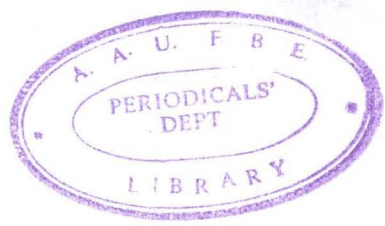


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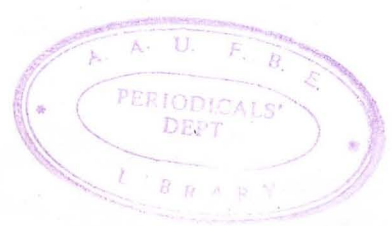
A PROJECT ON ADDIS ABABA UNIVERSITY BUDGET SYSTEM
(A case study on Technology Faculty North campus)

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Pass
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Abstract

The study was conducted to describe how Addis Ababa University prepare and administer recurrent budget (The Case Study Of Technology Faculty North Campus Budget System).

While budgets are a useful management tool, they must be applied correctly for management to reap the greatest benefit. Certainly, budgets are not a substitute for skilled management, and it must be remembered that they depict only a series of estimates, which appear to represent good means of measurement at the time the budget is established. Nevertheless, in the budget system of AAU there is discrepancy between policy and reality since sound policy decision-making and proper budgeting are not implemented well.

Spending units do not have work plan and program priority for their budget request at all. Their expenditure plan is merely copy of previous year and no reasonable justification. Thus the approved budget is insufficient and there is high volume of budget transfer within the budget line. Due to lack of coordination and transparency among the various units results a rush to expend all the available money in the month of Sene and there is commonly inferior, defective and obsolete items are procured in the faculty. In general this all is the result of mismanagement of limited resource.

The study is descriptive type and includes in-depth interviews that were conducted with department heads and budget center heads to collect the required data. Besides the AAU financial policy and procedures are included.

Out of an over all analysis of the responses, it can be said that the management and spending unit's emphasis toward recurrent budget is still quiet low and it lacks openness and coordination. Thus, further consolidation of the financial management system based on strict and accurate rules of high transparency and responsibility is fundamental. This might not always work for every ones satisfaction.

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CHAPTER ONE

THE PROBLEM AND ITS APPROACH

1.0 INTRODUCTION

- To ensure effective financial management and to avoid uncertainty or waste of financial resources, budgets and budgeting become vital. Budget is a formalized way of preparing a statement of all accounts and an allocation of all available financial resources. In other words, budget described as a policy on which expenditures and incomes based.
- The Institute of Cost and Management Accounts defines a budget as a plan quantified in monetary terms, prepared and approved prior to a defined period, usually showing planned income to generate and/or expenditure to incur during that period and the capital to employ to attain a given objectives. Budgeting involves the preparation of an itemized financial statement showing what the expenditures are going to be over a given period, usually a year.
- The main source of revenue for Government organization like AAU is government budget (general fund). General fund is two types one is recurrent fund (salary and non-salary) and the second is capital fund. The other source of revenue for AAU is special fund (internal revenue fund) and project fund (expenditures financed from foreign aid). Among the university faculties, Technology Faculty North Campus has these funds i.e. general fund, special fund and project fund. The fundamental principle of good budgets is comprehensively managing the public expenditure. Budgeting involves its own cycles, such as preparation, review, approval, appropriation, and implementation of the annual budget. Following the principle that budgets should comprehensively manage public



expenditure, in all stages of review, approval and appropriation, a comprehensive budget based on the plans and needs of a particular institution presented.

A public body or an institution is required to pass through three stages of budget preparation steps before securing the annual budget. The first one is the development of unit costs. These are a key technique for developing the cost build-up in the request stage and relate resources (expenditures and revenues) to purposes (defined as goals or plans). The second stage in budget preparation involves the program review. The review involves the assessment of the performance of ongoing projects and with their work plans. The third task of budget preparation is the development of work plans for on-going and new programs for upcoming fiscal year.

Following these stages, a particular institution sends the finalized copy of the budget request to the Ministry of Finance and Economic Development for approval. The approved budget notified to the host institution with amendments. Administering the approved budget is the responsibility of the host institution.

Administering the final approved budget in efficient and effective manner demands the existence of good management system; mainly coordinated, transparent and computerized information system is capable of showing job responsibilities of different units of a budget section. Moreover, establishing such systems eliminate redundancies of functions in the budget execution process, which in turn minimizes the long time required to carry out a particular task.

The focus of this project is to describe the characteristics of the existing budget system of Technology Faculty North Campus related to Addis Ababa University Budget and financial polices and procedures. The coverage of this project ranges from identifying the existing problem and the way budget prepared, executed and controlled in A.A.U. The report is compiling based on interviews made with Faculty of Technology Budget Centers and review of related documents.

1.1 GENERAL INFORMATION ABOUT THE EXISTING SYSTEM

The existing budget system of Addis Ababa University is classified in to 10 (ten) categories. The major criteria used to categorize based on campuses and proximity between campuses. Under each category there are financial service unit that release the fund. For instance, Technology Faculty North Campus and Pharmacy School are one category having its own budget center i.e. two budget centers under one category. The total numbers of budget center under 10 (ten) categories are 37 (thirty-seven). These individual budget centers are responsible for the preparation and utilization of the operating budget. The prepared budgets by the budget center in one category consolidated and send to A.A.U budgeting and planning office. This fund administered within the context of financial rules and regulations governing public accounts and administrative procedure.

These budget centers discharge their responsibility based on the guidelines prepared by the budget and planning office housed in the main campus of the university. The major responsibilities of the budget and planning office are administering budget polices, procedures and providing advice and guidelines on preparing estimate of income and expenditure. It reviews and analyzes the budget request and makes required decision, revises and compiles departmental budget request and prepare a consolidated budget of the university. Then submit the consolidated budget to the Ministry of Finance and Economic Development (MOFED) for approval. After Ministry of Finance approves the requested budget the A.A.U budget and planning office notifies for each budget center the amount of their respective approved budget by the MOFED and the conditions attached on the use of allocated funds. Finally, the financial services units of the university at various campuses release fund.

Afterward, for the coming year the budget and planning office send out budget calls to each budget centers along with guidelines to prepare and submit budget requests. The

office is also responsible for proper analysis; review and consolidations of the budget requested by each budget center and submit to the Vice President for Business and Development (VPBD) for approval and then to MOFED. Besides, the Budget and planning office is responsible for budget adjustments, budget transfer and reallocating supplementary budget (from centrally held) in consultation with VPBD. This done after reviewing each quarter expenditure report and action plans for the remaining period. Most of the above activities of the budget and planning office are activities related to the non-salary part of the operating budget. In case of the salary activities such as, budget clearing to employ new staff, new employee registration, termination of employee budget (when employees temporarily left the university for training in abroad and Permanently for different reason), promotion, salary additions, annualisation and denannualization are the major routines handled by the budget and planning office.

Currently, the non-salary budget expenditure and salary handled by the accounts of office computer system. The account's office computer system handles almost all transactions of the non-salary part including budget clearing and transfer. In case of the salary part, it produces monthly summary expenditure by taking payroll transactions as an input. Major transactions that have direct budgeting implications on the current fiscal year and coming year are not included in the finance system. Moreover, the budget and planning office compiles the non-salary and salary budget request manually; however, the major part of the budget operation related to non-salary still conducted on manual basis.

