

ADDIS ABABA UNIVERSITY COLLEGE OF BUSSINESS & ECONOMICS



DEPARTMENT OF ACCOUNTING AND FINANCE

ASSESSMENT OF PUBLIC EXPENDITUREMANAGEMENT PRACTICE IN GOVERNMENT INSTITUTIONS, THE CASE OF MINISTRY OF FINANCE AND ECONOMIC COOPERATION (MOFEC)

Project submitted to Department of Accounting and Finance partial fulfillment of the requirements for the award of Master of Science Degree in Accounting and Auditing

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March, 2018

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Assessment of public expenditure management practice in government institution, the case of ministry of finance and economic cooperation (MoFEC).

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Declaration

I, undersigned, declare that this project paper is my original work and has not been presented for a degree in any university, and the sources of materials used in this study have been duly acknowledged.

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March, 2018

Acknowledgements

I am grateful to Ato *Gebremedihn Gebrehiwot* for supervising my project and for the advice and the encouragement I have received throughout the period of my study.

I am obliged to thank Ato Belayneh Dagnew for his valuable time and give me his professional advice and support.

I would like to thank Ato Ashebir Assefa for his effort in supporting me technically and experience sharing in accomplishing my study.

I would also like to express my gratitude to MoFEC staffs for an arrangement of my office work in line with completing the study.

I would like to thank Ato Demeke Abate, Ato Zerihun Erko and Frehiywot Kebede for their support by providing me materials that used me for the input of the study.

I would like to thank W/ro Yeshareg Mengistu, W/ro Zewudenesh Tesfaye and W/ro Aster Shenkute for their valuable time and support in editing & printing this research paper.

Last but not Least, I thank almighty, my families and friends for their constant encouragement without which this commitment come to picture.

Abstract

The Purpose of this study is assessment of Government expenditure management practice in the public organization of Ministry of Finance and Economic Cooperation (MOFEC). The study concerns about Public Expenditure Management (PEM) or program budget in theoretical terms and its challenges in practice, this study assessed Government expenditure management practice in the public organization of Ministry of Finance and Economic Cooperation (MOFEC). The study begins by elaborating the background of the Government expenditure management practice in the public organization (MOFEC). In addition, the study raised important questions about government expenditure management practice in the public organization. This study is designed and used descriptive method. Questionnaires and unstructured interviews have been conducted with different stake holders within the organization. The results of this study show that a significant achievement has been made in reforming the Government expenditure management practice in the public organization of Ministry of Finance and Economic Cooperation (MOFEC). However, gap is identified in budget planning and its utilization, openness and transparency, limitation in the preparation of financial reports regularly and timely, the gap in Planning, Monitoring and Evaluation of the intended core activities. In addition, the research shows that insuring transparency and accountability is still at the middle of a road. Recommendations in the study are suggested that in allocating budget and spending in the organization, transparency and openness, monitoring and evaluation of the budget starting from preparation to its implementation should be given a series attention to use the scarce resources efficiently, effectively and in economical way. The findings identified in this study may lead the organization not to accomplish its established objectives, goals and the question of transparency can be raised, the scarce resource may not be utilized for the intended purpose and it is one of the critical issues that need corrective action to be adjusted for the next period of the budget year. In order to use the scarce resources effectively, efficiently and economically, there should be transparency, regularly and timely financial reports, strong budget utilization control and practical application of performance audit in line with the financial audit.

Keywords: *Public expenditure management, budget, capital budget, recurrent budget, transparency and openness*

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Acronyms

BIWIG	Budget Improvement Working Group
CB	Conventional Budgeting
CIT	Central Implementation Team
CSPIP	Civil Service Improvement Program
GEM	Government Expenditure Management
GEMS	Government Expenditure Management System
GFCF	Gross Fixed Capital Formation
MEDAC	Ministry of Economic Development and Cooperation
MOF	Ministry Of Finance
MoFEC	Ministry of Finance and Economic Cooperation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
MTEF	Medium Term Expenditure Framework
MTDP	Medium Term Development Plan
PEM	Public Expenditure Management
PER	Public Expenditure Reviews

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

In the modern world, every government aims at maximizing the welfare of its country .It require a number of infrastructural , economics and welfare activities ,all these activities require huge expenditure to be incurred. This requires appropriate planning and policy of the government .The solution to all these problems is "Budget". A budget is a document containing detailed programs and policies of action for the fiscal year. (Source; slideshre.net/microeconomics)

Government budget is an annual statement, showing item wise estimate of receipts and expenditure during fiscal year i.e. financial year .The receipts and expenditure shown in the budget are not the actual figure, but the estimated values for the coming fiscal year. .(Source ;slideshre.net/microeconomics)

The socio economic development of one country is largely dependent on knowledgeable and committed leaders, trained, skilled and qualified citizens or in specific condition motivated professionals and support staff or employees who are very proactive in delivering the required assignments based on the organization`s mandate, vision, mission statements and goals that are intended to be accomplished and measurable using the listed main activities of each departments or work processes of the organization.

Every individual or citizens at large should participate effectively in different economic, social and cultural sectors to realize development agenda as well as identification, designing and use of strategic management tools such as budgeting and budgetary management. The budget is an important instrument that every organization particularly government used to define the direction of its national policy, the cost implication of government programmed and public source of revenue during the fiscal year, Wildavsky A. (1975).

A good budget practices incorporates a long term perspective, establish linkage to broad goals, focuses budget decisions on results and outcomes and involves and promotes effective communication, Francisco B., et al. (2007). According to Mullins and Pagano (2005) the art of budgeting in government is essentially a process of allocating limited financial resources to

prioritized services and activities that facilitate the development of the country in a manner that will most effectively meet the needs of the citizens and following up its utilization.

The budget should be a financial mirror of society's economic and social choices. Public expenditure refers to Government expenditure, i.e. Government spending. It is incurred by Central, state and Local governments of a country. That is, public expenditure can be defined as expenditure incurred by public authorities like central, state, and local governments to satisfy the collective social wants of the people. In order to perform the roles assigned to it by its people, the state needs among others the following things allocating scarce resources from the economy insufficient and appropriate manner Public Expenditure Management (PEM). Hence, it is advisable to always keep in mind the integral relationship between revenue and expenditure, i.e. the money collected directly or indirectly from the citizens.

PEM is instrument for government to understand the expenditure policy of "what" is to be done, and the expenditure management of "how" it is to be done. It is true that attempts to set hard boundaries between policy and its implementation eventually lead to the unrealistic policies

In countries where expenditure control and cash management are already minimally acceptable, none of the PEM objectives of expenditure control resources allocation, and good operational management should be pursued in isolation from the growth stability and equity are interrelated, improvement in one or another area can and should forward as and when circumstances permit.

Public Expenditure Management Control is a powerful management tool in public financial management for allocating scarce resources to different programs, projects of every country. (Jan Isaken et.al., 2007)

Public Expenditure Management and Control is a process that consists of the preparation of the budget by administrative bodies (Executives); the approval of the budget by the legislature and the execution of the budget during the year by implementing organizations or budgetary institutions based on the legal frameworks and rules, by demanding these rules and procedures.

In Ethiopia, the adoption of development planning to guide resource allocation was started in 1950s, and it has undergone significant changes in the area of government policies and development priorities (Ghirmai, 1990). But after the military government took power, major

industrial and financial activities came under the state control (command economy), which were the causes for the creation of huge public sector and expenditure (Teshome, 1994). According to World Bank report excessive capital consumption of public enterprises, over centralization of the economic activities and the existence of continuous war, conflicts, drought and change of international situation made the country one of the poorest countries in the world (WB's, 1994).

After the fall of the Derg regime in 1991, the Government of Ethiopia initiated a broad spectrum of economic reforms. The reform programs among others include reorienting the economy from command to market economy, creating policy environment to promote private sector investment, reallocation of expenditure towards to poverty oriented sectors, process of structural adjustment, introduction of Civil service reform, and policy of fiscal decentralization (MOFED, 2002). The Ethiopian constitution adopted in 1994, established decentralized regional states; which recognizes the right of the regions to formulate and executes their economic and social development policies and strategies, and administer their expenditure planning and certain types of taxes (Getachew N, 2006). In order to administer and manage economic and social development, different proclamations were issued in 1992. Proclamation No. 7/1992 provided the basis for the establishment of regional governments; the right to prepare approves and implements their own budget (MEDAC, 1999).

In addition to the economic changes observed since while, there are remarkable expansions of different huge projects, like Railway expansion, Construction of roads, construction of industry zones, etc, in the country which consume large portion of the country's limited resources and the outcome expected has very vital role that can brings significant economic development if it is managed in economical way. Projects listed above and others are very capital intensive and most of them are complex and more of technical in their nature needs well experienced management and so many diversified professionals for project initiation, implementation, follow up and evaluation of each projects activities implementation. Therefore, this study is designed to assess the expenditure management practice of MOFEC, Which will provide important information to see the gap of the ministry in the budget preparation, implementation and its follow up of programs or projects and evaluation of programs or projects to come up with the desired outcomes.

1.2 Problem statement

In Ethiopia there are budgetary and semi budgetary Government Institutions and each of the budget users has the responsibilities of preparing, utilizing budget and reporting how the budget is utilized. In budget utilization practice, there is various type of problem encountering, in the case of MOFEC. In many of the budget users or Departments, there are limitations in organizing their plans as per the strategy of the Ministry, budget planning and utilization, the annual budget utilization. There is continuous budget transfer and additional budget request from one program to another, from one budget account to another, this trend shows that either there is budget preparation problem or the budget controlling mechanism is less effective and there is poor integration and structural problem in the two departments.

In any of the government budgetary institutions, planning and budget departments/directorates have core responsibility in supporting other departments to enable them to accomplish development activities since the goods and service required by each departments are one or parts of the inputs that give support to enable the departments of the organization to arrive at their intended purpose or objective and finally the organization to fulfill the mission and ultimately reach its vision within the time frame which was established in the formulation of the strategic plan of the organization.

The budget of each department is prepared based on the Programs identified in the strategic plan of the ministry and performance evaluation of the organization on the achievement of each programs outputs, in the long run its outcome. The software or technology MOFEC uses in recording and reporting of financial transactions, budget utilization, inventory keeping and summary of expenditure is IFMIS (Integrated Financial Management Information System) which is customized to control the budget on program basis. This software is very important that enable the accountants, treasury employees, inventory controllers, auditors, accounting report consolidators, budget experts and others who are involving in the financial activities,. However, the software is not practically used for controlling department budget and its utilization, it is difficult to evaluate each department achievement based on the budget allocation and its utilization, because the expenditure used is controlled and evaluated by this system is on program basis, any department may request and use or utilized others budget.

