



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

**ASSESSMENT OF BUDGET PREPARATION, IMPLEMENTATION
AND CONTROLLING METHODS IN SUB CITIES OF ADDIS ABABA**

BY

TSIGE GEBREHIWOT

AUGUST, 2020

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DECLARATION

I, the undersigned, declare that this thesis is my original work and prepared under the guidance of Dr. Abebaw Kassie All the sources of material used for this thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval of a University advisor.

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ABSTRACT

The main purpose of this study is to conduct an assessment of budget preparation, implementation and controlling in Sub cities of Addis Ababa. Controversial issues related with the Sub cities budget are reflected in the budgeting processes, particularly during budget preparation and implementation stages. This is a major motivation to carry out this study. Thus, the general objective of the research paper is to assess the budget preparation, implementations and controlling of Sub cities in Addis Ababa and the study was designed to assess methods and processes of budget preparation in these Sub cities. This research examines effectiveness and efficiency of budget preparations, implementation, to assess budget control system and to investigate challenges that have been facing during budget preparation and implementation. A total of 60 respondents from sub cities of Addis Ababa and 9 budget experts were also included from bureau of finance and Economic Development of Addis Ababa. Both quantitative and qualitative analysis demonstrated that there was not enough time to prepare budget, there was no intention in budget preparation and Lack of adequate and experienced budget experts was another issue that contributes to worsen the problems and also there is no specification on the underutilization at the sub city level. Therefore, in order to improve budget preparation and implementations in the sub cities of Addis Ababa, it calls for taking any possible and remedial actions in the subsequent years.

Keyword: Budget, Budget preparation, budget implementation, Utilization and budget control

LIST OF ABBREVIATION

BOFED:	Bureau of Finance and Economic Development
IBEX:	Integrated Budget Expenditure Frame work
MOF:	Ministry of Finance
MOFED:	Ministry of Finance and Economic Development
MTEF:	Medium term expenditure frame work
OECD:	Organization for Economic Cooperation and Development
PFM:	Public Financial management
SPSS:	Statistical production for Social Science

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CHAPTRE ONE

INTRODUCTION

1.1 Background of the Study

A budget is a formal expression of plans covering various business activities in quantity and monetary terms for a specific period in the future (Olusola&Olowaseun, 2014).Budget are a quantity of future plan of action and aid to the coordination and implementation of Plan. A budget can also cover both financial and nonfinancial aspects of these plans and act as a blueprint for the organization to follow in the upcoming period. It also needs to be enacted before the fiscal year begins and be integrated with the financial accounting system so that actual results can be compared to the budgeted plans at regular intervals then develop corrective measures (Watlher, 2009).The budget establishes which activities will be undertaken (and therefore, the type, quantity, and quality of services provided to citizens) and how resources will be obtained and allocated .Budgeting force us to be aware of overall financial constraints, help in making difficult trade-off, and support efficient implementation of policies. According to Raghunanda, Ramgulam and Mohammed (2012) a budget is one of the most useful management tools that can realize huge rewards if understood and implemented properly. Suberu (2010) further notes that budgeting is one of the modern management tools that aids in the allocation of available resources of Government to satisfy private and public needs. There are important operational reasons to budget in organizations, including planning, control and evaluation.

Government budget is a public document that sets how a government is in a power. The proposal containing governments budget reflect its policy priority and fiscal targets. In this way, the budget express the objectives and aspirations should in the theory at least, reflect those of the majority of the electorate. In out lining its plans for spending money, a government is explaining how it intends spending money that belongs to public (Shultz, 2002). In the public sector, budgets have three broad functions: economic, political, and legal. Economic, because they are an exercise of planning, controlling, and administering

activities, intended to balance revenues and expenditures, and to allocate available resources efficiently in order to maximize social welfare. 'Effective budgeting significantly contributes to the achievement of the goals and objectives' (Brook soon, 2000)

Government has several policies to implement in the overall task of performing its functions to meet the objectives of social & economic growth. Governments that have effective fiscal rules have stronger budget discipline. These rules focus on formal and informal procedures for preparing, execution, utilizing and controlling the budget (Schick, 2007). Besides Alice (2012) also states that budget implementation is about transformation of numbers in the budget books in to actual delivery of outputs and successful achievement of organizational Objectives.

According to Malcolm (1998), poor performance is often to be found in the weak links between policy making, planning and budgeting. At one level, policy making and planning are unconstrained by what a country will be able to afford over the medium term. At another level, policy making and planning are insufficiently informed by their budgetary implications and by their likely impacts in the wider community. The inadequacy of hard budget restraints on decision makers at the planning and budget formulation stage of the cycle leads to inadequate funding of operations, poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service delivery. As Alemayehu and Dawit (2011) indicated the implementation of effective development strategies not only require the appropriate set of policy packages, but also call for strong linkages between policy and budget planning. Poor budgeting outcomes in developing countries can be traced, in part, back to the loose bond between policies, planning, and budgeting.

