



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF BUDGET IMPLEMENTATION AND
CONTROL SYSTEM: A CASE OF ETHIO TELECOM
SOUTH WEST ADDIS ABABA ZONE**

**BY
MULU ABEBE**

JUNE, 2018

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
OF ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MBA
IN
ACCOUNTING AND FINANCE**

**JUNE, 2018
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DECLARATION

I declare that this thesis is my original work, prepared under the guidance of Simon Tareke /Asst. Prof/. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for earning any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University for examination with my approval as a university advisor.

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Date -----

ACKNOWLEDGMENT

First, I would like to thank God for helping me for the successful accomplishment of this research paper. It would not have been completed without the support of individuals. However, it is difficult to mention the names of all those individuals who have contributed their effort.

My deepest gratitude goes to my advisor Simon Tareke /Asst. Prof./who has given me his support and guidance until the completion of the research paper.

I would like to extend my special appreciation to my dear husband Mr. Aynishet Mamo for his wonderful support and words of encouragement throughout this course.

Finally, I would like to offer my gratitude to Saint Mary's University School of Graduate Studies (SGS) Staff, and all my instructors for their effort to build my capacity throughout my stay in the university.

ABSTRACT

The study assessed budget implementation and controlling system of ethio telecom in a case of SWAAZ. The study was descriptive in nature in order to examine the status, practice and problems by using mixed research approaches. To achieve the objective of the study data was collected from employee of the organization using close ended and mixed items questionnaire and unstructured interview as well as data from annual reports and manual of the organization. The target sample respondents include only 82(managers, supervisors, coordinators and finance staffs) of SWAAZ. Census method was used to determine the sample size. Both descriptive and inferential statistics method was applied and graphs, percentage and frequency research techniques were used during analyzing the data. Accordingly, the result of the study revealed that budget implementation and controlling system of the organization is affected through several factors such as, lack of lower level management participation on budget preparation of the company, time delay in the approved budget, underutilization of the estimated budget, time delay in reporting budget variance, lack of higher officials monitoring and evaluation system. Overall, the results of the correlation analysis revealed that all of the identified determinant factors positively and significantly correlated with the organization budget implementation and controlling system implied at a statistical measures $p < 0.05$. Based on the findings the study is recommended, that, it is better to participate lower level organizational management in preparations of the organization budget and communicate strategic plan for all, to avoid underutilization of budget in the organization, it is better to see the previous years' experience.

Key words: Budget Preparation, implementation, Controlling, Evaluation and monitoring.

LIST OF ACRONYMS

BP-	business partner
CAAZ-	central Addis Ababa zone
CAPEX-	capital expenditure
CIMA-	chartered institute of management accountant
DC-	direct channel
EAAZ-	east Addis Ababa zone
ET -	ethio telecom
FAN-	fixed access net work
GDP-	gross domestic growth
HR –	human resource
IDC-	indirect channel
ISD-	information system division
O&M-	operation and maintenance
OPEX-	operational expenditure
M&E-	evaluation and monitoring
MOFED-	ministry of finance and economics development
NAAZ-	north Addis Ababa zone
SAAZ-	south Addis Ababa zone
SFD-	sourcing and facility division
SPSS-	statistical package for social science
SWAAZ-	south west Addis Ababa zone
WAAZ-	west Addis Ababa zone

TABLE OF CONTENTS

Content	Page
ACKNOWLEDGMENT.....	i
ABSTRACT.....	ii
LIST OF ACRONYMS	iii
TABLE OF CONTENTS.....	iv
LIST OF TABLES.....	viii
LIST OF FIGURES	viii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background the study.....	1
1.2 Statement of the Problem.....	2
1.3. Research questions	5
1.4. Objective of the study	5
1.4.1. General objective of the study.....	5
1.4.2. Specific objectives of the study	5
1.5. Significance of the study	5
1.6. Scope of the Study.....	6
1.7. Organization of the study.....	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1. The Concept of budget.....	7
2.2. Characteristics of budget.....	7
2.3. Types of budget.....	8

2.4. Preparation	8
2.5. Budget Utilization	9
2.6. Under and over utilization of Budget.....	10
2.7. Reason for Variations between Budgeted and Actual Expenditure	11
2.8. Internal control	11
2.9. Monitoring Budget Utilization.....	11
2.10. Budgetary control.....	12
2.11. Preparation of budget manual	14
2.12. Budget period.	14
2.13. Essential of Effective Budgeting.....	14
2.14. Performance report as communication tool	15
2.15. Importance of performance reports	16
2.16. Budget Reports.....	16
2.17. Budgetary Control and Variance Analysis.....	17
2.18. Performance evaluation.....	18
2.19 Empirical Studies	18
2.20 Summary of literature.....	21
2.21 Conceptual Framework	21
CHAPTER THREE	23
RESEARCH METHODOLOGY.....	23
1.3Research design.....	23
3.2Description of the study area.....	23
3.3. Population, sampling and sample size.....	23
3.4 Data source	24
3.5 Data gathering tools	24

3.6 .Method of data analysis	25
3.7 Validity assurance	25
3.8 Reliability	25
3.9 Ethical consideration of the research	26
CHAPTER FOUR.....	27
DATA ANALYSIS AND INTERPRETATION	27
4.1Background of respondents.....	27
4.2Type of budget used by the organization	29
4.3Budget Preparation.....	29
4.3Budget implementation Practice of the organization	35
4.5. Budget reporting and variance analysis	38
4.6 Performance measurement and evaluation of budget utilization	43
4.7 Correlation analysis of the study.....	45
CHAPTER FIVE	47
SAMMURY, CONCLUSION AND RECOMMENDATION.....	47
5.1 Summary of findings.....	47
5.2. Conclusion of the study.....	48
5.3. Recommendation.....	49
REFERENCE.....	51
ANNEX	54

LIST OF TABLES

Table 3.1 Sample respondents	24
Table 3.2 Reliability Statistics	26
Table 4.1 Characteristic of respondents.....	27
Table 4.2 Types of budget used by the organization	29
Table 4.3 Need of budget preparation practice	30
Table 4.4 Schedule for preparation of budget.....	31
Table 4.5 Time span of Budget preparation.....	31
Table 4.6 Respondents view regarding Budget preparation practice of the organization	32
Table 4.7 Line of authority and responsibility b/n each department and central management preparing and implementing budget.	35
Table 4.8. Are there any factors that affect your organization budget implementation?.....	36
Table 4.9.Respondents view regarding Budget implementation of practice of the organization .	36
Table 4.10.Delay in approving the budget.....	36
Table 4.11 Audited Estimated budget and used budget reports of ethio telecom.....	37
Table 4.12 Response on:how many times the organization prepared performance reports	39
Table 4.13 Measure taken for budget variance.	39
Table 4.14.Budget reporting, monitoring and variance analysis	40
Table 4.15 performance measurement system of the organization.....	43
Table 4.16 Respondents view on the performance measurement system of the organization	44
Table 4.17 Correlation analysis	46

LIST OF FIGURES

Figure 2.1. Conceptual framework	22
Figure, 4.1 Variance analysis of ET South West Addis Ababa Zone	42

CHAPTER ONE

INTRODUCTION

1.1 Background the study

Budget is one of the most widely used tools for planning and controlling organizations performance. Surveys show an almost universal use of budget by medium or large companies in many parts the world. Budgeting system turn managers prospective forward. A forward –looking prospective enabled managers to be in better position to exploit opportunities. It also enables them to anticipate Problems and take steps to eliminate or reduce their severity (Richard,2006).

A budget is a quantitative expression forecast time of proposed plan of action by management. It can cover both financial and non-financial aspects of these plans and acts as a blueprint for the company to flow in the upcoming period. Budgets covering financial aspects quantify management expectations recording future income, cash flow and financial position (Allen, 2009).

Budget is a major feature of most managements control system. When administrated intelligently, budgets provide effective role in the managerial activities. It compel planning including the implementation of plans, it provides performance criteria and promote communication and co-ordination within the organization (Belcourt & Sakes, 2000).

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

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

Ethiopia being a federal state, at each relevant echelon (level) of government, budget formulation, approval, expenditure and control system of the government structure requires practicing transparency and accountability on the part of the government in order to avoid misuse of resources. It also requires public participation in the full range of the budget processes well as monitoring and tracking budget allocation and utilization at various levels and sectors of development(MOFED,2009).Based on this the study attempted to assess budget implementation and control practice of ethio telecom, in the case of South West Addis Ababa Zone/SWAAZ/.

1.2 Statement of the Problem

Budget is a main feature of most managements control system. When administrated intelligently, budgets provide effective role in the managerial activities. It compels planning including the implementation of plans, it provides performance criteria and promote communication and co-ordination within the organization (Cheratomy, 2004).

Poor performance of budget admiration often happened in the weak links between policy making, planning and budgeting. At one level, policy making and planning are unconstrained by what a country will be able to afford over the medium term. On another level, policymaking and planning are inadequately informed by their budgetary implications and by their probable impacts in the wider community. The inadequacy of hard budget chains on decision makers at the planning and budget formulation stage of the cycle leads to inadequate funding of operations,

poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service delivery (Peter, 1998).

A budget is a quantitative expression forecast time of future plan of action by management. It can cover both financial and non-financial aspects of these plans and acts as a design for the company to flow in the upcoming period. Budgets covering financial aspects quantify management expectations recording future income, cash flow and financial position. Budget preparation, allocation, utilization and controlling of the organization have many problems: such as budget deficit, unequal distribution of budgets and lack of skilled manpower. Budget administration and delivery of service directly correlated. An organization has effective budget administrations deliver service according to the plan and the reverse on organization did not apply effective budget administration (Richard, 2006).

Based on the above ideas back to specifically, ethio telecom is one of the large government enterprises in Ethiopia. However, the report shows problems that faced by the organization such as, some of the organization units did not implement the provided budget effectively, while controlling units of budget did not follow-up and identify the observed problem. ethio telecom was one of the beneficiary organization in Ethiopia, the organization have huge financial resources, if budget planning, implementation as well as controlling system of the organization well designed the organization can achieve a huge success in expanding its service every corner of the country as well as neighboring countries. However, the organization still affected through effective implementation of budgets such as, every year some of the organization units return large amount of budgets. With the return of such funds, project implementation was being affect as well as government policy affected and development of the telecom infrastructure also affected intern community did not receive a service. On other hand, some of the units of the organization still affected through budget deficit as well as lack. These were a sign such as, lack of integrated works of the organization units, lack of effective controlling, and supervising of the allocated budget, lack of effective planning of the organization in balanced allocation system of budget, etc.