Due to the aforementioned facts there was frequent external and internal audit comment, that the auditors cannot accomplish their assignments according to the audit plan of the organization. The new technology the ministry introduced may lead the departments to scarce goods and services and, and also structure problem between the budget preparation and control departments (work processes). Since the mandate for the preparation and management of the budget is issued for Planning, Monitoring and Evaluation Directorate, whereas the budget utilization and control responsibility is processed by Finance and Procurement Directorate of each Programs, whether the budget is recurrent or capital, it shows the existence of inefficiencies in budget preparation and utilization.

The literature reviewed largely reveal that government budgetary institutions have made attempts on addressing issues of budget preparation and utilization process in the public sector but gap still remains on the proper monitoring and evaluation of each programs to control the budget and its utilization. A good budget implementation process should issue proper planning and control of limited resources to achieve intended government policies and priorities in a transparent and effective way (Pierce, 2004).

This has motivated the researcher to assess the practice of public expenditure management practice in selected budgetary institutions specific case of MOFEC.

1.3 Research Questions

Based on the above basic concepts of budget utilization, government expenditure management and practice among others things this study is expected to answer the following research questions.

1. Does MOFEC prepare its budget by participating all departments? Is it participatory?
2. To what extent is planned budget related to actual expenditure in this Ministry?
3. Is there monitoring and evaluation practice in place for effective control

1.4 Objective of the study

1.4.1. General Objective

The objective of this study is to assess public expenditure management practice in government institutions, in the Ministry of Finance and Economic Cooperation (MOFEC).

1.4.2 Specific objective

- To assess whether the budget preparation is participatory or not.
- Assess and examine the relation between the planned and actual expenditure
- Examine the effectiveness of monitoring and controlling mechanisms employed

1.5 Significance of the Study

MOFEC has duties and responsibilities of formulation of tax policies, government property administration and other activities. Nevertheless, there is a critical and practical problem in the government organizations in utilization and properly formulation of budget. Some of the inadequacies are: absence of 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 or expended; many back and forth in budget utilization due to continuous unplanned routine purchase request and other requests from each departments and longtime process for procurement that delivery of goods and services will be late.

This practice resulted burden in the procurement team and transportation process, unplanned practice may also lead the procurement experts in wrong direction and conflict of interest. This trend indicates that there is poor expenditure management and it wastes resources that may be used for priority areas of the government for other activities in other budget scarce government organizations. Poor documentation both in the procurement team and finance and budget control is one of the limitation, thus, the out puts of the procurement and finance documents like purchase request, biding and bid documents, bid evaluation ,finance documents (payment effected)are not properly documented and there is no responsible body or employee to give custody of these valuable documents.

Therefore, this research attempts to assess and identify the critical gaps and the findings and provide recommendations which may be employed by budgetary institutions for their programs, projects in addressing some of the problems related to budget practice as well as utilization. It may also contribute to create awareness among the budget users, decision makers and any other concerned body on the role of government expenditure management and control to the success of vision, mission and Goals of each concerned budgetary institution. The finding and information generated from this study will be used as a ground work for further studies and also help to stimulate program planners , decision makers and property administration, etc., to take considerable actions.

1.6 Scope and Limitation of the study

Public expenditure management requires trained human resource, committed government officials. Thus it requires a holistic approach and detailed examination, such kind of reform brings changes in the outcome of resources devoted to various programs of the country. However, access to some statistical data and information may be a major constraint not to conduct deep study and also forced not to include other organizations in study to support the research adequately, there is limitation in accessing valuable information from other budgetary institutes for this study, that is why the study focused to specific public body which is MOFEC , is a macro government organization that coordinate and control the overall public budget by applying different procedures how each budgetary institutions plan and utilize the resources of the government in each programs .

1.7 Organization of the Study Report

This study report is divided into five chapters that covered Introduction, Literature Review, Research Methodology, Data analysis and discussion, Conclusion and Recommendation. Each chapter's detail contents are outlined as illustrated below.

The first chapter includes background of the study, statements of the problem, research question's, general and specific objectives, significance of the study, limitation of the study. The second chapter deals with literature review which takes into account the theoretical framework and empirical reviews. The third chapter deals with research design and methodology like study designs, source of data sample design, sampling procedure, study population, method of data analysis and presentation. The fourth chapter analyzes and discusses the result and the fifth chapter shows conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

Public expenditure refers to expenses which a government incurs for its own maintenance, the society and the economy, helping other countries. The actual budget spells out the direction of the expenditure, as it contains details of the proposed expenditure for each year, though the actual expenditure may differ from the budget figures due, for extra budgetary expenditure or allocations during the course of the fiscal year, (Aigheyis-(2013).

A Budget is defined as the quantitative allocation of organizational resources for particular operations and plans for a forthcoming time .Resources which serve as the financial blueprint for the company or organization basing on its goals and objectives .The success of budget is evaluated in terms of its facilitation of the realization of the established goals and objectives during the budget process. Wildavsky A. (1975).

Government spending can be classified into;

- current Expenditures or Governmental final consumptions ,like on goods and services for current use to directly satisfy individual or collective needs of the members of the community
- Capital expenditures or fixed capital formation(or government investment)-which government spending on goods and services intended to create future benefits, like infrastructure investment in transport(roads, rail, airports),health(water collection and distribution, sewage systems, communication(telephone, radio and TV)
- Transfer payments of spending that does not involve transactions of goods and services, but instead represent transfers of money, such as social security payments, pensions and unemployment benefit.

A budget is a financial plan or road map that governs the allocation of societal and economical resources during the fiscal year Wildavsky A. (1975)

The budget of a government is a financial plan of the intended revenues and expenditures of that government. Budgeting and financial management issues are at the core of public sector reform programs in developing countries, particularly, countries with dynamic economy and diverse arrangement.

Public expenditure defined as, "The expenditure incurred by public authorities like central, state, and local" governments to satisfy the collective social wants of the people is known as public expenditure. It is spending made by the government of a country on collective needs and wants such as pension, provision, infrastructure, etc. In the 20th century, John Maynard Keynes argued the role of public expenditure in determining levels of income distribution in the economy. Since then government expenditure has shown an increasing trend.

In the 17th and 18th Centuries public expenditure was considered as wastage of money. Thinkers said government should stay with their traditional functions of spending on defense and maintaining law and order.

Public expenditure management (PEM) is the balance between revenue and expenditure, and the allocation of funds among public activities and entities (Allen & Schick 1999) and several theories of public expenditure exist in public economics. Governments at all level (national, regional and local) need to raise revenue from a Variety of sources to finance public sector expenditures, like from tax, non-tax and other sources.

It is known that the main sources of revenue or income are tax based on the principles who will benefit, and who can pay. Therefore, public expenditure means the expenditure on developmental and non-developmental activities, such as construction of road ways and dams, energy, irrigation, and other societal and economical activities.(AKrani G"*Meaning.etl*2012).

Public expenditure management (PEM) it is just another term for budgeting in the public sector, it focuses on outcomes and sees expenditures as a means to produce out puts which are needed to achieve desired out comes that plays a great role in achieving goals of each programs or projects that contribute for the intended impacts of the organization or the government at large for the satisfaction of citizens requirements. Public Expenditure Management (PEM) highlights the importance of having the right responses, i.e. those that lead to desired outcomes.

PEM is an approach to public sector budgeting that is oriented towards achieving socially desired outcomes, it asks what outcomes do we want to achieve through the budget and what procedures, rules and processes do we need to put in place in order to achieve the required outcomes.

A country should care about the aggregate fiscal discipline before any spending take place, aggregate fiscal discipline (fiscal policy) refers to the alignment of PEM with total revenues (domestic revenues plus a substantial level of foreign borrowing and aid), this means that a government spending should be within its sustainable limits.

The government expenditure or spending should not be more than what it can afford; there should be programs, and activities that promote strategic priorities of the country. The government spending should consider the question that the economy on the right things or value for money, that the spending output should be efficient, effective and economical. A good budget is one that produces out puts that lead to improvements in desired outcomes. If the proper implementation of rules and procedures leads to bad outcomes, then from the PEM perspectives the rules and procedures are considered flawed(damaged) and should be reformed or amendment should take place, under the PEM there should be flexibility to make balance that must necessarily be given line agencies or budgetary institutions for them to produce the out puts needed to achieve the desired outcomes and the corresponding accountability of the agencies for producing those outputs.

In contrast under conventional Budgeting(CB) or line budgeting, discussions between the budget agency(Ministry of Finance) and the line agencies focus on the allocation of budgets to line(input items and correspondingly limits the accountability of the agencies or budgetary institutions is diluted(loss value). Even if a line agency fails to meet its intended mandate, provided it stuck to the agreed up on allocations, it is generally held accountable for the failure. (Source; quarter Publication, the government unit strategy and policy Department Asian Development Bank Issue 1-2001)

More of the governments in the world are forced to spend more than their economic capacity in order to continue financing the former or old programs/projects even when new priorities are judged to be more urgent than the old and to pay the rising expenses of inefficiently-operated Departments (Allen Schick, 1999).

Many developing countries face special problems in managing public finance. Owing to this problem, developing countries exert their effort in the allocation of scarce financial resources to different sectors through effective expenditure management and control process. Therefore, it is one of the most important decisions made by various levels of government. Hence, the level of acceptance, the quality of the decisions, depends on the features of budgeting process Used.

2.2 Basic Concepts of Budgeting

Budget is a financial plan embodying estimate of proposals, which include expenditure and the proposed means of financing them, for a given period. It is a short term financial plan, a political document couched in figures, a management tool used for both planning and control, a device for insuring a continuous monitoring procedure, reviewing and evaluating performance with reference to previously established standards, as an overall method of improving operations (Ademolekun, 1983).

A significant development in the intellectual history of the 20th century has been implicit recognition of the importance of government in the operation of economy. Government's role generally is performed through the public expenditure management system. It is a network forecast of government revenues and expenditures for governments towards the economy (Thomhill, 1984).