1.2 STATEMENT OF THE PROBLEM

Each budget center prepares its own budget by estimation. Where as, budget should not be regarded as an expression of wishful thinking but rather as a description of an attainable objective. Certainly, budget center should emphasize that budgets reflect plans and that planning should have taken place before budgets are prepared. On the other hand, A.A.U budget and planning office analyze and compiles the requested budget by 37-budget center on manual basis, these results some problems on budget analysis and allocation .

Budgets are

Sources from the budget and planning office indicated that budget requested by 37-budget center with a large list of expenditure items analyzed and compiled using Excel Spreadsheet. This is the most tiresome and time-consuming activity to carry out in the office due to large number of budget centers and complexity of the requests. The budget analysts could not conduct proper analysis to decide whether the requests are reasonable. As a result, they simply compile what they have collected from each center and submit to MOFED for approval. Recent data in the office shows that less than 50% of the request approved from the total request submitted to MOFED and it is insufficient for AAU. Besides, there is budget discrepancy among budget line and budget centers. Some budget lines exhausted at the middle of the year and many of the budget centers come up with high volume of budget transfer and supplementary budget request. There is commonly obsolete, defective and inferior quality items are procured and disappoint spending units Moreover at the end of the 4th quarter there is rush in expenditure. These are some of the problems regarding the non-salary budget transaction.

In general, time and wealth are scarce resource to all individual and organization, and the efficient and effective use of these resources requires planning. Nevertheless, planning alone is insufficient; control is necessary to ensure those feasible plans actually carried out.

This project paper tries to give answers for the following question: -

- Do the spending units develop a work plan for their budget proposal?
- Why is there a rush to expend the available money at the end of the fiscal year? 079069
- Why are the reasons of high volume of budget transfer during the year by the budget center?
- To what extent the budget executed efficiently and used for its intended purpose?
- What type of budgeting approach the budget center use to prepare their Budget?
- To what extent is the co-ordination between budget center and store, as long as the largest proportion of the fund appropriated for procurement?
- How much the budget analysts successfully conduct proper analysis to decide whether the requests are reasonable?
- Why is there a budget discrepancy among budget line and budget center?
- What is the determining priority used when a budget center gets less than what it request?

1.3. OBJECTIVES OF THE PROJECT

The ultimate objective of this project is -

- ❖ To describe the characteristics and the existing problems in A.A.U budget system (the administrative set up, preparation, execution and monitoring) by investigating recurrent budget or non-salary aspects of the system (the case of Faculty of Technology).

1.4. SIGNIFICANCE OF THE STUDY

The study provides an insight on how the budget centers in Addis Ababa University prepare, execute and control their budgets. Even though budgets usually highly scrutinized, reviewed and there is always a reduction before their final approval, and the inadequacy of the budget is a worry for budget center from the beginning of budget implementation. Recognizing problems in relation to the way the budget center prepare, manage and control the limited resource is essential for the institution. Then the decision makers of the university will be able to solve the problem and get as much return as possible from the resources available.

1.5. METHODOLOGY

The study used both primary and secondary data. The primary data include interview with heads of budget and planning office, Technology and Pharmacy budget center and department heads.

The secondary data also include policies and procedures manual of the University, books, articles, journals and other relevant source of information

The unit of analysis is the existing related documents of the university on recurrent budget i.e., financial policy, procedure, and regulations on budget. Besides, Faculty of Technology North budget administration and Accounting record is included along with in-depth interview conducted face to face with department heads and budget center heads of the Faculty. Their response summarized in notes reported in the data analysis part of data reduction.

Data analysis

Qualitative data analysis is used for any non-statistical data collected as part of the evaluation. The common methods used in project evaluation is document review, observation, in-depth interview and focus group .To analyze the data a systematic non-statistical data analysis technique content analysis is used. This method uses to identify and summarize message content of the speech and written documents or report in common themes. The common phase used in making sense of this data is Data reduction, data display, conclusion drawing and recommendation. Data reduction refers to the process of selecting, focusing, simplifying and transforming the collected data that appear in written up interview and document review notes. Data display goes beyond data reduction to provide an organized, compressed assembly of information that permits conclusion drawing.

The analysis is concentrated on the following issues: -

- What is the base for the budget centers and units to estimate the amount of appropriation for each non-salary general fund budget line?
- Do the budget centers have plan or cash flow for recurrent budget regarding the amount of appropriation?
- Do the management units and department heads participate and communicate their staff when the budget proposal developed?
- Do spending units and the budget centers have a work plan and program review?
- Is there open, transparent and competitive bid for procurement of items and equipments in the faculty of technology?
- Do the management units have awareness about the store?
- How much percent of the budget is appropriated in the month of Sene as there is rush in expenditure?
- Why is there high volume of budget transfer and budget deficit?.

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CHAPTER TWO

THEORETICAL FRAMEWORK

2.1 Addis Ababa University Document Review

(Source: Addis Ababa University (Sept 2002), Financial Policy and Procedures Manual,)

2.1.1 Budget Request Preparation

- ❖ The VPBA sets general framework within which the budget will be drawn
- ❖ Budget requests shall originate from the smallest unit of the university
- ❖ Before submitting their request to the next higher authority it should be discussed with members of the spending unit
- ❖ Budget and planning office (the budget division) consolidate the budgets prepared by budget centers.
- ❖ The MOE receives the consolidated budget and forward to MOFED
- ❖ MOFED approves after the necessary defense by the AAU management.
- ❖ The budget committee approves and revises as necessary and stages budget defense.
- ❖ Each budget center has its own budget approved in line with its goals and programs.

2.1.2 Budget Administration.

- ❖ Every user unit of the AAU should work according to procurement plan.
- ❖ The financial unit of the budget center shall prepare financial report every quarter and send copies to the VPBA within 2 weeks from the end of the quarter.
- ❖ Each spending and budget centers performance shall be valuated against its programs and targets.
- ❖ The performance evaluation of budget centers shall include an assessment of pattern of expenditures from allocated budget
- ❖ Last mint expenditures are highly discourage and shall count against heads of budget centers during performance evaluation process.

2.2. BUDGETARY PRINCIPLE

- Regardless of the type of budget being prepared, certain general principles apply. First top management support is crucial to the success of the budgetary program. Even though top management may not realize the important role they play in budgeting, their philosophy toward budgeting soon filters down in the company. If they view the budget as some mechanical process that completed as quickly as possible, employees are less likely to give budget preparation much attention. The budgeting process also fails if management views budget as a scapegoat on which all the company's problem blamed.
- On the other hand, if management considers the budget as an excellent means of planning and takes on active role in the execution of budget, the organization is more likely to gain all the benefit the budgeting process offers (Joshi, et al, 2003). An institution financial management is essential to its existence and to the effectiveness of its program. Sound

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principles applied in every financial administration of an institution. Some of these principles are the following:

The preparation of the budget has an educational function. The building of the budget requires a thorough review of the needs of every activity in the institutions and the comparative value of the various educational programs suggested by the several departments. This review involves judgments concerning the educational work of the university. To be effective, it must rest on thorough knowledge and appreciation of basic educational values. (Donald Faulkner Feb. 1960),

Budget requests for a given department should collect by the Chairman of the department. The expenses listed in the budget represent for the most part the financial needs of the department. Since specific and detailed needs are in all probability best understood by the members of the various departments. The first coordination of individual desires and needs should be the responsibility of the department head. (Eugene, et al 1941).