Now days, ethio telecom is one of the profitable organization in the country therefore, the organization did not affect by lack of budget. If the organization units designed an effective budgetary plan however, still the organization did not fulfill the service render by the

organization. Some of the country parts specially, remote part of the country still did not receive an access of ethio telecom service, the organization was profitable and not affected by lack of budget (financial sources), however, lack of an effective budget preparation, implementation and controlling system affect its effectiveness. At one level, policy making and planning were unconstrained by what a country would be able to afford over the medium term. At another level, policymaking and planning were insufficiently informing by their budgetary implications and by their likely impacts in the wider community. It was important for governments to define and keep track of indicators to consider what they were trying to achieve with their policies and how far they were progressing and to use the information to plan accordingly. For this reason, there is a strong link between budget monitoring and controlled.

The study was assessed different published researches. Accordingly, few studies were conducted on the related area such as, Ketema (2015), assess budget preparation and utilization on Addis Ababa City Administration Health Bureau, the study was both qualitative and quantitative research so that the data sources were questionnaire and annual report of the organization and it was not considered interview data related to budget administration. The objective of the paper is to assess the budget preparation and utilization of the City Administration. Haimanot (2016), Conducted study on an assessment of budget practice and control system: A case study of Addis Ababa gullele woreda¹⁰.The research used both quantitative and qualitative data collected using structured as well as semi structured questionnaire. The objective of the study was how to use public resources and the study applied percentage research technique in analyzing both quantitative and qualitative data. Another study was conducted by Yesuf (2015), on budget and budget-monitoring practice in NGOs found in Ethiopia, both quantitative and qualitative research approaches was used and to evaluate the effect of budgeting and budget monitoring practice in NGOs operating in Ethiopia.

Based on the studies one of the major objective of this study is to fill the gap observed on the previous studies, such as, conducting the study considering both primary data (opinions of respondents) as well as considering annual performance report of budget implementing and utilization. Therefore, conducting study on the area may have its own

role to analyses the specific areas that majorly affect the organization budget implementation and controlling system.

1.3 Research questions

This study attempts to address the following questions on budget implementation and control system in ethio telecom at SWAAZ.

1. Does the budget implement according to their plan?
2. How the organization budget controlled and monitored?
3. Does the Planning and budget department have a means to take corrective action on the weaknesses of budget preparation and utilization?

1.4Objective of the study

1.4.1. General objective of the study

The main objective of the study was to assess budget implementation and controlling practice of ethio telecom in a case of SWAAZ.

1.4.2. Specific objectives of the study

1. To assess the budget implementation practice of the organization.
2. To assess budget controlling and monitoring of the organization.
3. To examine the corrective measure on the weakness of budget utilization of the organization.

1.5. Significance of the study

Budget play a significant role by controlling and protecting the over and understatement of revenue and expenditure of different company and government units. But much emphasis does not give by these entities. Therefore, the study tries to address the area where emphasis does not give with ethio telecom. Look with due attention, where the problem of over and understatement where take place within the organization. In this ways, the study can help to identify the existing challenges and posed on the successfulness by identifying the major constraints, which affect the company budget implementation and control practice.

Furthermore, the findings of this research are mostly useful to an input for the company managers and policy makers regarding budget implementation and control system, the study will be hoped to contribute idea for other researchers who wants to conduct further studies in the area.

1.6. Scope of the Study

The scope of the study was tried to delimit in concept and geographic location.

- **Concept area:** - In Line with area, the study was investigating current budget implementation and controlling practice of the organization of policy and explore major factor affecting effective budget utilization of the organization.
- **Geographic location of the study area:** -The study was delimited only to assess the implementation and controlling system of budget in ethio telecom found in SWAAZ.

1.7. Organization of the study

The study was organized five chapters, chapter one about introduction of the research report, chapter two covers review of literatures, chapter three deals with research methodology, chapter four focuses data analysis and interpretation, chapter five presents summery of findings, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. The Concept of budget

The Chartered Institute of management accountants (CIMA) London has defined a budget as a plan quantified in monetary term prepared and approved prior to a defined period of time usually showing planned income to be generated and expenditure to be incurred during the period and the capital to be employed to attain a given objective (Allen, 2009).

According to Brown and Howard (2001), “A budget is a pre-determined statement of management policy during a given period which provides a standard for comparison with the result actually achieved “

Many different scholars’ defined budget and budgeting in different ways however, most of them have come up with similar connotation of budget and budgeting. To see some of the definitions selected are presented as follows. The word budget means the financial plan of a company for then a period of the year. Predicting financial results and the intents of the financial statement over that year and pedants at the financial statement over that year and predicting in detail the pertinent financial results of all the organization element of the company. Budgeting is the process of preparing budgets. Budget always means annual budget” The budget generally matches the annual and quarterly reporting required from public company. Responsive to the fact that the investment community keeps score bases on these periods. (Even on company, it needs to borrow money or wishes to compare itself with the general world or business and finance and a also budget is affectively uses for control purposes (Cheratomy, 2004).

2.2. Characteristics of budget

According to Einwiller(2002), the characteristics of budget are as follows;

- ❖ Budget is primarily a planning and control device
- ❖ Budget is prepared in monetary term and quantitative term.
- ❖ Budget is prepared for a definite future period.
- ❖ Budget shows planed income, expenditure and the capital to be employed.

2.3. Types of budget

- **Fixed budget:** -This budget remains fixed over a given period. It is not altered with the changes in the volume of production or activity level attained. Such a budget is usually prepared for expense of fixed nature. This budget is prepared on the basis of estimated volume of production and sales and on plans for an adjustment are made for the different of the actual volume of production and sales from the budget figures, this budget is misleading and unsuitable for control purpose. Hence, it has limited practical application.
- **Flexible budget:-**Flexible budget is a budget, which is designed to change as volume of output changes. It also Called slid scale budget, flexible budget are schedules of cost or expense which show how each should vary with variations in the volume of activates (Richard, 2006).

2.4. Preparation

Preparing a budget is the process starts with careful thought at the ground level as to what is needed and what new initiatives can be started. At the same time, leadership and vision from the top offers some guidance as to what the departments can expect a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public budget preparation is one of the boring tasks that any country should look up on. The preparation process for the annual budget involves a great deal of energy, time, and expense. Budget is financial expressions of a country's plan for a period. It tells where and how the organization will spend money and where the money will come from to pay these expenses (Falk, 1994). Budgets provides the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still need in order to have at least close estimation (Andrews and Hill, 2003).

According to Shah (2007), preparation of the budget usually takes many months and involves all public institutions: The Ministry of Finance manages the process; approves the policy priorities, line ministries plan and supporter for their resource needs and the government reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands. Budget should be a product

of strategically planning on the part of an alert, informed management. Through the budget, planning process management can put in order and effectively organize organization resource with the help of budgets management can evaluates organizational performance and make necessary changes when external or internal variables warrant correction. While formulating budget and then using then to evaluate and /or correct organizational performance, managers must be necessity make decision and choice among wide range of option. Budget can help narrow the range of option and improve the quality of decision made (Malcolm, 2003).

Budgets cannot displace good management. It is only a tool whose use depends on the skills of managers brings to their jobs. Even though there is much more to management and budget are inextricable. The relationship between them is identical to the visualized by concerning inseparability of dancers from their dances. You may see the relationship between an organization and its budget as being symbiotic technical elements of the budget and its organizational aspect enjoy a mutually supportive relationship the two help shape each other (Richard, 2006).

There is the reverse interaction between strategic management and budget however, such interaction does not appear at any firms. The problems of in appropriately using the two process may arise when a company does not accurately integrate each other or dose not employ strategic management at all (Anthony&Govindarajan, 2008)

Budget implementations reflect management and although management is responsible for helping to develop the budget. The process and its product are means of making managers more effective. Budget is short change when they are seen as only quantitative expressions of plans of action. Budget must not be seen merely as on end product/service described in monitory and quantitative terms (Rebecca, 2011). The appreciation of budget can be enhanced if one focused on the entire budgetary process and not just on the budget document itself. Budget or other the budget document is one of the elements and not the entire process (Rachlin Sweeny, 2011).

2.5. Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while

ensuring value for money is often just as challenging than planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing. Budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well badly prepared budget (Allen & Tommasi, 2001). Successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides, to this, the budget system should assure effective expenditure control. In addition to a realistic budget to begin with, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Schiavo-Campo & Tommasi, 1999).

2.5.1 Under and over utilization of Budget

Over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc. (Allen & Tommasi, 2001).

In some countries, payments made through exceptional procedures are not control against the appropriations and are therefore an important cause of overruns; lack of compliance can be address through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns. On the other hand Allen & Tommasi (2001), expressed in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off budget spending. Overall, in most cases, underutilizations as well as over utilization is related to insufficiencies in budget preparation and program

preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization and to a practice known as “repetitive budgeting. Peter(1998), identify the following weaknesses in resource allocation and use: poor planning; no links between policy making, poor planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as utilized.

2.5.2 Reason for Variations between Budgeted and Actual Expenditure

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

2.6. Internal control

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

2.7. Monitoring Budget Utilization

As indicated by Tommasi (2007), there should be sharing of responsibilities for budget utilization, budget appropriation management system and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution. At the same time budget, execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. Both the central agencies (the ministry of finance, the ministry of planning in a dual budgeting system, and the prime minister’s office) and the spending agencies

are involved in these tasks. The distribution of responsibilities in budget management should be arranged according to the agencies' respective areas of responsibility and accountability.

2.8. Budgetary control

According to Hostede (1986), budgetary control as a plan translated into monetary terms, at the beginning of a plan and at the end it is a control device. The aim of budgetary control is providing a formal basis for controlling the progress of the organization as a whole and its component parts towards the achievement of objectives specified in the budget. Budgetary control determines plan or standards of output and estimated income are compared with actual and corrective action is taken. Budget provides the following advantages;

- ❖ Budgeting compels managers to think ahead to anticipated and prepare for changing conditions.
- ❖ Budgeting coordinates the activities of various departments and functions of the business.
- ❖ Budgeting increases production efficiency and eliminates waste.
- ❖ Budgetary control aims at maximization of profit through careful planning and control. It provides a yardstick against which actual results can be compared. It shows management where action is needed to remedy a situation.

