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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

ASSESSEMENT OF BUDGET MANAGEMENT PRACTICE IN PUBLIC ORGANIZATIONS :(IN CASE OF OROMIA FINANCE AND ECONOMIC COOPERATION)

By

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A Thesis Submitted to the Department of Accounting and Finance Presented in Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance.

June, 2019

Addis Ababa, Ethiopia

STATEMENTS OF DECLARATION

I, the undersigned, declare that, "*Assessment of Budget management practice in Public Organizations in case of Oromia Finance and Economic Cooperation*" is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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STATEMENTS OF CERTIFICATION

This is to certify Hailu Feyera Serbessa has carried out his research work on the topic entitled "Assessment of budget management practice in public Organizations in case of Oromia Finance and Economic Cooperation". The work is original in nature and is suitable for submission for the award of the Degree of Master of Science in Accounting and Finance.

Advisor: Abebe Yitayew (PhD) : ______________________________

ABSTRACT

This study examines Budget management practice in public organizations in case of Oromia Finance and Economic Cooperation. The objective of the study was to investigate budget management practice evidenced from Oromia Finance and Economic Cooperation. To achieve the objective of the study, the study adopts descriptive research design and mixed research approach, furthermore, stratified and purposive sampling techniques was used to obtain information from respondents. More specifically, the data was collected through primary and secondary source of data over the study period of 2006-2010EFY. Particularly, the primary data was collected through questionnaire and observation while secondary data was collected from different documents. the study findings indicated that; budget preparation of region was made without considering market price and reasonable cost, budget implementation & controlling starts with identification of the objectives and it end up with monitoring, adjustments and providing feedback for the necessary corrective measures. The study concluded that in order to enhance the performance of the budget holders under Oromia Finance and Economic Cooperation. Bureau there must be properly integrated budget and plan of the bureau and also properly implement and controlling the budget through encouraging the internal controls and audit performance of the approved budget. This study suggests that; budget holders shall make budget preparation based on estimation of market price and reasonable cost.

Key words, Budget management, Budget control, Oromia Finance and Economic cooperation.

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ABBREVIATIONS AND ACRONYMS

ABB	Activity based budgeting
ABC	Activity based Costing
ABM	Activity based management
BI	budget Institution
EFY	Ethiopian Fiscal Year
FDRE	Federal Democratic Republic of Ethiopia
GTP	Growth and transformation plan
MoFEC	Ministry of finance Economic Cooperation
MTEFs	Medium Term expenditure frame works
OBoFEC	Oromia Bureau of Finance and Economic Cooperation
OFAG	Office of Auditor General
OOAG	Office of Oromia Audit General
TOR	Term of reference
ZBB	Zero based budgeting

CHAPTER ONE
INTRODUCTION

This chapter discusses background of the study and followed by the details of statements of the problem. Then overall and specific objectives of the study, research questions, significance, scope and limitation are also included in the chapter and finally, the structure of the study is included.

1.1 Background of the Study

Governments, all over the world have started number of public projects, such as social security, protection and other services of public utilities like electricity, water supply, railways, heavy electricity, atomic energy, etc. To provide social amenities in the form of education, health and sanitation facilities and public utilities, the government requires adequate revenue. Public Finance, therefore, deals with the income and expenditure of public authorities.

According to (Huge Dalton), Public finance is concerned with the income and expenditure of public authorities and with the adjustment of one to the other. It deals with the financial operations or finances of the government. Central, state and local government raises revenues from various tax sources and non-tax sources, such as revenue from general, administrative and economic services, borrowings from individuals, corporations and friendly foreign countries.

The government raises revenue from internal as well as external sources to incur massive expenditure on various functions the government has to perform; the important ones being maintenance of law and order, defense, socioeconomic development; etc.

Public finance is consequently concerned with the use and accomplishment of essential monetary resources of the government. In fact, public finance deals with how and through what different sources the government gets income, how it spends it and how it controls and administers its incomes and expenditures. These two activities, i.e. rising of revenue through taxation and as well as external sources, together constitute “Public Finance. In general; the fiscal policy as a part of economic policy deals with taxation, public expenditure, public borrowing and debt management.

The budgetary policy and the budget documents are important parts of fiscal policy. That is why, the budgetary policy and the budget documents, to a significant extent, influence the functioning of a financial system of a country (Routiya, 2013).

Budget identify source of income and assist in planning expenditure; most organizations and many individual find careful planning in an essential activity in achieving goal. Additionally, most peoples, business and government have limited fund to be spend, and so they must decide which expenses most important to achieve the organization pre-stated objectives.

Budget is a plan expressed in quantitative, usually monetary terms covering specified period of time, usually one year. Practically all companies, except some of the smallest, prepare budget. Many companies refer to their annual budget as a profit plan, since it shows the planned activities that the company expects to undertake in its responsibility centers in order to obtain its profit goal. Almost all non- profit organization also prepare budgets because it serves as; an aid in making and coordinating short-range plans; a device for communicating these plans to the various responsibility center managers; shows a way of motivating managers to achieve their goals and finally it is a bench marks for controlling ongoing activities (Anthony and Hawkins, 11th edition of accounting text and cases).

In developed, as well as developing countries central governments over the world have made human and environmental development their primary objective and have therefore used decentralization as a method of sharing development responsibilities; for that purpose proper budget management and control is important under each regional states or organizations. Rodinell (1981) defines decentralization as the transfer of authority to plan, make decisions and manage public functions from a higher level of government to individual, organization or agency at lower level. Aryee (1999) identifies a number of decentralization existed in world; and one of them is fiscal decentralization.

Fiscal decentralization is the transfer of responsibilities, power and resources to lower level public authority to mobilize funds for development that is autonomous and fully independent from the devolving authority when narrowed down to devolution. Local authorities are given responsibilities and financial means within the national level determining the scope and quality of services to be provided and amount of funds needed to deliver these services.

Now days, organizations have developed a variety of processes and techniques designed to contribute to the planning and control functions. One of the most important and widely used of these processes is budgeting. Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals (Geletaw, 2017).

The budget is an important instrument that every government used to define the direction of its national policy, the cost implication of government programmed and public source of revenue during the fiscal year. After financed by different sources, the government makes budget allocation to regional as well as for state governments. But the way that budget managed and controlled is the serious issue which needs proper supervision in any organizations in order to achieve the objectives.

There is a general consensus in developing countries that economic development is an urgent priority. But the task to bring about this development has remained an elusive and difficult one. This is so partly due to inadequate financial resources, inefficient utilization of available resources and low level of controlling mechanism.

The financial resources are in scarce supply to meet escalating social needs and population growth. The availability of financial resource is constrained by difficulty of generating the required level of saving out of low level of per capita income and economic growth.

Therefore, in view of limited resources and increasing demands, there is a need to improve resource allocation through proper economic policy and managing expenditure planning

1.1.1 Budget and Budget Control in Oromia Region.

In Ethiopia, Public organization offices are part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society which is achieved through controlling public finance and, controls are mainly in-built in the public financial management system. Public financial management includes the legal and organizational framework for supervising of all phases of the budget cycle, including the preparation of the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit. The broad objectives of public financial management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective provision of public services (MoFEC 2004).

The compositions of the Public organizations are varied by their function and purposes, but in most cases, they are designed in order to enable the Public organizations to achieve their goals through control of budget. Because of this Ethiopian government introduce program budgeting (PB) system for the intention to bring about the effectiveness in budget control and utilization which led to show the outcomes of budget on public organization (Fenta and Abebe, 2012).

Currently Ethiopian government is investing in various infrastructures like the grand renaissance dam, railway, building of condominiums, roads and industrial parks to accelerate the growth and development of the country. So each of regional states in Ethiopia have their own contribution towards to economic development; because regional governments and regional states are one part to achieve the growth and transformation plan by means of enhancing budget credibility and control through a repetitive cycle of planning and control. Among nine regional state found in Ethiopia, orimia regional state is one of the biggest region in number of population as well as different type of natural resource. Because of this, the budget allocated to this region by federal government is very high when compared to other regions; but the region lacks proper budget utilization from year to year and this can be evidenced from the data collected during the study period. if that organization wants to achieve the objectives proper budget preparation, control and utilization are the key activities of one organization. By saying so, here under the data for budget allocated, actual expenditure and budget variation, which are collected from Oromia Finance and Economic Cooperation is presented in the form of table and graph.

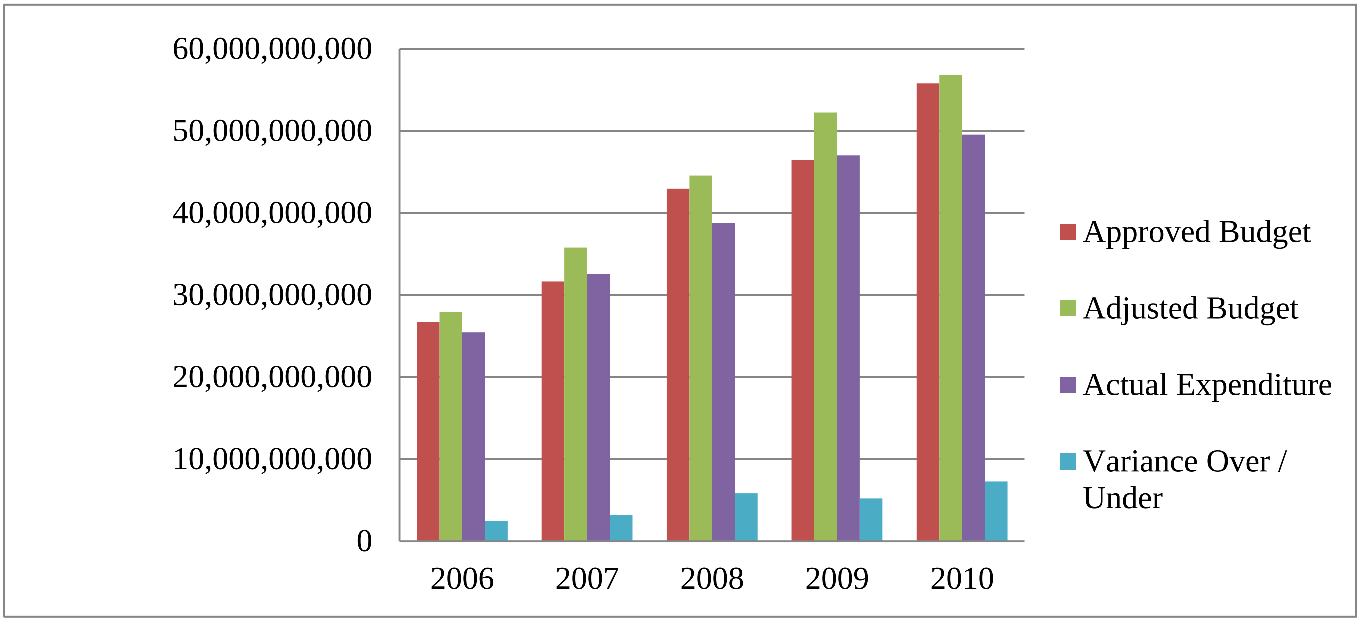
The table shown below reflects Oromia Regional National State adjusted budget and actual expenditure and variance (adjusted budget less actual expenditure) for the last five years (2006-2010 EFY).

Table 1.1: Adjusted Budget & Actual Expenditure

Year/ EFY	Approved Budget	Adjusted Budget	Actual Expenditure	Variance Underutilization
A	B	C	D	E=C-D
2006	26,719,932,028	27,897,039,640	25,458,120,181	2,438,919,459
2007	31,667,367,667	35,771,859,900	32,556,225,406	3,215,634,494
2008	42,951,112,179	44,577,266,709	38,736,002,747	5,841,263,962
2009	46,440,163,820	52,254,997,748	47,038,604,729	5,216,393,019
2010	55,809,286,530	56,830,731,539	49,542,549,316	7,288,182,223

Source: Oromia Finance and Economic Cooperation budget management department

Graph 1.1: Adjusted Budget & Actual Expenditure



As it is shown in both the above table and graph, the approved and adjusted budget of Oromia Regional National State varies with its actual expenditure; which implies, the level of actual expenditure from year to year is less than the level of approved budget from year to year. The variation between allocated budget and actual expenditure is an implication for lack of proper budget control and this will results lack of budget utilization as planned. Based on this fact the present study will assess budget management and control in Oromia Regional National State economic and finance cooperation.

1.2 Statements of the Problem

Budgeting is a plan that outlines organizations financial goals. So it can be vehicle for addressing objectives, goals and problems in the most careful way. It's also defined as the formal expression of the plan objectives of management of the organization which covers all phases of operation for a specific period of time. The budgeting process may be carried out by individuals or by companies to estimate whether the person/company can continue to operate with its project. Almost all organization, be governmental or not, use budget for different projects and programs to enhance efficient and effective utilization of the scarce resources.

Many organizations recognize the need to have a developed and comprehensive budget control system; in order to minimize budget variances and costs ;so maximizing effectiveness as budget control is a crucial for one organization as cash itself and any theft, waste, excessive use could lead to organizations poor performance

In developing countries, it has become increasingly complex to manage public expenditure allocation because the roles of the government have been expanded and financial resources are in scarce supply to meet this escalating social needs and population growth. Due to inadequate financial resources as opposed to an increasing demand for public service, there is a need to improve resource allocation through proper economic policy and expenditure planning .Premchand (1983), summarizes that; the main roles of public expenditure planning and management is: firstly, it relate expenditure decisions to specified policy objectives and resources; secondly, it relate all major decisions to the state of the national economy; thirdly, it ensure efficiency and effectiveness in the implementation of government programs; and lastly, facilitate legislative control over the various phases of the budgetary process.

The other issue next to proper allocation is; how allocated budgets are properly managed and controlled for proper use. A number of studies shows a straight forward logic in which; lack of budget management practice causes for not meeting an organization objectives (premchand, 1983).

Regarding to budget and budget management practice so many studies have been conducted in Ethiopia, For example, Tilahun(2010) carried out the study on budget management and control by emphasizing on ministry of national defense by using descriptive and qualitative research approach. Birhanu (2011) studies evaluation of budget management practice of Ethiopia in comparison with two east African countries (Kenya and Uganda) focusing on budget management practice and transparency by using qualitative research approach. Abera (2014) has conducted study on budget preparation and utilization of educational finance in public secondary schools of shashemene town, Oromia region by employing descriptive survey. Ketema (2015) examined assessment of budget preparation and utilization in Addis Ababa city administration health bureau.