Budget is an instrument for the exercise of government's AL locative, distribution and stabilization function (Wildavsky and Naomi, 1997). It is also a political document through which money appropriated according to value judgment, while the budget process is a political process that takes place within a political arena (Gildenhugs, 1997). The budget is a short term financial plan, a political document, a management tool used for planning and control, advice for monitoring and evaluation government operations Adamolekun, 1983.

There for public expenditure management (EPM) system is the process through which government or the political system evolve an instrument (budget) that is couched in figures for pursuance, monitoring and evaluation of its goals. Budget is a tool employed forecast and guide the economic, social, political and other activities of the state in a certain direction in order to realize predetermined goals and objectives. Thus odd –Helge et al. 2004 argued that in public administration, the budget serves as a decision /making instruments by which priorities are set, goals and objectives are established, operating programs are compiled and control exercised consequently Dobel and Ulrich, 2002. Noted that Budgeting entails policy and management analysis needed to make decisions and actions related to implementing them, it involves adjustment of mandates, objectives, resources and practices put in place to ensure the realizations of plans and tracking of performance. It equally entails the process of parliamentary approval, reporting performance and accountability.

Toure (2001) outline the basic elements of budget

- It provides overall vision of the state policy.
- Provide coherence among the various sectors fo activities
- Thoroughness based on the evaluation of needs
- Transparency in all the budget items
- It needs to be cautions and realistic given that demand always exceed resources
- Classification of investment expenses (spread over the years) and current expenditure (spread over one fiscal year)

The nature of budget is determined by the roles it perfoemes.as noted by Schick (1966),Wildavsk (2001) and McNab and Melese (2003), a typical budget performs three different functions:

Planning function, Management and Control Function . This functions roughly correspond to the four stage of the budget cycle:-Executive preparation and legislative review (planning) ,Execution (management) and audit (Control) (Mccoppery,1999),Bruce (2001) observed that the planning function of public budgeting empathizes the allocation of resources among competing public programs in an efficient manner. This role is characteristically political and always resides as the highest levels of government. On the other hand, the management function according to Schick (2201) and World Bank (1998) revolves around the interprograme allocating resources, supervision to ensure and enhance allocation and technical efficiency. The control or audit function focuses on the mechanisms by which government is held accountable to task pare .it revolves around the legal procedures, administrative and other restrictions on the expenditure of public resources that enhance transparency, accountability, fairness and objectivity.

Budget and its roles

A budget, if created and used properly, can provide valuable information about the direction, resources and expectations of the organization. Budget is described as an integral part of management control systems that aims at promoting coordination and communication among subunits within the company, provides a framework for judging performance and finally motivating managers and other employees (Horngren et al, 2005).

The idea of multiple uses of budgets in organization is not new. To serve as an effective tool, budget pursues different tasks such as planning, forecasting, controlling, coordinating, communicating, instructing, authorizing, motivating, delegating, educating evaluating performance facilitating decision making and managing subordinates.

- **Means of Forecasting and Planning:** Given a set of forecast, the budget model is able to operate in an optimizing role, attempting to ascertain which plan of action will result in the greatest benefit of the organization. Since planning is at the heart of a budgeting process, by employing the budgeting process diligently, companies can plan extensively on the best course of action to achieve the organization's goals. The budgeting process encourages managers to anticipate problems before they arise, and hasty decisions that are made on the spur of the moment based on expediency rather than reasoned judgment, will be minimized (Drury, 2001).
- **Channel for Communication and Coordination:** Evidently, budgets are an important channel of communicating certain type of information that will enable managers in different parts of the organization to be fully informed of the plan and policies, and constraints, to which the organization is expected to conform. Through the budgeting process, top management communicates its expectations to the lower level management, so that members of the organization may understand these expectations and can coordinate their activities to attain them (Drury, 2001).
- **Motivational Device:** The budget can be a useful device for influencing managerial behavior and motivating managers to perform in line with the organizational objectives (Drury, 2001). A budget provides a standard that under a certain circumstances may motivate managers to strive to achieve the standard. However, it is possible for manager to view the budget as a pressure device in trying to get them to achieve a level of performance that they do not see as achievable. Nevertheless, motivation would be enhanced through the feeling of involvement which participation in the budgeting process can promote. If individuals have actively participated in preparing the budget, and it is used as a tool to assist managers in managing their units, budget can act as a strong motivational device by providing a challenge (Drury, 2001).

2.2.1 The budget planning and control process

Budget setting is a process, not a specific formula or technique. Thus, understanding the intricacies and the dynamics of the budgeting process is essential. Budgeting is an iterative cycle which moves between targets of desirable performance and estimates of feasible performance until there is a convergence of plan which is feasible and acceptable (Emmanuel, Otley and Merchant, 1990). It usually starts with a forecast of future fundamental performance such as sales and net profits. A forecast is a prediction of future events and their quantification is used for the purpose of planning. A forecast relates to events in the environment over which the business has either no control or limited control. Budgeting process also involves the issuance of guidelines by top management, interaction among various departments, strategy analysis, preparation of preliminary budgets, and review by departmental/business unit heads, negotiation with top management, finalization of each budget, preparation of the master budget and lastly, their approval by the top management.

The budget construction process will normally follow the organizational structure. The budgets process provides a system for coordinated planning among different functional areas (Ramsey Ramsey, 1985 and Bremser, 1988). Some organizations follow a top-down, or mandated approach. Others utilize a bottom-up approach which is closely related to the participative philosophy of budgeting. The description of each budget construction process is as follows:

Top-down budget: Also known as “Imposed Budget”, this approach to budgeting will begin with upper level management establishing parameters under which the budget is to be prepared. Lower-level managers have very little, if any, input into the determination of the budget amount and setting the overall goals of the organization. The lower-level unit’s involvement in the process is essentially reduced to doing the basic budget calculations and adhering to the directives of top management. One disadvantage of the top-down approach is that lower-level managers may view the budget as a dictatorial standard. Resentment can be fostered in such an environment. Further, such budgets can sometimes provide ethical challenges, as lower level managers may find themselves put in a position of ever-reaching to attain unrealistic targets for their units. On the positive side, top-down budgets can set a tone for the organization. Top management can ensure that the budgets are aligned with the strategic plans. The budgeting process can be completed faster as less time is needed for budget administration.

Bottom-up Budget: Bottom-up budgeting is also known as “Participatory Budget” mainly due to the nature and degree of lower-level managers’ involvement in the formulation of budget. Top management may initiate the budget process with general budget guidelines, but essentially bottom-up budgeting begins at the operational level. The operational units drive the development of budgets for their units. These individual budgets are then grouped and regrouped to form a divisional budget with mid-level executives adding their input along the way. Eventually top management and the budget committee will receive the overall plan. The budget committee reviewed the budget components for consistency and coordination. This type of budgeting requires more time to move through the process and complete the budget, but ensures buy-in and commitment at all levels of the company.

Blended Approach: Blended approach is a combination of top-down and bottom-up budget process whereby in this process, top management sets objectives for financial performance and submits these to operating managers, who then develop budgets based on these objectives. The budget is reviewed by top management and either approved, disapproved, or revised. The process may require several iterations of passing the budget back down the ladder for revision by operational units until a final budget is reached. The blended approach to budgeting is also known as “Negotiated Budget”. Negotiation in budgeting process will cause subordinates to behave more cooperatively. Thus, it follows that subordinates’ will have less incentive to build slack in their budget target which they are trying to negotiate and are more committed in transforming the plans into actions once approved by the top management. Blended approach is best suited for a company with a certain amount of sophistication in preparing budgets.

2.2.2 Budget Practices and Role of Government Budgets

A major element of financial data activity rests in the act of budgeting. Budgeting is the process of allocating finite or limited resources to the prioritized needs of an organization. In most cases, for a governmental entity, the budget represents the legal authority to spend money (Hirsch, 1966). Adoption of a budget in the public sector implies that a set of decisions has been made by the governing board and administrators that culminates in matching a government's resources with the entity's needs. As such, the budget is a product of the planning process.

As Jensen (2009) noted the budget also provides an important tool for the control and evaluation of sources and the uses of resources. Using the accounting system to enact the will of the governing body, administrators are able to execute and control activities that have been authorized by the budget and to evaluate financial performance on the basis of comparisons between budgeted and actual operations. Thus, the budget is implicitly linked to financial accountability and relates directly to the financial reporting objectives established by the GASB (Jensen, 2009) a good budget practices incorporates a long term perspective, establish linkage to broad goals, focuses budget decisions on results and outcomes and involves and promotes effective communication, Francisco B., et al. (2007).

Budgeting is not solely a matter of finance rather it is an important part of government's general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs (MOFED, 1993). Budgeting involves different tasks on the expenditures and revenue sides of government finance. On the side of expenditure, it deals with the determination of the total size of the budget (i.e. total amount of money ready to be speeded for the year), the size of outlays on different functions, and the magnitude of outlays on various activities. On the revenue side, it involves the determination of the size of the overall revenue (Premachand, 1983). Premchand more substantiated the purposes of budget in terms of three aspects: as a tool of accountability and management, as an instrument of economic policy and as a type of legislation and political exercise.

Especially, budgeting as an instrument of economic policy has more important function. It indicates the direction of the economy and national growth, allocation and utilization of resources. The other function of budget is to promote macroeconomic balance of the country through fiscal policy. This means, government has used taxation, government expenditure and borrowing to achieve economic growth, full employment, price stabilization and fair income distribution. On the other hand, Fozzard (2001) described the role of budgets as most important economic and political tool available to governments to promote development and poverty reduction.

2.2.3. Budget Allocation Process

Budget allocation process is not a system which is mechanically run by legal frameworks and rules one set up. They are important likely organic processes consisting of a myriad of rules and regulations and in addition unwritten ideas, traditions, approaches and methods formed over time. They are also highly political, having a direct impact of the distribution of income and wealth, and so power, across the society (Isaker et.al, 2007).

Government prepares the budget for fulfilling certain objectives, the direct outcome of governments economic, social and political policies. The objective of the government budget can be attained by reallocation of resources, though the budget policy, government aims to reallocate resources in accordance with the economic priorities of the country. Government can influence allocation of resources through tax concession and subsidies, encourage investment and producers.

The growth rate of a country depends on rate of saving and investment, budgetary policy aims to mobilize sufficient resources for investment for public sector, that the government makes various provisions in the budget to raise overall rate of savings and investment in the economy. The government budget aims to reduce regional disparities through its taxation and expenditure policy form incur aging setting up of production units in economically backward regions. Government can reduce inequalities in income and wealth through its budgetary policy by imposing taxes on the rich and spending more on the welfare of poor (slideshare.com/microeconomic/10).

