



**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT**

Assessment of Budget Preparation and Utilization: Case of
Addis Ababa City Administration Health Bureau

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Assessment of Budget Preparation and Utilization: Case of Addis Ababa City Administration Health Bureau

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SCHOOL OF BUSINESS AND ECONOMICS
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Abstract

This study was conducted on assessment of budget preparation and utilization in the case of Addis Ababa City Administration Health Bureau. To the best of the researcher's knowledge, there is no document that reports a study on the probable causes that may hinder the preparation and utilization of budgeting in the City Administration of Health Bureau. This is a major motivation to carry out this study. Thus, the general objective of the paper is to assess the budget preparation and utilization of the City Administration Health Bureau. Five out of seventeen budget holders were taken and ten key informants were selected from each budget holders with a total of 50 respondents. In addition, five budget experts were included in collecting primary data through structured questionnaire and three more BOFED budget experts involved. More of the qualitative analyses demonstrate that there was no accountability in budget utilization, there is no market oriented cost estimation practice. Lack of adequate and experienced budget experts is other issue that contributes to worsen the problems and also there is no evidence based evaluation mechanisms in the budget utilization at each level of the Health Bureau. Therefore, in order to improve budget preparation and utilization in Addis Ababa City Administration Health Bureau, it calls for taking any possible and remedial actions in the subsequent years.

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List of Abbreviation

BOFED	Bureau of Finance and Economic Development
CIMA	Chartered Institute Of Management Accounting
EFY	Ethiopian Fiscal year
GTP	Growth and Transformation Plan
HSDP	Health Sector Development Program
ICAFW	International Conferences on Application of Fractals and Wavelets
IBEX	Integrated Budget Expenditure Frame work
IMF	International Monetary Fund
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
MTEF	Medium Term Expenditure Framework
OECD	Organization for Economic Co-Operation and Development
OFAG	Office of Federal General Auditor
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organization

CHAPTER ONE

INTRODUCTION

1.1 Background

From the perspectives of public policy and budgetary process, the health sector shares many of the characteristics of other sectors of government. This means that the citizens of any country will benefit from a health sector that is subject to the same broad set of rules and procedures that are applied to other sectors. For budgeting and utilization processes to be effective and economic, they must be based on well-argued and elaborated plans and program. Contemporary studies show that governments which have effective fiscal rules have stronger budget discipline. These rules focus on formal and informal procedures for preparing and utilizing the budget Schick (2007).

Poor performance is often to be found in the weak links between policy making, planning and budgeting. At one level, policy making and planning are unconstrained by what a country will be able to afford over the medium term. At another level, policy making and planning are insufficiently informed by their budgetary implications and by their likely impacts in the wider community. The inadequacy of hard budget restraints on decision makers at the planning and budget formulation stage of the cycle leads to inadequate funding of operations, poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service delivery Malcolm (1998).

When we see the case of Ethiopian budget classification system, it is possible to see exactly which resources are assigned to which public bodies and to follow up that the money has been

used in accordance with the intended priorities. Budgets are assigned to public bodies or sector offices and their respective departments, divisions, programs or projects, in turn, assign responsibilities for their effective use. With devolution, it is crucial that the planning and budgeting cycles at each level are harmonized and coordinated. This is also why a basic understanding of the procedures and timelines in preparing the budget at federal level is important in order to understand the budget process at regional and Woreda level. Furthermore, budgets define “use” and “purpose”. The purpose or objective of a budget is related to the intended outputs. This means all budget items are related to the planned activities on which the public funds are spent and the purpose of the spending.

Finding adequate resources to finance health systems has become a real challenge for countries around the world. This challenge is exacerbated in developing countries that lack sufficient funds to meet their populations’ basic health needs and demands. Increased pressures on health care resources have led policymakers, administrators and clinicians to search for more efficient ways to deliver health services. Increasing public resources for health or more precisely, expanding “fiscal space” for health does not necessarily need to come from greater tax revenue or larger budgets. Often times, it is not the amount of health spending, but the effectiveness with which those funds are used, that matters most. Effectiveness and efficiency improvements in the health sector, even in small amounts, can yield considerable cost savings and even facilitate the expansion of services for the community. Minimizing waste, corruption and other forms of ineffectiveness and inefficiency estimated between 20-40 percent of total health spending World Health Organization Report (2010) that means countries’ health systems can achieve more with the available resources.

In the case of Ethiopia one of the main challenges hampering health care access and quality is the lack of resources. To address this challenge and hence to mobilize adequate resources for the health sector, different resource mobilization activities have been implemented, including: (i) revenue retention by health facilities for quality improvement; (ii) implementation of fee waiver system for enhanced equity; (iii) establishment of private wings and outsourcing for better efficiency; and (iv) pilot and implementation of community based and social insurance schemes for improved financial access to health services, avoiding payment at the point of care delivery (HSDP IV report (2006)).

Besides to this, for effective use of resources and to gain an understanding of how public funds have been utilized, and how they contribute to government policies, it is important to monitor the results of expenditure. This has led to the establishment of government monitoring and evaluation (M&E) systems. A common feature of such systems involves the Ministry of Finance keeping spending agencies in check by requesting reports on financial and non-financial performance. The latter is also referred to as the results of government spending, and can be measured at the levels of outputs, outcomes and impacts, which involves defining performance indicators. It is important for governments to define and keep track of indicators to consider what they are trying to achieve with their policies and how far they are progressing and to use the information to plan accordingly. For this reason, there is a strong link between budget monitoring (understanding how public resources are being utilized) and performance-based budgeting (Rebecca, Natasha & Imran, 2011).

To sum up, this paper explores how the public budget is being prepared and utilized effectively and how this can be enhanced. Having assessed these issues, the paper puts forward viable recommendations for decision makers regarding strategies to take advantage of existing and emerging opportunities for improved sector financing and budget execution. It suggests steps to be taken in the preparation and utilization of budget in Addis Ababa City Administration Health Bureau, by taking existing problems into account. This will help contribute towards improved and sustained future health service development interventions.

1.2 Statement of the Problem

There are different budget users at different level of Health Bureau and each of the budget users has the responsibilities of preparing and utilizing budget. In budget preparation and utilization there are various type of problem encountering, in the case of Addis Ababa City Administration Health Bureau the problems can be categorized in two levels: On each level of budget users and on Planning and Budget Department of the Health Bureau.

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. Besides to this, there is a

recommendation given by BOFED as if there are unutilized budget by Health Bureau that can be used for other developmental activities.

On the other hand, Planning and Budget Department of the Health Bureau, has a lion's share role to follow-up the implementation of Health Bureau budget whether it is prepared and utilized for the intended purpose or not. In this regard, there is no strong way in budget reporting, supervising and controlling system by the Health Bureau budget department for each level of budget users and problems would arise for weak budget preparation and utilization as reported by BOFED. This problem requires further investigation with scientific approach how the budget preparation and utilization proceeded within the Addis Ababa City Administration Health Bureau.

The research concentrated on the assessment of the preparation and utilization of budget in Addis Ababa City Administration Health Bureau. Little has been done to evaluate/determine the causes that probably affect the preparation and utilization of budget in Addis Ababa City Administration Health Bureau. This research thus bridges an evident research gap as there is no document to the best of researcher knowledge that reports any study on the probable causes that may hinder the preparation and utilization of budgeting in the City Administration of Health Bureau.

1.3 General Objectives of the study

The general objective of the study is to assess issues related to the preparation and utilization of budget in Addis Ababa City Administration Health Bureau and to provide suggestions for future actions.

1.3.1 Specific Objectives

- To examine budget preparation process
- To review how the mechanisms in budget preparation and utilization in the Planning and Budget Department and budget users proceeded.
- To suggest possible recommendations on the observed problems and gaps

1.4 Research questions

- How is the budget preparation processed?
- Does Planning and Budget Department have a means to take corrective action on the weaknesses of budget preparation and utilization?
- What weaknesses are observed in budget preparation and utilization?

Therefore, this paper will try to raise the above research questions and address the critical problem by suggesting possible recommendation in the future.

1.5 Scope of the study

The scope of this research is limited at Addis Ababa City Administration Health Bureau within two Sub Cities Health offices, two Regional Hospitals and one Regional Health Office. The research goes through to investigate on how budget prepared in the selected area of study and utilized accordingly. The time horizon of the study covered by this research had been limited to assess the last five years budget utilization of Addis Ababa City Administration Health Bureau covering from 2002 up to 2006 E.C. During the last five years, a budget utilization trend of the Health Bureau is observed from five years audited budget report of BOFED.

1.6 Limitation of the study

When the research was conducted the researcher faced some challenges. That is, there was lack of research studies and availability of sufficient current literature on the topic. However, the researcher tried to navigate from different secondary sources related to planning and budgeting.