So the studies conducted in Ethiopia are given wider consideration for budget preparation and utilization rather than assessing the budget control. While most public organizations in Ethiopia have shifted focus to budgetary control as a way of enhancing effectiveness in their services (help age international training workshop in Addis Ababa, 2008).

But research studies indicate that; budget control is not tight in many organizations and has lead rush expenditure toward the end of the budget year which has effect on the public organization (Tilahun, 2010). Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget monitoring and project implementation committees as an integral part of the administrations to governmental organizations in Ethiopia (MoFEC 2014/2015 annual report). Source; Oromia Regional National State budget management department

To discuss this issue particularly in Oromia region context; from the total annual budget allocated to regional states, Oromia Regional National State receives 33% of total annual budget of the country shared to regional state but evidence from budget report of the region shows that; a number of billions birr were not utilized for the past five years.

Table 1.2: Budget variance /unutilized budget

No	Year /EFY	Budget variance/ Unutilized budget
1	2006	2,438,919,459
2	2007	3,215,634,494
3	2008	5,841,263,962
4	2009	5,216,393,019
5	2010	7,288,182,223
Total		**24,000,393,157**

Source; Oromia Regional National State budget management department

By having this evidence on hand; the researcher was motivated to assess the budget management Practice in Public organization.

Additionally, as observed and evidenced by the researcher, budget credibility and control in the region is low and not implemented as planned due to lack of

1. Strong internal control mechanism,
2. Lack of comprehensiveness of information included in budget documentation,
3. Budgetary control,
4. Misappropriations and
5. In few offices /Sectors misapplication of funds culminating in over expenditures, and
6. No complied data on the type and method of procurement used by bureau/offices.

Hence, by considering the above research gap, absence of studies conducted on budget management practice in Ethiopia; specifically, with regard to public finance particularly in Oromia regional state; this study focuses on Budget management practice in Public organization in the case of Oromia Finance and Economic Cooperation.

1.3 Research questions

- Is budget preparation made by Oromia Finance and Economic Cooperation participatory?
- Is there monitoring and evaluation practice in place at Oromia Finance and Economic Cooperation?
- Are there deviations in budgetary management, documentation and records compared to budget plan at Oromia Finance and Economic Cooperation?
- Is there performance auditing practice to evaluate the effectiveness and efficiency of the regional budget management practice at Oromia Finance and Economic Cooperation?
- Do planning and budget department have a means to take corrective action on the weaknesses of budget control and reports?

1.4 Objectives of the study

1.4.1 General Objective

The broad objective of this study is to assess budget management practice in Public organization in case of Oromia Finance and Economic Cooperation.

1.4.2 Specific Objectives

In line with the above general objective of the study, the following specific objectives are formulated for the study.

- To assess whether the budget preparation is participatory or not.
- To examine the effectiveness of monitoring and controlling mechanisms employed.
- To review mechanisms used to ensure the effectiveness and efficiency of budget utilization in the planning and budget department and users;
- To identify budget control gaps and budgetary record departures;
- To indicate whether there is performance audit practice as a means to control budget.

1.5 Significance of the study

The researcher believes that the result of this research project would have the following significances.

- At large, the study may be employed by Oromia Finance and Economic Cooperation in addressing some of the problems related to budget management and control.
- The study may contribute to create awareness among the sectors in the region, and any other concerned bodies on the role of regional budget management and control to the success of regional economic, social and political vision.
- This study could be used as an initiation for those who are interested to conduct a detailed and comprehensive study on such similar topics.

1.6 Scope and Limitation of the study

1.6.1 Scope of the study

All government organizations need effective budget management practice mechanisms. However, for the sake of effectiveness and efficiency, and to manage the limited project time and budget, this study focused only on Regional level budget management and control systems. The study did not cover the other federal government organizations, regions, and city Administrations. Oromia Bureau of Finance and Economic Cooperation (OBoFEC) were selected as a study area; because such research has not been done so far in this level. What is more, budget management practice problems are observed and increasing from time to time. This study can be regarded as the first attempt to explore the existing Budget management practice in Public of Oromia Regional National State by taking a 5 years data (2006-2010 EFY).

1.6.2 Limitation of the Study

Owing to the nature of the subject area, i.e., excessive confidentiality, and because of limited access, it was not easy to get all relevant information from respective offices. Besides, lack of research studies specific to the study area and availability of sufficient current literature on the topic were some of the constraints.

1.7 Organization of the Paper

This project paper is divided into five chapters. Apart from this first introductory chapter, which contained the background of the study, statement of the problems, objectives of the study, research design & methodology, significance, scope and limitation of the study. The second chapter describes the detail literatures review of budget management and control which is relevant to the topic under investigation. Methodology of the study covered under chapter three. The data presentation, analysis, and interpretation have been presented in the fourth chapter. Finally conclusion and recommendation presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter focuses on explaining the concept of Budget management practice in Public organization, in line with their definition; different theories of budget management practice are summarized. In addition to this, a detailed review of empirical studies on the budget management, preparation, and execution and budget control is discussed.

Failure to follow sound budget management procedures in Oromia Regional Government is often justified by the need for secrecy to protect regional social, political and economic aspects. As in any other region, Oromia Regional Government budgets should be prepared aligned with a country strategy. The budget for each fiscal year which comprises the Regional Government revenue, expenditure and subsidy from Federal Government as well as the financing of the budget shall be approved by the Caffee.

Once a budget has been approved by the legislature and monies appropriated, the goal is to ensure the efficient and effective use of resources to implement regional priorities. This requires careful monitoring and evaluation of operational performance within the region. It is known that the level of budget allocation to region is determined through the prior setting of ceilings by the MoFEC. This does not contribute to budget discipline or efficient management of the budget in general. As far as the administration of the budget is concerned the overriding emphasis is on control: not enough attention is paid to efficiency. In fact, there does not even appear to be a mechanism that could contribute to achieving efficiency (Omitoogun &Hutchful, 2006). The chapter deals with the following main points:

Meaning of budget, regional budget planning; regional budget process; Managing Budget Execution; budget records, reports and audit; finally, it reviews Ethiopian budgetary process wrapped up by regional budget practice.

2.1 Meaning and Definition of Budget

The English word "budget" derives from the Middle French bougette, which is the diminutive of bouge, a leather bag. At its most basic, therefore, a budget is a small leather bag. During the middle Ages in England, letters of particulars about taxes and spending were brought before Parliament by putting them in a small leather bag (a bougette), which was placed on a table before the assembly. As centuries passed, the word came to be applied to the contents as well as to the bag itself, though originally only in the sense of a group of things (Quick et al., 2001). The meaning of the term has, of course, changed since the days when a country's resources were deemed to be the personal property of the king, along with the political evolution from absolute monarchies to constitutional governments. In most countries today, including a majority of African countries, approval of the budget (the "power of the purse") is the main form of legislative control over the executive, with public money spent only under the law (Shah, 2007)

2.2. The Concept of Budget and Budgetary Control

2.2.1. The Budget Planning Framework

Budgets present how public resources are to be used. Budgets are the principal instrument by which governments achieve their policy objectives such as increased literacy or reduced child mortality. Budgets have purpose. Because budgets also have the task of assigning responsibility and use of funds, it is difficult in the budget document and on the same page of a budget, to clearly specify how an organization (budget classification) and its specific expenditures and source of finance (chart of accounts) achieve a purpose. A major task of reforming a budget is to present in a clear and concise way the three functions of budgets: responsibility, use, purpose. The first task of budgets is to ensure that responsibility and use are clearly specified in order to ensure proper control of public funds. Control of funds has both a ′front end′ and a ′back end′. The ′front end′ of the control of public funds is when the budget is appropriated by the Regional Council which gives the legal authority to spend public money. The ′back end′ of the control of funds is accounting and auditing. The ′circle of control′ is completed when the Council which appropriated the funds in the first place reviews the audited statement of accounts in the last place to determine if the appropriation was executed and whether value for money was achieved. Once the annual budget clearly and efficiently controls funds, it is then possible to improve it to present the purpose of funds.

2.3. Budget

The literature holds a large number of definitions of management control. The modern management control system originated with the influential work of Robert Anthony (1965) who drew boundaries between management control, strategic planning and operation control. He recognizes accounting language as the base for commonalities in the system. Anthony (Ibid) defines management control as the processes by which managers assure that resources are obtained and used efficiently in the accomplishment of the organization's objectives.

Garrison and Noreen (2000) suggest a different definition of management control as follows: "those steps taken by management that attempt to increase the likelihood that the objectives set down at the planning stage are attained and to ensure that all parts of the organization function in a manner consistent with organizational policies. In this paper, the term management control is defined as those sets of organizational activities that include planning, coordination, communication, evaluation and decision-making as well as informal processes aimed at enhancing the efficient and effective use of the organizational resources.In line with the management control activities budget is a central backbone in running smooth operation of organizations. So here under some concept about budget is reviewed from different scholars.

Lucey (1996) defines budget as a plan expressed in money terms. It is prepared and approved prior to the budget and may show income, expenditure and the capital to be employed. It may be drawn up showing incremental effects of former budgeted or actual figure, or be compiled by zero -based budgeting. Blocher et al (2002), argue that budgets help to allocate resources, coordinate operations and provide a means for performance measurement.

Dury (2012) define budget as the implementation of the long-term plan for the year ahead. Because of the shorter planning horizon, budgets are more precise and detailed. Budgets are a clear indication of what is expected to be achieved during the budget period, whereas long-term plans represent the broad directions that top management intend to follow.

Horngren et al (2012) refers to budget is the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinate what needs to be done to implement that plan. It includes both financial and nonfinancial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period. A financial budget quantifies management's expectations regarding income, cash flows, and financial position.

Nonfinancial budgets concerns units manufactured or sold, number of employees, and number of new products being introduced to the marketplace.

According to the definition of CIMA (UK) „budget is financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of achieving a given objective‟. From this definition the features of budget is a statement that is always prepared prior to a defined period of time; it is prepared either in quantitative details or monetary details or both; and every organization has well defined objectives, which are to be achieved in a particular span of time. (The Institute of Cost and Works Accountants of India, 2008)

Kinney (2010) outlines budget can be an effective device to communicate objectives, constraints, and expectations to all organizational personnel. Such communication promotes understanding of what is to be accomplished, how those accomplishments are to be achieved, and the manner in which resources are to be allocated. Determination of resource allocations is made, in part, from a process of obtaining information, justifying requests, and negotiating compromises.

Abdullah (1980) outlined budget as- a plan based on a classification of costs and their variability, and it can serve as a control over future operations. He further explained that in its flexible form, the monthly budgets can be adjusted to current volume. Unless these adjustments are made promptly, costs may not be kept into line with changes in volume.

Anthony et al (2004) list four uses of a budget. The first is to fine tune the strategic plan, the second is to help co-ordinate the activities of the several parts of the organization. The third is to assign responsibilities to managers; and last, to obtain a commitment that is a basis for evaluating a manager′s actual performance.

According to Garrison (1988) four major advantages of budgeting include: giving planning top priority; providing managers with a way to finalize their planning efforts; overcoming potential bottlenecks before they occur; and coordinating the activities of the entire organization by integrating the plans and objectives of the various parts.

In summary, there are four main aspects to budget: the motivations aspect; the co-ordination of resources for their best use; setting benchmarks for performance; and as a cost control mechanism (Sheridan, 2001).

2.3.1 Budgetary Control

According to Dury (2012) Control is the function that makes sure that actual work is done to fulfill the original intention, and controls are used to provide information to assist in determining the control action to be taken. Also Controls encompasses all the methods and procedures that direct employees towards achieving the organization objectives.

From the definition the control to exist there must be the defined objectives and actual activities and comparing these activities with the predetermined objectives to make corrective action if there is variance.

Budgetary control is system of controlling costs which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Buyers & Holmes, 1995). This definition denotes the following essentials of budgetary control:

- Establishment of objectives for each function and section/unit of the organization.
- Comparison of actual performance with budget.
- Ascertainment of the causes for such deviations of actual from budgeted performance.
- Taking suitable corrective action from different available alternatives to achieve the desired objectives.

Budgetary control refers to the principles, procedures and practices of the organization in achieving given objectives through budgets. Principles, policies and procedures developed by top management are guideline to help the employees practice the activities of organization in the direction of goal achievement. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements (Scarlett, 2008).

Holland (2005) define budgetary control as the establishment of mechanisms authorizing responsibilities of executive to the requirement of a policy and continuous comparison of actual results against plans, either to secure by individual action the objectives of that policy or to provide a basis for revision. In other words, budgetary control deals with regulating the activity of the business or organization to follow in the pattern that had previously been planned in the budget. Furthermore, Buyers and Holmes (1995) considered budgetary control as a means of control in which the actual state of affairs is empowered with that planned for, so that appropriate action may be taken with regards to any deviations.

According to Preetabh,(2010), budgetary control helps as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. In addition, Drury (2001); a budgetary monitoring and control process assumes that expenditures must agree with budgeted plans and maintains information about expenditure. It helps expenditures to be kept within planned limits thus, assisting managers to track the flow of resources accurately and consistently. Also budgetary control helps as co-ordination of effort. Waren,(2011) noted that within an organization, different departments have a bearing on one another, this therefore makes coordination of various executive and subordinates necessary in achieving of budgetary targets.

2.4. Types of Budget

Gregory (ibid) identifies two main types of budget. These are traditional budget and MTEF budget. The traditional budget is a tool used by money experts to get your financial situation on track. Examples of the traditional budget are the following:

2.4.1 Traditional budget

Fixed Budget: Fixed budgets are often used by firms which rely on their forcasts. Hofstede (1968) writes that one discussed issue in the accounting literature is whether a budget should be fixed or variable with respect to volume or sales or other inputs. The fixed budget is therefore a budget which once made and accepted cannot be changed for whatever reason being that fixed cost are incurred and still persists irrespective of sales volume.