2.2.4 Budget Preparation, Implementation and Auditing

Inputs from lower level of local government preparation of the budget framework paper, public hearings, and the prioritization process can be organized in many ways and may vary slightly from one local authority to another and from one year to another. This document is more substantiated notwithstanding these variations, which are often due to different financial and political conditions, a democratic, participatory and transparent budgeting process is essential (LGBC, 2008, p. 12).

According to Government Finance Officers Association (GFOA, 1999), a good budget process is far more than the preparation of legal document that appropriate funds for a series of line items.

Several essential features characterized good budget process. In relation to this, LGBC's document furtherly noted that, in order to prepare a proper budget, three preconditions should be used: The preparation process should be participatory in order to ensure ownership to both the process and the approved budget; budget systematic process of prioritization of programs and expenditures, which is based on informed choices, must take place and planned outputs, activities, and expenditure allocations in the annual work plan and budget estimates must be realistic, and achievable (LGBC, 2008, p. 13).

2.2.5 Financial Calendar in Budgeting Process

Financial calendar defines adequately schedules tasks to be performed, the time frame for each tasks and the institutions responsible to perform each task so that plan and budget are systematically performed, approved, appropriated and executed (MOFED, 2008). The financial calendar includes a planning and budget cycle. According to Shah 'the budget cycle must be supported by a budget calendar that specify the staging each element in the budget cycle.' The complete calendar reflects both legislatively and administratively established time tables for step completion; it identifies the role and the responsibility of each step (Shah, 2007, p. 222). It is essential that public bodies and jurisdictions adhere to the budget calendar. An effective budget is one that it is notified at the beginning of the fiscal year and executed on the time throughout the fiscal year. The single most important objectives of the budget calendar is the provision of the timely budget ceiling to public bodies so that they have adequate time to prepare budgets that are defined by resource limits.

2.2.6. Budget Preparation and Legislative Approval

Budgets have to be passed regularly, usually on an annual basis, in order to ensure that the government continues to operate. The budget process is governed by a time line that typically can be separated into four different stages; which are Preparation, Approval, Implementation and Auditing. As Shah explained in budget preparation is often viewed as a predominantly an executive role and includes the planning or preparing the budget, and the linkage of plan through MTEF for annual budget establishment of priorities and resources spending envelopes. It is concerned with compiling a draft budget, the budget drafting or formulation stage takes place largely in the executive branch of the state. The drafting stage often involves balancing the needs

and proposal driving from various government departments against the priorities set by political office-bearers and fiscal advisors (Shah,2007)

Effective organizational and departmental budgeting and budgetary utilization is crucial for ensuring accomplishment of organizational goals that leads to achieve the succession of Vision, every organization performance is affected by the practical budget application in efficient and economical matters for the fast growing economy of the country. However, in Ethiopia research in this issue is very limited; among the relevant studies conducted by Tilahun Bogale entitled budget management and control in Ministry of National defense, he mentioned that the institution have a five year strategic plan, and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defense force. However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units (Tilahun, 2010).

Similarly a study conducted in Addis Ababa City Administration Health Bureau in budget preparation and utilization revealed 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 limitations identified in the report includes absence of strong follow up and control by successive leaders on the budget preparation as well as utilization at each respective budget users; each budget users unable to report comparisons of utilized and unutilized budget including the reason why it is not consumed meanwhile, the audit report by office of auditor general for the year of 2008, MOFEC unutilized (Ketema , 2015).

2.3 Public Expenditure meaning and classification

Public expenditure refers to government expenditure i.e. Government spending.it is incurred by central, state and local governments of a country.

Public expenditure can be defined as ,”the expenditure incurred by public authority like central ,state and local government to satisfy the collective social wants of the people is known as public expenditure”(kalian-city.blogspot,2011)

Throughout the 19th century, most governments followed laissez faire economic policies and their functions were only restricted to defending aggression and maintaining law and order .the size of the public expenditure was very small. But now the expenditure of government all over has significantly increased.in the early 20th century, john Maynard Keynes advocates the role of public expenditure in determination of level of income and its distribution.

In developing countries, public expenditure policy not only accelerates economic growth and promotes employment opportunity but also plays a useful role in reducing and inequality in income distribution (kalian-city.blogspot, 2011).

Classification of public expenditure

Classification of public expenditure refers to the systematic arrangement of different items on which the government incurs expenditure .different economist have looks at public expenditure from different point of view .the following classification is a based on these different views (kalian-city. Blog Spot, 2011).

1, Functional classification

The government performs various functions like defense, social welfare, agriculture, infrastructure and industrial development. The expenditure incurred on such functions fall under this classification .these functions are further divided into subsidiary functions (kaliancity. Blog Spot, 2011).

2, Revenue and capital expenditure

Revenue expenditure is current or consumption expenditures incurred on civil administration, defense forces, public health and education, maintenance of government machinery. This type of expenditure is of recurring type which is incurred year after year.

On the other hand, capital expenditures are incurred on building durable assets, like highways, multipurpose dams, irrigation projects, buying machinery and equipment. They are non-recurring

type of expenditures in the form of capital investments. Such expenditures are expected to improve the productive capacity of the economy.

3. Transfer and Non-Transfer Expenditure

A.C. Pigou, the British economist has classified public expenditure as:-

1. Transfer expenditure
2. Non-transfer expenditure

Transfer Expenditure:-

Transfer expenditure relates to the expenditure against which there is no corresponding return.

Such expenditure includes public expenditure on :-

- National Old Age Pension Schemes,
- Interest payments,
- Subsidies,
- Unemployment allowances,
- Welfare benefits to weaker sections, etc.

By incurring such expenditure, the government does not get anything in return, but it adds to the welfare of the people, especially belong to the weaker sections of the society. Such expenditure basically results in redistribution of money incomes within the society.

Non-Transfer Expenditure:-

The non-transfer expenditure relates to expenditure which results in creation of income or output. The non-transfer expenditure includes development as well as non-development expenditure that results in creation of output directly or indirectly.

- Economic infrastructure such as power, transport, irrigation, etc.
- Social infrastructure such as education, health and family welfare.
- Internal law and order and defense.
- Public administration, etc.

By incurring such expenditure, the government creates a healthy conditions or environment for economic activities. Due to economic growth, the government may be able to generate income in form of duties and taxes. (<https://www.slideshare.net/EHShimul/public-expenditure-64944861>).

4.1 Productive and Unproductive Expenditure

This classification was made by Classical economists on the basis of creation of productive capacity.

Productive Expenditure:-

Expenditure on infrastructure development, public enterprises or development of agriculture increase productive capacity in the economy and bring income to the government. Thus they are classified as productive expenditure.

Unproductive Expenditure:-

Expenditures in the nature of consumption such as defense, interest payments, expenditure on law and order, public administration, do not create any productive asset which can bring income or returns to the government. Such expenses are classified as unproductive expenditures.

4.2 Development and Non-Development Expenditure

Modern economists have modified this classification into distinction between development and non-development expenditures.

Development Expenditure:-

All expenditures that promote economic growth and development are termed as development expenditure. These are the same as productive expenditure.

Non-Development Expenditure:-

Unproductive expenditures are termed as non-development expenditures.

5. Grants and Purchase Price

This classification has been suggested by economist Hugh Dalton.

Grants:-Grants are those payments made by a public authority for which there may not be any quid-pro-quo, i.e., there will be no receipt of goods or services. For example, old age pension, unemployment benefits, subsidies, social insurance, etc. Grants are transfer expenditures.

Purchase prices:-Purchase prices are expenditures for which the government receives goods and services in return .For example, salaries and wages to government employees and purchase of consumption and capital goods.

6. Classification According to Benefits

Public expenditure can be classified on the basis of benefits they confer on different groups of people.

Common benefits to all:-Expenditures that confer common benefits on all the people .For example, expenditure on education, public health, transport, defense, law and order, general administration.

Special benefits to all: Expenditures that confer special benefits on all. For example, administration of justice, social security measures, community welfare.

Special benefits to some: Expenditures that confer direct special benefits on certain people and also add to general welfare. For example, old age pension, subsidies to weaker section, unemployment benefits.

7.

Hugh Dalton has classified public expenditure as follows:-

Expenditures on political executives: i.e. maintenance of ceremonial heads of state, like the president.

- Administrative expenditure: to maintain the general administration of the country, like government departments and offices.
- Security expenditure: to maintain armed forces and the police forces.
- Expenditure on administration of justice: include maintenance of courts, judges, public prosecutors.

- Developmental expenditures: to promote growth and development of the economy, like expenditure on infrastructure, irrigation, etc.
- Social expenditures: on public health, community welfare, social security, etc.
- Public debt charges: include payment of interest and repayment of principle amount.

2.3. Review of Empirical Studies

Effective organizational and departmental budgeting and budgetary utilization is crucial for ensuring accomplishment of organizational Goals that leads to achieve the succession of Vision, every organization performance is affected by the practical budget application in efficient and economical matters for the fast growing economy of the country, With regard to this issue there are very few studies relevant to Ethiopia context particularly higher education institutions. Tilahun Bogale, 2010 studied budget management and control in Ministry of National defense and stated that a five year strategic plan has been prepared and is under operation since 2007. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the defense force. However, at the same time several problems remain unsolved with regard to the budget preparation, execution, and control in various defense units.

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

Zerihun Assefa, 2014 studied about trend and its significance of public expenditure in Ethiopia that the empirical foundation of the study depends On the recurrent and capital components of public expenditure to assess its trend and significance on Gross Domestic Product (GDP)

classification of public expenditure that refers to the systematic arrangements of different items on which the government incurs expenditure.

The researcher outlined that different economists have looked at public expenditure from different point of view. Recurrent expenses are current or consumption expenditures incurred on civil administration, defense forces, public health and education, maintenance of government machinery. This type of expenditure is of recurring type which is incurred year after year. On the other hand, capital expenditures are incurred on building and long durable assets like highways, multiple purpose dam, irrigation projects, buying machinery and equipment, hydroelectric power. They are non-recurring type of expenditures in the form of capital investments. Such expenditures are expected to improve the productive capacity of the economy.

The empirical researches identified that the effect of government expenditure on economic growth reported results as positive effect or negative and those who observed mixed results and those who could not establish any relationship between government expenditure and economic growth. The first school of thought in those who support the idea that public expenditure has negative impact on economic growth.(Manoj-2013).