If budgets are not prepared in the organization some difficulties face the organization in coordinating the activities of the various parts of the organization and ensuring that the parts are in harmony with each other, in communicating plan to the various organizational goals in controlling and in evaluating the performance of management. In line with these the above issues BOFED (2012), states there is a weak budget preparation

and utilization processes and there is a gap in linking sectors plan with available resources during budget preparation processes.

Having assessed these issues, the paper puts forward viable recommendations for decision makers regarding strategies to take advantage of existing and emerging opportunities for improved sector financing and budget execution. It suggests steps to be taken in the preparation and utilization of budget in Addis Ababa Sub Cities by taking existing problems into account. This will help contribute towards improved and sustained future public service development interventions.

1.2 Statement of the Problem

Budget implementation is a challenge to many organizations because they are expected to make forecasts taking the unforeseen needs in to account during budget proposals or costs estimate that is changed significantly over time.

Yimer (2011) Stated that Ethiopian government laid down long term, medium term or annual expenditure budget is followed in the preparation and implementation of national budget.

According Asefa (2007) the critical challenge and controversial issue related to public budgeting is reflected in the budget preparation, approval, implementation and controlling stage of the budget cycle. Potter and diamond (2003) stated that the crucial problems and controversial issue related to government budgeting is reflected in the preparation, enactment, execution and review phase of budget cycle. The politics of public budgeting is more serious and challenging particularly in federal democratic countries where there is constitutional power and resource sharing among different level.

The Sub-Cities in Addis Ababa prepare their own budget plans which are largely based on the city's strategic plan as well as *Wereda* budget plans. They are administered and implemented by the finance offices and must also be approved by the sub-city cabinet and council. The sub-city budgets are taken into consideration by Bureau of Finance and Economic Development (BOFED) which subsequently allocates grants to the Sub-cities.

While the sub Cities are, in theory, free to allocate the money they receive to *weredas* and sectors according to their priorities, they are still largely influenced by city priorities and receive budget ceilings from BOFED. If sub-Cities are late with their budget planning, BOFED determines their budget for them. Every year the city administration finance and economic development bureau disseminate MTEF format which contains the needed budget for the coming two or three years which includes the capital and recurrent budget as well as the basic salary of the employee of the agency (Gebeyehu, 2013).

According to the request the Sub city administration and institution other than the sub cities send their budget request as required. The sub cities Administrations are responsible to request the annual budget depending on what is going to do on both the capital and recurrent budget based on the budget ceiling which is disseminated by the finance bureau every year. The Bureau of Finance and Economic development of Addis Ababa states there are problems arise in relation to the utilization of the allocate budget is due to the fact that the budget is not specifically allocated for the specified item. That is even though the budget is allocated according to the identified budget code it is totally consumed by other items or urgent issues by transferring the budget to the required budget code.

In Ethiopia the basic problems of government budget allocation in the public sectors are evolving to more complex forms related to the issues of policy and planning, low capacity of implementing and managing available resources, poor integration planning and budget allocation, budgeting implementation, and standardization (Taye2016). There are no criteria for determining inter-sectorial resource allocation and it lacks standardized preparation to estimate recurrent and capital budget expenditures. This indicates that budget is decided on the basis of inadequate information, often without sufficient knowledge of programs and performances. In line with this, according to BOFED (2010) report the city administration there is a gap in linking sectors plan with available resources during budget allocation processes. In addition to this, each public sector complains the process of government budget allocation to public sectors specifically during budget preparation, allocation and approval stage.

As Drury (2004) stated, Budget is the major tool for implementation of basis for decision making in the organizations. In other words budget provides the basis for decision making in the organization. Budgeting plays important role for the organization and for individuals on how to spend in relation to the income available. In addition to this, budgets play other managerial roles such as planning, communication, controlling and motivation. A well formulated budget system enables the organization to reach its goals more successful.

Ketema (2015) did a study on budget preparation and utilization with special emphasis in Addis Ababa City Administration Health Bureau for his thesis in Addis Ababa University. The aim of the study was to assess issues related to the preparation and utilization of budget in Addis Ababa City Administration Health Bureau. The researcher concluded that- There is inadequate and inexperienced manpower that has been worsening results of plan and budget preparations disparities.

Other researchers (Abera 2014, Tekliye 2017, Teye2016, Elias 2018, Esayas 2014) showed that there are challenges in budgeting and implementation in many organizations.