Flexible Budget: In the view of Garrison (2000), a flexible budget reflects the effect of changes in the budgeting environment which affect the performance of the budget, it does not confine itself to only one level of activity and actual results do not have to be compared against budgeted costs at the original activity level.

Capital Budget : Pandy (1999) defines capital budgeting as the firm's decision to invest an entity's current funds most efficiently in long-term activities in anticipation of an expected flow of the future benefits over a series of years.

Sales Budget: Stanton (1971) mentions that the cornerstone of successful marketing planning in a firm is the measurement and forecasting of market demand. The key figure needed is the sales forecasts because it is the basis for all budgeting and all operation in the firm. Radford and Richardson (1963) expressed their view that "effectiveness of budgetary control depends on the accuracy of sales estimates." In profit making organizations, the sales budget is very important because it helps in determining profit for the year.

2.4.2. The Medium-Term Expenditure Framework (MTEF)

Gregory (ibid) mentions that a medium-term expenditure framework budget consists of a top down estimates of aggregate resources available for public expenditure consistent with macro-economic stability; bottom-up estimate of the cost of carrying out policies, both existing and new; and a frame work that reconcile these cost with aggregate resources.

The MTEF budget is a rolling process repeated every year and aims at reducing the imbalances between what is affordable and what is demanded by line ministries. MTEF does this by bringing together policy-making, planning, and budgeting early in the budgeting cycle, with adjustments taking place through policy changes. It involves building domestic macro-economic and sector modeling capacity. Also, even if the whole of the Government's budgeting system is working well, each sector is better if managing itself with a medium-term perspective. A well implemented MTEF budget should:

1. Link the Government's priorities with a budget within a sustainable spending envelope;
2. Highlight the tradeoffs between the competing objectives of the Government;
3. Links budgets with the policy choices made;
4. Improve outcomes by increasing transparency, accountability, and the predictability of funding.

Adams et al (2003), identifies five different classes of budget; activity based budgeting, zero-based, value based, profit planning and rolling budget and forecast.

1. Activity Based Budgeting (ABB), Activity based budgeting (ABB) is similar to activity based costing (ABC) and activity based management (ABM). ABB actually involves planning and controlling along the lines of value adding activities and processes. Resource and capital allocations decisions are consistent with ABM analysis, which involves structuring the organization's activities and business processes so that they better meet costumers and external

need. From the perspective of Wilhelmi and Kleiner (1995), ABB can be applied in all industries and in all functions, including service industries and overhead functions. It also can be used in manufacturing. It is really a management process, operating at the activity level, for continuous improvement on performance and costs.

2. Zero-Based Budgeting

The Zero based budgeting (ZBB), expenditures must be re-justified during each budgeting cycle rather than basing budgets on previous years or periods. ZBB is not build on inefficiencies and inaccuracies of previous history. The author also noted that the value of this approach depends on the stability of operating environment.

3. Value-Based Budgeting

This is a formal and systematic approach for managing the creation of shareholders value over time. All expenditure plans are evaluated as project appraisals and assessed in terms of the shareholder value they will create. This helps to link strategy and shareholder value to planning and budgeting.

4. Profit Planning Budgeting

This is about planning the future financial cash flows of profit centers (profit wheel), it gives the possibility to assess whether an organization or unit generates sufficient cash flows, creates economic value and attracts sufficient financial resources for investment. It also ensures consideration of an organization’s short-and and long term prospects when preparing its financial plans.

5. Rolling Budgets and Forecast

It appears to have the most potential as the better regular budgeting approach. It enables firm improve their forecast accuracy and overcome the traditional budgeting time lag problem. This is by: solving the problems associated with frequent budgeting, being more responsive to changing circumstances, but requiring permanent resource to administer, and overcoming problems linked to budgeting to a fixed point in time – i.e. the year end and the often dubious practices that such cut-offs encourage.

Oduro (2001) on his part outlines budget types in the Public organization as follows:

A. line-item budget

B. performance budget

C. incremental budget

D. zero based budget

E. planning programme budgetary system (PPBS)

Line Item Budget

This is a type of budget where expenditure is expressed considerable details with less attention being paid to the activities to be undertaken. The object of expenditure is the key to 30 classifications. This may also be called an ‘indicative budget’ if it is in a preliminary stage (pre-approval stage).It shows the nature of spending rather than its purpose

Performance Budget

This is a budgeting system which classifies items according to direct output of activity, intermediate product, activities, and purpose. It focuses on output or outcome rather than input and it is characterized by expenditure by work load or unit cost of activity primary features tasks, activities orientation management.

Incremental Budget

This is where the current budget is increased to allow for expected future conditions. Resources are allowed based on what was received in previous years rather than on any rational allocation based on the policy and planning process. Any changes in priority are accommodated at the margin rather than through a revision to the allocation of the available financial resources. This approach entails the use of the previous year’s budget as a baseline and adds or subtracts amounts to form that budget to reflect assumption for the forthcoming budget year.

2.5. Importance of Regional Strategic Planning

No meaningful programming or budgeting can be done without the existence of a long term or strategic regional plan, just as no meaningful plan can exist in the absence of a guiding policy. The regional plan is essentially the document that specifies the measurable outputs that regions will produce in pursuit of government's objectives against the identified financial allocation within the medium term expenditure framework.

2.6. Regional Budget Process

Development policies and plans usually coexisted with budgeting process. After government policies and plan has been formulated, the resource is allocated through budget process. The budget process is not just about collection of revenue and spending money to public bodies. But it is also an ongoing complex procedure involving important policy statement, planning, and socio-economic priorities, monitoring and reporting processes. It reflects government's view of socio-economic development of the country, the declaration of the fiscal, financial and economic development objectives of the country. The budget and its process is also important document in ensuring transparency, accountability and good governance. The budget process shapes decision through the budget cycle. The budget cycle has four main stages: preparation of budget request, legislative approval, executive budget implementation, and summary of reporting on actual budget transaction (Bland and Rubin, 1997).

2.7. Managing Budget Execution

While budget preparation and approval is mainly about planning, budget execution primarily involves management. Budget execution is the phase where resources are used to implement policies incorporated in the budget. Schiavo-Campo and Tommasi (1999) noted that it is possible to execute badly a well-prepared budget; it is not possible to execute well a badly prepared budget. Good budget preparation comes first, logically as well as chronologically.

However, budget execution requires more than simply assuring compliance with the initial budget. It must also adapt to intervening changes, and enable operational efficiency.

Procedures for controls are needed, but should not hamper efficiency nor lead to altering the internal composition of the budget, and must focus on the essential while giving spending agencies flexibility to implement their programs.

Once a budget has been approved by the legislature and monies appropriated, the goal is to ensure the efficient and effective use of resources to implement sect oral priorities. This requires careful monitoring and evaluation of operational performance both within the armed forces and by civil servants (Ball, 2002).

Hence, efficient budget execution calls for: (i) ensuring that the budget will be implemented in conformity with the authorizations granted in the law; (ii) adapting the execution of the budget to significant changes in the macroeconomic environment; (iii) resolving problems arising during implementation; and (iv) managing the purchase and use of resources efficiently and effectively. Budget execution system should ensure rigorous expenditure control, but also effective and efficient uses of resources in accordance with budget priorities.

2.7.1. Over and under spending of Budget

Over runs are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears.

Allen and Tommasi (2001) stated that overruns are often the result of off budget spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns.

On the other hand, Allen and Tommasi (2001) expressed that in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off-budget spending. On the whole, in most cases, under spending, as well as overruns, is related to insufficiencies in budget preparation and programme preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget execution and to a practice known as “repetitive budgeting”. Peters (1998) identified the following weaknesses in resource allocation and use: poor planning; no links between policy making, planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as executed; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management. As per FDRE (2009), in managing unspent funds, the unspent balance of an appropriation granted for a fiscal year should lapse and be credited to the treasury account of MoFEC.

2.7.2 Causes of deviations between Budgeted and Actual Expenditure

According to Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are: deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, programmed and projects; and a lack of financial discipline.

2.7.3 Managing Cash Flow

According to Allen and Tommasi (2001), control of cash is a key element in macroeconomic and budget management. However, for budget management purposes, it must be complemented by an adequate system for managing commitments, and it is not a substitute for sound budget preparation. Cash management has the purpose of: controlling spending in the aggregate; implementing the budget efficiently; minimizing the cost of government borrowing; and maximizing the opportunity cost of resources. Ball (2002) stressed that cash flow and expenditures should be monitored closely.

2.8. Budget Records, Reports and Audit

As per Schiavo-Campo and Tommasi (1999), accounting and reporting systems are crucial for budget management, financial accountability, and policy decision making. Traditionally, government accounting was aimed at assuring compliance and proper use of public monies. For this purpose, the cash budget, and cash and commitment accounting provide an adequate framework. The results of the auditor general's audits should be reported to the legislature in a timely fashion and irregularities addressed expeditiously (Ball, 2002). On the other hand, auditing, together with internal controls and evaluation, consists of processes and mechanisms that are designed to ensure that planning, budgeting and use of public resources conform to a country's laws, pursue the objectives defined by parliament and government and are linked to the real world of programmed operations (Allen and Tommasi, 2001).

2.8.1 Budgetary Accounting

To keep budget execution under control, a comprehensive and timely system for monitoring budget transactions is required. It is necessary to systematically register and track the uses of appropriations. Budgetary (or appropriation) accounting should cover appropriations, apportionment, increases or decreases in appropriations,

Commitments/obligations (including special procedures to monitor forward commitments), expenditures at the verification/delivery stage, and payments (Allen and Tommasi, 2001). In this treasury ledger, there is a full record of all payments according to an organizational, functional, and source-of-financing classification. In addition to the treasury ledger, first-line budget-users are required to keep accounting records of their own operations and the operations of subordinate second-line budget-users. Through this records, it is possible for budget-users to submit a report on the basis of the charts of accounts for the budget system, and, consequently, to satisfy the requirement for specific information. Finally, the Treasury produces reports on the execution of the budget (OECD, 2009). Schiavo-Campo and Tommasi (1999) added sound budgetary accounting requires a double-entry bookkeeping system to record movements between budgetary accounts, namely, budgetary resource accounts (e.g. appropriation, apportionment, allotment); commitments; expenditures at the verification stage; and payment accounts.

2.8.2 Financial Reporting Systems

Regardless of the accounting system and the quality of the accounts and financial records, certain minimum reporting standards should be met in any country. Such reports might include some or all of the following elements: major policy issues in the Ministry or agency concerned; goals and objectives of the Ministry and policy measures undertaken or proposed to meet these objectives; programmed, projects, and activities of the region; fiscal performance and financial statements; and performance indicators and targets (Allen and Tommasi, 2001). With regard to Ethiopia, the head of each public body keeps financial records for the responsibilities of the public body, in a form directed by MoFEC. It is also required to provide monthly reports showing the financial transactions of the public body; and close its accounts and report to MoFEC within three months after the end of the fiscal year (FDRE, 2009).

2.8.3 Auditing of Regional Budgeting Practices

Audit in the Public organization has the important function of giving the ultimate decision makers (parliament and government) and/or citizens' regular assurance of the quality of reports of how taxpayers' money has been spent, and the management of assets and liabilities under public control (Allen and Tommasi, 2001). Nowhere in the world is the relationship between auditors and audited an easy one. By definition, their respective interests generate the potential for conflict. Within government administrations, those activities which are secret or politically sensitive are most likely to expect exemption from, or special treatment in, the conduct and reporting of outside audits (OECD, 1996).

2.9 The Budget Planning Framework

Budgets present how public resources are to be used. Budgets are the principal instrument by which governments achieve their policy objectives such as increased literacy or reduced child mortality. Budgets have purpose. Because budgets also have the task of assigning responsibility and use of funds, it is difficult in the budget document and on the same page of a budget, to clearly specify how an organization (budget classification) and its specific expenditures and source of finance (chart of accounts) achieve a purpose. A major task of reforming a budget is to present in a clear and concise way the three functions of budgets: responsibility, use, purpose. The first task of budgets is to ensure that responsibility and use are clearly specified in order to ensure proper control of public funds. Control of funds has both a ′front end′ and a ′back end′. The ′front end′ of the control of public funds is when the budget is appropriated by the Regional Council which gives the legal authority to spend public money. The ′back end′ of the control of funds is accounting and auditing. The ′circle of control′ is completed when the Council which appropriated the funds in the first place reviews the audited statement of accounts in the last place to determine if the appropriation was executed and whether value for money was achieved.

2.10 Empirical Literature Review

Effective organizational and departmental budgeting, budget control and budgetary utilization is crucial for ensuring accomplishment of organizational goals that leads to achieve the succession of Vision, every organization performance is affected by the practical budget application in efficient and economical matters for the fast growing economy of the country, With regard to this issue the researcher reviewed a number of studies related to study on hand.

Manoharan, K. (2017) examined some aspects of Budgeting and budgetary control system and organizational performance in the case of selected Indian companies with the objective of investigating the relationship between budgetary control and organizational effectiveness by using statistical method. The study found that there is strong relationship between budgetary control system and organizational efficiency and it was concluded that there are some barriers in proper implementation of budgetary control system in the organization.

Sidhaam, B.(2011) conducted a study on expenditure and Budgetary control in urban local bodies in India using prism model with the objective of achieving expenditure control through strengthening the Budgetary control. It was concluded that many public expenditure management professionals are trying different approaches to their tasks.

Serem (2013) examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The study found that there is a weak positive effect of budgetary control on performance of NGO"s in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

Nyambura (2014) conducted a descriptive survey on a title, the effect of budgetary control on effectiveness of nongovernmental organizations in Kenya with the aim of determining the effect of budgetary control on t effectiveness of non-governmental organizations in Kenya. The study found that there is a low positive relationship between budgetary control and performance and Planning contributed the highest towards the positive performance of the NGOs followed by 26 Monitoring and Control and finally budget participation. It was concluded that the NGOs generally have Budgetary control at different levels of the organization and most of them have planning, monitoring controlling, controls and Budget participation.

Lambe (2015) made a systematic review of Budgeting and Budgetary control in government owned organizations of Nigerian national petroleum corporation by using descriptive survey research design with the objective of determining how budgeting and budgetary control affects quality service delivery in government owned enterprises. It was concluded that budgetary control aids in effective cost control most especially in government owned organizations.