Deverajan et al.(1996) shed light on the consumption of public expenditure and economic growth for the panel of 43 developing countries from 1970 to 1990 income in the share of recurrent expenditure has positive and statistically significant growth effects and by contrast, capital as a component of public expenditure has a negative impact on economic growth. According to the study, these results imply that, developing countries governments have been misallocating public expenditure in favor of capital expenditure at the expense of recurrent expenditure.

Based on the findings from the empirical analysis, Ifeanyi et.al (2012) offers the following recommendations:

- Capital and recurrent expenditures on economic service should be dissected mainly to productive economic activities. This will stimulate activities in the economic sectors and perhaps reverse the negative effect on economic growth.

- The portion of government total expenditure that goes into capital and recurrent expenditure financing should be increased since these components exert significant positive effect on economic.

Therefore, this study will focus the assessment of budget utilization practice of budgetary institutions by considering the case of MOFEC.

Empirical Review of Government Expenditure by World Bank

Ethiopia State-Led growth achieved growth rates well above the average for sub Saharan African. Economic growth concentrated in services and agriculture was driven by productivity gains and capital accumulation arising from a substantial expansion of public infrastructure investment within a Conducive external environment. Ethiopia's Growth and Transformational Plan (GTP) 2010/11-2014/15 defined not only the nature and size of public investment projects also the level of jurisdiction and responsibilities .For instance more capital spending on road higher education expansion, and increased pro-poor spending at the lower tiers of administration. The model places crucial emphasis on state -owned enterprises (SOES) to finance and manage public infrastructures development investments.

The primary objective of the public expenditure review (PER) 2015 is to analyze recent fiscal development in Ethiopia within the extent of a broad infrastructure investment program for growth and poverty reduction. The cover charge question is to draw in sights on how finance public investment in situation where revenue capacity is low and fiscal envelope is finite .External grants play a significant role in government finance. Increased capital spending needs to be matched by appropriate levels of recurrent expenditure; domestic and external concessional financing needs to be balanced in sustainable financing mix of budget deficit, and non-concessional financing is contained within sustainable debt limits. The Public Expenditure Review (PER) 2015 is structured in two complementary parts.

The Aggregate Fiscal Work (AFW)

The Composition of spending at the Federal, Regional and Woreda by functional and economic classification. Arise in the share of spending at lowers tiers of government both regional and Woreda levels: a change in competitive of domestic deficit financing and declining revenue productivity. Spending is closely aligned to GTP with a clear stimulus to the poverty sector; yet

the review concludes that significant revenue mobilization will be required to protect basic service delivery and to match the recurrent cost implications from ongoing investments. Government expenditure classified by two categories, namely, capital and recurrent final expenditure.

Over the past decade ,Ethiopia has made some strong budget adjustments ,which effectively increased government savings to fund a major increase in annual government gross fixed capital formation(GFCF).It reallocated funds away from general administration to economic and social services by cutting recurrent expenditure, with the reallocation being more pronounced at federal level than at the sub national levels .The government reduced current expenditure from percent to seven percent of GDP while revenues and grants as a share of GDP remained alternatively constant level.

This effectively increased government savings that helped fund a major increase in annual government(GFCF) over by 30% of GDP up to round 10% of GDP, but the recurrent funding rates within the economic and social sectors are low compared to all comparators in this analysis recognizing that the recurrent operational and maintenance (O&M) budget support required to sustain the public sector services of investments arises significantly across sectors and that Ethiopia has been focusing on economic sectors with lower recurrent cost requirements, it still found that at a sector level the realized recurrent funding rates within the economic and social service sectors are still low compared to all comparators.(source :The world bank Group)

Chapter Three

Methodology

This chapter accommodates about research design, sources and type of data collected and used data collection procedure and analysis, and statistical information. It also explains the type of data used for the study and the techniques of assessment of Government expenditure management and budget utilization practice of MOFEC (MINISTRY OF FINANCE AND ECONOMIC COOPERATION).

3.1 Research Design

In this study, a descriptive case study research design with both primary and secondary data is used to conduct the research. Both qualitative and quantitative techniques are employed to collect the data, and also Case study research design is selected because the data is analyzed in detail.

3.2. Study Area and Target Population

The study is conducted in Addis Ababa among three interrelated directorates (departments) of MOFEC namely, Finance and procurement service, Planning, Monitoring Evaluation and Internal audit directorates of two heads from Internal audit and planning directorates, 1 planning expert, 13 finance, 5 internal auditors and 9 procurement experts, in total 30 employees of MOFEC has been taken as a total population those who are more related to subject area and have good understanding about the public expenditure and its practice.

3.3. Sampling method and Sample size

The focus of the study is public expenditure management and its practice by assessing budget utilization practice of budgetary institutions for specific case of MOFEC, the study does not consider budget utilization practice of other budgetary institutions of the government of Ethiopia. Therefore, purposive sampling technique is used to select study on their work experience relevancy of profession in budget preparation, planning, implementation (utilization) and control practice. Since the study basically targeted the finance, planning and internal audit departments, the target populations are 30 in number, they are the two department heads, one planning expert, 13 finance, 5 internal auditors and 9 procurement experts.

3.4. Data collection Method

In order to achieve the objective of the study, the data is collected from both primary and secondary sources. Both closed and open ended questionnaire is used for data collection. The primary data is collected from concerned and targeted key officials using standard questionnaire. For secondary data, the necessary relevant documents, such as budget manual, MOFEC budget utilization report of Year 2007, 2008 and 2009 E.C and Office of General Auditors audit reports, of year 2007-2008 E.C of MOFEC, research papers, proclamations, various websites, and manuals are reviewed.

3.5. Data Analysis and Management

Data collected from questionnaire, financial reports or budget utilization for the three consecutive years of 2007/2009etc and audit reports were analyzed and presented by using various statistical measures such as percentages, frequencies, tables and figures. In addition, qualitative data analysis technique was adopted for data collected by questionnaire and interview that cannot be expressed in quantitative form. Finally, the findings were interpreted and presented by using descriptive statistics.

Whereas, the qualitative data, which is conducted through in depth interview and using open-ended questionnaires used to the quantitative finding. The data analysis follows the procedure of qualitative analysis; it began by reading each information to identify ideas and information gathered from participants. Specifically, the analysis followed a series of steps that include preparing and organizing the data, having an overall understanding of the data, develop categories and displaying data and conducting a detailed analysis.

CHAPTER FOUR

4. Data Presentation, Analysis and Interpretation

4.1 Introduction

This focuses on data presentation and analysis in relation to a study on the practice of public expenditure of MOFEC. It also covers data interpretation and the findings of the study. The required data collected from both primary and secondary sources were analyzed based on research questions and objectives. The raw data collected from officials, head of selected departments and secondary data sources were categorized, organized and analyzed using both qualitative and quantitative methods. The quantitative data were converted into relevant information using analysis of frequencies and percentages; and was presented in tables, Graphs and figures to supplement the qualitative descriptions in order of the research question.

4.2 Background of the Respondents

For the purpose of this study, 22 questionnaires are distributed to all the experts of three directorates of MoFEC which were selected as respondents. A total of 30 respondents were considered for questionnaire, they are the two department heads, one planning expert, 13 finance experts, 5 internal auditors and 9 procurement experts. From the selected experts 27 filled and returned the questionnaire properly. Hence, the study focused on the effectively responded by 19 females and 11 males. The distribution of the respondents is shown in the following table 4.1.

As it was stated in the methodology part, it was planned to conduct interview with two directors from the planning and internal audit respectively. The interviewees gave valuable ideas that enable to get additional information mainly to give support for the secondary data thus the response rate for interview fully completed. The researcher got confidence that the overall response rate was enough to continue with the study.

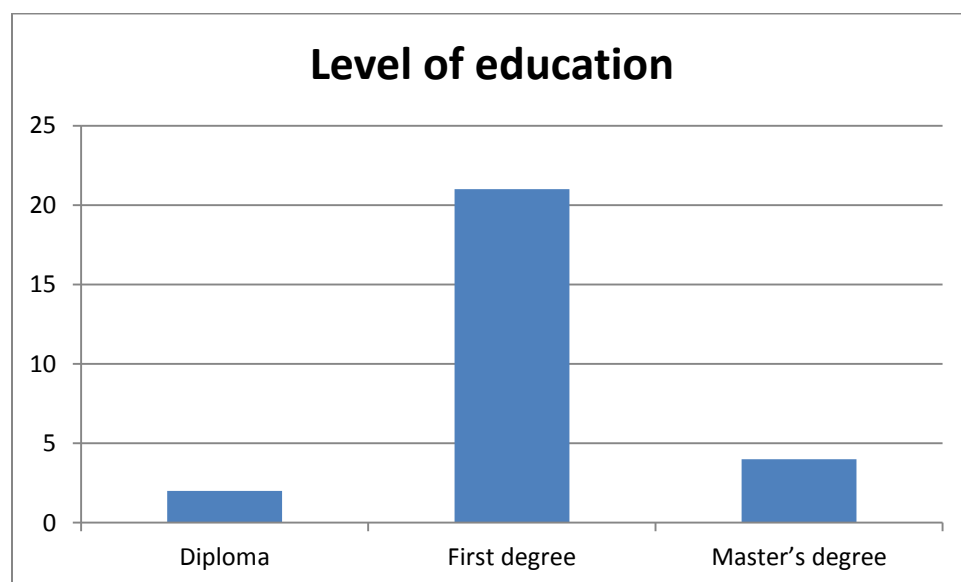
Table 4.1 Characteristics of the Respondents

Name of Directorates		Service year			Level of education			Sex	
		< 5 Years	5-10 Years	>10 Years	Diploma	1st Degree	MA Degree	M	F
Finance & procurement		7	7	5	1	15	3	7	12
Internal audit service		-	3	3	1	5	-	4	2
Planning and budget preparation		-	1	1	-	1	1	2	-
Total	No	7	11	9	2	21	4	13	14
	%	25.93	40.74	33.33	7.41	77.78	14.81	48.15	51.85

Source: authors calculation based on questionnaire

Table 4.1 indicates that the majority of the respondents have greater than 5 years of experience which constitutes (11)40.74%. The data also indicates that only (7)25.93% of the respondents have less than 5 years of service. This fact indicates that, since the majority of the respondents are with good experience they might give valuable data and information that increases the validity of the results.