From the review of past research, most studies have concentrated on budget preparation, implementation, monitoring and transparency in the public sectors, but as best of researcher knowledge, little studies on budget processing in the sub-cities of Addis Ababa is done and BOFED report shows that there is various problems related to budget preparation,. Implementation and controlling particularly in each level of budget users, on planning and budget departments and stated that because of this, problems would arise for weak budget preparation and implementation. So the reason for this study is to understand budgeting process on sub cities of Addis Ababa and improve practice of budget preparation, implementation and controlling.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of this study is to investigate the budget preparation, execution and controlling of Sub Cities in Addis Ababa.

1.3.2 Specific Objectives

- To examine budget preparation process of Sub cities of Addis Ababa
- To assess budget implementation of a given budget in Sub cities of Addis Ababa
- To examine budget utilizations in Sub cities of Addis Ababa
- To identify critical problems encountered in the process of budget utilization in Sub Cities of Addis Ababa
- To observe budget controlling system Sub cities of Addis Ababa

1.4 Research Questions

- What are the processes in budget preparation?
- What weaknesses are observed during budget preparation and implementation?
- Do sub Cities utilize the allocated budget effectively
- Does Budget Department have a means to take corrective action on the weaknesses of budget preparation and implementation?

1.5 Scope of the Study

In order to obtain necessary information to the research, the scope of this study is limited to the sub city level of Addis Ababa. Because the sub city in general separated in woredas, kebeles and different sectors and it is wide in population and demographic aspects, and it is difficult to cover the whole at a given time. In addition this study was limited to on assessing of budget preparation, implementation and controlling in the Sub-cities of Addis Ababa.

1.6 Significance of the Study

- To create awareness about the findings that could relate with the budget preparation and implementations in the sub cities. Since the principles, concepts and recommendations outlined in this study reflect more ideas about the budget process it might be relevant to sub cities and other institutions.
- The study could be used as a reference for students, professionals and other organizations in the investigating further research about budget practice.

1.7 Limitation of the Study

In conducting the survey the researcher faced the following major challenges;

Since each sub cities use Software IBEX system (Integrated budget and expenditure system),it was difficult to trace documents related to budget and there is challenges to see documents easily.

1.8 Organization of the Paper

The study is organized under the following. Chapter one discussed on background of the study, statement of the problem, research questions, objectives of the study, significance and scope of the study. Chapter two provides theoretical foundation of the study through exploring the arguments of different theoretical perspectives and empirical evidences. The third chapter will show the research design and methodology such as research design, population, data sources and collection, and methods of data analysis. Chapter four will focus on the results, interpretation and discussion of the findings. Finally, Chapter five will describe the conclusions and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

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

The English word budget stems from the French word bougette and the Latin word bulga which was a leather bag or a large-sized purse which travelers in medieval times hung on the saddle of their horse. The treasurer's "bougette" was the predecessor to the small leather case from which finance ministries present their yearly financial plan for the state. So after being used to describe the word wallet and then state finances, the meaning of the word "budget" in 19th century slowly shifted to the financial plan itself, initially only for governments and then later for private and legal entities (Banovic, 2005). According to Maheshwari (2006) Budgeting is a plan expressed in quantitative, usually monetary terms covering a specified period of time, usually one year.

2.2 Theoretical Literature Review

Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting (Bunch and Straussman, 1993).

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

According to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition

of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities.