Andrew, Albert and Ngoze (2016) conducted a study on Budgetary Control and Financial Performance in Public Institutions of Higher Learning in Western Kenya using descriptive survey design with objective of investigating the effect of Budgetary control on financial performance in public institutions. The study found that budgetary control has a statistically significant effect on financial performance in public institutions of Higher Learning in Western Kenya.

Doreen, D. (2014) determined the effectiveness of Budgeting process in achieving organizational goals in case of Tanzanian Electrical Mechanical and Electronics service Agency using a case study research design strategy with the objective of investigating how Budgeting process helps organization in achieving its goals. It was concluded that the role of Budgeting process that make an organization attains its goals should be effective by having active support for Budgeting process from the top management.

Nicoleta (2010) conducted a study on public Budgeting on Republic of Moldova as a case study by reviewing both theoretical and practical analysis done by World Bank with the objectives of illustrating if public Budget is efficient or not and impact of applications of practice. The study found that the general trend concerning the Budget method and procedures is directed to the achievement of results, performance indicators and performance information.

Fadi, B. (2013) conducted an investigation of the effect of tight budgetary control on management behavior at Swedish Public organization emphasizing on motivation, commitment, satisfaction, and stress using a survey questionnaire with the objective of determining the effect of using TBC on managerial behavior. The result of the study found that first; the study suggests that the majority of managers working in the Public organization actually experience TBC. Second, the first hypothesis, which tested the effect of TBC on motivation and stated a negative relationship between the variables, did not result in a significant relationship and the null hypothesis could not be rejected. Third, the alternative hypothesis that investigated a negative relationship between TBC and organizational commitment resulted in a significant relationship between the variables. This means that the second hypothesis is true. Fourth, the study's results find evidence for a positive relationship between managerial stress and TBC. Finally, the fourth hypothesis that considered the relationship between TBC and satisfaction was not supported, which means that managers that face TBC are not necessarily less satisfied than managers that do not face TBC at their organization.

Elizabeth (2010) determined challenges of Budget implementation in public institutions by taking University of Nairobi as a case study to analyze whether budget implementation in public institution in Kenya served the multiple roles of planning, controlling, communication and decision making using descriptive research study design. The study established the challenges encountered in budget implementation. The challenges as found out included insufficient funds, institutional weakness, the method used to allocate budget was unsatisfactory and budget included unattainable targets. The study further found out that the institutions used the budget to serves the multiple roles of planning, controlling, coordination and communication. The study established that participation in budget preparation is another important issue because it reflects degree of consensus and ownership from the persons involved. The study concluded that University of Nairobi faces various challenges in budget implementation especially reduced revenue leading to shortage of available resource for its operation.

Geletaw (2017) conducted a research to investigate the determinants of budget control in the Benishangul Gumzu regional state public organizations using descriptive research design. The study found that the composite measure of information and communication, cost reduction, competent internal audit staff, management support, budget monitoring and evaluation, organizational commitment and budget planning processes for 78% (Nagelkerke modified R2 =0.78) variance for the budget control in the Public organization offices. That means, the impact of these seven independent variables contributed for the dependent variable budget control were 78%, and the remaining 22% were other variables that are not included in this study. It was concluded that existences of effective budget control in the office links with internal control management system, improves organizational efficiency and effectiveness, reduce information asymmetry during decision making, and ensures internal reliability of financial reporting process.

Nkwonta, C. (1999) conducted a study on Budget and Budgetary control system, Ministry of Finance and Economic Planning of Awka, Anambra state as a case study, to investigate the type of Budgetary processes that were used in the Ministry using descriptive research study design through collecting both primary and secondary data. The study found that the Ministry makes use of budgetary planning and control which helps to increase productivity and aids prudent financial management.

Olaoye, F and Ogunmakin, A (2014) examined the budgetary control and performance in government parastals in Osun state, Nigeria, with the primary objective of determining the relationship between revenues and expenditures estimates and actuals using Pearson Product Moment Correlation. Five parastals were sampled using budgetary performance for five fiscal years (2007-2011) and the study revealed that there existed strong and weak negative relationship in the revenues and expenditures of the establishments over the periods selected, viz: Agricultural Corporation -0.28 (weak), Broadcasting Corporation -0.58 (strong), College of Education -0.41 (weak), Property Development Corporation -0.64 (strong) and Water 29 Corporation -0.33 (weak). The study concluded that the budgeting process in those corporations needs a re-engineering to reflect the true picture of their fiscal ability and to be a guide to action and performance.

Edvine, E. (2013) conducted a study to examine the role of budgetary control in enhancing financial management in Local Government Authorities at Kinondoni Municipal Council (KMC). The study employed a case study using a sample of 50 respondents who were purposively selected in which questionnaire and interview were the data collection instruments and data were analyzed by using MS Excel computer program. The study found that information sharing, budget participation; organizational commitment, role ambiguity and job performance as the characteristic features of budgeting, budgeting and Planning and Analyzing & Feedback are not being effectively practiced at KMC and that there was little impact of budgetary control principles on financial management at KMC. The researcher recommended the KMC to ensure there is openness in accurate, current, and complete disclosure of the financial results of financially assisted activities in accountability is maintained for all grant and sub grant cash, real and personal property, and other assets, to maintain records which adequately identify the source and application of funds provided for financially assisted activities, and also to ensure that the terms of grant and sub grant agreements are not followed in determining the reasonableness, allow ability of costs.

Ifra Ahmed, Kerosi Evans, and Ondabu Ibrahim (2015) studied the effectiveness of budgetary control techniques on organizational performance at Dara salaam Bank to analyze the effectiveness of budgetary control techniques on organizational performance using descriptive and retrospective research. The study had proven that there was a positive relationship between Organization's responsibility accounting system and performance. The study recommended that in order to enhance the effectiveness of Budgetary control techniques in the Organizations, the management should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals, better engagement between organizational leaders, managers, finance staff with timing of the financial plan. Moreover, Governments should set yearly objectives for each performance indicator of their budgetary control system so that Civil workers, the business owners and other employees should bear in mind the yearly objectives to be achieved, business owners and employees should work hard to achieve the yearly set objectives for each indicator.

Ida Haryanti BintiMohd Noor (2012) studied budgetary participation by focusing on how it affects performance and commitment in order to determine the relationship between budgetary participation and managerial performance with organizational commitment as the intervening variable in a Malaysian Public organization organization using a pilot study. The study found that the budgetary participation process implemented by MOHA does have significant positive effects on managerial performance. Moreover, the intervening variable of organizational commitment has a significant role in mediating the relationship between budgetary participation and managerial performance and organizational commitment leads to improved managerial performance since more committed employees are more motivated and dedicated.

Ida Harianti Bintimohd (2012) studied how budgetary participation affects organizational performance with organizational commitment as the intervening variable and the study identified that budgetary participation has a significant effect on managerial performance by enhancing organizational commitment.

Yesuf Ahmed (2015) did a research to examine the practice of Budgeting and Budget monitoring as a management tool to for managing variances in NGOs operating in Ethiopia using descriptive study design. The researcher concluded that effective Budgeting highly contributes to the attainment of goals and objectives.

Carolyn M. and Tammy R. (2007) conducted a study on title „an examination of the effects of Budgeting control on performance: evidence from cities „and the result of their study shows that effective budgetary control has a positive effect on organizational performance.

Ketema Muluneh, 2015 studied Preparation and Utilization Case of Addis Ababa City Administration Health Bureau and stated that in many of the budget users, gaps are observed in organizing their plans as per the strategy of the Health Bureau; with regard to budget planning and utilization, the annual report of Addis Ababa City Administration Health Bureau shows the existence of inefficiencies in budget preparation and utilization. Some of the deficiencies identified in the report are: there is no strong follow up and control by successive leaders on the budget preparation as well as utilization at each respective budget users; each budget users unable to report comparisons of utilized and unutilized budget including the reason why it is not consumed meanwhile, the audit report by office of auditor general for the year of 2008, MOFEC unutilized budget.

Tilahun Bogale, 2010 studied budget management and control in Ministry of National defense and stated that a five year strategic plan has been prepared and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defense force. However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units.

Birhanu (2011) studies evaluation of budget management practice of Ethiopia in comparison with two east African countries(Kenya and Uganda) focusing on budget management practice and transparency by using qualitative research approach and revealed that the level of transparency with regard to full disclosure of all relevant budget information is very poor in Ethiopia, Kenya and Uganda.

Abera (2014) has conducted study on budget preparation and utilization of educational finance in public secondary schools of shashemene town, Oromia region by employing descriptive survey and the study was revealed that; the level of transparency and accountability in budget process and effectiveness and efficiency in utilization of budget is more or less positively related.

Ketema (2015) examined assessment of budget preparation and utilization in Addis Ababa city administration health bureau and revealed that there is no accountability in budget and no market oriented cost estimation because of lack of adequate and experienced expert in the budget department.

2.11. Conclusion and Knowledge Gap

Budgets are considered to be the core element of the control-process and as result a vital part to the umbrella concept of performance measurement. Review of the related literature shows that there is no single approach to budgeting suitable for all businesses. Instead, the suitability of a particular approach is argued to be contingent upon characteristics of a business including its size, strategy, structure, and also management's perception of the uncertainty of the environment within which the business operates to best link its budgetary control procedures that is planning, monitoring, control and evaluation. Generally, as evidenced above, majority of the available empirical evidence were on the assessment of budget monitoring and practice, budgetary control and its challenges, the effect of budgetary control on organizational and financial performance of public, private and not for profit organizations. Empirical review of literature above also shows that; there is inconsistency of results of the study on the relationship between budgetary control and organizational performance. This is can be shown from Serem (2013) who stated that; there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. shadrack (2011) and Nyambura (2014) also found that budgetary control and performance have a low positive relationship. On the other way, Balogun, Mamidu, Owuze (2015) and Manoharan K. (2017) found that budgetary control has a strong relationship with organizational performance. Specifically, in Ethiopia, a number of studies were conducted to assess budget management as well as budget preparation in different public and private organizations, but, there were no studies conducted to assess budget control in different public finance in Ethiopia; specifically, in Oromia Regional State. Based on this fact, this study intend at determining the impacts of budget management and budgetary control on the effectiveness of public organizations in the case of Oromia Finance and Economic Cooperation.

CHAPTER - THREE
RESEARCH METHODOLOGY

3.1 Research Approach

In this study the researcher was used mixed research approach; which includes both qualitative and quantitative research approach. The use of this method is helpful to ensures that the data collected will effectively interpreted and analyzed using the descriptive statements. According to Creswell (2003) there are three types of research approach which are familiar to social science studies, namely qualitative, quantitative and mixed approach. Qualitative approach used mostly when the researcher needs to develop a complex, holistic picture, analyzes words, reports, detailed view of informants, and conducts the study in a natural setting and involves studies that do not attempt to quantify their results through statistical summary or analysis (Creswell, 2009). The rational reason for adoption of quantitative approach includes: to develop knowledge of cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories, employee strategies of inquiry such as experiments and surveys (Creswell, 2009). Quantitative approach uses surveys of cross-sectional or longitudinal using self-administered semi structured questionnaires with the intent of generalizing from a sample to a population. So well designed and implemented quantitative research approach has the advantage of making generalization to a wider population from the sample. The mixed research approach is a means to collect both qualitative and quantitative data and analyses together to answer the research questions. In other words, it involves the collecting and "mixing" or integration of both quantitative and qualitative data in a study.

3.2 Research Design

Research design presents the method and procedures which is used in gathering information required to answer the research questions. This study used a descriptive research design to make assessment of budget management and control in Ethiopia, Specifically in a case of Oromia Regional state. A descriptive research is a research for which the purpose is to produce an accurate representation of persons, events or situations (Saunders et al, 2009). In this regard, several studies adopted descriptive research design to represent things as they exist (Mansouri et al, 2009). Additionally the research questions and the objectives stated in this study were applicable for this type of study.

3.3 Population

The target population of the study was 44 public budget holders or users under Oromia Finance and Economic Cooperation. Since the Oromia Regional Government has high population and there are many users of budget from the region to woreda level, it is impossible to consider all the users, due to this the study focused on budget holders or sectors at the Regional government located in Finfinne.

3.4 Sampling Techniques and Sample Size

In this study the researcher was used stratified sampling technique, in which the entire population was divided into different subgroups or strata, with stratified sample the researcher can representatively take a sample from each subgroup. Making this kind of strata is helpful to collect relevant information about budget management and control that takes place at different budget holder's offices. Based on this assumption, the researcher has classified the total population in to 5 strata or subgroups in order to collect information for the study. The classification was made based on the place where the offices are located (North, South, East, west, and central Addis Ababa). In the first strata or subgroup, those offices which are located in north of Addis Ababa are classified, in the second subgroup South, in the third subgroup East and the fourth subgroup are budget holders offices located in west of Addis Ababa. Finally the budget holders offices located in central Addis Ababa are classified in subgroup five.

The total sample size of the study was contain 10 budget holders offices from total budget holders offices of 44.so the researcher used proportional stratified sampling because of the sample in each stratum is taken in proportion to the size of stratum. The formula applied as follows:

$$n_i = \frac{N_i}{N} \times n$$

Where

- n_i = number of sample units from stratum i,
- N = the total number of units in the population,
- N_i = the total number of units in the stratum i,
- n = sample size desired.

$$\text{Proportion} = \frac{\text{Size of strata}}{\text{Total population}} * \text{Total Sample size}$$

Table: 3.1: The number of sample from each Stratum

Strata	Location	Size of strata	Sample size
1st strata	North	13	3
2nd strata	South	17	4
3rd strata	East	8	2
4th strata	West	0	0
5th strata	Central AA	6	1
		44 Budget holders	**Total Sample size 10**

Source: researchers Owen calculation

Depend up on the above proportion the researcher collected information from each strata or subgroup, the information was collected by judgmental sampling in order to get full information of budget management practice from each budget holders. Because judgmental consider things like representative, adequacy and homogeneity of the sample.

3.5 Source of Data and Data Collection.

To make analysis the researcher used both primary and secondary data's in terms of budget. The primary data's will include questionnaire and direct observation. The questionnaires will have a number of questions with close ended types of question that are relevant to the subject of the study in such ways that the respondent fill easily. On the other hand to get detail information about budget management practice in Public organization the researcher included open ended questionnaires.