1.7 Research Design and Methodology

1.7.1 Research Design

In this study, the researcher used both qualitative and quantitative approach. For this research a case study method used to collect and analyze the data. The main reason for selecting this research method is there are many government organizations in the City Administration and the researcher decided to take only the case of Addis Ababa Health Bureau using key informants in attempt to describe and analyze the budget preparation and utilization in Health Bureau. The choice of Key informants is based on purposively selected offices for the assessment of budget preparation and budget utilization and samples were selected for the purpose of this study. The

adoption of this sampling method was based on the fact that the Study did not use any sampling frame from which a random sample could be drawn.

1.7.2 Population and Sample of the Study

Addis Ababa City Administration Health Bureau has one regional health office, ten Sub Cities, six government Hospitals administered under it i.e. there are 17 (seventeen) budget holders in the Health Bureau (ten Sub Cities, six government Hospitals and one Regional Health Office) with more than ten budget user units in each budget holder. Thus, the study used purposively selected budget users. Accordingly, five budget holders are selected from 17 budget holders' i.e. two Hospitals, two Sub Cities and one Regional Health Office were taken with a total of fifty respondents involved by taking ten respondents from each budget holders.

Besides to this, for the purpose of more information clarification and most of the budget issues are prepared and followed by the help of Plan and Budget experts in each of budget holders, and then five of the budget holders 5 (five) budget experts are purposively selected and included from each budget holder. On top of this, for the purpose of triangulation of the response given by Health Bureau key informants, 3(three) budget professionals have been taken from BOFED purposively selected key informants.

1.7.3 Sources and Instruments of Data Collection

Both primary and secondary methods of data collection were used. Primary data was collated from fifty budget users; five budget expert of the health bureau and three budget expert from Addis Ababa City Administration Finance and Economy Development Bureau. Secondary data

was reviewed from Addis Ababa City Administration (BOFED) audited report, Ministry of Finance and Economics (MOFED) documents, books, internet, manuals, annual reports, proclamations, and regulations.

The questionnaires were distributed to fifty budget users, particularly to staffs in the Sub Cities Health Office, Hospitals and Regional Health Office. Other questionnaires were also sent to five budget experts of Planning and Budget Department of Sub Cities, Hospitals and Regional Health Office and three budget professionals of Addis Ababa City Administration (BOFED) budget department.

The questionnaires for Health Bureau budget users contained general information, questions related to planning and budget preparation, implementation, and overall utilization of budget. Most of the questions designed to be closed-ended. Likert scales of questionnaire distributed to collect the data from all respondents. The scale was leveled as: “Strongly agree”, “Agree”, “Neutral”, “Disagree”, and “Strongly Disagree”. Moreover, “Yes” and “No” forms were used. The questionnaires also included open-ended questions. The questionnaires for Addis Ababa City Administration Finance and Economic Development (BOFED) related with how the budget are prepared and utilized in the Health Bureau.

1.7.4 Methods of Data Analysis and Interpretation

The data gathered through primary and secondary methods analyzed by using both qualitative and quantitative data analysis methods. The data collected through questionnaire was analyzed using SPSS software version 20 and presented using descriptive statistics (frequency and

percentage). Qualitative methods of data analysis are used for open-ended question and interview for each of response given by respondents of budget user staffs, health bureau budget experts and Addis Ababa City Administration Finance and Economic Development Bureau Budget Experts in explanatory way. The literature review entirely depend on secondary sources whereas; the analysis part relied on primary data that has been collected through structured questionnaire and personal interview as well as budget utilization report which is provided by BOFED. It also depends on secondary data that were collected from the sources indicated above in 1.7.3.

1.7.5 Technique of verification

The questionnaire and interview were developed by the researcher to assess the situation of budget preparation and utilization in the case of Addis Ababa City Administration Health Bureau. In the instrument validation process the questionnaire was distributed for six budget experts for comment and it had been developed according to their comments. On top of this, reliability and validity of finding tried to be ensured by using variety of data collection approaches in combination i.e. the weakness of one approach is offset by the strength of other. As well as it would strengthen the validity of the results. Then the research started with survey, followed by unstructured interviews and which in turn followed by revision of documents and reports.

1.8 Significance of the Study

The researcher believes that the result of this research would have the following significances. Apart from being the obligatory requirement for fulfillment of this thesis, the research report gives some necessary recommendation to have relevant information for Addis Ababa City

Administration Health Bureau on budget preparation and utilization. At large, the study may be employed by Addis Ababa City Administration Health Bureau in addressing some of the problems related to budget preparation as well as utilization. It may also contribute to create awareness among the budget users, and any other concerned body on the role of budget management and to the success of vision of Health Bureau. Moreover, it can be referred and make the base for further research on the same topic for others researchers.

1.9 Organization of the paper

This research paper is divided into four chapters. The first introductory chapter, which contained the background of the study, statement of the problems, objectives of the study, research design and methodology, significance of the research, scope of the study; the second chapter describes literature review in budget, which is relevant to the topic under investigation. The data presentation, analysis, and interpretation are presented in the third chapter. The last fourth chapter provides summary of findings, conclusion and recommendations for Addis Ababa City Administration Health Bureau.

CHAPTER TWO

LITERATURE REVIEW

In this chapter the concept of budgets, budget preparation and the budget utilization and some empirical literatures are discussed. This is achieved by gathering the available literature by scholars and academicians on the subject.

2.1 Concepts of Budgets

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, 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 & New, 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 & Von 2007).

2.2 Budget Preparation

Maitland (2001) mentions that the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget. In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data. Falk (1994) states that budgets are financial expressions of a country's plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses. He adds that budgets set limits. Besides setting limits, Andrews and Hill (2003) say that budgets also provides the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation.

As per Shah (2007) preparation of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands.

Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting Bunch and Straussman (1993). One approach is to set specific dollar ceilings on budget requests. This approach has the distinct advantage of making agencies prepare requests that include only financially feasible options Lee (1992). This method is often called fixed-ceiling budgeting. Budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings. Another approach is for the governor to provide policy guidance in terms of overall priorities and/or guidance by major program. According to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities.

As Schiavo-Campo (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive in accordance with policy objectives. These are then communicated to the line ministries, which are responsible for preparing their respective sector budgets. Through an iterative process of review, debate and bargaining, a consolidated budget is hammered out. A budget proposal is then presented to the legislature, where it is debated and negotiated with the executive and eventually passed into law.

2.3 Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging than planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing. According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget.

As per Allen and Tommasi (2001), successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides to this, the budget system should assure effective expenditure control. In addition to a realistic budget to begin with, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items Schiavo-Campo and Tommasi (1999).

2.4 Concepts of under and over utilization of Budget

Allen and Tommasi (2001) stated that over utilizations 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. 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 in a number of countries, the official budget is underspent, 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, underspending of the official budget may coexist with large amounts of off-budget spending.

On the whole, in most cases, underutilization as well as overutilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization 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, poor planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget actually utilized; inadequate accounting

systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

2.5 Reason for Variations between Budgeted and Actual Expenditure

As per 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, program and projects; and a lack of financial discipline contribute for variation in budgeted and actual expenditure.

2.6 Internal control

As explained by Rebecca, Natasha & Imran (2011) internal control systems are the policies and procedures put in place by the management of a government agency in order to ensure the agency achieves its objectives and complies with external laws and regulations. Such policies and procedures tend to cover financial accounting and reporting, performance monitoring, asset management and procurement. Large agencies will have an internal audit unit comprising internal auditors that independently review and report on the implementation of management policies to the head of the agency.

2.7 Managing and Monitoring Budget Utilization

As indicated by Tommasi (2007) there should be distribution of responsibilities for budget utilization, budget appropriation management rules and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution. At the same time budget execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. Both the central agencies (the ministry of finance, the ministry of planning in a dual budgeting system, and the prime minister's office) and the spending agencies are involved in these tasks. The distribution of responsibilities in budget management should be organized according to the agencies' respective areas of responsibility and accountability.

2.8 Empirical literature

According to Horngren, Sundem, Stratton, Burgstahler & Schatzberg, (2008) state that, recent surveys show just how valuable budgets can be. They assert that, a study of more than 150 organizations in North America listed budget preparation and utilization as the most frequently used as most important part of budget process. One of the usefulness of the process of budgeting forces manager to become a better administrator and puts planning in the fore front of managers' mind.