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

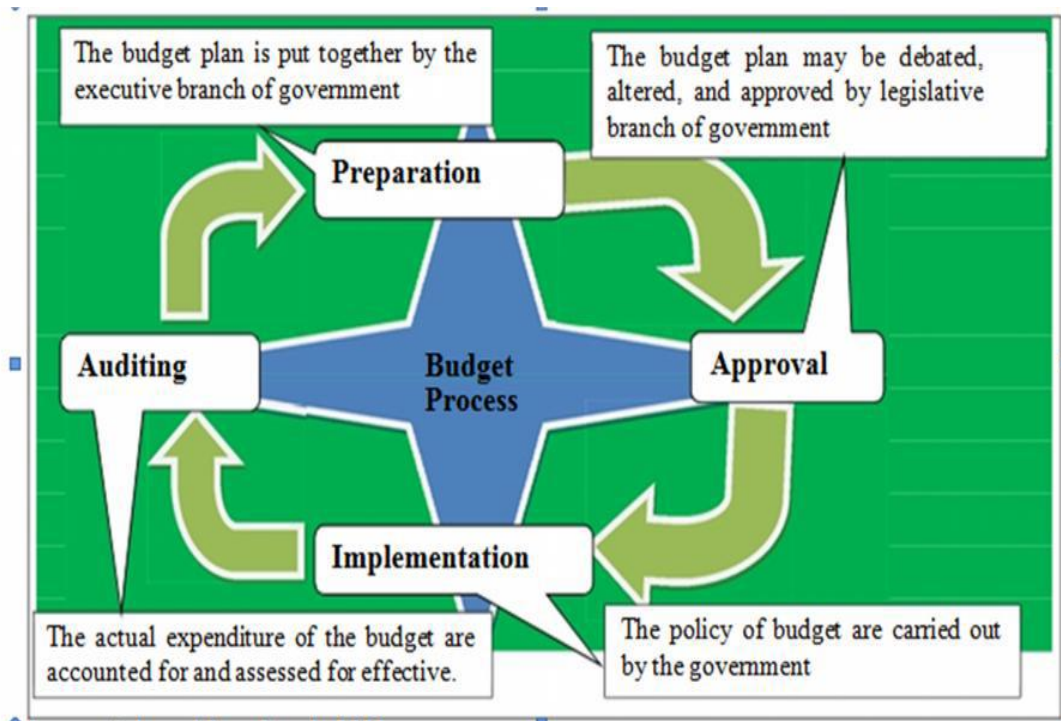
2.2.1 The Budget Process

The public budget planning is a process by which government sets the level of expenditure, collects revenues and allocates the spending of resources among all sectors to meet national goals (Shah, 2008)., Budget implementation on the other hand is the actual execution of the budget and application of funds to the planned activities.

Budget process is a powerful tool in public finance management for allocating scarce resources to different programs of the State. It is where some of the most important political decisions and activities are made during the year. In relation to this Robert (1997) states that ‘budget process describes not only who have the power over budget decisions but also how decisions are usually made, how much information is provided, what kinds of decision rules are used. The process involves consultations and negotiations between the council and various relevant parties. Budgets are assigned to public bodies or bureaus and their respective departments, divisions, programs or projects, in turn, assign res-possibilities for their effective use. According to Drury.C (2011), budgeting process creates an opportunity for subordinates to become involved in planning and performance measurement, process that is traditionally perceived to the role of top management. With decentralization, it is decisive that the planning and budgeting cycles at each level are harmonized and coordinated. This is also why a basic understanding of the procedures and timelines in preparing the budget at federal level is

important in order to understand the budget process at regional and local level. Furthermore, budgets define “use” and “purpose”. The purpose or objective of a budget is related to the intended outputs. This means all budget items are related to the planned activities on which the public funds are spent and the purpose of the spending. Rebecca, Natasha& Imran (2011). Besides to this, for effective use of resources and to gain an understanding of how public funds have been utilized, and how they contribute to government policies, it is important to monitor the results of expenditure. This has led to the establishment of government monitoring and evaluation (M&E) system.

Figure 1: Budgeting process Framework



Source: Adapted from Streak, 2008

2.2.2 Budget Preparation

As explained in Shah (2007), budget preparation is often viewed as a predominantly an executive role and includes the planning, sometimes referred to as pre- preparation and the linkage of plan through medium term expenditure framework (MTEF) for annual budget establishment of priorities and resources spending envelops. Preparation of the

budget usually takes many months and involves all public institutions: the Ministry of Finance (MOF) manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands. A successful budget preparation process combines top-down direction and bottom-up planning. According to Maitland (2001) the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive in accordance with policy objectives. These are then communicated to the line ministries, which are responsible for preparing their respective sector budgets. Through an iterative process of review, debate and bargaining, a consolidated budget is hammered out. Besides setting limits, Andrews and Hill (2003) say that budgets also provides the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation. A budget proposal is then presented to the legislature, where it is debated and negotiated with the executive and eventually passed into law. In past decades, there have been various innovations in budget formulation, with the aim of increasing the allocated and operational efficiency of budgets. As Schiavo-Campo (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive in accordance with policy objectives.

2.2.3 Budget Execution

The fine art of spending once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Spending public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging (if not more so) than planning how to spend it. Several reviews of public financial management (PFM) performance in developing countries show that countries score significantly better on budget preparation than on budget execution indicators (Andrews, 2008). How to spend a budget in just four steps .The general public financial management (PFM) reference material tends to focus on budget execution from the perspective of the Ministry of Finance. It emphasizes the need to ensure the budget is executed in accordance with the appropriations and rules to prevent corruption and overspending (arrears accumulation). The budget execution process is usually divided into four steps: authorization and allocation of appropriations (the release of funds to spending units); commitment of funds to specific purchases; verification of deliveries; and payment. Rebecca, Natasha& Imran (2011).

2.2.4 Budget Utilization

According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget.

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

2.2.4.1 Concepts of Under and Over Utilization of Budget

According to Allen and Tommasi (2001) stated that over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns.