Finally, the researcher was used secondary source of data which was obtained through review and selected materials such as organization record, audit report, and budget manual of the region.

3.6 Data Analysis and Interpretation

The data collected through questionnaire distributed to respondents and observation made in some budget holders offices will be analyzed and discussed.

Information obtained from secondary sources such as reports and related information will be analyzed by using tabulation, percentage and graph.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter discusses the analysis of data collected from different budget holders related with Oromia Regional Government budget management practice. The data were presented and analyzed according to the flow of budgetary process starting from planning and budget preparation, followed by implementation, execution, and control. The presentation is started with overview of the current budget process and pursued by structure of the Regional Sectors budget executing bodies.

The data presentation and analysis based on the data that was collected from both primary and secondary sources was analyzed using themes from research questions and objectives. The raw data collected from employees, officials and secondary data sources were categorized, edited, organized and analyzed using both quantitative and qualitative methods. The descriptive analyses were also supported by the open-ended responses given during the collection of data, reports, and literature reviews.

4.1 Characteristics of Respondents

The sample respondents used in this study are classified into three categories:

1. Finance and Procurement Department (Finance Head, Team leader and Finance experts)selected from samples of all the budget holders,
2. Planning and Budget Directorate (Department head, Budget experts), Audit Directorate (Department Head and Audit experts) and
3. The office of Oromia Audit General (OAG).

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Structured questionnaires were sent to 60 respondents from samples of 10 budget holders as fifty seven of the respondents (95%) have filled and returned the questionnaires properly. The questionnaires were distributed to and filled by Finance head, Team leader and Finance experts', budget workers, budget heads, and finance workers in each budget holder

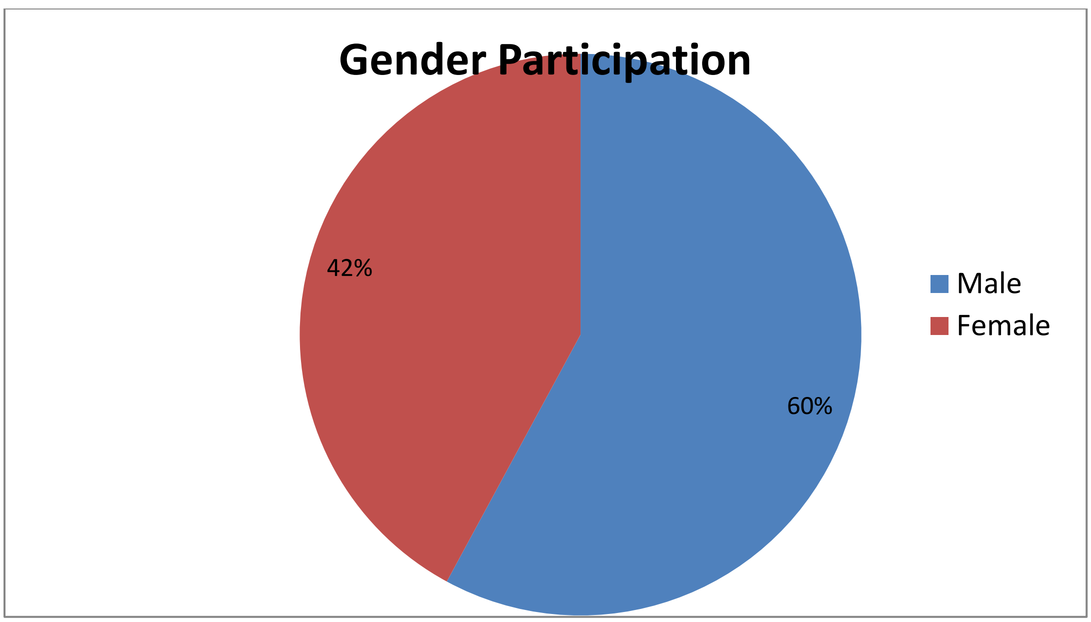
The samples of respondents taken from each budget holder were considered as a representation for the population. Based on the data collected, hereunder the researcher used tables in order to show each characteristic of the respondents in terms of gender, education level, and service year; while pie charts and graphs are used to show overall characteristics of respondents

Table 4.2: Description of respondents respect to their Gender and Educational level

		Level of Education			Total	
		Diploma	Bachelor Degree	Masters Degree	No	%
Gender	M	10	20	3	33	57.9%
	F	10	12	2	24	42.10%
Total	No	20	32	5	57	100%
	%	35%	56%	9%	100%	

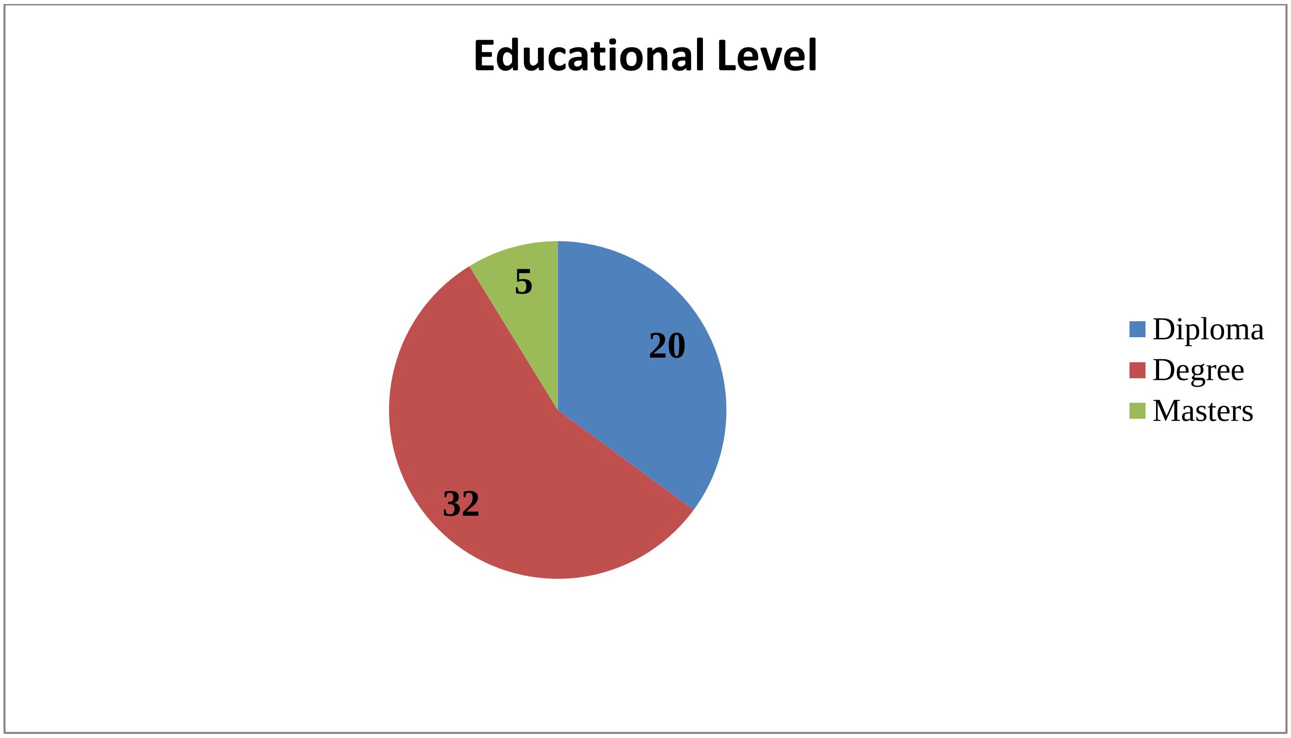
Source: Compiled by researcher

Figure 4.1: The Gender Distribution of the Respondents



Source: Compiled by researcher

Figure 4.2: The Gender Distribution of the Respondents



Source: Researcher own computation

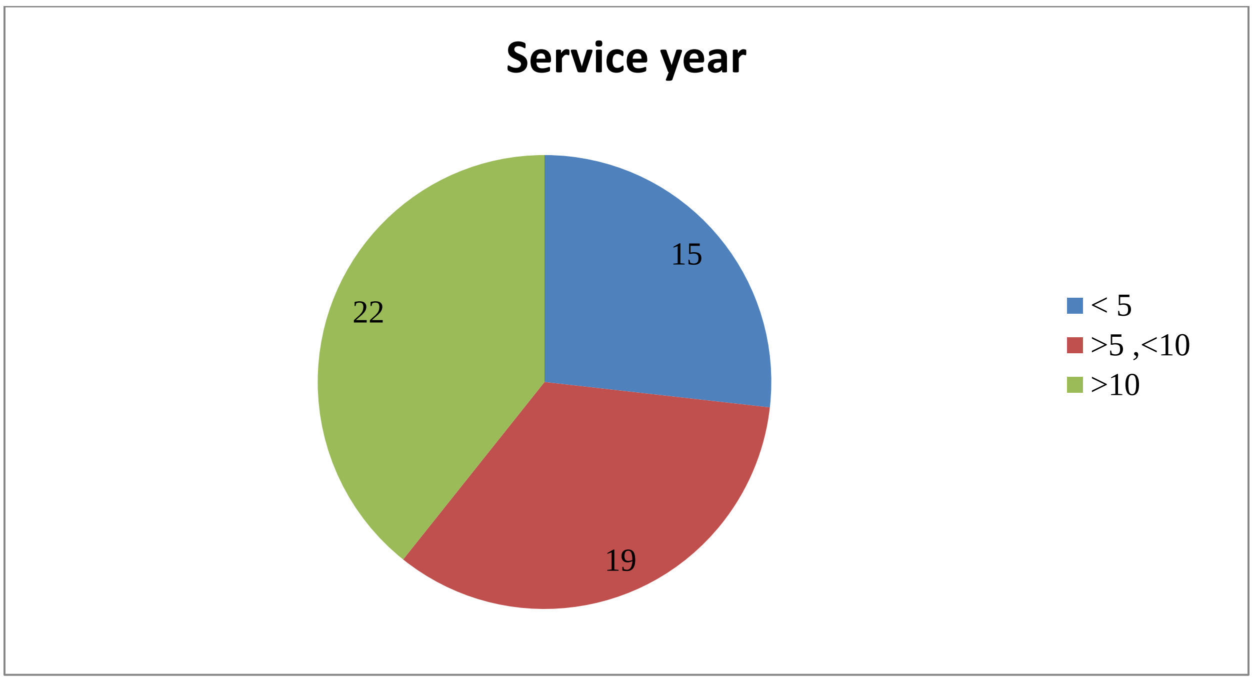
As it can be seen from the above table as well as figures; the number of male respondents participated in this study was 33 (58%); while on the other hand the remaining 24 (42%) was female respondents. So the number of male respondents was greater than by the number of female respondents by 9 (15%). Furthermore, majority of respondents' educational level was first degree. As shown in the above table 4.1. 32 (56%) of respondents are first degree holders, while 20 (35%) of them are diploma holders and 5 (9%), are master's degree. In addition to this, the number of male and female diploma holders are equal, the number of bachelors holder male 20 (62.50 %) and female 12 (37.50%). However, there was almost equal number of respondents for masters holders in both gender categories. Therefore, since the education levels of respondents are in line with the minimum requirement for the profession; it is possible to assume that the information provided by the respondents was valid and reliable.

Table 4.2: Description of respondents respect to their year of service

Level of Education	Service Year			Total
	<5 years	5-10 years	>10 years	
Diploma	6	6	8	20
Bachelor Degree	8	11	13	32
Master's Degree	1	2	2	5
Total	15	20	22	57
%	26%	35%	39%	100%

Source: Researcher own computation

Figure 4.3: Work Experiences distribution of respondents



Source: Compiled by researcher

As it can be seen from the above table 4.2 and Figure 4.3, in public finance sector, the highest share which is 22 (39%) goes to those who had experience within the organization for >10 years, the next highest percentage of the workers 20 (35%), was those who worked 6-10 years in the organization, a bit lower is 15 (26%) was those who have experience of less than 5 years with the organization. Hence the more experienced employees are the more they understand about the public budget management practice they execute; the researcher uses the information in the above table and figure to identify such issue whether the workers in the selected sector at Oromia regional national state bureau have the comparable experience. This is because of experience is one of the competences to understand budget management practice activities in organization. Experience also referred to as professional competence which comes through practice. In the literature it is indicated that commitment to this competence by employees is one part of effective control system. Other than to regional budget holders, further questionnaires were distributed to 10 (ten) audit Directorate and experts of the Office of Oromia Audit General, who have examined.

Table 4.3: Description of respondents respect to their year of service from OOAG

Level of Education	Service Year			Total
	<5 years	5-10 years	>10 years	
Diploma	0	0	1	1
Bachelor Degree	2	2	3	7
Master's Degree	0	0	2	2
Total	2	4	6	10
%	20%	40%	60%	100%

Source: Researcher own computation

Among the 10 respondents from Oromia office of Audit General, 6 (60%) percent were experienced with service of >10 years, <5years had experience of 2 (20%) and 5-10 years had experience of 4 (40%) respectively; in addition to the working experience1 (10%) diploma holders and 7 (70%) first degree owners and 2 (20%) percent of the whole respondents were qualified with Master's Degree.

4.2 Overview of the Current Regional Budget Process

Oromia Region is one of leading region that hold the highest budget of the country among the region to implement its national mission. Its annual budget is appropriated based on the institution's five year strategic plan set up. As a result of the scarce budget or resource the budget ceiling in the country not possible to satisfy the economy of the country, the budget system gives priorities to those works that need urgent accomplishments. Oromia Region has prepared a budget guidebook, budget reform manual:-volume I Budget preparation and management.

Oromia Region Budget Preparation, Execution, and Control working manual that constitutes how to: Prepare budget request, execute, and control the allocated budget. The directive gives successive senior officials the power to administer and control their own budget. The guide is applied to all budget holders within the Region.

4.3 Regional Planning and Budget Preparation

In principle, there are different types of budget presentation systems. However, Region customarily uses zero-budget system. It is a mechanism that begins with a new scratch of budget request every fiscal year rather than adding on the previous one. Regional annual budget ceiling is decided by the Federal Democratic Republic of Ethiopia Government. For this purpose, a data collected from the respondents are analyzed here under below.