As indicated on table 4:1 the sex distribution showed that both male and female were represented in the study and out of 27 respondents filling the questionnaire 48.15% were male and 51.85% female.(*Source: authors calculation based on questionnaire*)

**Figure 1 Educational levels of respondents**

As indicated in the table 4.1, 2 (7.41%) diploma, 21(77.78%) are first degree and 4(14.81%) are holders of master's degree. Based on the information indicated in the table above, majority of the respondents are educated and this is an opportunity for the organization to perform well and accomplish its duties and responsibilities.

4.3 Results and Discussions

This sub section of the study presents the results based on the specific objectives of the study and discussions on the budget allocation, the relation of planned budget with its utilization, dealing with issues of transparency and accountability, and the budget controlling, monitoring and evaluation of budget, how the implementation is practiced in the ministry are described. In addition, the challenges or problems that affect the expenditure management are included in each objectives is presented and summarized at the end of this chapter.

4.3.1 Transparency and Accountability in Budget Allocation & Execution

The 1st research question is aimed to answer the question whether MoFEC prepares its budget by participating all departments and employees, the researcher tried to analyze and present the data and the findings of the study in relation to this research question based on the responses taken from the questionnaire.

Since transparency is regarded as one of a key features of good governance, and an essential prerequisite for accountability between states and citizens (McGee and Gaventa, 2010). Transparency allows the analysis of state policies and facilitates, the identification of weaknesses leading to the implementation of improvements needed. Transparency and participation in the budget preparation process increases trust and enable the citizen to develop ownership and belongings in the state as well as civil society to hold the government accountable, which they can only do if they have information on budget policies, practices, expenditures and outcomes (Nigussie, 2012). Hence transparency & accountability are important elements in budget allocation and implementation; it plays a vital role in participation for the application of rules and regulations in the process of budget preparation and utilization.

Table 4.2 Transparency and accountability issue

no	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
		1	2	3	4	5	
1	The allocated expenditure budget of your organization is made known to all employees	2	13	5	6	1	2.67
		7.41	48.14	18.51	22.22	3.71	
2	The management of your organization takes corrective action timely based on the internal auditor opinion.	3	14	6	4	-	2.4
		11.11	51.85	22.22	14.81		
3	The allotted budget implementation is based on financial rules and regulations strictly.	11	15	1	- -	-	1.63
		40.74	55.55	3.71			
4	MOFEC disclose its annual budget and its utilization to internal employees and external customers.	4	11	7	4	1	2.52
		14.81	40.74	25.92	14.81	3.71	
5	Financial transactions are recorded timely and correctly by fiancé and procurement directorate and concerned department.	6	18	-	2	1	2.04
		22.22	66.66		7.41	3.71	

.(Source: authors calculation based on questionnaire)

4.3.1.1 Disclosing the Expenditure Budget to Employees and External Customers

One way of ensuring transparency in relation to budget execution can be the provision of budget information to both internal and external customers. Employees of an organization have the right to get access to budget information. Regarding the proper disclosure of allocated budget to its employees by the organization of the total respondents asked shows 4(14.81%) strongly agree and 11(40.74%) agree, 7(25.92%) neutral, 4(14.81) disagree and 1(3.71%) strongly disagree. From the information taken from table 4.2 statements no 1 the central tendency of mean of the data shows the result is less than 3 which is 2.67 and it indicate disagreement about the transparency issue of budget allocation information to all employees of the organization.

4.3.1.2 Compliance of Financial Rules and Regulations

Compliance of financial rules and regulations is very crucial to ensure the accountability of employees and higher officials in government financial operations. Accordingly, from the total of 27 respondents, 1 (3.71%) response neutral, 15(55.55%) agree and 11(40.74%) strongly agree. From the information taken from table 4.2 statements no 2 the central tendency of mean of the data shows the result is less than 3 which is 2.4 and it indicates disagreement about the proper application of financial rules and regulations in the ministry.

4.3.1.3 Making corrective action based on internal audit opinion

The audit report is one of the ways through which citizens including employees of organizations get information about the level of budget and performances of public agencies and it is very important the decision makes give their attention and support for the internal audit, since it is an adviser of the management to control the implementing entities in order to minimize miss statements of financial reports and miss appropriation of assets of the organization.

To get the result of audit opinion and whether the management of the organization takes corrective actions or not , responses given by the respondents indicated above resulted as follow: 3(11.11%) strongly agree, 14(51.85%)agree,6(22.22%)neutral ,4(14.81%) disagree.

From the information taken from table 4.2 statement no 3, the central tendency of mean of the data shows the result is less than 3 which is 2.67,and it indicate disagreement about the corrective action to be taken by the decision makers and this may discourages the auditors and may lose their confidence.

4.3.1.4 Keeping Records of Financial Transactions

An organization of finance department final output is financial report that used for the management to make decisions on time and to this assignment by which entities meet their financial accountability obligations, is the preparation and publication of annual audited statements in entities and annual reports. Therefore, Keeping records of financial transactions of government's activities can be the basis for effective financial management and this leads to accomplish the duty and responsibility required by the finance department.

As shown in table 4:2 above, from the total of 27 respondents 6(22.22%) were strongly agree, 18 (66.66%) were agree, 2 (7.41%) disagree and 1(3.71%) were strongly disagree.

From the information taken from table 4.2 statement no 5 the central tendency of mean of the data shows the result is less than 3 which is 2.04 and it indicate disagreement about the accuracy of timely recording of financial transactions.

Findings for research question one:

Concerning the transparency and accountability in budget allocation and implementation the data revealed that the commitment of the organization is relatively weak in ensuring budget transparency to both the employees and external customers, since the allotted budget and its utilization is disclosed by using very few methods like, Memos, web site of the organization, audit reports that mostly used for internal purposes to make the budget information available.

Furthermore, the finding shows that financial rules and regulations are not strictly followed by employees of the organization based on the response given. There are gaps in making the audit report available to internal and external customers. Thus, the study revealed that there are problems in insuring the effectiveness of transparency and accountability in budget allocation and implementation.

4.3.2 Relation of allotted budget and actual expenditure of MoFEC

The second research question aimed to answer the question to what extent planned budget related to actual expenditure of MoFEC and weather the ministry utilizes its budget efficiently, effectively and economically? Based on the secondary and primary data collected, the researcher attempted to analyze and identify the trends of both capital and recurrent budget during the study period, the variation of actual spending related with appropriation of the budget, the reasons for the variation and the findings of the study. Trends and former budget utilization reports show that budget utilization is based on the budget preparation and spending manuals that budgetary institutions or implementing entities capacity, commitments of the organization leaders, strong internal audit and others.

For this specific study, comparison between budget and expenditure, proportion of capital and recurrent budget and spending of capital budget of the three years are presented consecutively to have better information that give value to achieve the objective of the study.

4.3.2.1 Comparison of Budget versus Expenditure

This sub section presents the comparison of budget and expenditure for both the recurrent and capital budgets and the findings are interpreted based on the reviewed literature and the data collected from primary and secondary sources.

4.3.2.2 Recurrent Budget

Recurrent budget is a type of budget that can be used or consumed for daily operational activities that are not investments and do not have long term nature and exhausted within the fiscal year. Accordingly, table 4.3 below indicates the total appropriations for recurrent budget for MoFEC and the actual yearly spending from its appropriations. Consequently, the total appropriations for this budget type increases from year to year as the national budget increase based on the needs and requirements of citizens for development and to satisfy this needs the consumption budget increases .As indicated in the table 4:3below, in the budget year 2007 -2009 E.C. This is expected because of the increment in the total national budget.

Table4.3 Comparisons of Appropriations against Actual Spending For Recurrent Budget in Birr

years	Adjusted budget(Allotted)	Utilized budget(Expenditure)	Variation	Percentage of Spending over allotted budget
2007	412,295,107.00	385,561,234.00	26,733,873.00	93.52%
2008	429,560,768.00	402,622,405.00	26,938,363.00	93.73%
2009	410,941,464.00	397,535,604.00	13,406,040.00	96.74%
total	1,252,797,339.00	1,185,719,243.00	67078096	94.65%

Source: Author's computation based on MoFEC Data

From the above table we can understand facts which are presented and indicated as follows by the bar graph clearly. Both the table and the graph show trends of the recurrent budget appropriation, spending and budget left over (unused). The budget unused in the budget years of 2007 and 2008 almost similar that the budget which was left over was 6.37% on average.

In the 2009 budget year the percentage of unused budget is 3.26% which is not as such material. In general, for the three years budget utilization report shows that 5.35% or 67,024,658.00

Million birr was unutilized. The performance of the ministry regarding recurrent budget indicates under spending during the three consecutive years. The reason for this according to the response of the interview is the procurement and fiscal planning problem and also there was gap in budget controlling and monitoring departments. This fact indicates that the unutilized resource may be used for other priority areas in other budgetary institutions.

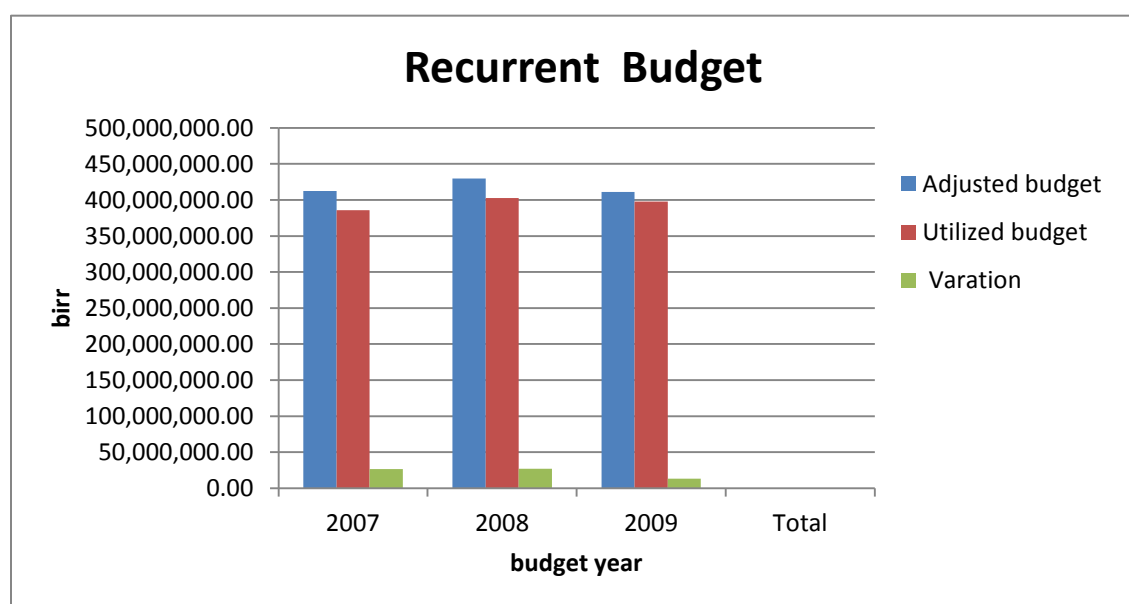


Figure 2 trend of recurrent expenditure

4.3.2.3 Capital budget

Capital budget is a type of budget used to incur on building durable assets, like highways, multipurpose dams, irrigation projects, machinery and equipment. They are non-recurring type of expenditures in the form of investments that are expected to improve the productive capacity of the economy, lasting several years which have long term nature (Bailey & Stephen, 2002).