This list of advantages given above is impressive but a budget is not a cure-all for organizational ills. Budgetary Control systems create necessary suffering from certain limitations and those using the system should be fully aware of them.

- ❖ The budget is based on estimates: Budget is based on forecasts and cost accounting cannot be exact science. It was obsolete accuracy therefore is not possible in forecasting and budgeting. The strength or weakness of the budgetary control system depends on a large extent and the fact that budget is based on estimates must be kept in view.
- ❖ Danger of rigidity: A budget program must be dynamic and continuously deal with the changing business conditions. Budgets will lose most of their usefulness if they occur with rigidity and are not revised with changing circumstances.

According to Richard (2006), the following are the prerequisites for the successful operation of a budgetary control system.

- **Establishment of budget centers:** - CIMA has defined a budget center as “A section of an organization for which separate budget can be prepared and central exercised.” An organization can have divided in to several segments; which are clearly defined for the purpose of budgetary control accruing to responsibilities of departmental heads. These segments are technically referred to as budget centers. Budget proposed for budget center is called departmental budget. The budget is prepared with the help of departmental heads e.g. purchase budget is prepared with the help of purchase manager and so on.
- **Preparatory of an organization:** -a well define organization chart showing clearly the line of authority and responsibility of each member of man agent and his position in relation in other members. Both upward and down wards is essential for a successful budget system. The design at an organization chart will depend and the nature and size to the company and the extent of the control desired.
- **Establishment of adequate accounting records:** -The accounting system should be able to record and analyze the information required. The budget procedure must use the same classification of expense and revenues as the accounting department for comparison purpose.
- **Establishment of budget Committee:**-In small concern, a budget officer or the chief accountant prepare the budget and coordinates all the work involved. In large Concerns, a budget committee is formed consisting at chief executive, budget officer and hands of the functional department or budget center example sole manager, production manager, purchase manager, chief accountant standard and quality control manager etc. Usually the chief executive is the hand of this committee, so that decision of this committee becomes binding on others. The budget officer often called budget director or controller should be directly responsible to the chief executive and acts as a secretary at the budget committee.
- To assist all department managers to prepare budget and providing their information about past performance.
- To inform all departments regarding requirement, date of submission of the budget etc.
- To circulate broad outline of the policies and turned by top management in relation to the budget system.
- To discuss problem with department heads and suggest revision of fictional budgets were necessary.

- To prepare a master budget after the approval of the functional budget.
- To compare actual performance with budget analyze variances and recommend corrective acting , where necessary
- To informed departmental heads, regarding changes in budget and procedure and the revision made in their budget by the customer.

2.9. Preparation of budget manual

According to Burkhead (2005), (CIMA) a budget manual is “a document which sets out the responsible of the person engaged in the routine of and the forms and records required for budgetary control “It contains the guidelines for preparation and implementation of various budget which are summarized below.

- Definition and clarification of different term used in budget.
- Definition of function and organization objective, responsibility and authority of different functional heads, budget committee and budget director, Procedures and forms to be used in the budget preparation.

2.10. Budget period

According to Pendlebury(1984), budget period is the period for which a budget is prepared and used which may then sub division to control period usually a budget is prepared for one accounting year sub-divides in to four quarters or one year. A rolling or continuous budget is a one-year budget prepared two or more times in a year. These budgets are more account but are not used for high clerical cost. In seasonal industries shorter budget period say one seasonal cycle or six month or quarter will be turned more useful, in industries involving huge capital investment and long production period. Short-term budget will be much more detailed and costly to prepare and operate, whereas long-term budget is attested by affected unforeseen condition and are unsuitable for controlling a business.

2.11. Essential of Effective Budgeting

According to Allen (2009), a budgetary central system can prove successful only when certain Conditions and attitudes exist, absence of negate largely the value of budget system in any business. Such conditions and attitudes are essential for effective budgeting are as follows.

- **Support of top management:**-If the budget system is to be successful, it must be fully supported by every member of management and direction must come from the top management no control system can be effective unless the organization is convinced that the top management considers the system important. Thus the top management must be committed to the budget idea as well as to the principle, policies and philosophy underlying the system.
- **Participation by responsible executives:** -Those entrusted with the performance of the budgets should participate in the process of setting the budget figures. This will ensure proper implementation of budget programmes.
- **Reasonable goals:** -The budget figures should be realistic and represent reasonably attainable goals. The responsible executives should agree that the budget goals are reasonable and attainable.
- **Clearly defined organization:** - In order to derive maximum benefit from the budget system, well-defined responsibility centers should be built up within the organization. The controllable cost for each responsibility center should be separately shown.

2.12. Performance report as communication tool

Performance Reports constitute an important phase of the control process. The control process can be summarized follows.

- ❖ Appended plan (Tactical and strategic)
- ❖ Feed forward (planned objectives and goals communicated)
- ❖ Current control (supervising, inspection, and Performance report)
- ❖ Feedback (Communication of difference and cause of actual performance compared with planned).
- ❖ Corrective action (designed to reduce the difference between planned and actual performance).

In most business situations, management must rely to a great extent upon information contained in reports therefore; serve as an important means of communication on this point one study stated.

In order to be useful to management accounting information must be communicated to management personnel. Communication implies that a person receiving the information

understands the nature and significance of material contained in the report received, when communication is generally effective management action and decision are likely to be based on the fact which they receive rather than an untested impressions and guesses.

Reports that communicate effectively to all level of management stimulate action and influence decisions. Those charged with the design and proportion of reports for management. To be effective must know and understand the problem and approaches used, and attitudes of the management (Prenchand, 2005).

2.13. Importance of performance reports

A great deal of management effort and time is required to develop realistic profit for manufacturing and effectiveness plan for Service Company. Performance reports have as their central objectives and communication of performance measurements and operational data. In addition to control implication, performance reports offer management essential insights in to all forecasts of operational efficiencies. Clearly, performance reports face critical behavioral problem since in efficiencies as well as effectives of individual are pin pointed and reported. Performance report must be tailored to the characteristics of each particular environment; however, we may generalize about certain relevant criteria in their design and application. Thus performance report should be

- ❖ Toil ore to the organization structure and locus of cantor liability (that is by responsible centers)
- ❖ Designed to implement the management by except in Principle
- ❖ Respective and released to short time period.
- ❖ Adapted to the requirement of the primary users.

Simple understandable and report only essential information etc (Malcolm, 2003).

2.13. Budget Reports

Budget control is not effective unless there is a continuous flow of budget reports. These reports should be prepared at regular intervals (Say each month, each quarter, semiannual and yearly) to shall comparison of actual performance with the budgeted such reports may be predated to hand of budget centers Showing favorable or adverse variances from the budgeted figures. This hand

of budget centers sound is immediately required to explain this variance to the top taken immediately (Burkhead, 2005).

The financing essential points should be followed while preparing budget report.

- ❖ The biggest reports should be simple and suitable for the level of understudy of the user.
- ❖ Reported annulled be presented promptly
- ❖ Reported should be accurate but the extreme presented. accuracy of should not be at the cast of promptness
- ❖ The recants should contain only essential intimation accenting to the need of the user.

Few objectives on budget reporting are:

- Provide meaningful information to management for planning, decision-making and reporting purposes;
- Allow for the monitoring and control of the commitments and expenditures in relation to their respective cost centres;
- Ensure early identification of budget variances so that different divisions and cost centres can mitigate as appropriate to remain within their budget.
- When actual financial results vary significantly from budgeted amounts, managers, officers, and chief executive officers in the respective operating units must determine the cause, evaluate the activity, and take corrective actions on time based on the budget vs. utilization analysis report (Cheratomy, 2004).

2.14. Budgetary Control and Variance Analysis

The basis of budgetary control is variance analysis. Variance analysis is unexpected /unplanned/ change from the budgeted figure. So if no action is taken on the basis of management accounting. Knowing the cost of sales against the revenue generated, one will be better informed to decide whether you are over or under spending. The scope of work to determine the revenue to be generated, the cost of sales, the number of employees and their labor cost needed to execute such task, and the general set parameters within which such a plan can meet its set target. Therefore, the monthly performance management report reveals the shortfall or the loop in the operation if the scope remains the same. The variance analysis by this standard reveal if we are spending too much on the labor cost than expected, or if by expats movement, Variance sources can be favorable or adverse. Favorable variances happen when spending is lower than expected

or the revenue is higher than expected. An adverse variance occurs when the expenditure is higher than expected and when the revenue is lower than budgeted. Budget, therefore must be monitored for variances, so that they can be reacted to because each budget has a budget holder, then the responsibility of the variance must be trace to the right person (Palmer, 2000).

2.15. Performance evaluation

Performance evaluation is a key element for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To improve effectiveness and transparency, the management group should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures. As a manager you will like to evaluate your own performance even if you are not assessed by your superior. However, performance is often evaluated by measuring a manager's performance against budget and the skill to achieve the targets would lead to promotion or bonus (Hancock, 2009).

2.16 Empirical Studies

In addition to reviewing those literatures concerned with the theoretical concepts relevant to budget implementation and control discussed above, the researcher had also reviewed available empirical literatures in order to familiarize himself with the previous studies .

Gershon (2012), conducted study on budgeting, budgetary control and performance evaluation a case study of Alterrian service group (ATS). The objective of the study was that the role budget plays in the company and how the key actors of the budget engage its uses in their daily operational activities. The study used to obtain data through personal interview and questionnaires as well as secondary data source, both qualitative and quantitative methods were used in analyzing the data. The research was descriptive and explanatory in its type. The findings indicate that most of the key actors do not work with the budget due to lack of proper induction and proper role profile of the office they occupied, project managers' rotation are done without recourse to the budget thereby creating budget deficit in most cases. The study recommended that all business managers have to champion the course of the budget information dissemination down to the project units and the project managers can appreciate and understand the tools for the operation, by so doing the projects managers participatory.

Elizabeth(2010), studied on the challenge of budget implementation in public institutions: A case study of university of Nairobi. The study aimed at investigating the challenges of budget at University of Nairobi. To attain objective of these study a descriptive study was made. The researcher used descriptive research and both primary and secondary methods used to collect data. The data was presented using statistical measures pie charts, bar graphs, frequency tables and graphical presentations. One of the major challenges that affect budget implementation is that since made the initial budgets, which were later amended during aggregation could resist the proposed budgets, other challenges included insufficient funds allocated to department, institutional weakness and the acknowledgement that budget have a role to play in the organization is an important factor that helps in budget implementation. The study recommended budget implementation needs effective procedures and guidelines in the allocation of funds and operational implementation policies.