Periodic and summary report on the status of the budget should be prepared by the finance office and distributed to the concerned body. When the budget put in to effect, a similar service assigned to the finance office. Determine whether departments and activity groups are abiding by the provision of their budget. This accomplished effectively through periodic report. Showing budgeted items for the period covered and the actual expense incurred during that period for each item.

The portion of the detailed report covering department, activity or service should go to the officer in charge (Lee.1995).

It is the responsibility of the board to study and adopt the company budget. The budget should represent fundamental policy in the company and demands top priority among the instruments designed to fulfill the company objective. The ultimate responsibility for the

policies and progresses of the company rests with the board. The board should discharge this obligation by thorough study of the draft of the budget presented. (Lee, 1995).

2.3 BUDGETING AND PROGRAM PLANNING

The preparation of budget to any particular year calls for an evaluation of programs interims of financial requirement for the years immediately a head. Since the funds available are, always limited, budget officers are in constant need of intelligent guidance in making decisions among competing demands for the same money. It is important that the necessary trade-off made explicitly when formulating the budget. This will permit a smooth implementation of prior programs and avoid disrupting program management during budget execution (Robert. A. Walker, p. 98).

Planning that is well done and adapted to their need can be of great assistance to the budget officers. The relation between governmental budgeting and planning is the fact that the budget is itself a plan of action. In many respects, the process of preparing a budget is indistinguishable from the planning process. Future needs studied and put in terms of definite plans of action. These in turn translated in to estimates of financial requirement.

2.4 BUDGET PARTICIPATION AND REWARD

The topic of budget participation has always received a considerable interest among researchers. Most of the time there are conflict among the executives managers on the significance of budgetary participation. The participation in budgeting increases acceptance & motivation as well as it makes the budget to a greater extent feel responsible for the organization goals.

Participative budgeting used more frequently when lower level managers have more knowledge than central management and when part of the manager's remuneration package linked to budget performance. Rewards are productivity boosting or behavioral management techniques that are intend to provide positive motivation. Based on this idea

- a behavior leading to a positive consequence or reward tends repeated. By providing the
- right rewards, one can change a person's behavior. Participation of employees in the
- process of budget preparation also motivates them to achieve budget goals. Budget should be used to motivate subordinates to increase their output & efficiency by encouraging their participation during budget preparation (Joshi, P.L et al, 2003).

Since a crucial problem in budget, administration is acceptance of the budgets by employees. Participative budgeting is the practice of allowing individuals who are accountable for activities and performance under a budget to participate in the decision by which the budget established. The people directly involved in certain functions will thus have more understanding of that particular function and its needs. In addition to the better preparation of the company, a real value of participation at all management levels is Psychological.

Participation in the budgetary control system is an attempt to get the participants ego involved, not just task involved (Rayburn, L. Gayle 1989).

- Participative budgeting increases the probability that involved individuals will accept budget goals as their own and become personally committed to the control system.
- When employees participate in the standard setting process, they tend to internalize the standards. Resistance from employees reduced, since employees are more likely to believe that the budget is theirs and not just managements.
- One of the true aims of a budget is to let employees know what expected of them in terms of contribution to the overall objective of the organization. If the determination of the overall objective and its subsequent allocation as a sub-goal is performed at the top

management level without consulting the subordinates, it is very difficult to have any degree of commitment to the budget at the lower level.. Participation, both in terms of budget content and process, is necessary if budget commitment is sought (Hermanson et al 1989).

- * The budget's influence on motivation may be greater if the budget not imposed but accepted. Many companies have found that the best way to gain acceptance is to have all supervisors participate in making the budgets that affect them. If the individuals, who are responsible for meeting them, internalize goals then the chance for success are higher. Thus, this budgeting technique provides the challenge and sense of responsibility needed
- * effectively motivate individuals. Participative budgeting encourages the accomplishment of objectives because the needs, goals and attitudes of the individuals subject to the budget are considered. Improved morale and greater initiative are often the result of a high degree of participation. (Lee, 1989)

2.5 BUDGET COMMITTEE

Line management has the ultimate responsibility for the preparation of individual budgets, but there is also a need for some one to provide technical, unbiased assistance. The president for chief executive normally establishes budgeting principles while direction and execution of all budget procedure generally delegated to the budget committee. The budget committee serves as a consulting body to the budget office. The budget committee function also includes reviewing and approving budget estimate and suggesting revisions. It should review segment budgets to determine whether they are excessively optimistic, conservative or make provisions for slack.

- * The committee also has the responsibility of recommending action to improve efficiency where necessary. Members include the budget director and top executives representing all company segments. Since a basic purpose of the committee is to coordinate activities

throughout the organization, members of the committee must have expertise in the various functional areas. These areas should include marketing, production, personnel, finance and accounting (Rayburn, L. Gayle 1989).

2.6 MANAGING AND MONITORING GOVERNMENT BUDGET

While funding remains insufficient to provide good quality education for most developing countries, better way to manage existing resources more efficiently is important (IIEP, 2006). Experience shows that formulated and executed budgets differed significantly in public budget. The problem related to the way in which money actually spent.

It was widely known that budget managers allocated money in an undisciplined fashion during the budget year, shifting resources⁹ between economic items even between programs. Money was not reaching its intended destination in many cases. (ECA PRSP Countries, Warsaw, 2004, Feb 7-9)

2.6.1 Government Organization Procurement

Most colleges and universities in developing countries are depending up on government funding (IIEP, 2006). The huge amount of allocated budget used for procurement purpose. Procurement plays a great role on better utilization of public money. As a result well-established competitive and transparent procurement process is important for public organization. (ECA PRSP countries, Warsaw, 2004, Feb 7-9)

The main objective of the Government as a purchaser is to obtain high quality goods and services at competitive price. Procurement procedures should provide fair opportunity to all bidders and designed to minimize risk of corruption.

While government procurement is certainly not the only possible source of corruption, it is one of the major. It is always necessary to minimize corruption, optimize the use of financial resource and foster the growth of competition.)

The key principles in procurement are open competition and transparent process. The procurement process made open to public scrutiny. The result of the bidding should made public, competitors name, their bid price and the name of the successful bidder disclosed. There should be a record that show which supplier were approached, which ones were selected, the reasons for the procurement decision, details of price, reports on the acceptance of work done or the receipt of goods ordered, and comments on the performance of the supplier. (http://www.internationalbudget.org/resources/sites/bud_data.htm)

2.6.2 Performance Evaluation

- Feedback is an important role of budgeting for attaining the expected quality and standards in planning, control, leadership and staffing. Feedback is generally positively associated with budget performance and focuses on the extent to which employees have achieved expected levels of work during a specified period. Budgets used as standard for performance and used to evaluate managerial performance. The development of budget still used as the main performance measurement system. Budgeting & variance analysis can be positive tools for performance measurement system if the accounting information or communication process is functioning appropriately. According to Joshi study performance appraisal should be based mainly on budget achievement (Joshi, P.L, et al 2003).
- Performance reviews used to compare actual results with objectives. The frequency depends upon the time-specific nature of the objectives. For example, some objectives involve daily operations, and obviously daily performance reporting is appropriate. Weekly, monthly, and quarterly performance reports measure how successful the

organization has been in achieving its financial goals and objectives. Variances from budget typically presented in a performance report so that unexpected results quickly identified. Performance reports have to be timely, the more rapidly this result can be communicated, the greater the probability that more efficient level of performance can be achieved. Managers responsible for an activity become aware of variances as soon as possible. The manager responsible for a particular variance should be empowered to take corrective action with regard to a variable under the firm's control (Rayburn, L. Gayle 1989).