On the other hand, Allen and that 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 these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off budget spending.

In general, in most cases, underutilization 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”. Peters (1998) identified the following weaknesses in resource allocation and use: poor planning; no links between policy making, poor planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as utilized; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

2.2.4.2. Budget Transfer

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

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

2.2.5 Budgetary Control

The institute of cost management accountant defined budgetary control as the establishment of budget relating to the responsibilities of executive to the requirement of a policy and the continuous campaigned of accrual budgeted results either to by individual's actions the objectives of the policy is to provide a basis for provision.

The two basic functions, of budgeting deals with comparison of actual results with the budgeted data, evaluation for difference and the taking of corrective action to adjust for difference when necessary. The comparison of budget and actual data could occur only after actual accounting data have been accumulated. Budget is a financial plan that indicates a proposed expenditure for the year and the means of financing them, since budget is a financial plan of or any activities. Budget serve as evaluating performance, coordinating activities implementing plan and communicating, motivating and authorized action in governmental and nonprofit organization, budget appropriates serve as authoring and ceiling for management action, it is also a tool that aids managers in both their planning control function budget help for manager for future (Charles, Horngren and Datar 2002).

Omolehinwa (2004) sees budgeting control system which uses budget as a planning in controlling all aspect of services. Preplanning is a cardinal facture of budgeting control and that each budget has the action of the people their performance and the cost they incur. Budgeting control from the perspective of management or exception stated that budgeting control is a tool which enables management to consider only items that do not go according to plan and to concentrate on exceptions. However, Godwin (2001) sees budgeting control as a system which uses budgets as a means of planning and controlling all aspect of services. Preplanning is a cordial factor of budgeting control. The plan is represented in the master budget. Each segment of the master budget is covered by a functional budget. However, he presented what as considered as landmark in budgeting analysis as it relates to Nigeria. He stressed on the relationship between accounting and budgeting he was of the view that accounting system and budget are built around the organization structure and both are information system concerned with the same operation and financial situation. The budgeting process helps to organize and formulate the planning required for these operations express objectives and then, becomes a means to measure the extent to which the plans have been achieved.

2.3 Empirical Literature Review

The empirical study concerns on prior academic research on the assessment of budget implementation and controls practice. In this case there are certain empirical studies undertake by different researchers related to the budget preparation, implementation and controls discussed in the following.

As Darak and Fabozzi(2010) regardless of size, complexity or sector, government relies heavily on budgets and budgetary systems to succeed strategies goals. The success of budgeting relies on the ranking of organizational goals, sharing of responsibilities for achieving these goals and consequently its implementation.

Budget preparation refers to the totality of the processes a budget passes through before it finally becomes a document. It involves all the executive and legislative processes, that is, collection of estimates from the various government departments to the defense before

the various committees of the legislature and debates in the floor of the Houses, the passage into law and the final implementation and monitoring (Marygoreth, 2014)

According to Turyakina (2004) pointed that, budgets play a highly important role in performance evaluation. Attaining corporate objectives is per amount to success. Performance of any organization is often evaluated by measuring success in meeting the budget objectives. When budget is successfully implemented and executed will enable realization of company objectives and once this has been done the organization is said to have achieved at performance level. Thus, efficient budget management is important for smooth performance of any organization financial control over inputs. It is also instrumental for allocating scarce resources to government priorities so that government objectives are achieved in the most efficient and effect manner (Bradley, 1968).

Doreen(2014), conduct a study effectiveness of budgeting process in achieving organizational goals in the case of Tnazanian electrical mechanical and electronics service agency using case study research design strategy with objective of investigating how budgeting process helps organization in achieving its goal. Researcher concluded that the role of budgeting process that make an organization attains its goals should be effective by having active support for budgeting process from top management.

In relation to this, (Abebe cited, 2016) an overview of public expenditure management document stated that, to understand the budget preparation process in a given country, it is important to: First, assess the soundness by judging the budget preparation system against certain internationally acceptable standards or budget principles. Second, know where to find the rules governing preparation process and thirdly, from the rules, identifying who has the responsibility for what elements of the budget preparation process.

According to Getachew (2006) conducted a study on the analysis of medium term expenditure planning and budget allocation in Ethiopia stated that, even though there have been several attempts to address the weaknesses of the Ethiopian budgetary system and try to resolve conflict between annual budget perspectives with medium term

planning horizons, successful modern budgeting system remains a continuous problem of the country.