Christine(2012), studied on factors that affect budget utilization by government ministries in Kenya. The study adopted a cross sectional research design in which questioners were issued to finance officers in various ministries and their data analyzed using descriptive statistics and factor analysis. The results were analyzed using tables and factor index matrix. The findings of the study were that the ministries had documented budget and budgeting process that acts as a reference material on how the funds will be utilized and budgeting control procedures be maintaining. The most central factor that affects budget utilization is structural and cultural factors

that exist in the ministry and training and educational program spending out as the least factors. The implication was need to reduce the level of bureaucracy present in approvals sought in government offices before the funds can be accessed from the treasury.

Yesuf (2015), conducted study on budgeting and budget monitoring practice in NGOs operating in Ethiopia. The aim of this study is to evaluate the effect of budgeting and budget monitoring practice in NGOs operating in Ethiopia. To achieve the objectives of the thesis, convenience-sampling method was used and Managers of the sample organization were communicated to identify the key staffs that are responsible in the budgeting process according to the structure of each organization. A self-administered questionnaire was distributed to respondents. Secondary

data was also collected from budget performance reports and manuals. The study used both qualitative and qualitative research approaches. As the findings show, the overall budgeting system in the sample organizations missed the participation of concerned staffs. Participation of staffs in budget development helps to achieve the purposes of budget such as coordination, communication and motivation in the process of achieving the expected performance level. The study recommend that finance department should keep reporting budget versus actual expenditures to support the monitoring of revenue and expense levels in operating activities and conducting budget review meetings.

Ketema (2015), conducted studies on assessment of budget preparation and utilization: case of Addis Ababa city administration health bureau. Thus, the general objective of the paper is to assess the budget preparation and utilization of the City Administration Health Bureau. Both quantitative and qualitative research approaches were used and questionnaire and secondary data used to achieve the objectives. The result show that there was no accountability in budget utilization, there is no market oriented cost estimation practice, lack of consistency and delay in purchase processes, lack of adequate and experienced budget experts, and there is no evidence based evaluation mechanisms in the budget utilization at each level of the Health Bureau. The study recommended annual budget should be targeted the current market price of items and responsibility and accountability should be given to each level units for effective utilization of their budgets.

Haimanot(2016), conducted study on an assessment of budget practice and control system: A case study of Addis Ababa gullele woreda10. The objective of the study is to identify the best way how to use of public resources. The study applied percentage research technique in analyzing both quantitative and qualitative data (mixed method). Data type was primary data collection instrument through questionnaire, interviews and analyzed source documents, data analysis techniques was through tables, charts and percentages. The finding of the study was shortage of professionals and a lot of vacant positions are waiting for professional and employee turnover, less payment of salaries is the factor for employment turnover and Problems of budget control, improper use of resources in the long run. The researcher recommends controlling the performance of various activities; the audit system has to be strong for effective budgetary control and avoided improper use of resources in the long run.

2.16 Summary of literature

Budget is the core element of the control-process and to provide a benchmark against which actual performance can be compared and measured. Business needs to have both a strategic plan and budget, the strategic plan lays out; the direction and goals of the business and guidelines for actions to achieve those goals. The budget looks at the money needed to support achieving goals. Budget is still very effective and necessary instrument of control for all firms. Over the year's budget become more and more turn away from reality and less effective in improving performance. Effective budgeting needs support of top management, participation of responsible bodies, set reasonable goals and well-defined responsibility centers. Other budgeting processes like preparation, monitoring, reporting, variance analysis and evaluation affect budget management. From the point of view of the general areas of study concern, as their central concern is organizational budget independently view and examine. The review of the literatures revealed the existence of gap, and different empirical study conducted on other organization in Ethiopia on the budget management practice were resulting dissimilar in its study objectives, the research questions of the study, data collection methods, instruments and resulted findings have been partially different from one another as well as this study.

2.17 Conceptual framework

Mohsin (2015), Budget and budgetary control framework comprises of four modules, namely: Budget figures, control and take action, actual figures and monitor and compare. Budget figure refers the annual budget life cycle that includes figures and documents. This phase provides detailed information on the annual budget life cycle. In the phase of Actual figure, it shows the differences between budget assumptions and actual outcome. The Budget vs. actual figure (realization) report lists the Income and Expense account balances and budget figures. In the monitor and compare phase a monitoring technique is being used whereby actual results are compared with budgets. Any differences (variances) are made the responsibility of key individuals who can either exercise monitoring action or revise the original budgets. Control and take action phase is to take sure the budget includes all the key indicators a company wish to control. It gives responsibility for budget items only to individuals with the authority to control the outcome, schedule regular reviews of budget performance. It also reviews budgeted figures

to identify cash flow or other problems which can be anticipated and tackled in advance and it also compare margins, working capital and other key ratios with historical figures to identify how performance is expected to improve or deteriorate.

A conceptual framework is a logical tool with many variations and contexts. It was used to make conceptual distinctions and organize ideas by using diagrams or charts and the like. Hence, the researcher tries to see the relationship between variables (plan and preparation, utilization, monitoring and reporting, evaluation) and implementation and control below.

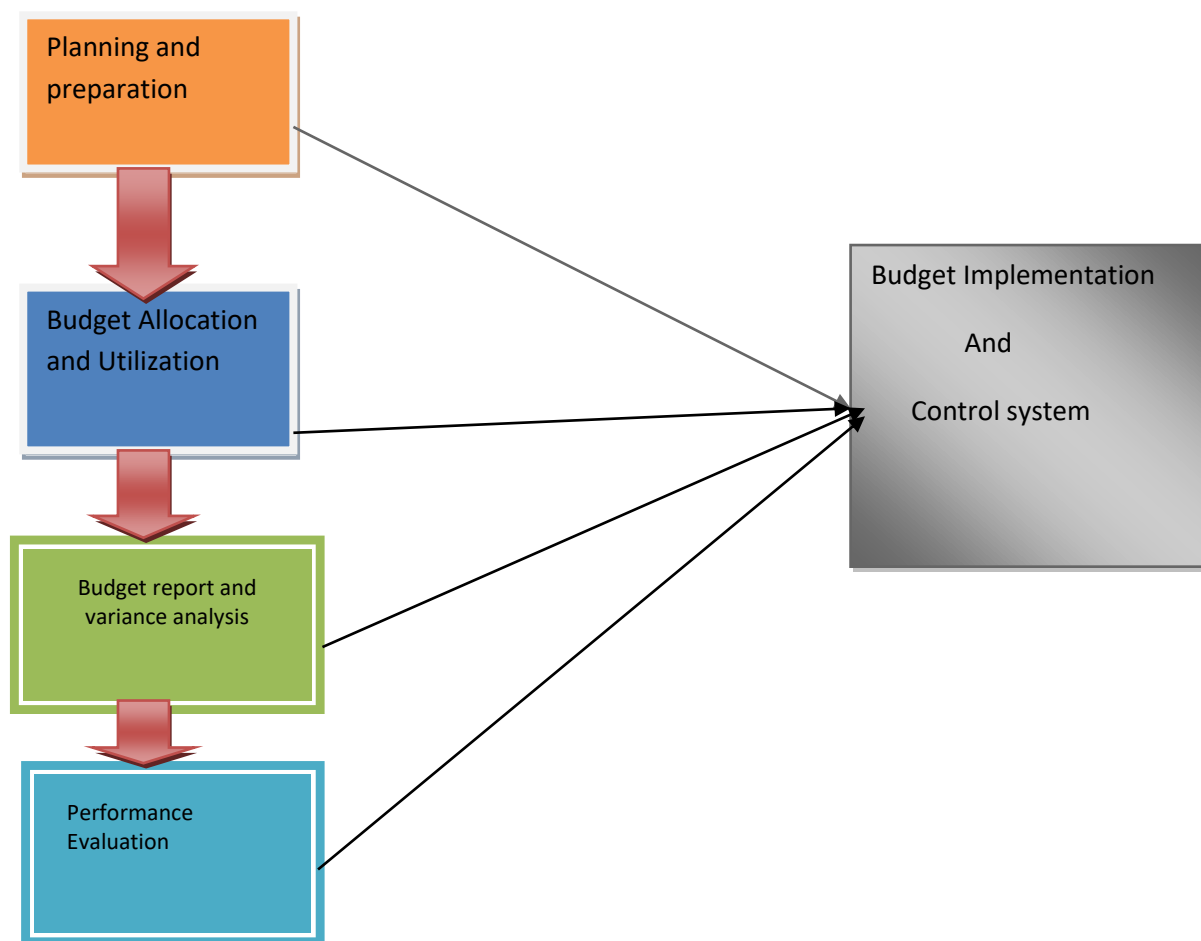


Figure2.1. Conceptual framework

Source: Developed from the research

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

A research design is the arrangement of condition and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Descriptive research studies are those studies which are concerned with describing the characteristics of an individual, or of a group (Kothari, 2004). The study was descriptive in nature in order to describe the current condition and the problems under investigation regarding budget implementation and control system practiced by ethio telecom with considering the budget process including preparation, utilization, monitoring& reporting, performance evaluation. Both qualitative and quantitative approaches employed and the study tries to analyze the data qualitatively and quantitatively to achieve the objectives of the study.

3.2 Description of the study area

Ethio telecom has six zones in Addis Ababa, those are NAAZ, SAAZ, WAAZ, EAAZ, CAAZ and SWAAZ. Accordingly, the study focused on collecting data and including population from SWAAZ, this is because, as the budget structure is similar in all zones it is possible to find similar data among one of the zone. Therefore, the researcher believed that select one zone is representative of all other zones. In addition, it was accessible for the researcher to collect the needed data on the area.

3.3. Population, sampling and sample size

The study population included all SWAAZ permanent employees working in seven budget holder divisions, such as Finance division, business partner division/BP/, direct channel division /DC/, indirect channel division /IDC/, fixed access network division/FAN/, operation and maintenance division /O&M/ and security division.

The target population refers to the group of people or study subjects who are similar in one or more ways and which forms the subject of the study in a particular survey (Orodha, 2003).