In the same book, Horngren *et al.*, (2008) also point out that the result of a survey carried out in the same place (North America) shows that most managers still agree that good budget preparation and utilization, correctly used as significant value to management. They reported that over 92% of the 150 companies in North America prepared and utilized budget and remarked budget process as the top among the top activity expected from management. In the same view,

in a roundtable discussions organized by CIMA and ICAEW in 2004 on “The traditional role of budgeting process in organization”, it is stated that budgeting and the accompanying process are indispensable and that, research in organizations seems to suggest that this is a commonly held view.

It was further stated that, traditional budget process remains widespread. Some claim that as many as 99% of European companies have a budget in place and no intention to abandon it (Kennedy & Dugdale 1999, cited in CIMA-ICAEW, 2004).

Consistent with this, Anand (2004) in a survey carried out in India found out that good budget process as one part of management control system is widespread. Precisely, 88.7% of the respondents in their study prepared budgets. They assert that nearly all the companies in Australia, Japan, UK, and USA prepare budgets (Asada *et al.*, 1989, Blayney & Yokoyama, 1991, Chenhall & Langfield 1998 all cited in Anand *et al.*, 2004).

On the contrary, research also shows that over 60% of companies claim they are continuously trying to improve the budgeting process to meet the demands set for management in creating sustainable value (Ekholm & Wallin, 2000, cited in CIMA-ICAEW, 2004). According to Bourne (2004), Cranfield University in 2001 teamed up with Accenture's finance and performance management service line to undertake a large worldwide review of planning and budgeting. They focused on 15 companies in the US and Europe which had already made adjustments to their budgeting practice. In addition, the researchers reviewed over 100 academic and practitioner

books on the subject. The result showed a widespread dissatisfaction with the budgeting process (Bourne, 2004).

However, empirical evidence from Nigeria showed that from country other than the developed ones on the value of budget preparation and utilization. The study concludes that most companies in Nigeria operate budgets annually, thereby confirming its widespread use. We can also conclude that budget preparation and utilization is a veritable part of budget process. It is recommended that efforts through researches should be directed towards improving the budget preparation and utilization rather than calling for its total abandonment.

2.9 Budget Process Overview in the case of Ethiopia

Currently, the annual budget formulation process has two dimensions: the identification of priorities and goals, and allocation and management of funds. The budget formulation process has four stages: the planning stage, the budget preparation stage, the budget legislation and budget implementation and control stages. Several stakeholders are involved at each step of the budget cycle, with some contributing exceedingly more than others. The executive body has considerable power in the budgetary process with Ministries playing important roles in planning, budget formulation and implementation. Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately (MOFED, 2009).

MOFED is the major clearing house for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of the Minister of Finance and Economic Development, as stipulated

in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and preparing a financial plan for the country. Each public body needs to take the initiative to commence budget preparations before they receive the budget ceiling letter from Ministry of Finance and Economic Development (MOFED) with their budget ceilings, such as development of unit costs (where appropriate), a midyear program review, and the preparation of work plans.

Various steps are involved in the process of budgeting in Ethiopia. The first step in the process is the sending of Budget Ceilings and ceiling notifications to line ministries by the MOFED. The various line ministries submit their budget request as per the established regulations. After the budget hearing and defense process at the MOFED, the final budget will be submitted to Parliament by the Prime Minister for approval.

It is important to distinguish between the approved budget and the annual appropriations. The budget that is approved by the Council of Peoples Representatives is a detailed budget, i.e., by public body, sub-agency, project, expenditure item, etc. However, the appropriations are at a more aggregate level. An appropriation is a legal mandate to spend money out of the consolidated fund. After the Council of Peoples Representatives has approved the budget, it is the responsibility of the civil service to implement that budget.

Implementation of the approved budget is also known as budget execution MOFED (2006). the implementation phase of the budgetary process covers not only measures for disbursing funds already allocated but also the monitoring of how funds are spent to ensure that they are used judiciously and for the intended purposes. It is the responsibility of Ministry of finance and economic development to inform all public bodies of their approved budget. It uses forms to notify each public body of their approved recurrent and capital budget respectively; and between July 8 and 15 (MOFED, 2006).

Funds are dispersed to ministries each month on the basis of the allotted budget. Every Ministry is required to submit a monthly disbursement request in which it reports the previous month's expenditure, detailing what was spent and how it was used, and makes a request for the next month's allocation through a work plan.

The Ministry's Fund Disbursement Department handles the process of fund disbursement for the ministries and keeps records of all transactions. The budget registrar in the Disbursement Authorization Department records the original budget, all transfers and supplementary budgets, the disbursements made and any undisbursed allocation.

Each public body is required to enter details of its approved budget onto their budget expenditure subsidiary ledger cards for each budget institution, sub-agency, or project. The cards are used to keep track of approved budget, budget adjustments/transfers, supplements, and commitments.

Although planning and budget processes should be thorough and attempt to anticipate needs of the next year, not all future circumstances can be foreseen with accuracy. When the situation demands, the approved budget can be legally adjusted during the year to adapt to unforeseen circumstances. Budget adjustments are not desirable and can be avoided by proper planning and budgeting. There are two types of budget adjustment permitted by law: budget transfer and budget supplement.

2.10 Budget Transfer

It is Possible to move budgeted funds between public bodies, budget institutions, projects or items of expenditure, without changing the total approved budget. Budget transfers between public bodies, budget institutions, projects or items of expenditure are authorized by the Financial Administration Proclamation No. 648/ 2009 and the Financial Regulations No. 17/1997, subject to certain restrictions and the required level of approval or authorization. These include:

- No transfers are permitted from other recurrent expenditure to salaries, wages or allowances;
- No transfers are permitted from the capital budget to the recurrent budget;
- All other transfers must be approved by the authority specified in Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

On the other hand, MOFED is empowered to transfer funds within items of expenditure of the recurrent budget; and budget from one capital project to another within a public body FDRE (2009).

2.11 Budget Supplement

The total approved budget can be increased with the approval of the Council of Peoples Representatives on recommendation of the Council of Ministers. It is additional authority to spend beyond the original approved budget. During a budget year, while an approved budget is in the process of being implemented, it is possible that an unforeseen or urgent need for increased expenditures arises, (e.g. a natural disaster) or a new project, not included in the original approved budget, is approved for commencement during the budget year; Additional resources become available (e.g. from external assistance or loans) that can fund increased total expenditures, including any new projects. Any of these circumstances may require additional expenditures during the budget year by a public body beyond those in the approved budget. In these situations a supplementary budget and appropriation are required. These are also authorized by Part Four of the Financial Administration Proclamation No. 648/2009 and the Financial Regulations No. 17/1997.

Supplementary budgets are coordinated and prepared by MOFED, based on requests or proposals received from public bodies. Public bodies are required to prepare their supplementary budget requests in writing and submit to MOFED Budget Department. Then, MOFED notifies public bodies of their approved supplementary budget. Subsidiary ledger card must be kept up to date by public bodies so as to show the correct adjusted budget and to prevent any overspending or over commitment of funds available.

MOFED coordinates the management and control of public funds in Ethiopia. It is this Ministry that keeps the accounts of the federal budget and prescribes regulations on financial management

and control of ministries and government agencies. In addition, ministries are required to manage and control funds allotted to them following the central regulations and directives on financial management set out by MOFED. The regulatory mechanisms of the budget include requirements that:

- Budgetary receipts be recorded in the appropriate budgetary account as prescribed in the financial regulations and in a timely manner;
- Collected revenue be recorded under the appropriate revenue account;
- Expenditure only be made in compliance with the financial regulations;
- All books of accounts are closed each month and a monthly receipt and disbursement be prepared and submitted to MOFED at the centre and regional finance bureau in the regions;
- Periodic financial statements are prepared and submitted to the Council of Ministers and regional executive committees by MOFED at the centre and regional finance bureau in the regions;

A consolidated annual report be prepared and sent to the Council of Ministers and regional executive committees by MOFED and regional finance bureau. MOFED can be seen to play a central role in the budgetary process of the country. It controls the formulation and implementation of the budget of line ministries at various levels. During the writing of the Budget Calls, it can make changes in the budget allocation of line ministries after review and analysis of the budget estimate submitted by the ministries. It decides the level of the budget to be recommended to the Council of Ministers. During implementation, it has the power to disburse funds. Through the monthly accounting reports, it scrutinizes the performance of the

ministries in budget implementation, and it can decide on the level of funding to be authorized for disbursement. It can also approve transfers and recommend supplementary allocations.