CHAPTER THREE

3. DATA ANALYSIS

3.1 DATA REDUCTION

- As described in the methodology section the first phase of the data analysis is data reduction. The data reduction mainly focuses on how the mass of the data collected from interview is organized and some how meaningfully reduced. Therefore, in this section the study tries to present a summarized report about the interview and document review with regard to budget preparation, implementation and control.

Secondary and primary data sources from budget and planning office and Technology Faculty are gathered. Discussions among experts in the Budget and Planning Office, Technology Faculty North Administration & Finance Office and department heads in the Faculty such as Civil, Mechanical, and Electrical engineering Departments made. The interviewees are experienced, knowable and able to made explicit effect on the project. The interview discussion focus on how the Faculty budget prepared, expended, and controlled by the administrator, department heads, and unit heads.

3.1.1 Budget Preparation (The Planning Phase)

Regarding to budget preparation, budget and planning office sends budget notification along with budget request form for each budget center to prepare next year expenditure plan with justification. The form consists of the account codes (budget lines). Under some of these codes lists of items with unit cost are included that is given by the MOFED.

Interview evidence indicated, the major activities of the budget and planning office with respect to budget are-

- A. Review, analyze and compile the budget requests of budget centers and prepare a consolidated budget of the university and submit to ministry of finance for approval.
- B. Defend the budget with responsible university officials from MOFED, and follow up until budget approval and give clarification when required.
- C. Notify for budget centers the amount of their respective approved budgets and allow the budget control responsibility to the financial services of units of the university at various campuses.

Nevertheless, the interview data reveals that some limitations that obstruct them in analyzing and defending effectively the university budget due to the following reasons:

- A. Budget centers do not submit their budget proposal according to the required format & a given time interval.
- B. The cost of each program in the university is unknown
- C. The majority of the requested budget is highly inflated and unrealistic
- D. All of the budget centers do not have the coming years work plan.
- E. Many of the requested budgets do not have well written justification.

Besides, the budget centers do not give priority or attention to their budget proposal with regard to the given deadline due to the following reasons:

- They do not have enough knowledge about importance of budgeting.
- Their wrong perception of budget preparation, it is simple & a futile exercise whether they prepare it seriously or not, the amount of budget allocation every year is almost the same.

Usually, the amount of fund approved by the MOFED is insufficient because there is no enough ground to defend the proposal and no well-established budget committee and the board has no substantial role in budgetary issue. The approved budget of the university distributed to various budget centers by the budget and Planning Office. To allocate the office uses as an input each budget center request, previous year allocation, and

expenditure. Lack of capable expert to analyze and consolidate the request of budget centers in the budget and planning office makes unable to entertain the convincing justification of the budget request that come from budget centers. In fact, the requests of the budget centers occasionally do not clearly show their actual demand. On this circumstance, the budget analysts set up their mind that most requests are exaggerated and unrealistic, thus they fail to observe even seriously prepared requests. Even though the budget and planning office tries to consider basic parameters like the previous year expenditure, previous year request and allocation, and expertise opinion before allocating the budget, the budget centers are not satisfied with approved and allocated amount.

The budget preparation practice in the Technology Faculty North budget center is somewhat different from other budget centers. After receiving letter of notification from budget & planning office, the head of the budget center distributes the budget request forms to departments to prepare their estimated expenditure plan for the coming year within a specified time interval. Departments are not required to submit budget request for all budget line. The budget administrator of the faculty (center head) prepares the remaining budget line centrally.

As interview data indicated the indicated, when department and unit heads prepare their expenditure plan, they do not give priority for the budget request proposal. They merely copy the previous year budget request and send to the administrator because they usually prepare the proposal but they do not get any feedback & do not know how much their request approved and allocated for them. The administrator compiles the request of the department and unit heads at the faculty level and sends to budget and planning office located in main campus for further verification and consolidation with other faculties.

The interview with faculty budget center indicated that mostly the amount of budget requested for each line item is deliberately exaggerated or overestimated. Their main reason is due to the assumption that the office responsible for budget approval mostly

allocates budget to budget centers by reducing some percentages from the original request. Therefore, according to their opinion, if they submit their actual demand without overestimation the amount approved for that budget year will be less than what is needed.

3.1.2 Managing And Monitoring Budget Implementation

For managing and monitoring budget implementation, budgetary accounting is important. Budgetary accounting consists of tracking and registering operations concerning appropriation and their uses.

The interview with the finance office discloses that .The office prepares expenditure report for each budget line when the management requires it. The main aim of this report for the management is to be aware how much is available in each budget line and which budget line is exhausted. The report is used to make decision to transfer from available budget line to exhausted budget line. While this do not show the exact balance of each budget line due to commitment, expenditures at the verification stage and orders not yet delivered, such arrangements despite their advantage, create difficulties in the timely monitoring of payments according to the budget classification. Sometimes units and department heads purchase supplies on credit due to different problem with the existing purchasing system. This credit invoice also creates a problem on the expenditure report.

The information also reveals that, the commitment (purchase advance and budget clearance) is cancelled due to different reasons. For instance, the suppliers may not have the item in their stock when they receive the purchase order, delay on the side of suppliers to send the item or some times the suppliers send the item not needed by the requesting unit or it may have inferior quality. With regard to this there is no a timely response to the finance office. Thus, the report shows some discrepancy balance for some budget lines.

Those budget lines that show discrepancy requires budget transfer from other budget lines. If it is impossible to transfer the budget in various reasons, the management starts to use Special fund (internal revenue fund). While at the end of the year, the balance of cash in bank is more than what the accounting record indicates. Then Dean, Administrator, Department heads and Unit heads are notified about the available money to use in the period allowed. During this time, each unit rushes to purchase and spend the money in short time at the end of the fiscal year.

Certainly, the huge amount of allocated budget is used for procurement purposes. Procurement plays a great role on efficient utilization of public money.

The information obtained from the department heads & spending units show that, when they need to purchase the necessary items other than supplies, they fill purchase requisition form about the specification of the item. However, there are delays in procurement, 3 months on average due to intensive bureaucratic process or the requisition filled by the departments may be lost with no trace of responsibility and accountability. Some times the items purchased do not fulfill the required specification, for instance, a toner, paper, and others. Whether the purchased item fulfills the specification or not, they do not know the actual cost of the procured item. For this reason, there are some rumors that the prices of procured items are undoubtedly beyond reality. Usually the management because of insufficient budget bans the departments' procurement requests

3.2 DATA DISPLAY ✓

The second phase of non-statistical data analysis is data display. This goes beyond data reduction to provide an organized, compressed assembly of the interview and document review. In this part a new way of arranging and interpreting about their speech and textually embedded data that allow conclusion drawing is presented. This comprises the planning phase (budget preparation), managing, and controlling phase.

The planning phase identifies the goals to attain during a period and the financial requirement necessary to achieve the objective. The control phases focus on actual performance towards achieving the plan. It involves implementation, monitoring and control function.

3.2.1 Planning Phase (Budget Preparation)

The establishment of explicit fiscal work plan gives a framework for budget formulation. To improve budget structure and transparency linking expenditure on program and project is essential to predetermine the outcome (IIEP, 2006).