In this study the researcher selects the target population who is appropriate for the study. Sampling helps to select the respondent according to the purpose of the study. All groups involved in the budget implementation and control system are represented by the sample. The sample consists of four main groups which are managers, supervisors, coordinators and finance staffs. Therefore, the respondents were easily accessible. Since the number of the respondents is limited, the study used a census method. Accordingly, 82 respondents were present in the study.

Table 3.1 Sample respondents

No.	categories of respondents	Sample respondents	Percentage
1	Zonal division managers	7	8.5%
2	Zonal supervisors	33	40.5%
3	Zonal coordinators	10	12%
4	Zonal finance staffs	32	39%
	Total	82	100

Source: List of employees from SWAAZ human resource/HR/, (2018)

3.4 Data source

The research used two sources of data. These were primary and secondary data sources. The primary data was collected from sample respondent's work in the organization, while the secondary data were collected from manual and annual reports of the organization.

3.5 Data gathering tools

The main data gathering instruments utilized for this research were questionnaire and interview used as tools in collecting primary data of the study, On the other hand, annual report and manual of the organization served as tools of data gathering from secondary sources. Questionnaires were appropriate instrument widely used by the researchers to obtain facts about current conditions and first hand, data obtain from the field. The questions in questionnaire provided in to two forms these were as closed ended and mixed items. The interview guide was unstructured in its type that enabled the interviewer to ask further question beyond already they have. The researcher conducted the interview simultaneously with the questionnaire, three

managers and one section supervisors were interviewed. The purpose of interview was mainly for triangulation and conformation of the data obtained from the questionnaire and to increase the validity of the instruments.

3.6. Method of data analysis

The data collected from different sources, both quantitative and qualitative, were processed and analyzed using mixed approach that are both descriptive and inferential data analysis method. To be completed and minimizing error the data that were collected from the primary survey were summarize, compiled, edited, and coded. Descriptive and inferential statistics were employee for the data analysis process by using computer software called Statistical Package for social Science (SPSS) version 20.

The descriptive statistics were including graphs, frequencies, percentages and the inferential statistics includes correlation analysis. To show the relationship between variables, Pearson correlation was applied.

3.7 Validity assurance

Validity is determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account (John, W.C. 2009). This study's validity is assured through conducting interview with few of sample population to determine accuracy of finding drawn from questionnaire. Also opinion from the research advisor and experts ensure the content validity, whether the items measure the area of interest or the concept it intends to measure which were advanced its validity

3.8 Reliability

Reliability refers to the degree to which the data collection tools or analysis procedures were yield consistent findings (Saunders&Thornhill,2009). Reliability analysis measures the internal consistency of a group of items. Cronbach's alpha coefficient is the most frequently used index of reliability. It is mainly common way to assess reliability. A value of Cronbach's alpha coefficient above 0.70 is regarded as acceptable (Saunders & Thornhill, 2009). According to George and Mallery (2003), a Cronbach's alpha coefficient greater than 0.9 implies excellent, greater than 0.8 is good, greater than 0.6 is acceptable, greater than 0.5 is poor, and less than 0.5

is unacceptable”. Based on the principle in order to establish the degree of reliability, consistency, and accuracy of the instrument, a pilot study was conducted. Accordingly, the reliability of the Cronbach’s alpha result indicates below.

Table 3.2 Reliability Statistics

Questionnaire Scale	Cronbach's Alpha	N of Items
Plan and Budget Preparation	0.862	5
Budget Utilization	0.812	5
Budget reporting/monitoring/	0.929	5
Performance measurement	0.824	5

Source: questionnaire (2018)

The closer Cronbach’s alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. As indicated from the reliability scale measurement of the above table the scale of reliability test is acceptable and show good internal consistency.

3.9 Ethical consideration of the research

During the course of administering the questionnaires, names and any identifying remarks not used. The confidentiality of the respondents is kept and any data received for the study kept at the hands of the researcher and the advisor. The data were analyzed based on the questionnaires rather than using the researcher opinion and input. The researcher stays truth full to responses of the respondents and free from any personal assessment. Results depicted only from out puts of truth full inputs.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This core chapter deals with the discussion and analysis of data collected from ethio telecom employees. As indicated in the methodology part the study conducted using questionnaires filled by respondents and interview. The study totally distributes 82 questionnaires however, the analysis was done only based on 75 questionnaires and 4 non-response and 3 missing answers accounted for the rest. Based on the responses obtained from these sample respondents and data collected from annual reports and manuals, the analysis and interpretation were made as follows.

4.1 Background of respondents

Background of employee is necessary to associate gender, how work experience, educational status and age condition of employees has its own effect on effective budget implementation and control system of the organization. Accordingly, below table 4.1 indicate the general characteristics of respondents.

Table 4.1 Characteristic of respondents

Item	Category	Frequency	Percentage (%)
Sex	Male	57	76
	Female	18	24
	Total	75	100
Age	20 - 30	25	33.33
	31 -40	22	29.33
	41 – 45	16	21.33
	Above 45	12	16
	Total	75	100
Education	Diploma	9	12
	Degree	62	82.7
	M.A	4	5.3
	Ph.D.	-	-
	Total	75	100
Work Experience	Below 3	25	33.33
	3 – 5	23	30.66
	5 – 7	10	13.33
	7 – 10	11	14.66
	Above 10	6	8
	Total	75	100

Source questionnaire, 2018

Based on the above table from 75 total respondents 57 (76%) of them were male while the rest, 18 (24%) of them were female. With regard to gender, issues there were no balance number of male and female employees. This can be attributed by cultural issues that women are not supposed to be educated and participate in decision-making. This affects effective budget implementation and controlling of the organization.

With regards to the age condition of the respondents, the distribution of frequencies and percentages shows that, 25 (33.3%) of respondents found between the age groups 20–30; about 22(29.3%)of them found between the age groups 31- 40; on the other hand, 16(21.3%) of them found between the age group of 41–45; the rest 12(16%) were above 45 years. According the age distribution of the respondents' majority of them found at the young. Most of the sample respondents were management members, so the young managers are energetic to supply their mental and physical efforts to the organization, but it was not utilizing this opportunity to improve budgetary control and implementation performance.

About educational level of the respondents the data show that, 9 (12%) and 62 (82.7%) of respondents respectively were diploma and degree holder, on the other hand, only 4(5.33%) master's degree. According to the data level of education above most of the respondents were degree holders. From this point of views most of the employees of the company were first degree holders and the company did not utilize their capacity properly with take as an opportunity that is why the company weak performance of budget management was happened.

With related to the employee's work experience 25(33.33%) of them were found below 3 year of service, on the other hand 23 (30.66%) of respondents between the service years 3–5,10(13.33) of respondents between the service years 5 –7,11(14.66%)of respondents between the service years7-10 and only 6 (8%) were above 10 years of work experience. As the data indicated majority of the respondents were found below 5 years' experience. Employees who have no better experience and develop work force contribute its own impact on the practice of effectiveness of budget management practice of the organization.

4.2. Type of budget used by the organization

In the survey the study was prepared a question to know what type of budget used in the organization. There are different types of budgets and approaches that are used by different organizations. Fixed and flexible budgets are widely used by different organizations. Fixed budget is a budget that is designed to remain unchanged, regardless of the level of activity and flexible budget is a budget designed to show how figure change with level of activity budgeted. Accordingly, respondents were provided their view below in table 4.2

Table 4.2 Types of budget used by the organization

types of budget	Frequency	(%)
flexible budget	4	5.3
fixed budget	71	94.7
Total	75	100

Source: questionnaire (2018)

From the above table one can understand that majority of respondents 71 (94.6%) assured that the organization uses the fixed budget to achieve organizational objective. This budget remains fixed over a given period. It is not altered with the changes in the volume of production or activity level attained (Richard, 2006). The respondents explained that as the organization is governmental, fixed budget was used for the period of a year. It cannot be managed with level of activity changes or flexibly.

4.3 Budget Preparation practice

With related to budget preparation and operation of ethio telecom the survey was assessed the area by forwarding related question to know how budget prepared in the organization?

All work unit of the company prepare their own budget proposal supported by annual work program. The respective firms could support this budget proposal. The agent who prepared it and approved by department officers and board of directors signs the summery of the proposed

budget. The estimated budget-calling proposal shall be forwarded to the executive management for acknowledgement in January every year.

Operational budget developed by divisions shall be reviewed against the work program for their achievability and sensibility up to department level. The budget reviewed and summarized up to department level shall be reviewed with budget division in April every year. In addition to the organization document of budget operation system, respondents also approved as indicated below in the table.

Table 4.3 Need of budget preparation practice

Question	Types	Frequency	Percentage (%)
How does need of budget prepared in the organization?	Department level	-	-
	Top management	2	2.66
	Both of them	73	97.33
	Total	75	100

Source: questionnaire (2018)

As indicated on the above table 97.3% of the respondents respond that both department and top management bodies in the organization can prepared their need of budget.

The consolidated master budget shall constitute the budget profit and loss statements budgeted statement of the previous year financial performance. Generally, the budget preparation is range from January,1 up to june,30.

Table 4.4 Schedule for preparation of budget

No	Task	Responsible parties for preparation	Month	Submit to
1	Reminder budget preparation	Budget divisional work unit	January every year	-
2	Operating budget preparation	All concerned department	February-March	-
3	budget review and budget devotion	Budget division	April 1 st	-
4	Regional budget shall be made ready	Finance group	April 1 st	-
5	Notify budget	Corporate planning of file	May every year	-
6	Consolidated master budget review	Department officers	15 th June	Executive management
7	Consolidated master budget approved	Budget division	Before June 30	Management board
8	notified the approved budget	Budget division	July	-

Source: ethio telecom budget manual (2018)

On the above table clearly indicate how budget prepared and responsible bodies in the preparation of the organization budget participated. Then after the survey were forward a question for how long the organization uses its prepared budget? Accordingly respondent indicate their respective view below in table 4.5

Table 4.5 Time span of budget preparation

time span of budget preparation	number of respondents	Percentage
for a month	-	-
for a quarter	-	-
for a semi-annual	2	2.7
for a year	73	97.3
Total	75	100

Source: questionnaire (2018)

Budget period is the period for which a budget is prepared and used which may sub division to control period usually a budget is prepared for one accounting year sub-divides in to four quarters or one year(Jones&Pendlebury,1984).

Based on the above idea and the respondents based on their responses 97.7% total respondents responds that the organizations prepared budget was run for a year.

