል/የአርዕስት		
ገደብ ስም/የአርዕስት			ገደብ ስም/የአርዕስት		
ክፍል/የአርዕስት			ክፍል/የአርዕስት		

ከሒሳብ መደብ	ወደ ሒሳብ መደብ	ሒሳብ የተዛወረለት መደብ መግለጫ	የተጠየቀው /ባር/	የተፈቀደው /ባር/

ድምር

ቀን \_\_\_\_\_  
ቁጥር \_\_\_\_\_

ለሰ ገደብ ጠያቂው መ/ቤት

ለሰ ፋይናንስና ኢኮኖሚ ልማት ቢሮ ጽ/ቤት

ገልጻፊ

ለ \_\_\_\_\_  
ለ \_\_\_\_\_  
ለ \_\_\_\_\_  
ለ \_\_\_\_\_  
\_\_\_\_\_