Table 4.4: Description of respondents respect on uses of Budget and Budget Preparation

No	Questions	Measurement					Total
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
1	Do you have adequate understanding to prepare plan and budget?	26	25	3	3	0	57
2	Does your office have adequate number of professionals (budget officers) who prepare plan and budget?	19	27	3	8	0	57
3	Do your office prepares its annual plan based the strategic document of the region?	27	22	5	3	0	57
4	Does your office service its plan frequently in relation to budget?	16	29	7	5	0	57
5	Do Budget preparation is linked to strategic policy of the region?	19	34	3	1	0	57
6	Do Plans of your office are systematically linked to the annual budget?	24	21	5	7	0	57
7	Do the budget demand prepared by your office is based on approved plans?	35	16	2	4	0	57
8	Do budget is prepared based on reliable data and estimates?	18	33	3	3	0	57
9	Do plan and budget is prepared for each program?	42	10	3	2	0	57
10	Do the amount of budget prepared for each program line item is estimated?	4	7	9	31	6	57
11	Do there is a tendency of submitting budget request without plan?	5	11	2	35	4	57
12	Does your office prepare its annual budget based on the financial calendar of the institution?	35	20	2	0	0	57
13	Do there is problem of matching plan with budget in your office?	5	23	4	23	2	57
14	Does your office have strong relation with regional plan and budget Department?	39	15	3	0	0	57

Source: Researcher own computation

As indicated in the above table 4.4; overall description of respondents' response with regards to budget and budget preparation. 89 % of respondents were agreed that; they have adequate understanding to prepare plan as well as budget. Since, most of respondents agreed with this, it implies that; the employees involved in budget preparation as well as planning have adequate knowledge about the task they are performing. Additionally, 80 % of respondents were agreed that; employees are professionally skilled. Hence to data collected from the respondents, the office annual plan is prepared in accordance with strategic document of the region. And, this can evidenced from the above table 4.4, as 86 % respondent agreed with the question related to the base of the region to prepare a budget.

The other question is provided to the respondents in order to know if the budget preparation in the region is linked to strategic policy or not. With this regard, most respondents 93% were agreed that, the budget preparation in the region is in line with strategic policy of the region. Additionally, with regard to tendency of submitting budget request without plan, the respondents where agreed that; there are an occasion where submitting budget request is possible without considering the budget plan and this is evidenced as 28 % of respondents agreed with this.

The result of data collected with regard to" if there a problem of matching plan with budget" shows that; the existence of a problem in matching plan with its budget. The result of data collected shows that, 49 % of respondents were agreed with the existence of the problem.

From the above respondents response with regard to frequent revision of plan and existence of systematic linkage with annual budget, it possible to understand that, an office that has plans which are systematically linked to the annual budget does not generally make frequent plan revision in relation to budget.

This can be evidenced from the above table 4.5 as a majority of the respondents replied a positive relationship between the two variables (plan and budget).The result of the table indicates in majority the existence of positive relationship between plan and annual budget preparation in each of the selected budget holders except in some aspects. In the question of budget revision, 80% of the respondents (i.e. 45 of 57) agreed that they revise their plan frequently in relation to annual budget. On the other hand, the same number of respondents agreed on the existence of systematic linkage plan with annual budget. On the other hand, the open-ended question data indicated that; there were mismatch between plan and annual budget. According to the respondents, due to the mismatch between plan and budget, they would be forced to revise plan to include new activities. Less attention is given to the preparations of plan and budget. The cause for the revision of budget was mainly attributable to failing to consider the current market price at the beginning of the budget year. Such practice has resulted in preparing budget without the basis of reasonable estimates and data. The effect was reflected on purchase process. During Procurement, budget shortage occurred at the time of bid.

As recognized from their written response, some units present their annual budget by coping simply from the previous year budget request because of inexperience. Further, what the budget users plan does not consider the appropriated budget of the organization and economic situation of the country. Adequate orientation is presented rarely about plan and budget preparation by the concerned bureau. The implication of the above open ended question is that, what is complained by the budget users is infrequent revision of the strategic plan (or rigidity) periodically has put in burden on annual plan of units. As a result, presenting exaggerated budget, overlooking programs, excess number of budget transfer and adjustments happened in region.

Besides, according to the response of budget experts working in Planning and Budget Department, they confirmed in majority that budget users have limitations in: budget preparations, timely submissions of budget requests, and on the validity of assumptions taken in preparing the annual budget.

4.4 Regional Budget Utilization, Evaluation and Follow-up

As per Allen and Tommasi (2001), successful budget execution depends on numerous factors, such as the implementation capacities of the agencies concerned. Every budget user unit has the obligation to register daily inflow and outflow budget movement and maintain the balance on the ledger prepared for this purpose. It has also the responsibility to submit monthly report to regional planning and budget department. Further, the budget holder is required to utilize the allocated budget for the specified period only. With regard to budget transfer, it is the authority of MoFEC. However, region planning and budget department may allow the transfer for those budgets having similar expenditure account codes within the region. However, according to the report revealed by the planning and budget department of the region the following problems were observed in budget execution for successive budget years. Little supervision and control by the budget user leaders and their successive subordinates; Unable to present decision comments on performance evaluation; Unable to make continuous and expansive evaluation in order to correct the observed problems.

Table 4.5: Budget users' response rate on budget implementation and evaluation

Questions	Measurement					Totals
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Your office utilizes the approved budget based on its plan	28	20	4	5	0	57
Your office prepares monthly cash flow demand based on its plan.	32	12	5	8	0	57
Your office has the practice of regular follow-up on its balance budget	34	20	0	1	0	57
Your office returns unspent cash to regional Finance Department on time	22	28	6	1	0	57
Your office requests frequent budget transfer.	11	28	5	10	3	57
Your office requests supplementary budget frequently.	15	22	5	12	1	57
Your office has adequate capacity to evaluate budget with its main activities	22	27	4	4	0	57
Your office is criticized for accumulation of idle cash in bank/safe.	4	11	7	29	6	57
Your office executes surge expenditures at the end of the budget year	22	22	5	5	3	57
Your office faces budget shortage during the budget year	13	28	3	13	0	57
Your office submits repeatedly a request for adjustment of budget allotments after it is approved.	5	19	4	27	2	57
There is a tradition of overspending of budget in your office	4	9	4	32	7	57
There is underutilization of budget in your office	4	12	6	30	5	57
The current budget implementation and control of your office is sufficient	12	22	5	17	1	57

Source: Researcher own computation

As observed in the above table 4.5, 84 % of the respondents agreed for the utilization of approved budget based on the annual plan. On the other hand, 77 % of them assure the execution of surge expenditure towards the end of budget year. From this point, these responses contradict to each other. Thus, the researcher realized that the report of the department was correct. Apart from this, about 28 % of the respondents agreed on the contrary to underutilization instead they indicated the existence of overspending.

Allen and Tommasi (2001) expressed in most cases, under spending, as well as overruns, are related to insufficiencies in budget preparation and program preparation. From the above table 4.5, 15 of the respondents (27 %) agreed on the existence of strong budget control mechanism, on the other hand they disagreed on its sufficiency by the same rate. However, the researcher believes that if there is strong budget control mechanism in an office, the question of sufficiency should not arise because just it has been already designed to be strong. Thus, there are contradictory responses. With regard to control, literatures indicate that keeping budget execution under control requires effective management control systems, not excessively detailed compliance controls. The budget system should assure effective expenditure control.

Moreover, according to the response compiled from the open-ended questions, majority of the respondents admit occurrence of idle cash at bank or in safe due to lateness in payments until purchase processes are finalized. During this time, cash will be put idle.

Sometimes, suppliers delay to provide the service or the item after they won the bid. Other respondents reacted that the problem arises from the lack of proper monthly cash flow plan and purchase program. Sometimes, purchase is not executed on the basis of time table. That is why rush expenditure occurs towards the end of the budget year (48 % of the respondents have agreed on the presence of surge expenditure in Table 4.5).

As supporting to the respondents opinions, Peter (1998) identified that the main weaknesses in resource allocation and use are: poor planning; deficient links between policy making, planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as executed; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

Apart from this, respondents mentioned that many problems related to budget implementation and control which have not been reflected in the close-ended questions. Of these difficulties, many of the respondents consent that what is planed is not implemented properly. Besides, lack of awareness on the importance of budget control, less attention to internal periodic evaluation, lack of coordination between budget and finance sections, lack of skilled manpower, Untimely expenditure (such as towards the end of the period), and nonexistence of strict accountability were other reasons for the occurrence of implementation weaknesses.

Literatures indicate that it is possible to execute badly a well-prepared budget; but it is not possible to execute well a badly prepared budget. Besides, successful budget execution depends on the implementation capacities of the agencies concerned and it involves a great number of players than budget preparation, and calls both for assuring that the signs given in the budget are correctly transmitted, and for taking into account feedback from actual experience in implementing the budget. The major duties and responsibilities of Regional Planning and Budget Department are: budget formulation, preparation, allocation, distribution and control.

4.5 Budgetary Records, Reports and Audit

Regional budget guidebook requires each budget user to submit quarterly expenditure report on the basis of the following points: main objective of the budget year; key and major activities; and their performance. The quarterly report should also indicate performance comparing with the same operational plan. Further, the report should specify budget shortage, error, or surplus. The budget evaluation is also expected to show how much the expenditure is economical. On the contrary, reports of planning and budget department indicate that some budget holders are unable to: present the budget performance report according to the plan (such as achieved, not achieved, and the reason for not achieving) and submit timely and uniform report.

Table 4.6: Budget users' response rate on budgetary records, reports and audit

Questions	Measurement					Total
	Strongly Agree	Agree	Neutral	Not agree	Strongly Disagree	
All expenditures are sufficiently documented.	37	19	1	0	0	57
All expenditures are charged to the proper accounting period	25	24	8	0	0	57
Your office keeps complete budgetary records in accordance with the country's financial administration proclamation and regulations	26	27	3	1	0	57
Expenditures are shown in appropriate account codes	37	19	1	0	0	57
Payment is executed always based on full documents and evidences	31	22	2	2	0	57
Your office presents timely, explanatory, and complete budget implementation report	30	25	1	0	1	57
Budget implementation reports are consistent with plans	12	30	8	7	0	57
Budget implementation report is presented based on term of reference.	19	29	6	3	0	57
The financial statement of your office is audited regularly by an independent auditor	17	23	7	10	0	57
Performance audit is conducted in your office by OAG	7	12	17	21	0	57

Source: Researcher own computation

Table 4.6, revealed confirmatory responses almost to all of the questions. However, the extent of their accuracy is in doubt, as per the researcher's view, because some of the answers differ from what is stated in open-ended written responses and the report issued by the budget controlling body of the organization. In their opinions for the open-ended questions, most respondents stressed that delays of letters (to order expenditure) create burdens on the recording system. Thus, it is not possible to say that payment is executed always based on full documents and evidences. Moreover, if records were supported by computerized systems, repetitive manual errors would not occur though corrected later by cross checking.

4.5.1 Audit Report of the Institution

According to FDRE (1997), the Office of the Regional Auditor-General is tasked with the responsibility of undertaking financial and performance audits of the offices and organizations of region. It does this by auditing the accounts of all sectors and agencies. The proclamation stipulates the penalties for anyone who obstructs the work of the Auditor-General through deliberate presentation of false documents or denial of access to required information.

Keeping this in mind, the researcher sent questionnaire to 10 auditors who have examined regional account in various times. The analyses of these responses are provided as follows.

Table 4.7: Oromia Audit General Audit Experts' response rate

No	Questions	Measurement			Total
		Agree /Yes	Disagree /No	No Comment	
1	Does OAG conduct performance auditing in the region?	1	8	1	10
2	Do you think that efficiency and effectiveness of budget implementation can be ensured only by financial (compliance) auditing?	1	9	0	10
3	Does OBOFEC maintain adequate accounts and records as per the financial regulations of the country?	8	1	1	10
4	Do you think that OBOFEC implements the audit opinions of OAG appropriately?	6	4	0	10
5	Do you think that OAG has established a mechanism to address common budget implementation problems of the region?	4	3	3	10

Source: Researcher own computation

As observed from the table 4.7, the respondents replied that OAG has not conducted performance audit in OBoFEC. On the other hand, referring to table 4.7, 19 respondents (34 %) witnessed on the execution of performance audit in their respective offices. As a result, this contradicts with the existing reality of OAG activities. From the open-ended responses, the researcher understood that OAG believes financial audit does not ensure efficiency and effectiveness of budget implementation.

Performance audit is preferable but it is not easy to manage. Financial audit focuses on reviewing of financial statements whether they are prepared in compliance with the financial rules and regulations of the country. Still now, performance audit is not functional due to shortage of skilled manpower. Although table 4.7, indicates that OBoFEC is better at maintaining its accounts and records in line with the country's financial regulations, respondents mentioned in

the open-ended question that the overall audit opinion given to the Ministry was 'Except For' or 'Qualified Opinion'. The audit opinions were the result of combined effects of the Ministry's activities. Of the explanations given to the opinions, the following were related to budget management and control. The Office explained that most offices do not make cash count which is available in safe, only the lump sum is indicated as a balance.

Instead of transferring to MoFEC, unpaid salaries are retained in the offices. Moreover, no record is kept to who is to be paid when requested. Even others utilize the money for internal purposes. On the other hand, relevant follow-up and decision is not put together for accounts when there is a structural alteration. The other unexpected reason was that some low level units of the institution still apply single entry recording system. OBoFEC adopted modified cash basis of accounting system, but the implementation has not got to all its units. The reason was due to lack of skilled personnel. Such inconsistent practice distorts financial reports of the institution. Most of the time single entry system is implemented to monitor only payments. However, as per Schiavo-Campo and Tommasi (1999), sound budgetary accounting requires a double-entry bookkeeping system to record movements between budgetary accounts, namely, budgetary resource accounts (e.g. appropriation, apportionment, allotment); Commitments; expenditures at the verification stage; and payment accounts. The system ensures that outflows match inflows.

4.6. Result of Secondary Source

Under this section, the data collected from secondary sources was analyzed and interpreted; the data collected was includes the annually budget allocated to Oromia Regional National State with respect to its adjusted budget from year to year; additional actual expenditure and budget variance of the region was discussed here under below by using tables and graphs.