Based on the above budget preparation and operation practice of the organization the study was assessed its effectiveness through providing five scale likert types questions and invited respondents to forward their view. Accordingly, below in the table respondents view regarding budget preparation and operation system of the organization indicated as follows:

Table 4.6 Budget preparation practice of the organization

No	Questions	SD	D	NW	A	SA
1	There is an effective linkage between strategic plan and budget holders	10(13.3%)	27 (35.5%)	13 (17.1%)	20 (26.3%)	5(6.6%)
2	There is participatory budgeting procedures in the organization	11(14.7%)	32(42.6%)	3(4%)	18(24%)	11(14.7%)
3	Budget is reduced without negotiation	24(32%)	27 (36%)	3 (4%)	14(18.8%)	7(9.2%)
4	Budget allocation is based on the volume of activities	18(24%)	38(50.7%)	9(12%)	6 (8%)	4(5.3%)
5	There is revenue plan revision.	20(26.7%)	39(52%)	4(5.3%)	11(14.7%)	1(1.3%)

Note: The weighted average score (WAS) was calculated by giving score as 5 for strongly agree (SA), 4 for agree (A), 3 for neither agree nor disagree (NW), 2 for disagree (D) and 1 for strongly disagree (SD)

The above table implied respondents view with related to the characteristics of the organization budget preparation and issues whether the organization consider, linkage between strategic plan and budget holders, participatory budget preparation system, budget reduction, budget allocation and budget revision. Based on this each of respondent's view analyzed as follow:

Companies should link their budgets to their corporate strategy to ensure that the resource requirements are available to support the expectations of the organization. The strategy must be communicating to lower level managements and all employees so that they know and recognize all actions that lead to an enhanced operating profit.

With regard to the concept the study were assessed respondents view the linkage between the organization strategic plan and budget holders, accordingly respondents account for, 13.3 % and 35.5% respectively implied that, strongly disagreed and disagreed where as 17.1% and 26.3% respectively implied agreed and strongly agreed. Respondents indicated their agreement, implied that, there is budget linkage with strategic plan of the company. On the other hand, respondents who showed their disagreement on this issue reasoned out that the strategic plan of the company is not effectively communicate to lower level management. The budget supervisor who is directly responsible to manage and control the overall budget activities of the zone disqualified their perception on integration of budget and strategic plan. If the budget was emanated from the strategic plan of the company, there would be linkage between the two. The result of interview indicates that, the strategic plan document was not fully communicated to budget holders and it is not used as a reference while the budget is prepared.

Regarding budget participation, a significant number of respondents, accounted for 14.7% and 42.6% respectively, implied their disagreement, while, and 24% and 14.7% respectively implied their agreement. Accordingly, respondent that implied their level of agreement implied that, budget preparation in divisions/departments/sections is performed with the participation of budget preparation. On the other hand, majority of the respondent that implied their disagreement justified that, although the budget of each department/section is prepared by higher level managements, according to the reply of the interviewee (finance manager), The company budgeting approach is bottom-up and should be prepared with the participation of lower level divisions and sections. Furthermore, DC&IDC managers declare that, though the company revenue budget approach is top-down, and the amount prepared and presented by lower level

managers are less acceptable by the top management. The interview result indicated that only operational budget is participatory and revenue and CAPX budget are non-participatory.

The process of developing a budget is essentially one of negotiation between the management of specific units with top management to determine what the organization units will do and in what manner budget implemented. Regarding to these respondents accounted for 32% and 36% respectively implied their disagreement, which means top management was of reducing the proposed budget without negotiation with lower level managements. The interview result also shows that though they have been participated at the early stage of budget preparation process, the top management modifies the amount without consulting lower managements. The main reason given by the top management on the reduction of the budget is not rational and acceptable. The interviewee responded that the top management is doing this with the assumption that the amount of budget requested is exaggerated. The response also confirmed that the decision of reducing the budget by the top management without having acceptable justification encourages budget holders to submit highly exaggerated budget in subsequent budget years. The reason is due to the top management who is responsible for budget approval allocates budget by reducing some percentage from the initial request.

Allotment costs to departments or cost center is known as allocation. In other words, allocation is charging to a cost center those overheads that result solely from the existence of that cost center. Regarding to this as to the basis of allocating budgets to activities and various working units of the company, 24% and 50.7% of the respondents were strongly disagreed and disagreed respectively. Respondents indicated their disagreement that budget allocated for some departments/sections are highly exaggerated and unreasonably low for some others. In contrast to this, the interview result shows that budget allocation in the company is based on work volume of each cost center. However, as one can understand from the general process of budgeting though the company is following allocating budget based on volume of activities as the driver of budget assignment, the reality, however, does not show the proper implementation of this, because the top management reduces and approves the budget without negotiation at the end. If the top management do this without agreement there is a chance that the budget to be allocated without considering volume of activities.

Regarding revenue budget revision, majority of the respondents account for (26.7% said strongly disagreed and 52% disagreed, which confirmed that the organization did not revise the revenue plan so that departments enforced to accomplish tasks based on the approved budget throughout the year.

4.4 Budget implementation Practice

Once the budget is approved by the top level of management, it is communicated to each responsible units of the organization, which in turn issues letters to all divisions announcing the approved budget and requesting for their implementation plans. In accordance with this, each units or departments prepares its annual implementation plan for recurrent and capital budget. The disbursement of the approved budget is executed based on this plan and subsequent disbursements are made based on timely, regular and reliable reports. Accordingly, the survey was forward a question for is their clear line of authority and responsibility between each department and central management in preparing and implementing budget? Respondents were providing their view below in table 4.7

Table 4.7 Line of authority and responsibility b/n each department and central management preparing and implementing budget.

Question	Types	Frequency	Percentage (%)
Line of authority and responsibility	Yes	72	96%
	no	3	4%
	Total	75	100

Source: questionnaire (2018)

The above table shows 82.7% respondents respond the organization has clear line of authority and responsibility between each department and central management for implementing budget.

A well define organization chart showing clearly the line of authority and responsibility of each member of man agent and his position in relation in other members. Both upward and downwards is essential for a successful budget system (Richard, 2006). This indicated that accompany is well defined, but it did not use this opportunity to implement the proposed budget effectively.

Related with this, the study was assessed respondents view to identify what factors affect the effectiveness of the implementation of budget in the studied organization. In this regard below the table, indicate participant view on the assessed areas.

Table 4.8. Budget implementation of practice of the organization

No	Questions	SD	D	NW	A	SA
1	Budget utilization is according to the annual plan	9(12%)	29 (38.7%)	6 (8%)	21 (28%)	10(13.3%)
2	Over utilized the approved budget	3 (4%)	10(13.3%)	8(10.7%)	38(50.7%)	10(21.3%)
3	Underutilized the approved budget	3(4%)	20 (26.7%)	6 (8%)	30 (40%)	16(21.3%)
4	Budget revision and approval process	17(22.7%)	37 (49.3%)	4(5.3%)	14(18.7%)	3(4%)
5	The managements' attention on budget utilization	19(25.3%)	33(44%)	6(8%)	13(17.3%)	4(5.3%)

Source: questionnaire (2018)

As indicated on table 4.9 above, majority of respondents showed their disagreement (12%, strongly disagreed and 38.7% disagreed) on the view that budget users/holders did not utilize the approved budget based on the corresponding annual plan of activities. With regard to this respondent implied there are delay in the approved the budget and to delay the task from the prepared plan. For instance, the study has evidenced, some of the task that delayed presented as follow:

Table 4.9. Delay in approving the budget

Year	Estimated date	Actual Date	Delay in Days
2013	20-7-2013	28 – 7 – 2013	8
2014	13-7-2014	19-7-2014	6
2015	10-7-2015	21-7-2015	11
2016	11-7-206	27-7-2016	16

Source: Annual document ethio telecom Finance department (2018)

The summary in table 4.10 indicates that in each budget year there is delay in the approval of the budget. These situations affect the organizations budget implementation. this is because due to the fact that the budget cannot be implement without getting approval of the board of directors.

Regarding the question that, there is a practice of spending by budget holders for activities which are not included in the approved budget of ET, above 72%of them were agreed and 18% were disagreed. This implied that, there is a practice of utilized budget holders above the approved budget.

Similarly, 40% respondents that said agreed and 21% implied strongly agreed also confirmed the organization also underutilize budget in the given years. Budget that were under and over utilized by the organization in 2012– 2016

Table 4.10 Audited Estimated budget and used budget reports of SWAAZ from 2012-2016

Year	Estimated Budget	Expenditure	Over (-) or under utilization of budget(+)
2012	178253141.28	165230504.04	(+) 7.29%
2013	220,315,200	193877376	12%
2014	227,722,000	218613120	(+) 4%
2015	308,654,000	268528980	(+) 13%
2016	394,612,000	382773640	(+) 3%

Sources: Annual document ethio telecom finance department (2018)

As implied in the above table the organization did not used the estimated budget properly, accordingly the budget was underutilized on the given years. Under spent budget has huge amount in each year from the report. As per Allen and Tommasi (2001), underutilization does not necessarily mean that there is good fiscal discipline in the organization. Sound budget preparation processes and adequate institutional arrangements are a precondition for avoiding these discrepancies. Under spending seen from audited report of ethio telecom on the above table and the above analysis ensure as there is low performance in the approved budget in each years.

Regarding the question asked budget revision and approval, effectiveness the table implied that, 72% of respondents implied their disagreed on the existence of continuous budget revision and approval process in the company.

Similarly, regarding the assessed question, attention of top management on budget utilization 69.3% of the respondents implied disagreement on attention of top management in budget utilization. If the budget system is to be successful, it must be fully supported by every member of management and direction must come from the top management no control system can be effective unless the organization is convinced that the top management considers the system important. Thus, the top management must be committed to the budget idea as well as to the principle, policies and philosophy underlying the system (Allen, 2009). The above result shows, top management requires the utilization of the budget within the scope of the approved budget while the lower level management focuses on accomplishing activity plans regardless of how much amount is utilized.

4.5. Budget reporting and variance analysis practice

Performance reports will not effective to indicate the achievement of activities of the organization. Unless there is a continuous, follow of reports. Therefore, reports should be prepared at regular intervals (say, each month, and each quarter, semiannual and yearly) to show comparison estimated budget with the actual used budget. Such reports showing favorable or unfavorable variance from budgeted figures were known by having continuous performance reports (Burkhead, 2005). From this point of view, the researcher wants to know for how many times does the organization prepared performance reports within a year and this question respond by the respondents in the following table.