As stated by Alemayehu Geda and Dawit Birhanu (2011) the new fiscal year budget implementation begins with the issuance of budget notification from MOFED to budgetary institutions. Institutions are expected to submit action plans (financial and physical) for the budget year based on the approved budget spending. Budget utilization is implemented using a three month rolling disbursement request to MOFED by the budgetary institutions. MOFED in turn releases funds according to their request. Previously institutions were obliged to submit their requirement monthly. When we see the annual budget cycle, it is devoted to budget implementation and control. This stage focuses on:

- Notification of the approved and allocated budget to the budgetary institutions by MOFED;
- Submission of annual and sub-annual cash flow need planning by the budgetary institutions and release of fund by MOFED through zero-balance cash flow management system
- Evaluation and monitoring of implementation of projects.
- Comprehensive auditing of Federal Government accounts by the Office of the Federal General Auditor and submission of the audit report to the Parliament; and approval of the report by Parliament; and
- Take corrective actions based on the audit findings and recommendations by MOFED.

2.12 Health Bureau Budget Process

Health sector has undergone decentralization since 2003. However the administrative structure has been decentralized, in actual policy implementation, the health bureau's budget and activity plans are based on the city's strategic plan. Even though the health bureau is considered to be the program owner, it is given instructions on how to spend funds by BOFED.

Recurrent expenditure on health is funded by BOFED whereas program activities (capital expenditure) are covered by BOFED and international donors (UNICEF, USAID, WHO). Funds for certain program activities (e.g. UNICEF's vaccination program), are channeled directly from the Federal level (MOFED/ MOH – Channel 2) to the Health Bureau. In general, funds are released quarterly or as lump sum.

The Health Bureau mainly interacts with BOFED directly through, for instance, financial activity reports. Sub Cities, Hospitals and health centers are designed as cost centre and implement health services. Addis Ababa has 6 hospitals, 103 health centers owned by the City Administration. Health Centers are managed by sub-cities. For the allocation of recurrent budget discussions are made among representatives of Health Bureau, Hospitals and Sub Cities but the decision is made by BOFED and approved by the city cabinet.

2.13 Budget Utilizing Bodies in Addis Ababa Health Bureau

According to the budget guide, Addis Ababa City Administration Health Bureau has identified the following budget executing bodies at each level of the health sector in the City Administration i.e. at Regional Health Office, Sub Cities and Hospitals.

- Human Resource management department
- Curative Health service department
- Disease prevention and health promotion
- Planning and budgeting department
- Finance department
- Purchasing and store administration department
- Internal auditing department
- Pharmacy department
- Laboratory department
- Communication department

These budget utilizing bodies are regarded as the major users that hold the direction of the health Bureau in terms of activities and programs based on the strategy of health sector in the City Administration that the Health Bureau needs to achieve within five years. These activities and programs are implemented through the whole budget users i.e. Sub Cities, Hospitals and Health Centers at the same time the structure of health bureau is similar from health bureau to health facilities levels.

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

In this chapter the data collected from various sources related with budget preparation and utilization of Addis Ababa City Administration Health Bureau has been discussed. The data were presented and analyzed according to the flow of budgetary processes starting from budget preparation, followed by budget utilization.

As indicated in the introductory part of the paper, statistical package for social science (SPSS) application has been applied to analyze the data. The descriptive analyses were also supported by the open-ended responses given during the collection of data, interview responses, reports, and literature reviews.

3.1 Characteristics of the Respondents

The respondents used in this research paper are classified into three types namely: budget users selected from samples of all the budget holders, budget experts of Planning and Budget Department and Budget experts from Addis Ababa City Administration Finance and Economic development Bureau.

Structured questionnaires (attached in Appendix 1) were sent to 50 respondents in samples of 5 budget holders as listed in Appendix 1. Forty three of the respondents (86%) have filled and returned the questionnaires properly. The questionnaires were distributed to and filled by budget experts, budget heads, and finance experts, in each budget holders. The characteristics of the respondents are presented below as follows in terms of gender, education level, and service year.

Table 1: Level of Education Vs Service Year - respondents from budget users

Educational Level	Gender		Service Year			
	Male	Female	<=5 years	6 to 10 years	11 to 15 years	Above 16 years
Diploma	2	3	0	2	1	2
Bachelor degree	23	11	9	12	6	7
Master Degree	4	0	1	2	1	0
Total	29	14	10	16	8	9

3.2 Health Bureau Budget preparation

Some questions were forwarded to assess the budget preparation process. The response of budget users is depicted as follows in relation to budget preparation. The summary of the response presented in table 2 below.

Table 2: Budget Preparation by Budget users' and their response rate

Questions	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
You have adequate understanding to prepare plan and budget	12 (28%)	22 (51%)	2 (5%)	6 (14%)	1 (2%)	43 (100%)
Your office has adequate number of professionals (budget officers) who prepare plan and budget.	9(23%)	8 (18%)	11(25%)	9(21)	6(13%)	43(100%)
Your office prepare the	12	19	6	4	2	43(100%)

budget in relation to plan	(28%)	(44%)	(14%)	(10%)	(4%)	
Your office prepares its annual plan based on the strategic document of City Administration.	14(33%)	24(56%)	3(7%)	2(4%)	0	43(100%)
Your office revises its plan frequently in relation to budget	7 (16%)	21(49%)	6 (14%)	5 (12%)	4 (9%)	43(100%)
Budget is prepared based on reliable data and estimates.	10(23%)	24(56%)	6(14%)	1(2%)	2(5%)	43(100%)
Plan and budget is prepared for each program.	13(30%)	18(42%)	8(19%)	4(9%)	0	43(100%)
The amount of budget prepared for each program line item is over estimated	1(2%)	3(7%)	9(21%)	16(37%)	14(33%)	43(100%)
There is problem of matching plan with budget in your office.	4(9%)	5(12%)	6(14%)	16(37%)	12(28%)	43(100%)
Your office has strong relation with Health Bureau plan and budget department	5(12%)	16(37%)	6 (14%)	9 (21)	7 (16%)	43(100%)

Source: Survey data

As it is depicted on the table 2 above key informants were asked about the preparation of plan whether it is related with budget or not. As we have seen on the above table from the total of 43 informants 12 of them strongly agreed and also 19 agreed on the existence of plan prepared in relation to budget. As it is displayed in the response near to 31(12 of them strongly agreed and 19 of them agreed) i.e. (72%) of respondents agreed upon on the existence of a relation between

the plan prepared with budget requested except in some situations. On the contrary when we see the question of budget revision, 65 percent of the respondents (28 of 43) agreed that they revise their plan frequently in relation to annual budget. From the responses the two ideas contradict with each other because the responses of the two questionnaires have almost near to equal rate of percentage. According to Peters (1998) identified the following weaknesses in planning the budget and utilization he stated that when there is poor planning; poor planning and budgeting; little relationship between budget as formulated and budget as utilized and moreover if there is no strong linkage between plan and budget preparation the result will become revision of budget repeatedly. Therefore, if there is a strong relationship between plan and budget we do not expect revision of budget repeatedly.

Besides to this Likert scales of questionnaire, there were answers provided by the respondents in appendix 1 for open-ended questions indicated there were mismatch between plan prepared and annual budget requested. As the respondents stated, because of the mismatch between plan and budget, the departments are obligated to revise plan to include new activities. In most of the case low attention is given to the preparations of plan and budget. The cause for the revision of budget was mainly contributed by failing to consider the amount of budget needed for the fiscal year at the beginning of the budget year. On the other hand, other departments are considered that plan is always prepared by the planning department only and they left out for themselves. Such situation has resulted in preparing budget without the exact basis of reasonable estimates and base line data.

As recognized from their written response, some budget users units prepare their annual budget by copying from the previous year budget request because of inexperience. Furthermore, they explained that budget users plan does not consider the approved budget of the health bureau and overall there is seldom orientation given about plan and budget preparation by BOFED and Health Bureau Budget department for the budget users.

Both of the plan and annual budget preparation are synonymous. To achieve mission of the organization, flexible strategic plan has great value. 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. Nevertheless, plans should be a stable but flexible document over time that comprises the administrative outputs required for the management of the institution function including the provision of policy, strategy, plans, program and budgets.

On the other hand, interview response revealed by plan and budget department during 2007 E.C third quarter report, the following problems were observed by budget users in connection with plan and budget preparation for successive budget years. The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, prepared budget did not include the relevant issues and the Health Bureau's strategic plan fully, there is a tendency of presentation of budget demand without work plan. In addition to this, majority of the respondents confirmed 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. In addition to this, there was questions forwarded to budget experts and some of them are depicted as follows:

- Do you agree that there is a wide mismatch between plan and budget in your organization?
- Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals?
- Do you believe that budget holders give serious attention when they prepare their budget request?
- Do you think that the department has adequate number of skilled professionals?