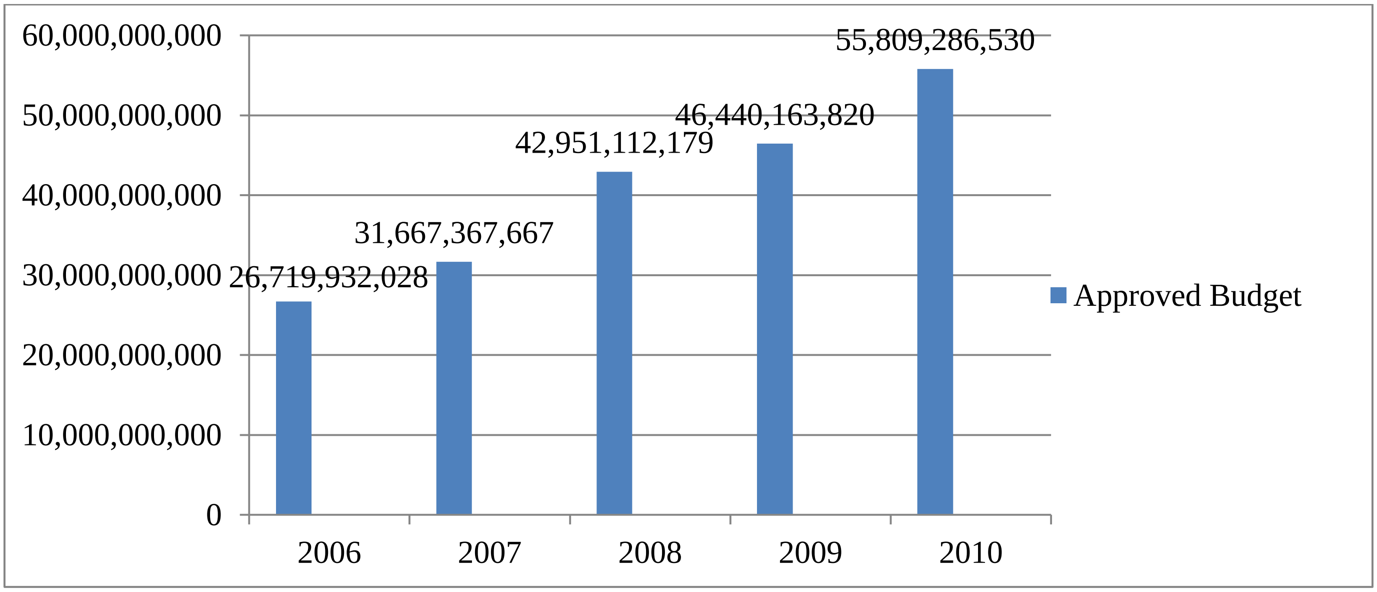
Table 4.8: Approved Budget

No	Year/ EFY	Approved Budget
1	2006	26,719,932,028
2	2007	31,667,367,667
3	2008	42,951,112,179
4	2009	46,440,163,820
5	2010	55,809,286,530
Total		**203,587,862,224**

Source; Oromia Finance and Economic Cooperation budget management department

Graphically the approved budget from 2006-2010EFY shown below

Graph 4.1 Approved Budgets



Source; Oromia Finance and Economic Cooperation budget management department

From the observation indicated the above table 4.8; the budget approved by Federal government of Ethiopia to Oromia Regional National State was increased from year to year. For example in a year 2006, the approved budget for the region was 26,719,932,028 birr but in 2007, the approved budget was greater than the approved budget in 2008 by 4,947,435,639 birr. The same is true for each year subsequently which means; the budget approved in the last year was less than the budget approved in the subsequent year. This is implication for the demand of the region for highest amount of budget from year to year; because of increasing in the government expenditure from time to time; but there is proper utilization is the main question of this region.

Table 4.9: Actual expenditure

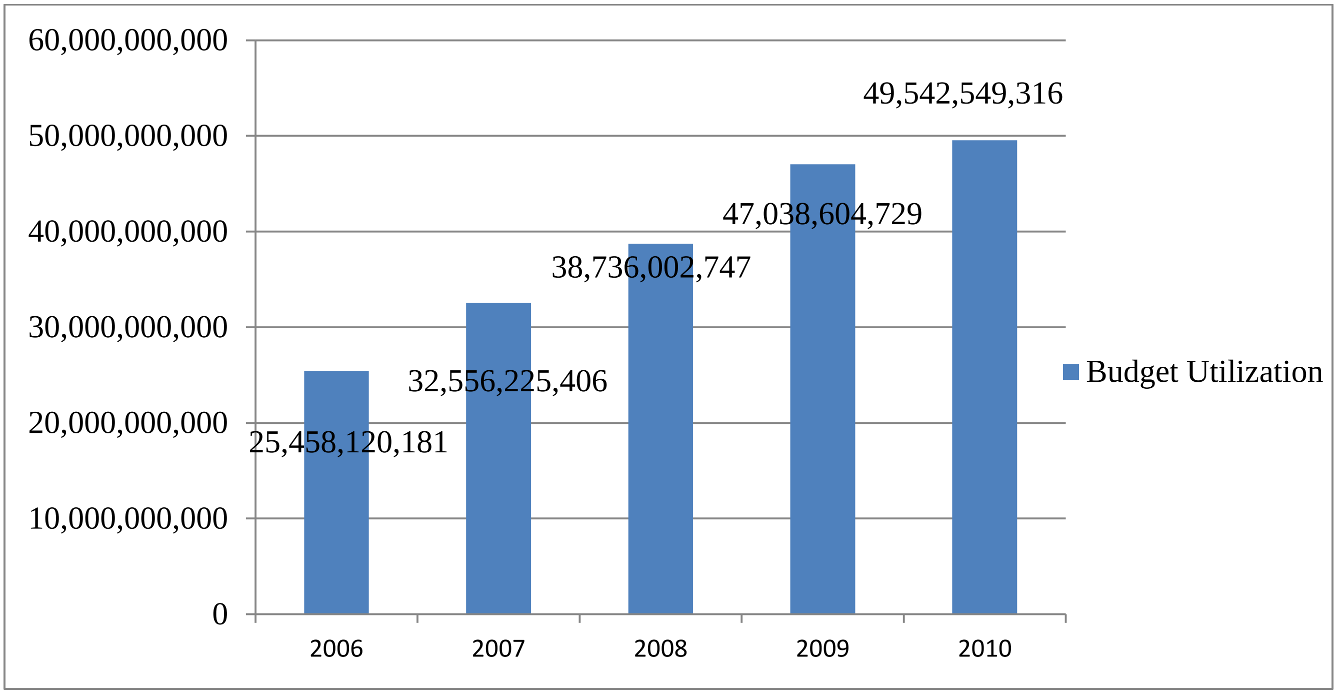
No	Year/EFY	Budget used
1	2006	25,458,120,181
2	2007	32,556,225,406
3	2008	38,736,002,747
4	2009	47,038,604,729
5	2010	49,542,549,316
Total		**193,331,502,379**

Source; Oromia Finance and Economic Cooperation budget management department

From the observation in the above table 4.9: the actual expenditure of Oromia Regional National State Government budget holders was varies from year to year; which shows increasing in amount of money expenditure from time to time.

For example, in a year 2006, the total expenditure of the region was 25,458,120,181 birr; which is less by 1,261,811,847 when compared to the annual budget approved in 2006. This is an implication for underutilization of the budget in that year; without considering any budget adjustment. Additionally in a year 2007, the budget variance of the region was 8, 88,857,739 birr; which shows underutilization of budget when compared to the approved budget in that year without considering any budget adjustment. On the other hand, in a year 2008 the budget variance of the region was 4,215,109,432 birr; which shows underutilization without considering budget adjustment. While in 2009, the variance of the year was 5, 98,440,909 birr; which is an indication for underutilization and finally in a year 2010, the budget variance of the region shows underutilization of budget by an amount of 6,266,737,214 birr. So generally, the performance of budget utilization of the region during the given study period was classified as on average 11% the approved budget underutilization of by comparing the approved budget against actual expenditure; while the overall performance of budget variance of the region shows underutilization of budget when actual expenditure is compared to adjusted budget. Here under graphical representation of actual expenditure for a study period is presented.

Graph 4.2; Budget Utilization



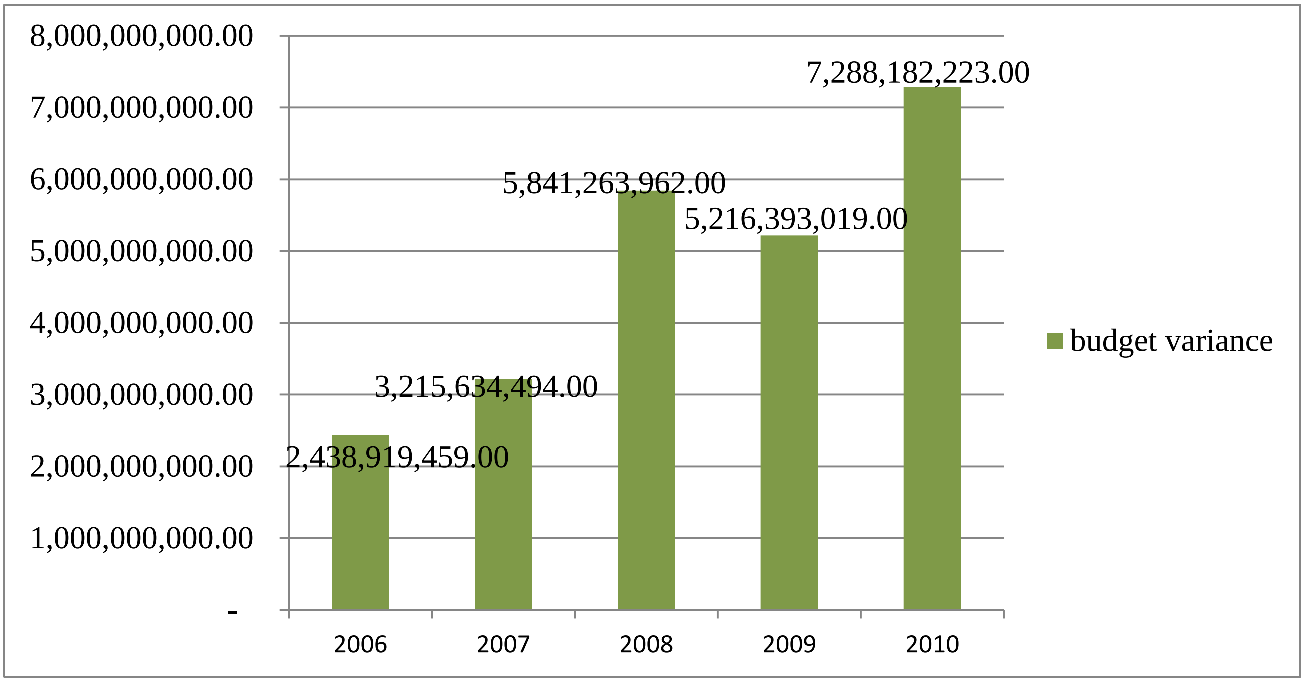
Source; Oromia Finance and Economic Cooperation budget management department

Table 4.10: Budget variance /unutilized budget

No	Year /EFY	Budget variance/ Unutilized budget
1	2006	2,438,919,459
2	2007	3,215,634,494
3	2008	5,841,263,962
4	2009	5,216,393,019
5	2010	7,288,182,223
Total		**24,000,393,157**

Source; Oromia Finance and Economic Cooperation budget management department

Graph 4.3: Budget variance /unutilized budget



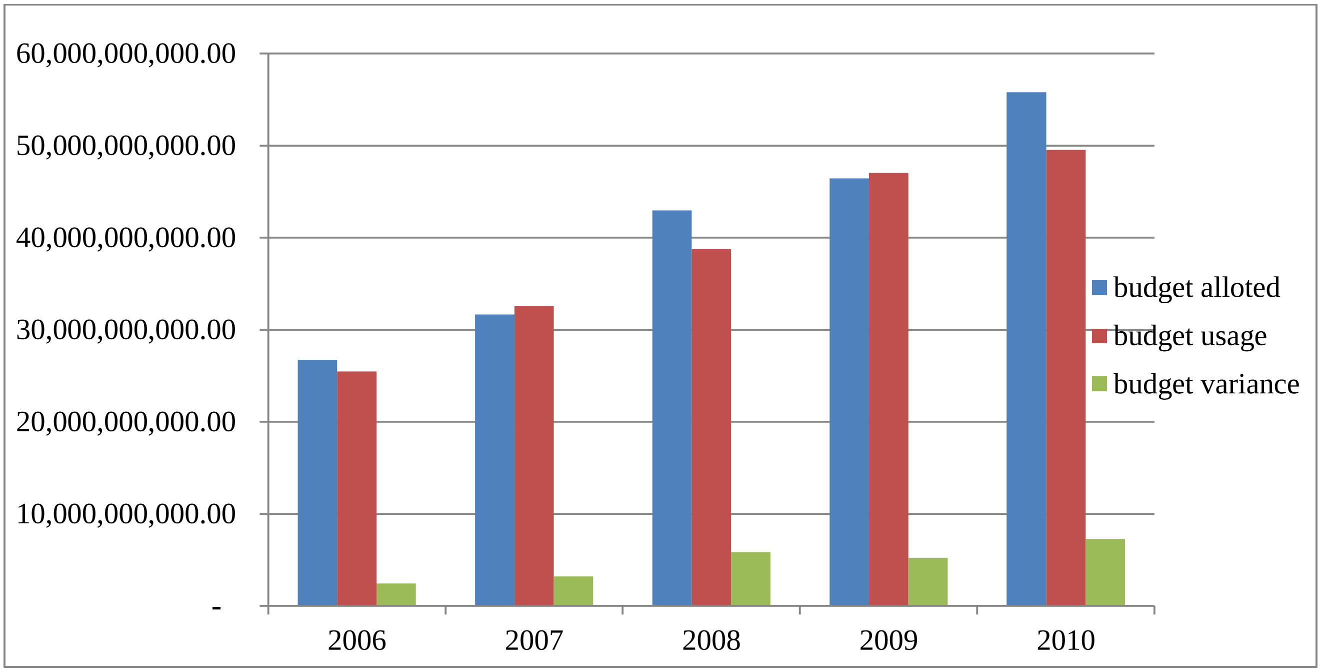
Source; Oromia Finance and Economic Cooperation budget management department

Table 4.11: Variance analyses on adjusted budget from (2006-2010) in billions of birr

Year EFY	Approved Budget	Adjusted Budget	Actual Expenditure	Unutilized budget	% of unused budget
2006	26,719,932,028	27,897,039,640	25,458,120,181	2,438,919,459	9
2007	31,667,367,667	35,771,859,900	32,556,225,,406	3,215,634,494	10
2008	42,951,112,179	44,577,266,709	38,736,002,747	5,841,263,962	14
2009	46,440,163,820	52,254,997,748	47,038,604,729	5,216,393,019	11
2010	55,809,286,530	56,830,731,539	49,542,549,316	7,288,182,223	13

Source; Oromia Finance and Economic Cooperation budget management department

Graph 4.4 Variance analyses on adjusted budget (2006-2010) in billions of birr



Source; Oromia Finance and Economic Cooperation budget management department

The above table and graph shows the combination of budget allocated, usage and variance, in which red color represents budget usage of the region, while blue color is representation of budget allocated and green color is, represents budget variance un utilized budget.