Table 4.11 How many times the organization prepared performance reports

types of response	Frequency	%
every month	-	-
every quarter	70	93.3%
semi annually	5	6.7%
once a year	-	-
Total	75	100%

Source: questionnaire (2018)

From the above table one can understand that respondents 93.3% responds that the organization prepared performance report every quarterly. In general, we can understand that preparing all performance report quarterly have less control for achievement of organization goal. This is because some all budget reporting section may not have the same nature, some of them may need frequent report, while others may not.

In connection with this, the basic feature of performance reports is the reporting of variance between actual results and budgeted amounts. The researcher wants to know, if the variance occurred, how the organization does takes measurement on it. The respondents respond the following:

Table 4.12 Measure taken for budget variance.

Types of response	Frequency	%
Immediately	15	20%
after three month	53	71%
after six month	7	9%
at the end of the year	-	
Total	75	100%

Source: questionnaire (2018)

From the above table we can understand that majority respondents (71%) confirmed that, three months taken by the organization to take corrective measure on the variance in most of the

budget units. As implied by (20%) in some units the organization immediately take corrective measure. However, some of the area the organization delays up to six months to take corrective measure. When actual financial results vary significantly from budgeted amounts, managers, officers, and CXOs in the respective operating units must determine the cause, evaluate the activity, and take corrective actions on time based on the budget vs. utilization analysis report (Cheratomy, 2004). From this point of view, there is low performance for taking immediate action for budget variance.

The study was also asked respondent view regarding the organization budget effectiveness such as management attention on budget variance minimization, adequacy of periodic performance report, effectiveness of evaluation and monitoring and timely feed backing mechanism and comparison result view of respondents indicated below in the table.

Table 4.13. Budget reporting, monitoring and variance analysis

No	Questions	SD	D	NW	A	SA
1	The managements' attention on budget variance minimization is effective.	19(25.3)	33 (44%)	6 (8%)	13(17.3%)	4(5.3%)
2	Adequacy of periodic performance report	10(21.3%)	38(50%)	8(10.7%)	3 (4%)	10 (13.3%)
3	Efficiency and effectiveness of budget monitoring	16 (21.3%)	30 (40%)	6 (8%)	20 (26.7%)	3 (4%)
4	There is timely feedback from top management to correct budget deficit.	17(22.7%)	37 (49.3%)	4(5.3%)	14(18.7%)	3(4%)
5	There is an comparison of budget and actual utilization	19(25.3%)	33(44%)	6(8%)	13(17.3%)	4(5.3%)

Source: questionnaire (2018)

As indicated on the above table, the analysis revealed that the attention of the managements on budget variances, majority, i.e. 69.3 %, (25.3% strongly disagreed and (44%) disagreed).

When actual financial results vary significantly from budgeted amounts, managers, officers, and chief executive officers in the respective operating units must determine the cause, evaluate the

activity, and take corrective actions on time based on the budget vs. utilization analysis report (Cheratomy, 2004). From this point of view respondents confirmed that, the management do not give more attention on the budget variances, this is because as implied on the budget variance analysis of the organization through the years affected by underutilize of budget. With this regard, some of the interviewee also implied that, some management focused on to minimize over spending of costs and expense than under spending.

Therefore, regards to budget report and analysis of variance, the result of the above table also shows that majority of the respondents accounted for 71% confirmed on the presence of limited periodic performance reports prepared and submitted by budget holders. It is not adequate and complete to evaluate their performance, and the explanation on the above budget variance line-by-line basis periodically is not enough to identify the cause and to take action accordingly. This is because as implied in the previous section, the organization performance report is at every quarter of the year and it takes three months to provide remedial action.

Regarding the effectiveness and efficiency of budget holders on monitoring their budget, the rating from respondents were 61.3% implied their disagreement, on the effectiveness of management to control and monitor budget utilization of the organization.

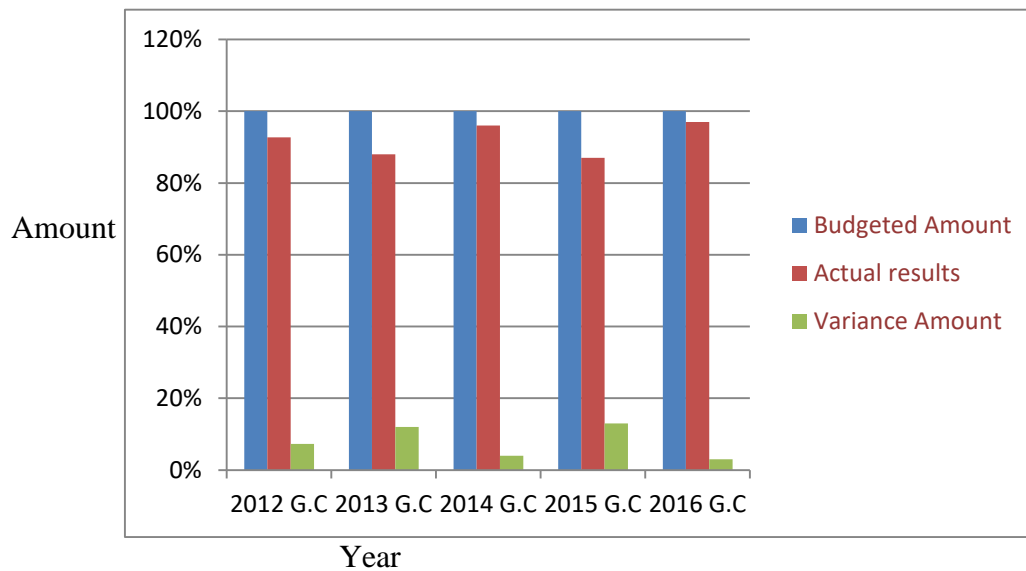
Regarding timely management response on the budget variance of the organization, respondents accounted for 72% of the respondents implied that, majority of managements do not provide timely feedback to budget users to correct the detected problems. According to Allen (2009), no control system can be effective unless the organization is convinced, and the top management considers the system be important and must be committed to the budget idea as well as to the principle, policies and philosophy underlying the system. So that the researcher point out that there is no interaction and strong feedback mechanism and not effective budget monitoring status.

Finally, the study analyzed budget variance of the studied organization occurred at several years. Comparison actual result with planned or budgeted amount has emphasized as an integral of the control process in every organization. A basic feature of performance reports is the reporting of variance between the actual results and budgeted or planned amounts in different companies.

With this regards the study were assessed respondents view whether the budget management bodies effectively analyzed budget variance and takes action to reduced variance changes or not. Accordingly, respondents accounted for 69.3% implied their disagreement, which means the organization, scored different percentage of budget variance throughout the years.

In order to know the occurrence of variance within the organization the researcher has been observe the budget the annual report of the organization. The actual results, budgeted amounts and the variance from 2004 – 2008 E.C be show graphically as follow:

Figure 4.1 shows the budgeted amounts, actual results and variances for five consecutive years from 2012-2016 years.



Figure, 4.1 Variance analysis of ET South West Addis Ababa Zone.

From the above chart, we can understand that the budget of the organization increases from year to year and the sign of the variance shows poor budgetary control in the company. According to the budget annual report of the organization it reads that the budget, due to rapid growth of ethio telecom expansion the SWAAZ received actual budget in 2012, ETB (Ethiopian Birr) 178253141.28. From this amount, birr 165230504.04 was utilized as an actual result and around 7.29% was unutilized amount or variance. In 2013, ETB220, 315,200.00was budgeted to the SWAAZ used ETB 193,877,376.00 however, 12% were lifted or unutilized amount.

In 2014, ETB.227, 722,000.00 was budgeted, 96% or ETB218, 613,120.00was utilized the variance was 4% underutilized. In 2015 ETB 308,654,000.00 was budget while ETB 268,528,980.00was used the variance 13% was unutilized. Finally, the years 2016 relatively implied slight difference of utilized variance, accordingly, there were a budget estimated ETB 394,612,000 while actual use was ETB 382773640.00which is 3% were not utilized.

4.6 Performance measurement of budget utilization practice

In this part, the study tried to assess performance assessment system of the organization regarding budget utilization. Accordingly, as indicated below in the table, the organization used both auditing and reporting system.

Table 4.14 performance measurement system of the organization

Measurement & evaluation	Frequency	%
Financial audit	15	20%
Department report	11	14.7%
Both auditing and reporting	49	65.3%
Others	-	-
Total	75	100%

Source: questionnaire (2018)

As indicated on the above table still respondents assure as the organization measurement and evaluation system is depend more on financial audit and department report. In this regard, the study was also assessing whether the organization used other types of performance measure and evaluation system. Accordingly, respondents give their respective view on the provided questions as follow.

Table 4.15. Performance measurement system of the organization

No	Questions	SD	D	NW	A	SA
1	Budget as benchmark for performance evaluation	20(26.7%)	29 (38.7%)	4(5.3%)	18 (24%)	4 (5.3%)
2	Budget achievement as performance measurement	25(33.3%)	35(46.7%)	2(2.7%)	10(13.3%)	3(4%)
3	Linkage of performance evaluation and revenue budget performance	29(38.7%)	37 (49.3%)	1 (1.3%)	6(8%)	2(2.7%)
4	The relationship of Job satisfaction and revenue budget based performance evaluation	13(17.3%)	30 (40%)	5 (6.7%)	20(26.7%)	7(9.3%)
5	Rewarding based on revenue target achievement	24(32%)	45 (60%)	3 (4%)	2 (2.7%)	1 (1.3%)

Source: questionnaire (2018)

From the above table it is indicated that (65.4%) of the respondents did not agree that budget as benchmark for performance evaluation for which they reasoned out that the budget is unreasonably understated and some others stated that the budget is highly exaggerated by the assumption that still the budget is approved without their negotiation. This implied that, majority of respondents showed their disagreement on the existence budget as a benchmark for performance evaluation.

The table also implied that, (80%) of respondents showed their disagreement on the existence of budget achievement as performance measurement.

Regarding, Linkage of performance evaluation and revenue budget performance measures system; the above revealed that a great number of respondents, i.e. 88%, confirmed that performance evaluation is not highly linked with the revenue budget performance. The revenue budget approved is a good benchmark for measuring performance evaluation throughout the budget year.