The policies and procedures of AAU on the budget preparation to any particular year calls for an evaluation of programs in terms of financial requirement trade-off, prioritization among programs should be made. One of the major problems with the budget submission is lack of real program identification. A reason for this is the lack of a real planning and policy development component in the budget preparation process in the spending unit. The department and unit heads prepare their budget request without work plan and program prioritization. Their expenditure plan is merely the copy of previous year.

International Institute for Educational Planning (IIEP, 2006) gives emphasis on the significance of well-prepared budget when it says, "the better budget is prepared technically, and the easier it is to defend or readjust in the event of cut."

For instance, the possible indicators used to estimate recurrent budget expenditure for an institution could be, number of student in next year, number of staff, number of educational trip, academic programs and proposed new programs are crucial. Whereas department, unit, and budget center heads use the previous year budget proposal to develop the coming year expenditure plan. Actually, this approach eases the preparation of the budget since it is already prepared in previous year. However, the approach is not a workable means for proposed new program and expenditure control. The inefficiency and inadequacies of the prior year's budget is automatically built in to the budget for the upcoming year.

Life itself is incremental, and so in part is the budget process (Boland, Tony and Fowler, Alan (2000). It has to take into account the current context and ongoing programs. The incremental approach is favorable means when programs, activities and inflation level will not be changed. However, for institutions where its activities and programs are expanding realizing the existing indicators or parameters used to develop the actual expenditure plan is vital. It is uncertain to forecast the coming year actual expenditure plan without considering the number of indicators in the previous & the coming years.

Re-evaluation of all programs and calculating each cost associated with running a program should be justified. Although this approach reside in the extensive review of each program and reveal operating inefficiencies and weaker programs, carrying out every year zero based budgeting exercise covering all programs could be expensive.

Indeed, for the budget to be useful at the time of budget preparation plans must be sufficiently tangible to relate the financial requirement. Budget is a standard against

which the actual performance can be compared and measured. Without the managements implementing the yardstick with sufficient qualities it cannot be useful control device.

As the interview with budget and planning office indicated, the common problem encountered for budget center during preparation is for some budget lines the calculations of recurrent cost are unknown i.e. the cost of each program in the university is unknown. The recurrent cost estimates are also impossible to verify because MOFED still does not have a methodology in place for some budget lines for doing this, as a result, neither MOFED nor the spending units have effective forecasting abilities to assist in estimating the cost of this program.

On the other hand, the university policy on the preparation of budget to any particular year calls for an evaluation of programs in terms of financial requirement for the years immediately ahead. Coordinating different units and departments discuss & define the objectives with respect to goals and how to achieve these goals and objectives helps to evaluate programs. This is also the most fundamental points that will make the institution improve & integrate. While in many cases coordination between department head and staff, departments and management is poor for the preparation of recurrent budget. There is no conversation about resource distribution among departments and different units at the faculty level. This creates they and we perception.

With regard to the request developed by different departments and units and compiled by the budget center head, the budget and planning office is responsible for review, adjustment cut and consolidate budget request. Usually there is delay in budget preparation and consolidation process within AAU, because the budget center heads do not easily understand the budget preparation guidelines, forms and instructions. They

think that budget preparation is simple & a futile exercise and most of them lack the background and knowledge to prepare budget.

Budget center heads are not convinced about the value of the budget preparation process and often feel that it is a worthless exercise. Therefore, they prepare their budget carelessly at the last minutes. All of the budget centers do not have the coming years work plan and many of their request are highly inflated and unrealistic and have no written justification. This budget requires extensive time for revision. Thus, budget analysts could not conduct proper analysis to decide whether the requests are reasonable and convincing. As a result, they simply compile what they have collected from each center and submit to MOFED for approval. The AAU management does not have enough ground to defend and convince the responsible government body to have sufficient amount of budget needed for the coming budget year. Due to lack of information on the relative merit of the proposed expenditures, the MOFED lead to make arbitrary cuts on budget proposal. Thus, the approved budget for the university is less than 50% of the request and it is insufficient.

The approved budget by the MOFED is allocated to various budget centers by budget and planning office. This office uses the previous year expenditure, previous year allocation, and their request and experts opinion as an input to determine the respective budget center allocation. Lack of experts in the budget and planning office hinders the detail analysis of the budget center request. The requests of budget centers sometimes may not be taken in to consideration and lead to budget discrepancies between centers and budget lines. The inability and weakness of the budget and planning office to analyze, even the convincing request of budget centers helps the budget centers to develop wrong perception towards the importance of budget preparation. Most of the spending and budget center heads ignore the policies and guidelines of AAU. Moreover it results spreading scarce resources to less priority programs and disrupting program management during budget execution.

3.2.2. Managing and Executing Allocated Recurrent Budget:

It is possible to execute roughly a well-formulated budget; it is impossible to execute well, badly formulated budgets (Boland, Tony and Fowler, Alan (2000). However, AAU's case budget execution is characterized by complaints with the initial budget rather than properly utilize the allocated budget. It must also adapt to intervening changes, and promote operational efficiency. A procedure for control is needed, but should not hamper efficiency nor lead to altering the composition of the budget. The control should focus on what is essential while giving flexibility to spending units in implementing this program.

Within each budget center of Technology Faculty North Campus there are two distinct groups, each group plays its own role. The first group is the faculty administrator and Dean termed as the management unit, act as an intermediary between funding bodies and departmental and faculty academics. The second group is departmental and faculty academics do not embrace the same financial objectives as the faculty administrator and Dean. The management units do not expect the interaction and budgetary communication with academics will be significant. Then the approved recurrent budget of the faculty is handled and managed centrally. This allows tight control of finance and centralization of power within small senior management. In many case financial crises have resulted but the approach to budget is an organizational issue rather than financial one. The heads of the academic department do not have the opportunity to be influential over the allocated budget. This highly centralized budget introduces rigidity and losses the vision of those who are close to the same recipients.

Control over our own destiny is something many of us wish for. It may not be completely feasible. Decentralization through devolution of budget control involves transferring

responsibility and control of all resources to spending unit heads. This may give departments more flexibility and opportunity to innovate and deliver programs, which better meet the needs of student. Then budget center head monitor the efficiency and effectiveness of the spending units. The expenditure includes equipment, accommodation, examination /assessment fee and consumable etc. The budget is allocated through transparent criteria and unit heads required to achieve agreed objective and target within the framework of the whole institutions objective. This can offer advantages of Clear identification of responsibility and Increase their commitment to organizational objective for the institution.

3.2.2.1 Procurement

Certainly recurrent budget of the faculty is mainly devoted to procurement of goods and services. Monitoring and managing the procurement system and efficient use of the goods and services by spending units in line with objective of the faculty is vital. There are two types of procurement. One is supplies procured centrally by the management and distributed to the spending unit, and the other is items procured for spending unit based on their requirement. For those items and supplies procured centrally by the management usually not needed by the spending unit due to the inferior quality, obsolescent and other reasons. It is better the management to delegate the authority and responsibility to procure their own requirement.

The other option could be when the management procures centrally should consider the following points: Identification of user needs and work plan. This identification consists of establishing user's requirement, specifying the goods or services to procure and reviewing whether the needs could be met from the available goods in the stores.

If the required item is not available in the store, the key principle in procurement is open competition through transparent bid process. Competitive bidding is the standard

government contracting method. Initiating competitive bidding for all purchases exceeding specified limit enhances competition and appraises government-purchasing activity.