Abdu (2009) conducted a study on the assessment of budget process in *kobo woreda*. The main aim of the research was to enhance understanding on the government budget preparation, budget approval, budget implementation and budget control. The study concludes that there is a problem in preparation of medium term expenditure planning and Priority setting was not according to the national and regional objectives. The legislature did not make any serious deliberation and has no influence in the priority setting of the budget. With regard to the budget implementation, even though the public sectors preparing the action plan for purchasing of goods and services it is not practical operational. Finally the researcher identifies that there was no well qualified and professional auditor. Most of the time sectors were not audited on time. The audit standards like professional skills, and independence were not properly functioning.

Bogale (2010) did a study on budget management and control with special emphasis on Ethiopia Ministry of Defense for his thesis in Addis Ababa University. The aim of the study was on the process by which military budgets are developed, implemented, recorded and monitored. The researcher concluded there are inefficiencies in budget implementation due to shortage of experienced man power, poor application of policy and procedures, lack of monitoring budgeting timely of government.

Yimer (2011) did a study on evaluation of budget practices of Ethiopia in comparison with two east African countries. The aim of the study was to assess similarities and differences between Ethiopia and two east African countries with respect to budget practice and procedures. The researcher concludes that the general public in Ethiopia cannot significantly involve in the country budget process and citizens have no access to monitor and evaluate the budget performance. Factors that limit citizens' participation in the budget process are limited accessibility to budget information; budget language and country population. Lack of involvement of citizens in the budget process would minimize a way of improving budget formulation, efficiency in resources allocation and better oversight of the budget process.

There is a legal stand for transparency such as the constitution however, budget information is no available for citizens in accessible, timely and clear and easy to use manner. Government has a duty to make an effort to increase budget transparency because; it allows citizens to properly assess government financial position and performance. Scarcity of budget information might decrease the level of public participation in the budget decision process.

Esayas, Miju and Girma (2014) did a study on budget implementation and controlling system in Kolfe Keranyo sub city, it shows because of poor database for planning and budgeting and lack of experienced personnel in the various departments of the sub city causes gap in budget preparation and controlling mechanisms.

Haimanot (2016), Conducted a study on an assessment of budget practice and control system: A case study of Addis Ababa Gullele woreda 10. The objective of the study was identify the best way how to us public resources. The findings of the study were shortage of professionals and vacant positions are waiting for professionals and employees turnover, because of unattractive salaries of employee, there is frequent turnover of employee, there is also improper use of resource in the long run and problems in budget control. The researcher recommends controlling the performance of various activities, the audit system has to be strong for effective budgetary control and avoided improper us of resources in the long run.

Yesuf (2016), Did a study on budgeting and budget monitoring practice in NGOs operating in Ethiopia. The purpose of the study is to evaluate the effect of budgeting practice in NGOs operating in Ethiopia to achieve the Objectives of the thesis, suitability method was used and managers of the sample organization were communicated to the key staff that are responsible in the budgeting process accordingly to the structure of organization. A self-administered questionnaire was distributed to respondents, secondary data collected from budget performance reports and manuals. The study used both qualitative and quantitative research approach. As the findings show, the overall budgeting system in the sample organization missed the participation of staff in budget development helps to achieve the purpose 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 verses actual expenditure to support the monitoring to revenue and expenses levels in the operating activities and conducting budget review meetings.

Mulu (2018), Conduct a study on assessment of budget implementation and control system: a case study of Ethio telecom west Addis Ababa zone. The researcher uses mixed research approach and census sampling technics. accordingly, the result of the study review that budget implementation and controlling system of the organization is affected through several factors such as lack of lower level manager, underutilization of estimated budget, time delay in reporting budget variance lack of higher officials monitoring and evaluation systems.

Elias (2018), Study on assessment of budget implementation and controlling in the case of Addis Ababa city administration finance and economic development bureau on his thesis in Addis Ababa University. The researcher identifies the following problems related with budgets. budget department does not arranged regular work shop and short term training to improve the skill of personnel engaged in budget holders and for the adequate understanding of budget preparations. There is also lack of preparing annual plan based on strategic document and also lack of reliable and reasonable estimated cost to prepare the budget

Darge(2018) conduct a study on the impact of budget and budgetary control system on effectiveness of public organization in the case of west wolega zone finance and economic development office using descriptive statistics on his thesis in Addis Ababa University. The researcher concluded based on the response of the questionnaires obtained from respondents concerning budget monitoring and control again there are no regular budget meeting to review performance in the organization. There is no good budget performance evaluation and budget holders give less attention for budget participation in the organization.

2.4. Summery and Literature Gaps

Different Researchers were discussed in the theoretical as well as empirical literatures in order to identify government budget preparation, implementation & controls in the public sectors. In many developing countries, including in Ethiopia different researches were conducted in the medium term expenditure planning, budget allocation, budget implementation and auditing and also to some level of extent stated. There are different problems of budgeting in Ethiopia at national and regional level. Previous studies show that there is direct relationship between budgetary participation and performance .it is also indicated that budget preparation, budget implementation and budgetary control significantly influence budget variance. In Ethiopia different researches were conducted in budget preparation, budget allocation and budget implementation.