The respondents' answers are summarized as the follows: greater part of budget experts agreed on the existence of weaknesses in budget preparation even though there are others who do not agree. Some of the respondents explained that some budget users prepare their annual budget by over estimating. And they do not give priority of activities while preparing the financial plan. Moreover, most of the time the amount of budget requested for each item is purposely exaggerated. The main reason is they considered as the office responsible for budget approval allocates budget by reducing some percentage from the initial request. So that, according to their intention, if they submitted actual demand without overestimation, the amount approved for that budget year would become less than what is expected.

Of the five budget experts, all of them stated that Health Bureau Plan and Budget Department has no adequate number of skilled persons to conduct budget analysis. Moreover, for the question on the budget preparation majority do not agree that budget users prepare their financial plan based on realistic, valid assumptions, and by knowledgeable individuals.

In general, the practice of budget users is not on the right track with the budget preparation principles. In addition to this, it contradicts with what literatures mention on budget preparation. For instance, according to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities.

3.3. Health Bureau Budget Utilization

According to Allen and Tommasi (2001), to utilize budget successfully it depends on various factors, such as the executing capability of the agencies or institution concerned. Every budget user department has the obligation to register transaction of budget movement and maintain the balance on the ledger prepared for this purpose. In principle Budget users under Health Bureau has the responsibility to submit monthly report to Health Bureau planning and budget department. Further, the budget user is required to utilize the allocated budget for the specified period.

According to the report revealed by the Planning and Budget Department of Health Bureau in 2007 EFY third quarter, the following problems were observed in budget utilization for the past budget years. There is weak supervision and control by the budget user leaders and their successive subordinates; almost there is no performance evaluation on budget utilization; unable to make continuous and regular evaluation in order to correct the observed problems.

As per the survey result, majority of the respondents in the sample budget users have denied the existence of under budget utilization and follow-up weaknesses in their respective offices. The outcome of the survey has been indicated as follows in table 3.

Table 3: Budget users' response rate on budget utilization

Measurement of Budget Utilization	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Your office utilizes the approved budget based on its plan.	17(40%)	21(48%)	3(7%)	2 (5%)	0	43(100%)
Your office has the practice of regular follow up on its budget utilization.	17(40%)	18(42%)	5(11%)	3(7%)	0	43(100%)
Your office has a adequate capacity to evaluate budget with its main activities.	12(28%)	22(51%)	4(9%)	5(12%)	0	43(100%)
Your office is criticized for accumulation of Un utilized budget.	5(12%)	6(14%)	10(23%)	13(30.%)	9(21%)	43(100%)
Your office faces budget shortage during the budget year.	8(19%)	10(23%)	8(18%)	12(28%)	5(12%)	43(100%)
Your office has strong budget control Mechanism.	13(30%)	15(35%)	9(21%)	6(14%)	0	43(100%)
Your office submits repeatedly a request for adjustment of budget allotments after it is approved.	5(12%)	15(35%)	9(21%)	8(19%)	6(13%)	43(100%)

There is underutilization of budget in your office.	5(12%)	7(16%)	13(30%)	8(19%)	10(23%)	43(100%)
The current budget utilization and control of your office is sufficient.	7(16%)	14(32%)	1(2%)	14(33%)	7(17%)	43(100%)
All expenditures are sufficiently documented	18(42%)	15(35%)	6(14%)	3(7%)	1(2%)	43(100%)
Your office presents timely, explanatory, and complete budget utilization report.	10(23%)	19(44%)	10(23%)	4(10%)	0	43(100%)
Budget utilization reports are consistent With plans.	7(16%)	21(49%)	8(19%)	4(9%)	3(6%)	43(100%)
Your office has strong relation with Health Bureau Plan and Budget Department	5(12%)	16(37%)	6(14%)	9(21%)	7(16%)	43(100%)
Planning and Budget Department have a means to take corrective action on the weaknesses of budget preparation and utilization	9(21%)	21(49%)	8(18%)	5(12%)	0	43(100%)

Source: Survey data

As it is shown on the table 3 above, on the utilization of budget whether it is according to the plan or not we can see from the result that 65 percent of the respondents are agreed up on the utilization of approved budget based on the annual plan. On the other hand 35 percents considered as they do not agreed up on it.

On the other hand 42 percent of the respondents' have disagreed on the opinion with the underutilization of budget during the period, where as more than 30 percent of respondents are neutral for the situation and they have not the information. Apart from this, about 27 percent of

the respondents agreed on the contrary to underutilization instead they indicated the existence of overspending. Accordingly, Allen and Tommasi (2001) expressed in most cases, underutilization, is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization.

As it is explained from the open-ended questions, majority of the respondents admit occurrence of unutilized budget. Peter (1998) identified that the main weaknesses in resource allocation and use are: poor planning; inefficient 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 utilized; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

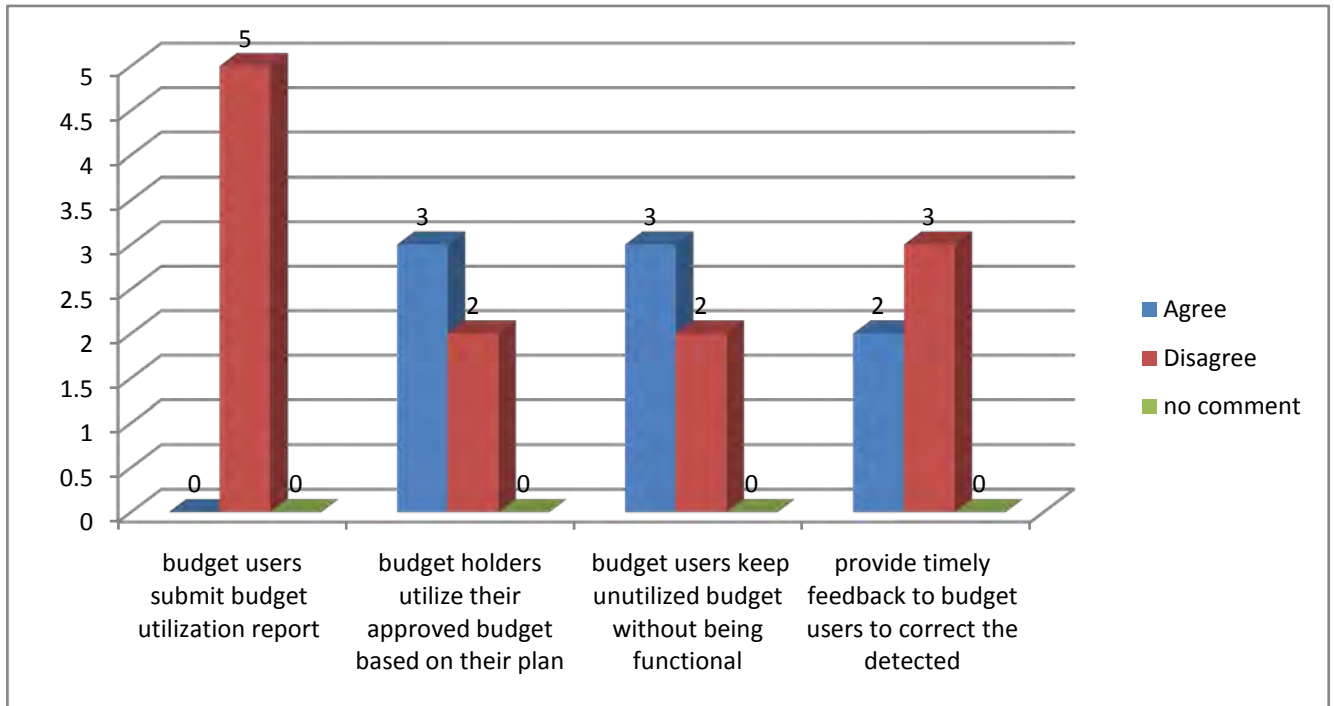
Apart from this, respondents mentioned that many problems related to budget utilization which has not been reflected in the close-ended questions. Of these difficulties, many of the respondents consent that what is planned is not implemented properly. Besides to this, less attention to internal periodic evaluation, during budget utilization, there is complicated procedure in procurement of items i.e. long procedure hinders the purchasing process at the same time leads to underutilization of budget (finance). Moreover, the respondents stated that in open ended question on there is some reason for underutilization of budget i.e. shortage of skilled manpower or expert exacerbated the problem, lack of coordination between budget and finance sections,

untimely expenditure (such as towards the end of the period), and nonexistence of strict accountability were other reasons for the occurrence of budget utilization weaknesses.

Some literatures show that it is possible to utilize badly a well-prepared budget; but it is not possible to utilize well a badly prepared budget. On top of this, successful budget utilization depends on the utilizing capability 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 main responsibilities of Health Bureau Planning and Budget Department are: budget, preparation, budget allocation, distribution and control. With this aspect, budget experts at different levels have stated their perceptions on budget utilization, monitoring and evaluation to budget users as shown in the Figure 1.