Regarding Job satisfaction and revenue budget based performance evaluation (57.3%) implied their disagreement have direct relationships with manager's point of view, and the attainability of revenue budget has significant impact on the behavior of managers, however, the organization did not use the methods. Moreover, as indicated on the table above almost all (92%) respondents confirmed that the company is not rewarding managers based on their revenue target achievement.

4.7 Correlation analysis of the study

Correlations are the measure of the linear relationship between two or more variables. Correlation analysis helps to define the direction of the relationship between various variables (between -1 and +1) and also helps to gain insight into the strength of their relationship. As described by Kothari (2004), a Coefficient of correlation has the value of ' r ' lies between ± 1 . Positive values of r indicate positive correlation between the two variables, whereas negative values of ' r ' indicate negative correlation. A zero value of ' r ' indicates that there is no association between the two variables.

According to Evan's (1996), the strength of the correlation can be described as, the absolute value of r namely 0.00-0.19 (Very Weak), 0.20-0.39 (Weak), 0.40-0.59 (Moderate), 0.60-0.79 (Strong) and 0.80-1.00 (Very Strong). Based on the analysis below the study were tested the correlation analysis between the two variables.

Table 4.16 Correlation analysis

		Budget Implementation and controlling Performance
Budget Preparation	Pearson Correlation Sig. (2-tailed) N	.943** .000 75
Budget Utilization	Pearson Correlation Sig. (2-tailed) N	.931** .000 75
Budget Monitoring	Pearson Correlation Sig. (2-tailed) N	.961** .000 75
Budget Evaluation	Pearson Correlation Sig. (2-tailed) N	.764** .000 75

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The result of correlation coefficient shows that all determinate factors predict on the study significantly and positively correlated with budget implementation and controlling performance, Accordingly, budget monitoring, at .961** highly affected budget performance of the organization, followed by, budget preparation at .943**, Budget utilization .931 and lack of budget evaluation at .764**

The correlation between the budget implementation and control performance and the factors implies that, change made in one of the factors can change budget implementation practice of the organization. If ET improves, the performance of those factors, as the same time budget implementation and control performance will increases.

CHAPTER FIVE

SUMMARY, CONCLUSION ANDRECOMMENDATION

5.1 Summary of findings

The study investigates budget implementation and controlling practice of ethio telecom found in SWAAZ. Therefore, the study summarized the findings as follows:

- ❖ The Organization used fixed budget system to achieve organizational objective. Both department and top management bodies can prepare their specific need of budget of the organization and it was run for a year.
- ❖ Majority of respondents confirmed that, the strategic plan of the company is not effectively communicating to lower level managements, the top management reducing the approved budget without negotiation and less participation of lowers level managers, the approved budget is not effectively allocating and not revised throughout the year.
- ❖ As implied majority of respondents, the organization has a problem of budget implementation. This is because budget holders are not using the approved budget based on the annual plan time's specification and activities; there were time dalliance to accomplish tasks and underutilization of approved budget, top management not focused on budget utilization, budget revision and approval process.
- ❖ With related to budget reporting and variance analysis, respondents implied that, the periodic budget report which is prepared by budget holders is quarterly and it takes three months to take corrective action. This is due to lack of management attention on budget variance, limited periodic performance report, problem of timely feedback mechanism, monitoring and comparison of budget variance problem. In general, there is no effective budgetary control that contributes to the achievement of goals and objectives.
- ❖ As indicated by respondents, the organization used measurement and evaluation system by financial audit and department report. However, the organization do not used additional techniques to measure and evaluate budget performance of the organization, such as; the company does not use budget achievement as performance measurement criteria, did not use

budget as benchmark for performance evaluation, and did not use measurement and evaluation system of revenue budget performance-based analysis.

- ❖ The result of correlation coefficient shows that all determinate variables predict on the study significantly and positively correlated with variable of Budget implementation and controlling performance.

5.2. Conclusion of the study

- ❖ Regarding budget preparation and plan the study found that the strategic plan of the company is not effectively communicate to lower level management (budget holders). The problem of inappropriately using the two processes arise, because the firm does not properly integrate them and have no unit that support strategic management as a result, when lower management request planed budget, Top management reduced its amount without having acceptable justification. This top management decision encourages budget holders to submit highly exaggerated budget in subsequent budget years. Therefore, due to lack of integration work between budget holder and budget approval the company did not proposed the needed budget.
- ❖ The challenge budget preparation and controlling also affect budget utilization of the organization accordingly, the organization more affect by underutilization of the estimated budget. Relevant reports explained that such underutilization arose from low capacity to utilize approved budget. On the other hand, although respondents said to be appreciative for utilization of its budget in the previous.
- ❖ Regarding performance reporting, the study found that the organization prepared performance report every quarterly for all departments. However, it is difficult to enforce all department report at the same time some of the department may need frequently report while some may not. Therefore, budget controlling regarding report results are not considering divisional activities and work nature.
- ❖ Regarding performance evaluation, the study found that, the organization measurement and evaluation system is depending on financial audit and department report. However, the organization did not use other types of methods to measure and evaluate budget performance, such as, measuring using bench mark on the use of budget, like separating,

operation performance, and revenue performance, as a results budget evaluation did not provide specific feedback for budget utilize.

5.3. Recommendation

Based on the data finding and conclusion made, the study suggests the following recommendations.

- ❖ As implied in the finding parts, lower level of management and were not participated on the master budget plan of the organization, as a result there were miss - much between need of budget and approved budget. Therefore, to minimize such a problem the study recommends that, top level of management consider participation of lower level of management in the cooperate planning of the organization and submit to budget holder divisions for discussion and revision of the budget plan.
- ❖ Regarding budget implementation and utilization there were a challenge of effective implementation of budget, since the effective implementation of budget is not simple matter, it is advisable to exist clear and open communication among managers, employees as well as departments for better performance and to achieve the goal of the organization.
- ❖ There were challenges observed on budget deficit and variance minimization problem in the studied organization. In spite of that, the organization presents report every quarter it may not be sufficient to controlled variance. In addition, it is advisable to the organization to present performance report monthly, take immediate corrective action, and control variance.
- ❖ There should be need comprehensive review and analysis of budget expenditure of the past year experience to improve budget efficiency of current year as well as it must be supported by plan research and development for newly established project budget requirement.
- ❖ Regarding budget preparation, budget should be prepared according to tangible plan; tangible in relation to financial requirement.
- ❖ The budget and planning office should analyze in detail the request budget before approved. In addition, the company should employee external expert for analyze the proposed budget fairness.

- ❖ There should be adequate budget control and monitoring system at each stage of budget cycle. This will be achieving by using company computer network system and available expert.
- ❖ Finally, the researcher would like to recommend that future studies should be carried out to establish the challenges related to the budgetary process in ethio telecom.

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ANNEX
St. MARRY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

QUESTIONNAIRES TO BE FILED BY ETHIO TELECOM EMPLOYEE

This questionnaire is prepared by a graduate student of St. Marry University in the filed **MBA in accounting and finance** the partial fulfillment of a thesis to assess budget implementation and controlling practice of ethio telecom in South West Addis Ababa zone /SWAAZ/. The answer will be base for the effective accomplishment of the thesis. Fill all answer dedicatedly and honestly just by taking a few minute out of your precious time. All Information you provide to this study will be kept strictly and confidential. Thank You in advance for filling this questionnaire.

General Direction:

- No Need to Write your name
- Please put (√) Mark on the boxes that mostly explains your answer

Section I

RESPONDENTS PROFILE

Please give the requesting information by putting (x) marks on the appropriate spaces.

1. Sex Male [] Female []
2. Age 20 – 30 [] 31 – 40 [] 41 – 45 [] above 45 []
3. Academic qualification
 Diploma [] Degree [] Master Degree [] Ph.D. []
 If other _____
4. Year of service in the organization
 Blow 3 [] 3 – 5 [] 5 – 7 [] 7- 10 [] above 10 []

Section II

1. What types of Budget used by the organization?

- A) Fixed budget B) Flexible budget
C) Specify if other _____

2. How does need of budget prepared in the organization?
- A. Based on specific departments need
- B, through top level of management direction
- C. Both department and top management
3. For how long your organization uses their prepared budgets?
- A) For month B) For a quarter C) For semiannual D) for a year
4. Is their clear line of authority and responsibility between each department and central management in preparing and implementing budget? Yes No
5. How many times does your organization prepare performance report within a year?
- A) Every month B) Every quarter C) Semiannually D) Once in a year
6. If there is variance between budgeted amount and actual performance, then when your organization does takes measure on it?
- A) Immediately B) After three months
- C) After six months D) At the end of the year
7. What is the organization measurement and evaluation of Budget Performance?
- A. Financial audit
- B. Department report
- C. Both auditing and reporting
- D. Others_____

Section III: Main Questionnaires

Please indicate your choice by putting the tick mark (√) on the appropriate cell on the provided issues regarding budget implementation and controlling.

Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

S.N.	Statement	Score Values				
		Strongly Disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly Agree (5)
	Plan and Budget Preparation					
1	There is an effective linkage of strategic plan and budget					
2	There is participatory budgeting procedures in the organization					
3	Budget is reduced without negotiation					
4	Budget allocation is based on the volume of activities					
5	There is revenue plan revision frequently					
	Budget Utilization and Implementation					
1	Budget utilization is according to the annual plan					
2	Over utilized the approved budget					
3	Underutilized the approved budget					
4	Budget revision and approval process					
5	The managements' attention on budget utilization					
	Budget reporting and variance analysis					
1	The managements' attention on budget variance is effective.					
2	Adequacy of periodic performance report					
3	Efficiency and effectiveness of budget monitoring					
4	There is timely feedback from top management to correct budget deficit					
5	There is an effective comparison of budget and actual utilization					
	Performance measurement					
1	Budget as benchmark for performance evaluation					
2	Budget achievement as performance measurement					
3	Linkage of performance evaluation and revenue budget performance					
4	The relationship of Job satisfaction and revenue budget based performance evaluation					
5	Rewarding based on revenue target achievement					

INTERVIEW QUESTION

1. Does the organization use formal budget rule?
2. What are the bases of budget for the organization?
3. Where is the source of budget amount?
4. How to allocate the given budget to each department and work unit?
5. How to evaluate the given budget and its effectiveness?
6. Do you have separate kind of budget system?
7. How do you evaluate the planned budget with actual performance?
8. Who was responsible for the preparation of performance report?