Ketema (2015) did a study on budget preparation and utilization with special emphasis in Addis Ababa City Administration Health Bureau by taking five out of seventeen budget holders was taken and ten key informants were selected form each budget holders with a total of 50 respondents. The researcher concluded that- There is inadequate and inexperienced manpower that has been worsening results of plan and budget preparations disparities and there is no evidence based on evaluation mechanism in the budget utilization in each level of the Health Bureau.

Esayas (2014) conduct a study on assessment of budget implementation and control by using qualitative type of research approach at case of Kolfe Keraniyo Sub-city finance and economic development bureau by using judgmental probability sampling and author select 20 samples from total of 44 personnel found in the Sub- city. The main objective of the study was to be asses the comprehensive factor that affect budgetary implementation and control system to find potential solution to the problem at the sub city. The results of the studies show that even if the Sub- city implements its budget effectively ,variance were occurred, when compared to actual results with budgeted estimation the reason for the occurrence variance was the sub city is not perform its activities performance report can be effective, especially if it is presented continuously. However the Sub city constantly presented the performance report. Poor database for planning and budgeting,

lack of incentives and lack of experienced preparation and control, operational difficulty, low morale and delays are other problems the sub city encounters in the implementation. There is active participation of all the departments in the budget preparation and implementation as every department submits their inputs in to the annual budget proposals.

In the above fact of empirical evidence the assessment of budget preparation, implementation and budget monitoring practice of the Sub cities affected by similar problems like other governmental sectors .So the reason for this study seeks to fill the gap by adding variable and number of sub cities on the previous studies and identify problems during budget preparations, budget implementation and controlling and improve practice of budget Sub-Cities of Addis Ababa.

CHAPTER THREE

METHODOLOGY OF THE STUDY

Research methodology is an approach and a set of supporting methods and guidelines to be used as a framework for doing research (Russell, 2000). The research design, research approaches, study population, data collection and analysis strategies employed to answer the research questions are therefore described under this section of the study.

3.1. Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). A research design used to structure research setting, sample, data collection strategy, measures and methods of assignment in order to answer the research questions (Trochim, 2005).

In this research, a descriptive survey method is used with the intention to get the general picture of the current status of budget preparation, implementation and controlling practice in Sub Cities of Addis Ababa in order to fill the research gap. Abiy et al (2009) stated that descriptive survey is helpful to describe and obtain relevant data at a particular point in time from concerned respondents and various forms of data concerning the existing or current status of the problem of the study area.

Cooper and Schindler (2003), in addition, descriptive research is purposed to the description of the state of affairs as it exist. The researcher therefore, preferred this method in order to get the best advantage of the approach by providing the descriptive feature of the factors in seeking preparation, implementation and controlling of budget practice in Sub Cities of Addis Ababa. In relation to this Creswell (2003) indicated that employing both qualitative and quantitative methods together are preferable because using both enable researchers to validate and confirm the data and discover something that would have been missed in using either of the approaches alone.

3.2. Target Population

Target Population is the set of all elements that belong to a certain defined group to be studied to which the investigator wants to generalize his/her results. Neuman (2000) defines a research population as the specific pool of cases, individuals or group(s) of individuals which the researcher wishes to investigate. It has been known from the Sub cities and BOFED budget departments that employees involving on the preparation, implementation and controlling of the budget of the sub cities are 60 budget officers and team leaders and 9 budget workers from BOFED the total of 69 people. Target population of this study was the employees on the budget department of Sub cities and Bureau of Finance and Economic Development (BOFED).

Therefore the target population of the study was 69 in number from which the data is collected. According to Kothari (2004) Census inquiry needs to be emphasized that when the universe is a small one, it is no use resorting to a sample survey. Census is a complete enumeration of all items in the 'population'. It can be presumed that in such an inquiry, when all items are covered, no element of chance is left and highest accuracy is obtained. Thus, the Census inquiry will be employed this technique will be appropriate to use because the target population for this study will be limited in number. In addition it enables the highest accuracy on the finding of the study. Therefore all of the target population will be addressed for information inquiry on the subject under study.