Figure 1: Responses of budget experts on budget utilization, monitoring, and evaluation



Source: Survey data

The above figures show us clearly that there is existence of discrepancies on budget utilization, especially budget users keep unutilized budget without being functional, and almost all of the five respondents disagree on provision of budget utilization report of budget not provided, majority of budget experts do not provide timely feedback to budget users to correct the detected problems so that the researcher point out that if there is no interaction and strong feedback mechanism, the budget utilization status is not known.

To sum up, the professionals mentioned on the open ended question there is lack of skilled manpower and experience among the deriving forces that fetch discrepancies in budget utilization, the experts clued that the department does not arrange regular short-term training to improve the skill of budget personnel engaged in budget holders, the structure of budget

department is not attractive for skilled and budget professionals to stay in the department i.e. there is low benefit package as they explained.

As it was stated in the research methodology data verification technique in chapter one, the research started with survey, followed by unstructured interviews and which in turn followed by revision of documents and reports. In this case weakness of one approach of data collection method is offset by the strength of other. This method would strengthen the validity of the results. Therefore, the audited budget utilization report provided by BOFED at city administration level at different period is presented in table 4 below.

Table 4: Audited budgetary revenue and expenditure reports of Health Bureau presented by BOFED

Ethiopian Fiscal years	Adjusted budget	Actual Expenditure	Over (-) or under utilization of budget(+)
2002	308,654,000.00	253,914,000.00	(+)5,474,000.00
2003	483,501,000.00	343,812,000.00	(+)139,689,000.00
2004	793,269,000.00	479,540,000.00	(+)311,093,000.00
2005	1,035,317,000.00	772,915,000.00	(+)261,657,000.00
2006	1,191,277,000.00	1,007,216,000.00	(+)159,165,000.00

Source: BOFED budget department report from 2002 up to 2006 E.C

As prevailed on table 4, the whole approved budget of Health Bureau is set for both capital and recurrent budget expenditures. Under spent budget has huge amount in each year from the report. Relevant reports explained that such underutilization arose from low capacity to utilize approved budget. On the other hand, although respondents said to be appreciative for utilization of its

budget in the previous question they filled, under spending seen from audited report of BOFED on the above table that ensure as there is low performance in the approved budget in each years. As per some scholars stated that official budget may coexist with large amounts of off budget spending. As per Allen and Tommasi (2001), under utilization does not necessarily mean that there is good fiscal discipline in the country. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding these discrepancies.

3.4 Finance and Economic Development Bureau Audited Budget report

BOFED budget department is tasked with the responsibility of undertaking to evaluate budget utilization of the offices and organizations of Addis Ababa City administration. It does this by registering on IBEX the actual performance budget utilization of all regional sectors and agencies under the City government. Keeping this in mind, the researcher sent questionnaire to 3 Budget experts who follow Health Bureau budget performance. Short interview was also made with the head who is concerned to Health Bureau budget from Finance Bureau. The analyses of these responses are provided as follows:

According to respondents from BOFED experts, they explained that there is a regular feedback system and Health Bureau had been suggested to utilize its approved budget with stated objectives; there is discussion between Health Bureau and BOFED on the report system. Moreover, there is a skill gap and knowledge gap up to the lower health facility level which is manifested by the report coming from the Health Bureau, there is a very high staff turnover which resulted on budgeting and planning activities are become poor as well as the management have not yet enough information on budget performance status to decide on the budget issue.

Meanwhile, the bureau has extra budget coming from donors in grant form which the Bureau focus on it rather than to utilize regular and capital budget from government treasury as a result budget utilization is become very low. So they are advised repeatedly to utilize the budget according to the plan.

In general, the respondents forwarded some recommendation on the overall utilization of budget in health Bureau. i.e. during budget preparation; it is better to identify projects under construction, identify projects completed and which needs retention budget and new projects planned to be constructed, it is advisable to relate budget with the plan which already targeted and doing accordingly. Moreover it is preferable to fulfill human resources and avoid under budget utilization. In general), as it is observed in the analysis part composed of various approach in budget preparation and utilization practices. The finding and the way forward are presented in the next chapter.

CHAPTER FOUR

FINDINGS, CONCLUSION AND RECOMMENDATION

4.1 Summary of Findings

As it is indicated in chapter one introduction part, the general objective of this research paper was to evaluate and assess budget preparation and utilization of Addis Ababa City Administration Health Bureau and to recommend on the key problem areas that seek attention and improvement. Therefore, the following findings were identified during the analysis.

- It was found that 65 percent of the respondents agreed and witnessed on the revision of their plan frequently in relation to annual budget.
- There is shortage of skilled human capital and high staff turn over
- There is a practice of preparing budget without considering the current market price.
- Other departments considered all plan is prepared by planning department and they left out planning activity for others, and the problem of budget preparation was exacerbated by shortage of skilled manpower or plan expert.
- As recognized from respondent's written response, some units present their annual budget by coping from the previous year budget request because of inexperience.
- Inadequate orientation is presented about plan and budget preparation by BOFED and Health Bureau Budget department.
- There is no regular reporting system, supervision and strict follow up of budget holder for their subordinate.
- The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, prepared budget did not include the relevant issues

and the Health Bureau's strategic plan fully, there is a tendency of presentation of budget demand without work plan.

On budget utilization, even if most of the respondents denied the existence of under utilization of budget and follow-up weaknesses in their respective offices, it was obvious that their answers were contradictory to each other.

- It was revealed by BOFED five years audited report. There were budget users spent their budget below the appropriation i.e. the bureau had been utilizing below the approved budget.
- It was prevailed the occurrence of unutilized budget and long procedure for the purchase of items.
- There is no clear accountability for the occurrence of budget underutilization.
- BOFED and Planning and Budget Department of Health Bureau do not arrange short-term trainings to improve skill of budget experts.
- There is weak supervision and control by the budget holders' leaders and their successive subordinates; almost there is no performance evaluation on budget utilization; unable to make continuous and regular evaluation in order to correct the observed problems.

4.2 Conclusion

It is known that the study concentrate on budget preparation and utilization of Addis Ababa City Administration Health Bureau considering the budget users. For this reason, it has been seen relevant literatures review and documents, and gathered primary data from seventeen budget holders' on their budget preparation and utilization tendencies in the health bureau and the researcher concluded the following points based on the analysis. There is inadequate and inexperienced manpower that has been worsening results of plan and budget preparations disparities; there is also lack of awareness of budget users about the role of plan and budget to the health bureau; it is possible that to infer budget users have various levels of understandings during budget preparations and on top of these, plan and Budget Department does not arrange short-term training to improve the skill of budget personnel engaged in budget holders.

To sum up, the researcher concluded that the causes for under utilization of budget are mainly due to lack of coordinated effort in purchasing, lack of consistency and delay in purchase processes, incapacitated budget staffs in terms of skill and knowledge in each respective budget offices and lack of information by management at each level of the health sector to evaluate the budget utilization status which lead towards under utilization of budget.

4.3 Recommendations

The major interest of this research paper is to assess the budget preparation and utilization of Health bureau weaknesses observed by budget holders, and suggests possible recommendations to overcome such problems. Therefore, the following recommendations are suggested to Addis Ababa City Administration Health Bureau.

In budget preparation

- The health bureau should assign skilled professionals who have adequate knowledge on budget at each level of respective budget offices i.e. the right person should be assigned to the right position and it is better to create conducive environment for budget expert to minimize high staff turnover.
- Trainings should be arranged and delivered to develop uniform skills among budget workers.
- The budget workers found at each level in the health bureau should participate during budget preparation period
- The annual budgets should be prepared according to the plan that has been already targeted and the current market price of items should be considered.

In budget utilization

- Responsibility and accountability should be given to each level units for effective utilization of their budgets.
- Purchase procedure should be shortened and there should be coordinated effort with other departments.

- There should be strong supervision and control by the budget holder leaders and their successive subordinates; on budget utilization in order to correct the observed problems.
- The health Bureau should use opinions suggested on the feedback given by Addis Ababa City Administration Finance and Economic Development Bureau and should be considered thoroughly.

In general, Addis Ababa City Administration Health Bureau should take all possible actions to correct the observed weaknesses, and to avoid repetition of the problems in subsequent years.

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Addis Ababa University School of Business and Economics

Department of Public Administration and Development Management

The purpose of this questionnaire is used to collect the information from your organization related to budget preparation and utilization process and to suggest some recommendation based on the finding. For any thing you have responded on, the confidentiality is strongly kept. Thank you very much for your time and cooperation.