The document used to solicit bids is an invitation for bid. This contains the terms, conditions and specifications of the purchase to describe what the purchaser seeks to procure. This specification helps to ensure that competitors are placed on an equal footing. In awarding contract, the tender committee places emphasis on lowest price and the contract is awarded to the bidder submitting the lowest price. Price is an important criterion in awarding contract but cannot be the sole criterion. In many cases price is less important than technical and quality criterion. Choosing systematically the lowest priced bids could lead to buying obsolete or poor quality goods or services. To avoid an excessive bias toward low priced bids, it is often desirable to review the bid in two steps, first on technical grounds then on the basis of costs.

Moreover, based on the accounting records, the faculty's procurement system is attached with a few suppliers i.e. below 10 (ten) such as **Wurgessa trading, International stationery and computers accessory, Ecase trading, Jupiter trading, Double G trading**. These are the common suppliers Proformas are collected and invited to competition.

Lack of open competitive bid results inefficient procurement. Competition also tends to improve the quality of goods purchased encourage innovation among suppliers and increase buyers choice and it results lowest price to the purchaser. Besides, increasing economic efficiency, competition reduces favoritism and inspires confidence in the procurement system. It is essential that all acquisitions should foster competition among sufficient number of potential vendors. However most of the items purchased by the management do not fulfill this requirement.

Sometimes available items in the store are procured. This indicates the lack of coordination and awareness of the management about the store. In most cases, the departments and units are disappointed with the procurement system of the faculty .The common problems such as the absence of timely response for their procurement requisition, slow and bureaucratic response, and sometimes missing the requisition form on the way, and return due to obsolescent, inferior quality, etc.

In case of the inferior and obsolete items the problem is not attached with the tender committee but rather with the suppliers. They do not respect their promise of specification and still there is no way or mechanism to control this activity. Usually the spending unit uses this inferior and obsolete quality items and the price of the item is unbelievably high. In general to get the required item it takes on average three months. As decisions made for procurement of an item involve various administrative levels and actors at different stages, the process is not simple and is difficult to control.

Whether the procured item varies in quality and specification, the requesting units do not know the price of the item procured. This results a rumor in the faculty members that the prices of procured items are undoubtedly beyond reality. To be procedural, the concerned persons simply collect proforma from a few suppliers commonly known. However, the members of the faculty have no trust on the collected Proforma by realizing the real trends of the item procurement in the faculty. It is not surprising the rumors spread in the faculty member with the absence of open & transparency competitive bid for procurement.

To build coordination and transparency among members of the faculty improving quality of budget information and publicizing that information is essential. The faculty members should understand what the management units are doing and how much it was spending to purchase or achieve particular goal. The tender committee should reviews the real

price of the item and select least price supplier and expenditures should verify as soon as the goods and services acquired.

3.2.2.2 Recurrent Budget Monitoring And Controlling

Budgetary accounting is only one of government accounting systems. It should cover appropriation, any increase or decrease in appropriation, commitments/obligation, expenditures at the verification /delivery stage, and payments. It is the most important one for supervising budget implementation. Absence of quality analysis is due to weakness in budgetary accounting and recording.

With regard to the recurrent budget monitoring and controlling, the faculty management uses an expenditure report prepared by the finance office. It is prepared when the management requires it, no fixed time interval to prepare the report. The aim of the report is to know how much fund is available under each budget line. For some budget lines, the financial report shows a budget discrepancy or deficit. Inefficiency of investment or mismanagement is in hindsight difficult to understand, the major reason for this might be the relatively poor attention that was given to the budget formulation process from spending units, budget centers, the existing procurement activity and estimated allocation made by the budget and planning office of the University.

The other is due to commitment. Commitment is expenditures at the verification stage and orders not yet delivered, such arrangement despite their advantage, create difficulties in the timely monitoring of payments according to the budget classification.

Thus, the management decides to transfer fund to exhausted or deficit budget lines. Frequent and high volume of budget transfer is the common situation in the faculty. As is indicated from the recurrent budget of 1997, 26.2% of the approved budget is transfer to exhausted budget line within the recurrent budget.

If it is impossible to transfer for various reasons like no budget line is sufficient to transfer, or MOFED not allowed to do so, then the management decides to appropriate from special fund for those exhausted budget lines. Registering and monitoring commitment is required for different purposes such as contract and program management, budget implementation, supervision and cash management. While with the absence of timely information system, about orders not yet delivered and cancellation of this commitment the accounting record shows deficit for some budget lines.

As it is revealed from the accounting record, the major problems were identified related to procurement and budget allocation. The law (the policy) requires that a plan should develop to facilitate quarterly allocation of the approved budget before the procurement procedure takes place. Yet the budget centers do not develop the plan and the budgets are seldom approved on time. Lack of quarterly planning and allocation delay means, there is less expenditure in the first quarter. As it is revealed in the chart the percentage of expenditure for the first quarter Hamle, Nehasse, and Meskerem are 0%, 0.73%, and 1.25% respectively for the fiscal year 1997 E.C

The volume of procurement activity increases significantly at the end of 4th quarter as the faculty rush to spend their yearly allocation. The rush usually results in resorting to single source arrangements in order to save time. As it is revealed from the chart 44.3% of the expenditure are made in the month of Sene, end of fiscal year and there is a total deficit of 31,150.26 birr. Deans, departments and administrators try to purchase to the extent of spending all the funds appropriated in the period covered by the budget for fear they will otherwise receive a decreased allocation for the next period.

Spending units have no incentive to propose saving, since they have no guarantee that any such savings will give them additional financial room to undertake new activities.

This all is mainly due to lack of good management & weakness in budgetary accounting.

Mismanagement is in hindsight difficult to understand, improving the integrity & transparency of expenditure process in programs may be the better way to assure that some resource are allocated economically and improve over time the budget process as a whole.

The primary objective of accounting system is to prevent spending in excess of appropriation. Whereas, this requires timely information system about varies appropriations. Expenditures at the verification stage, orders not yet delivered and cancelled commitment should separate from actual expenditure to show the balance more accurately. With today's widespread use of computers, data can be compiled and manipulated and accessed to the users with out committing massive amounts of personnel time to laborious mathematical calculation. The budget analysis prepared by the finance office will be accessed for those responsible and authorized users and decision makers of AAU. A good opportunity for tracking this information is AAU computer network.

3.3 SUMMARY AND CONCLUSION

It is difficult to make accurate forecasts for the implementation of certain programs. Some immediate needs that were not foreseen during budget preparation may appear during budget execution; of course, the future is inherently uncertain. To alleviate this problem allocating resources in conformity with both policy and program priorities to fiscal targets are the core process of budget preparation. Besides, the necessary trade-off made explicitly when formulating the budget and rules for transfer should be flexible. This allows smooth implementation of priority programs.

While the study on the data analysis of recurrent budget indicates that, there is a bridge between policy and actual budget practice in the Faculty of Technology. It is essential to make the policy a breathing reality rather than a statement of wishes.