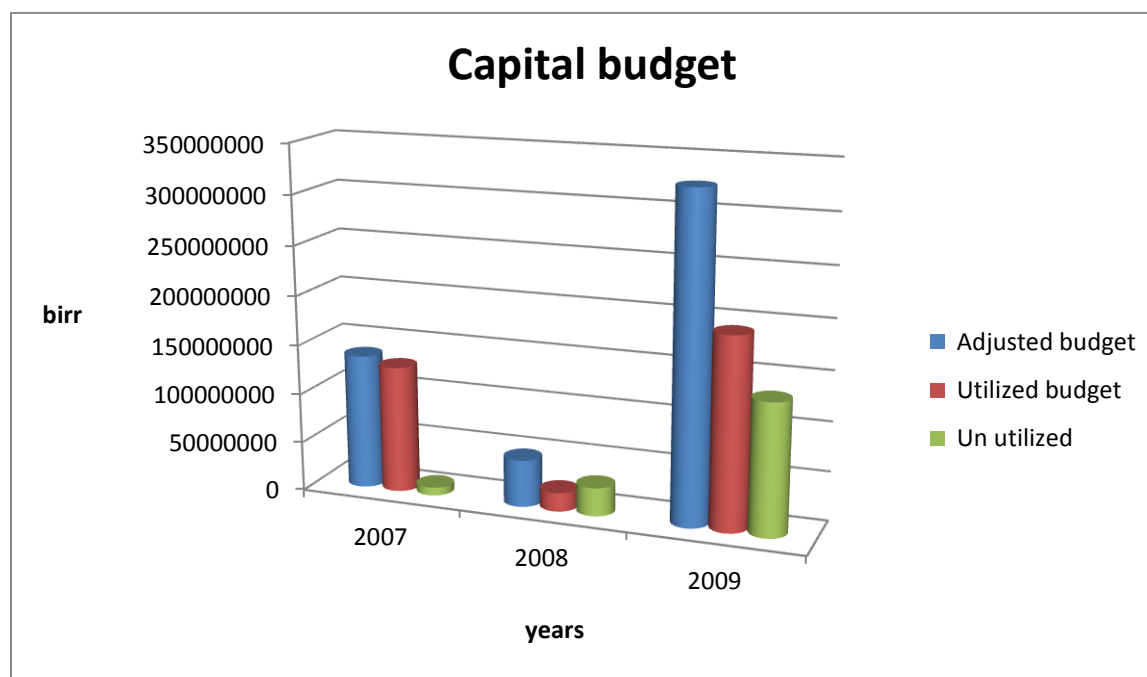
Table 4:4 below indicates that the total approved capital budget for MoFEC and the actual yearly spending. Consequently, the total appropriations for this budget type increases from year to year except in 2008. With reference to the table, in the year 2007 for instance, the total approved budget was more than birr 100 million and this shows an increment in relative amount and reaches at about more than 300 million birr in 2009 budget year.

Table 4.4 Capital Budget against Actual Expenditure in Birr

year	Adjusted budget(Allotted)	Utilized budget(Expenditure)	Variation	Percentage of Spending over allotted budget
2007	136,473,401.00	128,337,527.00	8,135,874.00	94%
2008	47,691,783.00	18,980,728.00	28,711,055.00	40%
2009	325,471,708.00	192,488,038.00	132,983,670.00	59.41%
Total	509,636,892.00	339,806,293.00	169,830,599.00	66.67%

Source: Author's computation based on MoFEC Data

Figure 3Trend of capital budget



Source: Author's computation based on MoFEC Data.

The trend of appropriation and spending of the budget is varied from year to year: The budget for year 2008 is decreased against year 7, whereas year9 budget is increased against year of 2008, specifically for year 9 the percentage of increment is more than 100%. The total actual spending against its appropriation is also varied. The amount of capital spending for year 2008 was only 40% and this indicates that there is poor budget planning or controlling, the variance is un acceptable legally and it may leads the concerned body to be liable, in addition the spending trend of yearv2009 also poor, and this indicates that there was poor performance both in the years of 2008 and 2009. The overall spending of the ministry regarding capital budget over the study period shows under spending, years from 2007-2009. Generally the total unutilized budget was 33.33%, which is 169,861,976; this amount may be used for other projects that faced budget limitation.

Findings for research question two:

Regarding the appropriation and spending trends in the Ministry of Finance and Economic Cooperation (MoFEC), the data showed in the above table that there is under spending of both the Recurrent and Capital budget throughout the study period. The unutilized budget ranges from 5% to 35% of the appropriated budget. The reasons for this according to the interview with the identified individuals in the data collection method, there was implementation problem in the Integrated Financial Management System (IFMIS), procurement and planning, limitation in the project follow up and evaluation, and there was the transfer of departments including the human resources of that department to other public institution, and there was high turnover,

4.3.3 Expenditure Budgets Monitoring and Controlling

The final research question of the study aimed to answer the question is there effective monitoring and control mechanism on budget process and its implementation? Based on the data collected using questionnaire, it is attempted to analyze and identify the problems in budget monitoring and controlling mechanism of MoFEC. The responses of the respondent's findings are presented as follows.

Table 4.5 Expenditure Budgets Monitoring and Controlling`

No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
		1	2	3	4	5	3
1	The financial report prepared regular & timely	2	18	6	1	-	2.22
		7.41	66.66	22.22	3.71		
2	There are adequate employees of internal audit	3	14	6	4	--	2.4
		11.11	51.85	22.22	14.81	--	
3	The Internal auditors have adequate knowledge and skills	-	13	9	5	-	2.7
		-	48.12	33.33	18.52		
4	The internal audit of your organization in dependent to give audit opinion freely	4	12	9	2	-	2.33
		14.81	44.44	33.33	7.41		
5	The performance audit is carried in your organization every year	1	6	6	7	7	3.5
		3.71	22.22	22.22	25.93	25.93	
6	The management of your organization takes corrective action timely based on the internal auditor opinion	3	14	6	4	-	2.4
		11.11	51.85	22.22	14.81	-	
7	Does the internal auditor audits the budget utilization of each program	6	13	4	2	2	2.3
		22.22	48.15	14.81	7.41	7.41	

Source: Researcher's Field Survey, Dec, 2017

4.3.3.1Regular and Timely Financial Report

Good governance requires regular financial and performance reporting that is validated for accuracy by an independent auditor. The purpose of financial report is to monitor budget execution and to control and understand the status of the budget to make an adjustment for any variance before any deficit occurs; periodic financial reports are the primary source of information controlling the budget and used to measure the performance of the concerned departments. Yearly financial reports are the major management tools that are out puts that measure each department's performance against their plan. The evaluation result used to measure

the performance of the organization whether the targets & goals are accomplished or not. The reports are used for other departments as input to perform their activities and used for internal and external customers.

Table 4.5: above shows that the respondents 18(66.66) were agree, 2(7.41%) were strongly agree, 6 (22.22) neutral and 1(3.71%) disagree on the statement. From the information taken from table 4.5 statement no 1 the central tendency of mean of the data shows the result is less than 3 which is 2.22, and it indicate disagreement about the trend of regular financial report, which is not reported regularly and timely.

4.3.3.2 Existence of Adequate Employees to Conduct the Audit

Respondents were asked their level of agreement whether the internal audit directorate in their organization has sufficient employees to conduct the audit. Out of the total 27 respondents 3(11.11) were strongly agree, 14(51.85) were agree, 6(22.22%) were neutral and 4(14.81%) respondents were disagree.

From the information taken from table 4.2 statement no 2 the central tendency of mean of the data shows the result is less than 3 which is 2.4, and it indicate disagreement that there are not enough audit staff in the ministry to undertake the audit function effectively and efficiently.

4.3.3.3 Knowledge and skills of the internal auditors

The audit activity needs a professional staff that collectively has the necessary qualifications, Skills and competence to conduct the required assignment by keeping the professional ethics. Auditors must comply with minimum education requirements established by their relevant professional organizations and standards (The institute of internal auditors, 2012).

From the data indicated in table 4:5 above it is possible to see that 13(48.12%) the respondents agree that the internal auditors of their organization have adequate knowledge and skills to perform effective and efficient audit activities. Besides 5(18.52%) of the respondents disagree about the adequacy of the skills and knowledge of the internal auditors and this indicates the internal audit needs additional knowledge and skill. 9 (33.33%) were neutral. From the information taken from table 4.2 statements no 3 the central tendency of mean of the data shows

the result is less than 3 which is 2.7 and it indicate disagreement that there is skill and knowledge gap of the internal auditors of MoFEC.

4.3.3.4 Independence of the Internal Audit to Give Audit Opinion

Organizational independence allows the audit activity to conduct work without interference by the entity under audit. The audit activity should have sufficient independence from those it is required to audit so that it can both conduct and be perceived to conduct its work without interference. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors' work and the ability to rely on reported results (The Institute of Internal Auditors, 2012).

As shown in the above table 4:5, of the total respondents asked whether the internal audit is independent to give any audit opinion freely, 4(14.81%) were strongly agree, 12(44.44%) were agree, 9(33.33%) were neutral and 2(7.41%) were disagree.

From the information taken from table 4.2 statement no 4 the central tendency of mean of the data shows the result is less than 3 which is 2.3 and it indicate disagreement that the internal auditors are not independence of the management of the organization, and it's an indication there may be influence the possibility of giving free audit opinion.