Appendix 1: Questionnaires distributed to Health Bureau budget users

General Instructions:

Please indicate your choice by putting the symbol mark (x) 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 Masters Degree
3. Please indicate your Service Year: ≤ 5 years 6 to 10 years 11 to 15 years
 Above 16 years

S.N.	Part I I: About Budget Preparation and utilization					
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4	You have a adequate understanding to prepare plan and budget.					
5	Your office has					

	adequate number of professionals (budget officers) who prepare plan and budget.					
6	Your office prepares its annual plan based on the strategic document of City Administration.					
7	Your office revises its plan frequently in relation to budget					
8	Your office prepare the budget in relation to plan					
9	The budget demand prepared by your office is based on approved plans and programs.					
10	Budget is prepared based on reliable data and estimates.					
11	Plan and budget is prepared for each program.					

12	The amount of budget prepared for each program line item is over estimated					
13	Your office has an interest to request budget without plan					
14	There is problem of matching plan with budget in your office.					
15	Your office utilizes the approved budget based on its plan.					
16	Your office has the practice of regular follow up on its budget utilization.					
17	Your office has adequate capacity to evaluate budget with its main activities.					
18	Your office is criticized for					

	accumulation of Un utilized budget.					
19	Your office faces budget shortage during the budget year.					
20	Your office has strong budget control Mechanism.					
21	Your office submits repeatedly a request for adjustment of budget allotments after it is approved.					
22	There is underutilization of budget in your office.					
23	The current budget utilization and control of your office is sufficient.					
24	All expenditures are sufficiently documented					
25	Your office presents timely, explanatory,					

	and complete budget utilization report.					
26	Budget utilization reports are consistent With plans.					
27	Your office has strong relation with Health Bureau Plan and Budget Department					
28	Planning and Budget Department have a means to take corrective action on the weaknesses of budget preparation and utilization					

Part III: Open-Ended Questions

29. 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?

30. What would you suggest about the causes of unutilized budget, if there is any in your office? What about the solution?

31. In your suggestion, what weaknesses does your office face with regard to budget preparation and utilization?

32. In your opinion, what are the main weaknesses observed in your office in relation budget preparation and utilization?

33. In general, what should be done to improve Health Bureau budget preparation and utilization process?

34. Any other comment

Thank you for your time!!

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Department Of Public Administration and Development Management

The purpose of this questionnaire is used to collect the information from your organization related to budget preparation and utilization process and to suggest some recommendation based on the finding. For any thing you have responded on, the confidentiality is strongly kept. Thank you very much for your time and cooperation.

Appendix II

Questionnaires distributed to Planning and Budget Department experts

PART I- DEMOGRAPHIC INFORMATION

1. Gender: Male Female
2. Level of Education: Certificate Diploma First Degree
Masters Degree
3. Number of Year Service: ≤5years 6 to 10 years 1 to 15 years
≥16 years

PART II- BUDGET PREPARATION ISSUES

4. What are the major tasks and responsibilities of your department with respect to budgetary issues?
5. Do you think that the department has enough number of skilled personnel that conduct effective budget analysis? Yes No No Comment
6. Do you believe that budget holders give special attention when they prepare their budget request? Yes No No Comment.
7. If “No”, in your opinion, what are the reasons for giving less attention in the budget preparation?

8. 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

9. Are the plans and budgets of budget users realistic, based on valid assumptions, and developed by knowledgeable individuals? Yes No Comment

10. Would you please mention some of the main problems in your organization budget preparation?

PART III- BUDGET UTILIZATION

11. Do budget users submit budget utilization report to your department as per the calendar? Yes No No Comment If "No", why?

12. Do budget holders utilize their approved budget based on their plan? Yes No No Comment If "No", what is your opinion

13. Do budget users keep unutilized budget without being functional? Yes No No Comment If "Yes", what is your opinion

14. Does your department provide timely feedback to budget users to correct the detected weaknesses budget utilization? Yes No No Comment

If No" what is your opinion?

15. Would you please mention some of the main problems in your organization budget utilization?

16. What should be done to improve in your organization budget utilization?

If you have any other comment, please try to say

Thank you for your cooperation

Addis Ababa University School of Business and Economics

Department Of Public Administration and Development Management

The purpose of this questionnaire is used to collect the information related to budget preparation and utilization process and to suggest some recommendation based on the finding. For any thing you have responded on, the confidentiality is strongly kept. Thank you very much for your time and cooperation.

Appendices III

Questionnaires distributed to Office of Addis Ababa City Administration Finance and Economic Development Bureau Budget Section

PART I- DEMOGRAPHIC INFORMATION

- 1. Gender: Male Female
- 2. Level of Education: Certificate Diploma First Degree Masters
Degree
- 3. Number of Year Service: ≤5 years 6 to 10 years 11 to 15 years
≥16 years

PART II- BUDGET RELATED QUESTIONS ON HEALTH BUREAU

4. Does your organization provide a report on budget utilization on the health bureau? If so please describe it?

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5. In what frequency does your organization follow on budget utilization of the health bureau? Yearly semi annually arbitrarily Any comment.

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6. What are your suggestion on budget preparation and utilization on the health bureau?

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7, What are the weakness observed on the budget preparation and utilization of the health bureau?

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8. Do you think that in your observation the health bureau utilize the allocated budget effectively?

yes no no comment

If your answer is no, what are the reason?

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9. What are the major challenges in budget preparation and utilization of the health bureau?

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10. If there are problems in budget preparation and utilization in the health bureau, what are the solutions you recommend?

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11. Any comment?

Thank you for your cooperation!

	ያደርጋል					
8	ክፍልዎ ዕቅዱን ከበጀት ጋር በማቀናጀት ተንትኖ ያዘጋጃል					
9	በክፍልዎ የሚዘጋጀው የበጀት ፍላጎት በፀደቀ ዕቅድና ኘሮግራም ላይ ተመስርቶ ነው					
10	በጀት ሲዘጋጅ ተዓማኒነት ባላቸው ዳታና ግምቶች ላይ ተመስርቶ ነው					
11	ክፍልዎ ለእያንዳንዱ ኘሮግራም በጀት ያዘጋጃል					
12	ክፍልዎ ለእያንዳንዱ ኘሮግራም የተጋነነ በጀት ያቀርባል					
13	ክፍልዎ ያለ ዕቅድ የበጀት ጥያቄ የማቅረብ ዝንባሌ አለው					
14	በክፍልዎ ዕቅድ ከበጀት ጋር ያለማዛመድ ችግር ይታያል					
15	ክፍልዎ የተፈቀደለትን በጀት በዕቅዱ መሠረት ይጠቀማል					
16	ክፍልዎ ከወጪ ቀሪ በጀቱን በየጊዜው የመከታተል ልምዱ አለው					
17	ክፍልዎ በጀትን ከተያዙ ዋና ዋና ሥራዎች ጋር አቀናጅቶ ለመገምገም የሚያስችል አቅም አለው					
18	ክፍልዎ የተፈቀደለትን በጀት ባለመጠቀም ይተቻል					
19	ክፍልዎ በበጀት ዓመቱ ወቅት የበጀት እጥረት ያጋጥመዋል					
20	ክፍልዎ ጠንካራ የበጀት ቁጥጥር ሥርዓት አለው					
21	የበጀት ድልድል ከፀደቀ በኋላ ክፍልዎ ተደጋጋሚ የሆነ የበጀት ማስተካከያ ጥያቄ ያቀርባል					
22	ክፍልዎ ከተፈቀደለት በጀት በታች ይጠቀማል					
23	አሁን በክፍልዎ ያለው የበጀት አዘገጃጀት እና አጠቃቀም በቂ ነው					
24	ሁሉም የወጪ ሰነዶች በጥንቃቄ ይያዛሉ					
25	ክፍልዎ ወቅቀት የጠበቀ ገላጭ የሆነና የተሟላ የበጀት አፈጻጸም ሪፖርት ያቀርባል					
26	የክፍልዎ የበጀት አፈጻጸም ሪፖርት ከዕቅድ ጋር የተጣጣመ ነው					
27	የስራ ክፍልዎ ከጤና ቢሮው የእቅድ እና በጀት የስራ ክፍል ጋር ጠንካራ የስራ ግንኙነት አለው					
28	የእቅድ እና በጀት ክፍል በተለያዩ የስራ ክፍሎች በበጀት ዝግጅት እና አፈጻጸም ላይ ለሚታዩ ክፍተቶች የማስተካከያ መንገዶች አሉት					

ክፍል II

29. በክፍልዎ ዕቅድ ከበጀት ጋር አለማዛመድ ችግር ካለ መንስኤዎቹ ምንድናቸው ብለው ያምናሉ? መፍትሄውስ ?

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30. በመሥሪያ ቤትዎ ያልተጠቀሙበት በጀት ካለ መንስኤው ምንድነው ብለው ያስባሉ?