The main findings of the study are:

Budget centers do not have enough knowledge about importance of budgeting. The link between budget and work plan is weak there is no program priority under the spending unit as well as at the faculty levels. Besides The absence of strong and capable budget committee that play a great role in the budget decision making and lacking information on the relative merit of proposed expenditures the MOFED lead to make arbitrary cuts on the proposal. Thus there is insufficient fund and budget deficit as it is revealed from the chart for the year 1997 E.C a deficit of 31,150.26 birr and there is high volume of budget transfer

Departments and budget centers have wrong perception that budget preparation is simply a futile exercise, which means whether it is prepared seriously or not the amount allocated every year is almost the same this is due to the weak analysis and allocation of the budget and planning office. They merely copy the previous year expenditure

plan. Members of the spending unit do not participate and unaware about the budget at all. P

The approved and allocated recurrent budget for the faculty is insufficient. The allocated budget usually exhausted at the middle of the year, thus, most of the activities of the faculty subsidized by special fund (consultancy) and project fund rather than general fund.

The spending units are disappointed with the recurrent budget of the faculty. Even if they prepare their expenditure plan for the coming year, they did not get any feedback and unable to use the fund when it is required.

As decisions made for procurement of an item involve various administrative levels and actors at different stages, the process is not simple it creates difficulty to control. There is a delay in procurement processes and substandard, obsolete item procured in the faculty. Lack of budget information contributes to absence of transparency and coordination between the administrative and the academics staff; there is a perception of they and we in the faculty.

There is a highly centralized budget administration. It embodies a longstanding set of arrangement; rules and procedures that together help exert discipline on aggregate fiscal management. It grants very little autonomy to spending units and imposes weak accountability on them for their performance.

There is much waste in resource and that expenditure could be cut back with out losing much in the way of service the faculty gives due to the existing procurement activity of the faculty.

There is no expenditure evaluation and regular budget monitoring mechanism in the faculty.

3.4 RECOMMENDATION

Based on the summary and conclusion from the existing system of faculty of technology, the following recommendations followed:

Spending units and budget centers heads should link their budget request with their work plan with justification and program priority. This includes academic program & objectives, number of students, number of classrooms, proposal new program, and number of academic and administrative staff. This helps to defend the higher authority to approve required fund.

Zero-based budgeting approach is appropriate for the AAU rather than copying the previous year request. This method starts with base budget of zero and calculates the cost of running each program from the scratch. Each cost associated with running a program is justified before it included in the budget. The advantages of this approach reside in the extensive review of each program and reveal operating inefficiencies and weaker program. But carrying out every year zero based budgeting exercise covering all programs could be expensive.

The budget and planning office should analyze in detail the request of the budget centers before allocation and AAU should employ sufficient number of budget analysts and experts.

The senior management should write notification for the units, department heads about their respective approved budget and delegate authority and responsibility to execute and control their budget. The senior management should monitor the spending units efficiency and effectiveness.

There should be adequate budgetary control and monitoring system at each stage of expenditure cycle (commitment, verification, and payment). This will be achieved by using the existing AAU computer network.

There should be adequate and transparent competitive procurement and Procedure for market analysis and contracting out. One important point toward achieving effective competition is to perform market analysis. Thorough analysis should reveal several characteristics of a market for a particular goods and services.

There should be comprehensive review and analysis of budget expenditures of the past year to improve budget efficiency. To be useful at the time budgets being prepared plans must be sufficiently tangible to be relating financial requirement. Then budget serves as a standard against which the actual performance can be compared and measured.

There should be timely release of funds and cash flow planning in conformity with budget authorization, besides decentralized control in parallel with strengthened procedures for auditing and reporting to improve public efficiency.

There should be a controlling mechanism for those suppliers who deliver obsolete, defective and inferior quality item, like

- ❖ Criticizes and stop to collect proforma from those supplier.
- ❖ -The units should have the possibility to return back for the concerned body at any time.
- ❖ The one who receive the item from the supplier should check each item base on the specification.

Recurrent Expenditure Report
For the Month Hamele 1996 - Sene 1997 E.C.

Account Code	Account Description	Approved	TRANSFER		Adj.bala	Reales MOFED	Expended	Remai bal
			Addition	Dedaction				
6211	Uniform, clothing, Bedding		19800.00		19800.00	19800.00	14645.53	5154.47
6212	Office Supplies	32000.00			32000.00	3200.00	34065.64	-2065.64
6213	Printing	11200.00			11200.00	11200.00	5363.06	5836.94
6214	Medical Supplies	5000.00			5000.00	5000.00	2119.80	2880.20
6215	Educational Supplies	366000.00		54211.00	311789.00	311789.00	313433.84	-1644.84
6217	Fuel and Lubricants	21000.00	22000.00		43000.00	43000.00	41022.53	1977.47
6218	Other Material and Supplies	18000.00			18000.00	18000.00	296106.34	-278106.34
6219	Miscellaneous Equipment	1000.00			1000.00	1000.00	1046.38	-46.38
6223	Res. and deve. supplies	100000.00		15500.00	84500.00	84500.00	36541.19	47958.81
6231	per diam	27900.00	7567.00		35467.00	35467.00	41461.54	-5994.54
6232	Transport fees	7000.00	12344.00		19344.00	19344.00	12000.80	7343.20
6233	Official entertainment		2500.00		2500.00	2500.00	1747.90	752.10
6241	Maint.& rep. of veh. & other trans.	32000.00	1500.00		33500.00	33500.00	31107.24	2392.76
6243	Maint.& rep. of plant, & mach.& equ.	13000.00			13000.00	13000.00	8523.60	4476.40
6244	Maint.& rep. of buil., furn.& fix.s	27500.00			27500.00	27500.00	27549.11	-49.11
6253	Advertising	2000.00			2000.00	2000.00	2000.00	0.00
6255	Freight	2000.00			2000.00	2000.00		2000.00
6256	Fees and Charges	3600.00			3600.00	3600.00	3137.74	462.26
6258	Telecommucication Charges	94000.00	4000.00		98000.00	98000.00	102641.30	-4641.30
6259	Water and other utilities		200000.00		200000.00	20000.00	20654.72	179345.28
6315	Purc. Adva. L.st. & trans. animals	1100.00			1100.00	1100.00	282.00	818.00
	Total	764300.00	269711.00	69711.00	964300.00	755500.00	995450.26	-31150.26