4.3.3.5 Existence of Performance Audit

The aim of the performance audit is to evaluate audited entity's performance and management in terms of economy, efficiency and effectiveness and to provide recommendations on how to improve the performance of the said entity (Daujotaitė and Mačerinskienė, 2008). Hence it enhances the value for money principle.

Table 4:6 shows that of the total respondents asked the level of agreement whether performance audit is undertaken in their organization 1(3.71%) strongly agree, 6(22.22%) agree, 6(22.22%) neutral 7(25.93%) disagree 7 (25.93%) strongly disagree,

From the information taken from table 4.2 statement no 5 the central tendency of mean of the data shows the result is less than 3 which is 2.9, and it indicate disagreement about the issuance of performance audit practice in the ministry.

4.3.3.6 Measures Taken by the Management on the Audit Opinion

Internal auditors of public bodies or budgetary institutions have big roles in advising the management to make decision and give support how to implement and manage the financial activities of that organization based on rules and regulations. The audit opinion enhances to make informed decision and may give lesson for the users of the audit report. The management or higher official may take corrective action based on the audit opinion on the problems that exists and over all concerns of the performance of the organization.

As shown in table 4:5 respondents were asked their level of agreement whether the management of the organization takes corrective actions when weaknesses and problems concerning the performance of the organization commented by the internal audit. Of the total of the respondents 3(11.11%) strongly agree, 14(51.85%) agree, 6(22.22%) neutral and 4(14.81%) disagree.

Even the positive response of is more than 50% ,the information take from table 4.5 statement 6 ,the central tendency or mean of the data shows the result is less than 3 which is 2.4,and it indicates still there is a problem of taking corrective actions based on the audit opinion

Findings for research question three:

Regarding the effectiveness of monitoring and controlling of expenditure budget, the finding indicated that:

Financial reports are presented regularly but still there is a problem of reporting timely. The internal audit has sufficient auditors to conduct the audit but there is limitation in skill and knowledge. The internal auditors are free of interference and consequently they can perform the audit work confidentially. There is no performance audit in placed based on the responses given by the respondents.

4.4 Summary of findings

This chapter presented the findings for each research questions that are identified and discussed in the data presentation, analysis and interpretation parts and the main findings identified in this section are forwarded as follows

Main findings:-

- Less arrangement of adequate and skilled man power within the organization
- Problem is faced regarding to proper budget planning /financial planning
- Lack transparency and openness in the allocation and implementation of expenditure budget
- Lack expenditure budget monitoring and controlling

CHAPTER FIVE

Conclusions and Recommendations

5.1 Introduction

This chapter presents the findings drawn and the recommendation offered, since development is the question of every citizen and goal of every country that is to be implemented by the agent of the society named Government for the development, in cooperation with the private sectors. However, in developing countries like Ethiopia, due to limited private sectors, government intervention is very high to achieve development objective. The most important instrument of government intervention is through budgeting. Hence, this study focused on identifying and analyzing the practice of expenditure management of MoFEC, different information's are collected through the identified methods of data collection.

Therefore, based on the research questions findings are identified for the study and conclusions are forwarded as follows.

5.2 Conclusion

5.2.1 Transparency and openness in the allocation of Expenditure Budget

MoFEC has a responsibility of initiating different policies of the country; formulate fiscal and tax policies, financial regulations, directives, manuals and procedures to enhance the overall development of the country. These financial regulations, directives, manuals and procedures are then used by the ministry itself, the public bodies and agencies at federal level. MoFEC has its own recurrent and capital expenditure budget which is allocated among different programs that is used for the implementation of planned activities in order to accomplish its objectives and Goals.

This study shows that MoFEC uses the formal procedures to allocate its expenditure budget and attempted to follow this procedure in the allocation process, the ministry participate professionals and concerned employees and directorates on the budget allocation process and there is openness and transparency in the budget allocation process. However, although there are promising efforts in relation with expenditure budget allocation process, still there are weaknesses in pursuing the budget allocation procedure, in participating employees and making

the process open and transparent which is disclosed by the questionnaire responses of respondents.

5.2.2 Appropriations of Budget and Expenditures of MoFEC

The expenditure budget of MoFEC for both budget types indicated an increasing trend during the study period. However, the total actual amount of recurrent spending from its respective appropriation, fluctuate year after year. The increase in budget due to different reasons, this includes an increase in national budget, Increase international contributions for recurrent expenditure, there were different capital projects like Integrated Financial Management Information system (IFMIS), Maintenance of the conference room of the ministry considered for the increment of the budget based on the secondary data collected and response given by the interviewee.

Comparison between budget and actual expenditure revealed that the budget was underutilized over the periods of the study for both recurrent and Capital budget. However, This inefficient performance can be justified as planning, follow up and monitoring problem, Gap of Structure in budget planning and controlling, shortage of qualified human resource and staff turnover, weak monitoring and evaluation and weak expenditure control practice. The above mentioned factors and others are reasons for underutilization of the budget and this trend may lead to low performance of the organization.

5.2.3 Expenditure Budget Monitoring and Controlling

Budget is an important financial tool of government which is very important and mandatory input used to perform operational activities for attaining development goals and objectives. However, since there is poor monitoring and control in the process of its utilization, its impact will be negative that yields poor performance of the organization and affects the development of the country.

The study showed based on the analysis and findings, that there is appositive response for the financial report that was prepared and provided regularly but there is limitation in concerning its timelines. As financial reports are the output for the finance department, it is also very important for the decision makers to take corrective action timely, thus the limitation affects the performance of the organization. The survey also showed that there is enough number of auditors

whom are independent and free of management influence that can carry out their audit activities, there is problem of skill and knowledge that affect the effectiveness and efficient audit activities.

Regarding the application of performance audit there is no practical application in the organization and the internal audit perform only the financial audit. And this may affect the physical performance of each department, programs and the organization against its budget utilization.

Entity's performance and management in terms of economy, efficiency and effectiveness is evaluated by conducting performance audit. In this regard the survey ensured that there is no performance audit and consequently performance report in the organization understudy and this is difficult to measure the performance of each department, programs and the organization.

5.3 Recommendations

One country's economic development and its sustainability can be insured or granted by performing the required assignment efficiently, effectively and economically .and this can be done by participating society, citizens and each particular organization internal and external employee in every aspects of the budget process and its application however ,due to scare resource like financial, skilled manpower, committed leaders and lack of willingness in societal and economic development participation ,the fundamental objective and goals of most developing country's development issue pending for many years ,in addition to the factors insufficient allocation and utilization of resources in the public sector affects the accomplishing of the organization objective .

In order to accomplish the required assignments and also to achieve the objectives of the organization, government organization, professionals, leaders of each department should plan the fiscal and financial activities and allocate properly and utilize the scarce resource efficiently, effectively and economically, transparently and these should be accountability in order to maximize the economy and the social welfare as well.

The above factors like transparency, monitoring ,and controlling mechanisms plays a big role in achieving the objectives and goal of the organization .Based on the findings identified in the study, the following to assist to minimize the challenges and problems that affect not to

performance the public expenditure management to the rules and procedures in the studied ministry (MoFEC).

- The budget allocation and its utilization should be transparent and participatory based on the public expenditure management rules and regulation.
- Proper financial/budget planning should be given a series attention and its implementation should be monitored to utilize the allotted budget efficiently, effectively and economically.
- Monitoring and controlling on the allocated budget should be practiced in order to implement the planned activities by using the scarce resource for the intended purpose and financial reports should be produced and reported regularly and timely,
- The ministry should improve the skills and knowledge of the internal auditors and recommendations are forwarded that may help to improve the positive response in relative to negative response and auditors by giving short and long term training and also should make practical the performance audit that may enhance the monitoring and controlling of the planned activities and these audit activities play its role and apply the principles of value for money.

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Addis Ababa University

Department of Accounting and Finance

Questionnaire

The purpose of this questionnaire is to gather data relating to Public Expenditure Management and Control Practice in MOFEC. The research is the requirement in partial fulfillment for the award of Masters` Science Degree in Accounting and Auditing. The responses provided kept confidential and used for academic purpose only.

Thank you in advance for your voluntary cooperation and participation.

Negussie Kemachew

Email: nkemachew2@gmail.com

Mobil: +251911153108

Instruction:

It is not required to write your name

Put a tick mark (on the space provided).

Part I-General Information

1. Gender: Female ☐ Male ☐

2. Age: Less than 20 ☐ 20-30 ☐ 30-40 ☐ 40-50 ☐ Above 50 ☐

3. Educational Status:

12th Complete or below ☐ Second Degree and Above ☐ Diploma ☐ First Degree ☐

4. For how long have you been working in MOFEC?

Less than one year ☐ 1-5Year ☐ 5-10Years ☐ More than 10 Years ☐

Questions related to transparency and accountability in the budget process

	Statement	Strongly agree	agree	Neutral	disagree	Strongly disagree	Total
1	The organization is preparing its budget by participating all departments						
2	The allotted budget is transparently known by all employees of the organization						
3	MOFEC disclose its annual budget and its utilization to internal employees and external customers						
4	The allotted budget implementation is based on financial rules and regulations strictly						
5	Financial transactions are recorded timely and correctly by fiancé and procurement directorate and concerned department						
6	The budget may be affected by wrong purchase order process in the system						
7	Unsettled advance payments may be the cause for over utilized or underutilized of the budget during the current year						
8	Unplanned routine purchase retests may affect the budget utilization process						
9	The poor efficiency of the procurement process may resulted in underutilization of the allotted budget						
10	There is a gap b/n the budget preparation and control departments that affect the budget monitoring and control process						

Question related to expenditure budgets monitoring and controlling practice.

no	Statement	Strongly agree	Agree	Neutral	disagree	Strongly disagree	total
11	The financial report prepared regular and timely						
12	The financial report audited regularly						
13	There is adequate employees of internal audit						
14	The internal auditors have adequate knowledge and skill						
15	The internal audit of your organization is dependent to give audit opinion freely						
16	The performance audit is carried in your organization every year						
17	The management of your organization takes corrective action timely based on the internal auditor opinion						
18	The organization utilize its budget efficiently						
19	The organization assesses the budget allocation and performance every year						
20	Does internal auditor audits the budget utilization of each program?						
21	There is over and under budget utilization practice in your organization						
22	There is strong monitoring and follow up or control mechanism for the utilization of the allotted budget effectively						