As clearly described in table above 4.11; the performance responses of the budgetary institution of the organization for Ethiopian fiscal year from (2006 -2010) was written in the organizational document in detail description forms; However for research purpose the researcher have taken the general expenditure area. The first point to notice in this study is that, some of the adjusted budget have variance when compared with utilization, the organization budget adjusted in each year are classified for different purposes ,So the total budget adjusted for institution in 2006 was twenty seven billion, eight hundred ninety seven million, thirty nine thousand six hundred forty 27,897,039,640 birr ; from this, twenty five billion four hundred fifty eight million one hundred twenty thousand one eighty one 25,458,120,181 was used, but two billion four hundred thirty eight million nine hundred ninety thousand four hundred fifty nine 2,438,919,459was determined as unused budget . Additionally, the total adjusted budget for a region in a year 2007 was thirty five billion seven hundred seventy one million eight hundred fifty nine thousand nine hundred

35,771,859,900 birr, from this, thirty two billion five hundred fifty six, two hundred twenty five, four hundred six 32,556,225,406 was used, but three billion two hundred fifteen million six hundred thirty four thousand four hundred ninety four 3,215,634,494was determined as unused budget, In the year 2008 the total budget adjusted for the region was birr, 44,577,266,709from this, 38,736,002,747wasused, but 5,841,263,962was determined as unused budget. In the year 2009 the total budget adjusted for the region was birr, 52,254,997,748from this, 47,038,604,729wasused, but 5,216,393,019was determined as unused budget.

Finally in 2010 the total budget adjusted for the institution was birr, 56,830,731,539 from this, 49,542,549,316 was used, but 7,288,182,223 was determined as unused budget, Generally any one can understand from the above manual report; the region faces the problem of underutilization of the budget for different years, Even if there were no any particular year; in which the region 100% efficiently utilize its budget. The result indicated that there is a weakness in the region regarding to budget utilization; which directly related to budget management practice in the region. In general, the analysis comprises mixtures of various budget management practices. The conclusions and recommendations are presented in the next chapter.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

This chapter provides the Conclusion and recommendations based on the stated in the objectives and research questions. The study focused on budget management practice of Oromia Finance and Economic Cooperation.

5.1. Conclusion

This study was conducted to investigate Budget management practice in Public organization, in the case of Oromia finance and economic cooperation. The study used descriptive research design with mixed research approach. More specifically, the study used multi stage sampling, which includes stratified sampling and judgmental sampling technique.

To achieve the objective of the study, the study was conducted through primary as well as secondary source of data. The primary data was conducted through questionnaire and direct observation. The questionnaire was distributed to selected respondents of 60 personal; in which 57 was returned. The following points were concluded from the data collected

The budget expenditure of the region indicated decreasing & increasing trend all over the study periods. The reasons for such kind of variation is lack of preparing annual plan based on strategies document and also lack of reliable and reasonable estimated cost to properly prepare the budget. In addition to this, there a tendency of submitting budget without plan. Additionally, there is high budget transfer requesting & there is no implement properly a control system; that's why some budgetary organizations fail to submit reports timely and lack of complete recording.

It is found that; there has been a practice of preparing budget without considering the current market price at the beginning of the budget year and without the basis of reasonable estimates and data. Additionally, it was confirmed that; budget users were provided new duties outside of their annual plan to be executed from the existing budget without supplementary funds.

Even if the majority of the respondents replied a positive relationship between plan and budget, the conducted data from open ended question shows the reverse result; which means, they denied the existence of budget plan and its revision; it was found that, their responses were contradictory to each other.

It was revealed that; there were budget users that spent their budget below and above the appropriation; for this purpose, it was disclosed that, the occurrence of idle cash at bank or in safe due to lateness in payments until purchase processes are finalized. Nonexistence of strict accountability was one of the main reasons for the occurrence of budget implementation weaknesses.

The researcher concluded that the causes for unutilized budget mainly due to the lack of consistent purchase programs which lead to rush expenditure towards the end of the budget year. And finally, No incentive mechanism is employed for good performers, and punishment as well for poor achievements unlike what is observed in other counterparts.

5.2 Recommendations

The main objective of this study is to identify the fundamental causes of Oromia Finance and Economic Cooperation, Budget management practice in Government organization weaknesses observed in budget holders, and suggest possible recommendations to overcome such problems. Therefore, the following recommendations are suggested to the budget holders in the region.

- Budget preparation have to be based on estimation of market price and reasonable cost
- The employee of the office shall take accountability for the activity they have performed
- The Region shall introduce stick and carrot approach to punish as well as to reward employees based on their performance.
- The Region shall make a discussion or review meeting with sectors regard to budget vs actual expenditure in each quarter to avoid rush expenditure at the end of the year.

5.3 Suggestions for Further Research

Due to the reason that of the limited time and resource, this study has been conduct in regional level, of Oromia regional government. However, this may not represent the situation of budget management practice across different areas and it is difficult to generalize at the country level. Further, the study was used a sample from ten purposively selected budget holders and all the region budget holders were untouched. Therefore more research in this area should focus on increasing the sample size and cover a larger number of organizations so as to enhance better generalization of the results. Hence, an interesting finding may come up by conducting studies at national or country wide by incorporating other variables that may determine budget management practice in public organizations.

More research has to be done on the individual aspects of budget implementation, budget preparation, budget transparency and accountability and budget monitoring in relation with different organizations. This is in line with the suggestion of (Kimani 2014) who argues that to facilitate effective implementation of budgetary practice, the management should define proper budgetary practice processes; this is achieved through effective participation during planning, monitoring, evaluation and control.

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Appendix I: Questionnaires distributed to Regional budget users (English)

General Instructions

Please indicate your choice by putting the symbol mark

- ✓ where you think is appropriate in the boxes provided to each preference and comment where necessary.

PART I- Demographic Information

1. Please indicate your Gender: Male____ Female____

2. Level of Education: ≤12th Grade ____ Certificate____ Diploma____ Bachelor Degree ____ Master's Degree____

3. Please indicate your Service Year: ≤5 years ____ 6 to 10 years____ 11 to 15 years____ Above 16 years____

No	*Part II :* *Plan and Budget Preparation*	*Measurement*				
		Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
4	Do you have adequate understanding to prepare plan and budget?					
5	Does your office have adequate number of professionals (budget officers) who prepare plan and budget?					
6	Do your office prepares its annual plan based the strategic document of the region					
7	Do your office revises its plan frequently in relation to budget					
8	Budget preparation is linked to strategic policy of the region					
9	Plans of your office are systematically linked to the annual budget					
10	The budget demand prepared by your office is based on approved plans and programs					
11	Budget is prepared based on reliable data and estimates.					
12	Plan and budget is prepared for each					

	program					
13	The amount of budget prepared for each program line item is overestimated					
14	There is a tendency of submitting budget request without plan					
15	Does office prepares its annual budget based on the financial calendar of the institution					
16	There is problem of matching plan with budget in your office.					
17	Does your office has strong relation with regional Plan and Budget Department					
No	***Part III:*** ***Budget Implementation, Follow-Up, and Evaluation***	***Measurement***				
		Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
18	Your office utilizes the approved budget based on its plan.					
19	Your office prepares monthly cash flow demand based on its plan					
20	Your office has the practice of regular follow-up on its balance budget.					
21	Your office returns unspent cash to regional Finance Department on time					
22	Your office requests frequent budget transfer					
23	Your office requests supplementary budget frequently.					
24	Your office has adequate capacity to evaluate budget with its main activities.					
25	Your office is criticized for accumulation of idle cash in bank/safe.					
26	Your office executes surge expenditures at the end of the budget year.					
27	Your office faces budget shortage during the budget year.					
28	Your office has strong budget control					

	mechanism.					
29	Your office submits repeatedly a request for adjustment of budget allotments after it is approved.					
30	There is a tradition of overspending of budget in your office.					
31	There is underutilization of budget in your office.					
32	The current budget implementation and control of your office is sufficient.					
No	***Part IV: Budget Records, Reports, and Audit of Budget Users***	***Measurement***				
		Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
33	All expenditures are sufficiently documented					
34	All expenditures are charged to the proper accounting period.					
35	Your office keeps complete budgetary records in accordance with the country's financial administration proclamation and regulations					
36	Expenditures are shown in appropriate account codes.					
37	Payment is executed always based on full documents and evidences					
38	Your office presents timely, explanatory, and complete budget implementation report					
39	Budget implementation reports are consistent with plans.					
40	Budget implementation report is presented based term of reference (TOR)					
41	The financial statement of your office is audited regularly by an independent auditor					
42	Performance audit is conducted in your office by OFAG.					

Part V: Open-Ended Questions

43. What would you suggest about the causes of the mismatch between budget and plan in your office? If there is any? What about the solution?

44. What would you suggest about the causes of idle cash in a bank/safe, if there is any in your office? What about the solution?

45. In your suggestion, what weaknesses does your office face with regard to budget and account records?

46. In your opinion, what are the main weaknesses observed in your office in relation to plan and budget preparation process?

47. What are the main weaknesses observed in your office in relation to budget execution, monitoring and controlling, if any?

48. Would you point out the weaknesses, if any, that should be corrected by regional Finance Department or by Planning and Budget Department?

49. In general, what should be done to improve regional budget preparation; execution and control process?

Thank you for your cooperation!

Appendix II: Questionnaires distributed to Planning and Budget Department experts

PART I- DEMOGRAPHIC INFORMATION

Please indicate your choice by putting the symbol mark (_) where you think is appropriate in the boxes provided to each preference and comment where necessary.

1. Please indicate your Gender: Male____ Female____

2. Level of Education: ≤12th Grade ____ Certificate____ Diploma____ Bachelor Degree ____ Master's Degree____

3. Please indicate your Service Year: ≤5 years ____ 6 to 10 years____ 11 to 15 years____ Above 16 years____

PART II- BUDGET PREPARATION, ANANLYSIS AND ALLOCATION ISSUES

4. What are the major duties and responsibilities of your department with respect to budgetary issues?

5. Do you think that the department has adequate number of skilled persons that conduct effective budget analysis? Yes ________ No ________ No Comment________

6. Does the department have any difficulty in compiling and analyzing budget request?
Yes ________ No ________ No Comment________ If your answer is "Yes", what are these difficulties____

7. Do you believe that budget holders give serious attention when they prepare their budget request? Yes ________ No ________ No Comment________

If "No", in your opinion, what are the reasons for giving less attention in the budget preparation?____

8. Do budget holders present their budget request on the deadline?

Yes ________ No ________ No Comment________ No Comment If "No", what are the possible reasons? ____

9. Do you agree that there is a wide mismatch between plan and budget in budget users?

Agree _______ Disagree _______ No Comment________

If "Agree", what are the reasons, in your opinion_

10. Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals?

Yes ________ No ________ No Comment________ Your opinion

11. Would you please mention some of the main problems in regional budget preparation?

____

____

____

PART III- BUDGET EXECUTION, MONITORING, AND EVALUATION

12. Do budget users submit budget implementation report to your department as per the calendar?

Agree _______ Disagree _______ No Comment________ If "Disagree", why?

13. It is said that spending units complain about budget shortages when they fail to achieve their annual work plans. Do you agree?

Agree _______ Disagree _______ No Comment________

14. Do budget holders utilize their approved budget based on their plan?

Yes_______No__________ No Comment_________ If "No", what is your opinion

15. Do budget users keep idle cash in their safe/bank?

Yes ________ No_______No Comment __________ If "Yes", what is your opinion

16. Does your department provide timely feedback to budget users to correct the detected weaknesses? Yes________ No _________ No Comment_______ Your opinion

17. Does the department arrange regular awareness creating workshops or means with budget holders on how to use their budget and solve observed problems?

Yes________ No _________ No Comment_______ Your opinion

18. Would you please mention some of the main problems in regional budget Implementation?

19. In general, what should be done to improve regional budget preparation; execution and control process?

20. If you have any other comment?

Thank you for your cooperation!

Appendix III: Questionnaires distributed to Office of Federal Auditor General Audit experts

PART I- GENERAL INFORMATION

1. Please indicate your Gender: Male____ Female____

2. Level of Education: ≤12th Grade ____ Certificate____ Diploma____ Bachelor Degree ____ Master's Degree____

3. Please indicate your Service Year: ≤5 years ____ 6 to 10 years____ 11 to 15 years____ Above 16 years____

PART II- AUDIT FINDINGS AND RELATED QUESTIONS ON DEFENCE

4. Would you mention the types of audits undertaken by your Office?

_______________________,______________________,________________

_______________________,______________________,________________

5. Which of these mentioned in Q. No. 4 is (are) conducted in OBoFEC

_______________________,______________________,________________

_______________________,______________________,________________

6. How often does OFAG conduct audit activity in OBoFEC?

Annually ______ Semi-annually _______Quarterly________

Monthly______ Arbitrarily Other (Mention) _____________

Thank you for your cooperation!