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31. በመሥሪያ ቤትዎ /በሥራ ክፍልዎ/ በበጀት አዘገጃጀት እና አጠቃቀም ዙሪያ የሚታዩ ችግሮች ዋና ዋናዎቹ ምንድናቸው ?

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32. በእርስዎ እይታ በዕቅድ እና በጀት ክፍል ላይ የሚታዩ ድክመቶች እና ሊስተካከሉ የሚገቡ ጉዳዮች የሚሏቸውን ቢገልጹልን ?

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33. በአጠቃላይ በበጀት ዝግጅት እና አጠቃቀም ላይ መሻሻል ያለባቸው ምንድናቸው ?

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34. ሌላ አስተያየት ካለዎት ይግለጹልን።

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በአዲስ አበባ ዩኒቨርሲቲ ቢዚነስ እና ኢኮኖሚክስ ኮሌጅ የህዝብ አስተዳደር እና የልማት

ስራ አመራር ትምህርት ክፍል

ይህ መጠይቅ በዋናነት በመስሪያቤትም በእቅድ አዘገጃጀት እና በጀት አተቃቀም ላይ ያለውን ሂደት ለማጥናት እና በጥናቱ ግኝት መሰረት መፍትሄ አቅጣጫ ለመስጠት የተዘጋጀ ስለሆነ ለሚሰጡን መልስ በማመስገን አጠቃላይ ለሚሰጡት መልስ እና አስተያየት ሚስጥራዊነቱ የተጠበቀ ነው።

አባሪ II

አጠቃላይ መመሪያ

ከዚህ በታች ለተዘረዘሩት ጥናቲዊ መጠይቆች ከተሰጡት አማራጮች ውስጥ የክፍልዎ የበጀት አዘገጃጀት እና አጠቃቀም እንቅስቃሴ በሚመለከት ገላጭ ነው ብለው የሚያስቡትን መልስ አንዱን በመምረጥ ከሣጥኑ ውስጥ የ(✓) ምልክት እንዲያደርጉ በአክብሮት እጠይቃለሁ። እንዲሁም በተሰጡት ክፍት ቦታዎች የግልዎን አስተያየት እንዲሰጡ በታላቅ አክብሮት እጠይቃለሁ።

ለዕቅድ እና በጀት የሥራ ክፍል ባለሙያዎች የቀረበ መጠይቅ

ክፍል አንድ:-

የግል መረጃ

1 ጾታ: ወንድ ሴት

2 የትምህርት ደረጃ: ከ12ኛ ክፍል በታች ሰርቲፊኬት ዲፕሎማ

የመጀመሪያ ዲግሪ የማስተርስ ዲግሪ

3 በዚህ ሥራ ላይ ያገለገሉበት ጊዜ ከ5 ዓመት በታች ከ6-10 ዓመት ከ11-15 ዓመት

ከ16 ዓመት በላይ

ስለ በጀት አዘገጃጀት

4 በሥራ ክፍልዎ የበጀት ትንተና የሚሠራ በቂ የሰለጠነ የሰው ኃይል ቁጥር አለ ብለው ያገምታሉ ?

አዎ አልገምትም አስተያየት የለኝም

5 የበጀት ተጠቃሚ የሥራ ክፍሎች ልዩ ትኩረት ሰጥተው የበጀት ዝግጅት በማድረግ የበጀት ጥያቄዎችን በበጀት ካላንደር /አቆጣጠር/ መሠርት ያቀርባሉ ብለው ያስባሉ ?

አዎ አላስብም አስተያየት የለኝም

6 በተራ ቁጥር 5 ላይ መልስዎ አላስብም የሚል ከሆነ ለበጀት ዝግጅት የሥራ ክፍሎች ልዩ ትኩረት የማይሰጡበትን ምክንያት ቢገልጹልን ?

6 የበጀት ተጠቃሚ የሥራ ክፍሎች ዕቅድን ከበጀት ጋር ያለማዛመድ ችግር ይታይባቸዋል ብለው ይገመታሉ?

አስማማለሁ አልሰማማም አስተያየት የለኝም

የሚሰማሙ ከሆነ በእርስዎ ግምት ምክንያቱ ምን ሊሆን ይችላል ብለው ያስባሉ?

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7 የበጀት ተጠቃሚ ክፍሎች ዕቅድ እና በጀታቸው በእውቀት ላይ እና በመረጃ ላይ ተመስርቶ የተዘጋጀ ነው ብለው ያመናሉ?

አዎ አይደለም አስተያየት የለኝም

በሥራ ክፍልዎ በበጀት ሥራዎች ላይ የሚከናወኑ ተግባራት ምንድናቸው ?

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8 በመሥሪያ ቤትዎ በበጀት ዝግጅት ዙሪያ የሚታዩ ዋና ዋና ችግሮች ምንድናቸው ብለው ይገምታሉ? በዝርዝር ቢያስቀምጧቸው::

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ክፍል II

በጀት አጠቃቀም

9 የበጀት ተጠቃሚ የሥራ ክፍሎች የበጀት አጠቃቀም ሪፖርታቸውን ለሥራ ክፍል ወቅቱን ጠብቀው ያቀርባሉ?

አዎ አያቀርቡም አስተያየት የለኝም

መልስዎ አያቀርቡም የሚል ከሆነ ምክንያታቸው ምንድነው ?

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10 በጀት ተጠቃሚ የሥራ ክፍሎች በጀታቸውን ሲጠቀሙ በተፈቀደላቸው በጀት መሠረት ነውን?

አዎ አይደለም አስተያየት የለኝም

አይደለም ከሆነ መልስዎ ያለዎት አስተያየት ቢገልጹልን ?

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11 የበጀት ተጠቃሚ ክፍሎች የተፈቀደላቸውን በጀት ከጥቅም ላይ ሳያውሉ የሚቀሩ አሉ?

አዎ ይጠቀማሉ አስተያየት የለኝም

መልስዎ አዎ የሚል ከሆነ ለምን እንደሚይጠቀሙ አስተያየት ቢሰጡበት::

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12 የሥራ ክፍልዎ የበጀት አጠቃቀም ላይ ክፍተት ያለባቸውን የሥራ ክፍሎች ማስተካከያ እንዲያደርጉ ግብረ መልስ ይሰጣልን?

አዎ አይሰጥም አስተያየት የለኝም

መልስዎ አስተያየት /ግብረ መልስ/ አይሰጥም የሚል ከሆነ የማይሰጥበትን ምክንያቶች ቢገልጹልን።

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13 በመሥሪያ ቤትዎ በጀት አጠቃቀም ላይ የሚታዩ ዋና ዋና ችግሮች ምንድናቸው?

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14 በመሥሪያ ቤትዎ የበጀት አጠቃቀም ላይ ሊሻሻሉ ይገባሉ የሚሏቸውን ቢገልጹልን?

15 ሌሎች አስተያየቶች ካለዎት ቢገልጹልን?

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5 መሥሪያቤትዎ ጤና ቢሮ ላይ በምን ያህል ጊዜ በበጀት አጠቃቀም ላይ የክትትል ሥራዎችን ይሠራሉ?

በየዓመቱ በግማሽ ዓመት በማንነኛውም ጊዜ ሌላ ካለዎት አስተያየት ይስጡበት

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6 በመሥሪያ ቤትዎ ለጤና ቢሮው በጀት ዝግጅት እና አፈጻጸም ላይ የሚሰጡት አስተያየት ምን ዓይነት ናቸው?
ቢገልጹቸው

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7 የጤና ቢሮ በጀት አጠቃቀም ላይ የሚታዩ ክፍተቶች ካሉ በዝርዝር ቢገልጹልን?

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8 በመሥሪያ ቤትዎ ምልከታ ጤና ቢሮው የተፈቀደለትን በጀት ውጤታማ በሆነ መልኩ እየተጠቀመበት ነው ብለው ያምናሉ?

አዎ አይደለም አስተያየት የለኝም

መልስዎ አይደለም የሚለ ከሆነ ያልተጠቀመበት ምክንያት ምንድናቸው?

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9 በመሥሪያ ቤትዎ ስለ ጤና ቢሮው በበጀት ዝግጅት እና አፈጻጸም ሥራዎች ላይ አለበት ብለው የሚገምቷቸው ተግዳሮቶች ምንድናቸው?

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10 በበጀት ዝግጅት እና አጠቃቀም ላይ ችግሮች ካሉ ሊወሰዱ ሚገቡ መፍትሄዎች ምን መሆን አለባቸው ይላሉ?
ቢገጹልን።

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11 ሌላ አስተያየት ካለዎት ቢገልጹልን?

አመሰግናለሁ!!