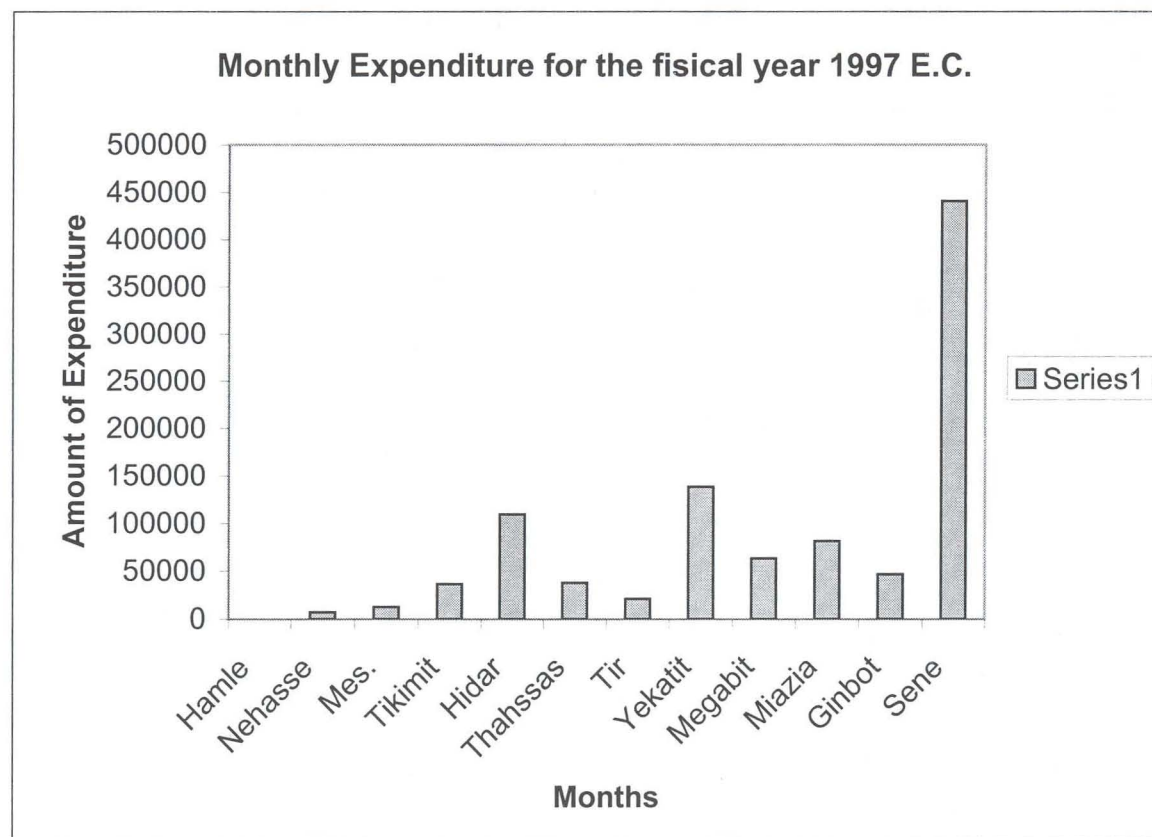
The percentage of buget transfer from the approved budget=26.2%

The percentage of buget expended from adjusted balance =1.03%

The percentage fund balance ramaing at the end of the year=deficit of 0.03%

Monthly expenditure during the year starting from Hamle 1,1996-sene30 1997

Months	Hamle	Nehasse	Mes.	Tikimit	Hidar	Thahssas	Tir	Yekatit	Megabit	Miazia	Ginbot	Sene	total
expenditure	0	7324.42	12519.83	36344.76	109247.35	37808.15	21228.48	138522.5	63512.58	81595.95	46715.07	440631.17	995450.26
percentage	0%	0.73%	1.25%	3.65%	11%	3.80%	2.13%	13.90%	6.35%	8.20%	4.70%	44.30%	100%



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Interview Question

Budget center

Budget preparation

1 Do you prepare a work plan for the coming year before preparing the budget?

If yes who prepares the work plan?

2 Would you please briefly describe the budgeting process of A.A.U? (Preparation- approval – implementation and monitoring)

3 How long does it take to prepare your draft proposal?

4 Do you get budget preparation forms and guidelines from university central administration?

1. Yes 2. No

If yes, are you comfortable with the forms prepared for each line item?

If No, which line item or budget code forms needs to be redesigned in a suitable way to collect the intended information?

5 As you know, the recurrent budget required to undertake various activities are categorized into about 18 budget line. Do you think that these categories are designed in way suitable to university spending? 1. Yes 2. No

If No, What is your suggestion in this regard?

6 Is there a guideline that helps you how measure or quantify the total amount of budget required for each line item?

7 What approach you use to prepare your budget proposal?

A. Incremental B. Zero based, C. Both

Incremental means: - previous budgets are considered as base means last year budget is increased or decrease depending on circumstances or simply adjusting the previous one

Zero based: - it answers why a cost is incur or every expenditures are justified.

8 What problems you face during preparation?

9 Do you have a budget request priority?

10 Do you use a program review when you develop your budget request?

11 What information do you need to prepare budget proposal?

12 What information do you get to prepare budget proposal?

13 What information does often fail to get to prepare budget proposal?

- 14 What steps do you take to fill in the information gap?
- 15 When you develop budget request proposal do you consult the spending unit?
- 16 Which units are expected to provide you with expenditure plan for next budget period?
- 17 Do all of them prepare expenditure plan for next budget period?
- 18 How much percent of your requested budget is approved?

Budget execution and control

- 19 Do you prepare a yearly cash flow and expend accordingly?
- 20 How do you value and give priority about different requisitions presented by a department?
- 21 Do you carry out expenditure report analysis monthly or quarterly?
- 22 What is the aim of conducting expenditure analysis?
- 23 Do you conduct discussion of expenditure analysis with members of the spending units?
- 34 Do you think budget control is enough?
- 35 Did you perform repetitive budget transfer? If yes from which account code?
- 36 Did you face a budget shortage during the year? If yes from which budget line?
- 37 What is your opinion about the shortage?

Department head

Budget preparation

- 1 As a department head what is your role in the process of budgeting?
- 2 Do you prepare a work plan in your department for the next budget year before preparing your budget?
- 3 Who prepare this work plan?
- 4 Do you consult your staff when you develop budget request?
- 5 Did you receive the budget call early, which allows you to prepare and plan in advance?
- 6 What are the major problems that you have encounter in preparation?
- 7 Do you have a budget priority when you develop budget request?
- 8 Do you get enough budget form your request, how much percent of the request?

3

Budget implementation and allocation

- 9 Did you keep yourself aware about the balance of your budget often?
- 10 Do you get timely response for your purchase requisition?
If yes, how often?
If no, why?
- 11 Do you get your requested items according to your specification and quality standard?
If no, why?
10. Do you have updated price catalog?
- 11 Do you make a program review for those programs under your control?
- 12 Is there any discussion of the evaluation with those who implement?
- 13 In case of problems in budget shortage what corrective actions you take?

Budget and planning office

Budget analysis and allocation

- 1 What are the major duties and responsibilities planning and budget office related budgetary issues?
- 2 . Do you have any difficulty in compiling and analyzing budget requests? 1, Yes 2, No
If yes what are the difficulties?
- 3 Do you believe that budget centers give serious attention when they prepare their budget request? 1. Yes 2. No.
If No, in your opinion what are the reasons for giving less attention for the budget preparation?
- 4 Did the budget center present their budget on the deadline? 1. Yes 2: No
If No, in your opinion what are the possible reasons?
- 5 Do you have capable experts that conduct effective budget administration such as budget analysis, consolidation, etc? 1. Yes 2. No
- 6 Do you get sufficient budget from the government?

If No, for instance, what percent of the request has approved in 1997 E.C?

7 Is there a budget committee?

If yes, what are the roles of the budget committee in budget request, allocation etc?

8 Would you tell me

--The role of top management.

--The duty of the board

9 What priorities or parameters are taken into consideration by your office in budget allocation to budget centers?

10 Your office is responsible for the analysis and consolidation of the university budget presented from 37 budget centers, so how do you analyze and compile this. How do you determine the budget ceiling?

11 What is your base to limit a budget ceiling for each budget center?

12 Do you think that budget centers are happy in your budget allocation?

13 If No what are the reasons you expect for the cause of their dissatisfaction?

14 There is a budget discrepancy between budget center and each item of expenditure, how this discrepancy occurs?

Statement

Herewith I state the project, my original works, has not been presented for a degree in any other university or for other purpose and that all sources of materials used for the project have been duly acknowledged.

Name of Candidate

Signature

Date

Herewith I state that the project, an original work that I have advisor, has not been presented for a degree in any other university or for other purpose and that all sources of materials used for the project have been duly acknowledged.

Name of the Project Advisor

Signature

Date

Addis Ababa University
Addis Ababa, Ethiopia