Table 1: Populations of budget officers and team leaders of each Sub Cities and budget experts of BOFED

No	Name of Sub cities	Team leader	Budget officers/experts/Auditors	Total population
1	Arada Sub City	1	6	7
2	Yeka Sub city	1	11	12
3	Gulele Sub City	1	4	5
4	Kirkos Sub City	1	5	6
5	Kolfekeranio Sub City	1	6	7
6	Nifas Silk lafto Sub City	1	6	7
7	Akakikality Sub City	1	5	6
8	Lideta Sub City	1	5	6
9	Addis Ketema Sub City	0	4	4
	Total	8	52	60
	BOFED		9	9

Source: Sub cities budget officers and team leader (2018/2019)

3.3 Source of Data

For the success full accomplishment of the study, the researcher used primary data. The primary dates are collected through questioners and interviews. Both quantitative and qualitative approaches were employed. Quantitative data was collected using structured questionnaire consisting of close-ended and open ended from budget officers and team leaders working in the sub cities. The Qualitative data was collected using interview from informants of BOFED budget officers, Auditors and budget experts.

3.4 Data Collection Instruments

3.4.1 Questioners

The Structured questionnaires are prepared by the researcher to collect information from budget officers and budget team leaders of each Sub cities. Both open-ended and closed-

ended questions are included in the questionnaire to create an opportunity for respondents to express their feeling freely. This is done in order to support the data gathered through interview. The questionnaires are prepared in English in order to collect quantitative and qualitative data from respondents. The primary data for this study was collected in the form of self-administered questionnaires which comprised of close-ended and open ended questions and that are clear to the point and easy to understand for the respondents. The questionnaire was chosen because it is a quick method to collect data, it is less time consuming and it offers assurance of privacy.

Before the main survey was conducted, a sample of 8 respondents in one Sub City was selected for pre testing the questionnaire. The major purpose of the pilot survey was to check the questionnaire clarity and understandability to the respondents and to identify and eliminate problems associated with question content and wording. Based on the feedback received from the test respondents few modifications were made like questionnaire was translated from English to Amharic in order to have a better response rate.

During the full scale survey, the questionnaire was administered to the target population through personal contact by the researcher and other collaborators who helped the researcher in data collection.

3.4.2 Interview

An interview is the verbal questions asked by the interviewer and verbal responses provided by the interviewee. For this study Semi-structured interview is prepared for BOFED budget department's that is budget experts, budget officers and auditors.

3.5 Method of Data Analysis and Interpretation

Both quantitative and qualitative methods were employed to present, analyze and interpret the data collected from the data sources. Moreover, the data is analyzed using descriptive data analysis technique in order to describe the situation in the study area. Descriptive analysis refers to statistically describing, aggregating, and presenting the

constructs of interest. Descriptive statistics are used to describe the data collected and to accurately characterize the variables under observation within a specific sample (Marczyk et al., 2005). Data from questionnaires are coded and entered into the computer using Statistical Package for Social Science latest version 20 (SPSS). Descriptive statistics involves the use of absolute and relative (percentages) frequencies, measures of central tendency and dispersion (mean and Standard deviation respectively). Thus this research is used descriptive analyses. Quantitative method involved descriptive analysis such as frequencies, percentages and mean to present quantitative data in form of tables and graphs.

3.6. Ethical Consideration

When doing research, treating people unfairly and using the information inquired during the research work or allowing others to use to harm people is unethical (Colin F., 2007). With this view, any information gathered from any individual during the research work was treated confidentially without disclosing the respondent's identity. The purpose of the study was clarified for increased participants on voluntary basis. According to Creswell (2003) the researcher has an obligation to respect the rights, needs, values, and desires of the informant(s), therefore the rights, needs, values and interests of respondents will be respected

CHAPTER FOUR

RESULTS & DISCUSSIONS

This research paper makes an assessment on budget preparation, implementation and controlling in Sub Cities of Addis Ababa. This part covers the demographic, general information of the budget and descriptive statics to describe the budget preparations, implementations and controlling.

4.1 Validity and Reliability

The precision with which things are measured in a study is expressed in terms of validity and reliability. These two are related because if a measure is valid then it is reliable. Validity represents how well a variable measures what it is supposed to measure. Reliability refers to the extent to which the data collection techniques or analysis procedure will yield consistent findings (Saunders et. al., 2003).

4.1.1 Validity Analysis

Validity is concerned with whether the findings are really about what they appear to be about (Saunders et. al., 2003). Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Saunders et. al., 2003).

A number of different steps were taken to ensure the validity of the study. First data was collected from reliable sources, from respondents who are more experience relating to budget; survey question were made based on literature review and frame of reference to ensure the validity of the result; questionnaire had been pre-tested by pilot test before starting the survey. Questionnaire was tested by disseminated to one sub City or 8 persons/respondents and data has been collected and some modifications are made. Example the questionnaire was prepared in English language but after the pilot test it's also translated to Amharic in order to collect additional information.

4.2 Reliability Test

Table 2: Scale Reliability (Cronbach's alphas Budget components)

Measurement items	Cronbach's alpha (α)	No. of items
budget preparation	0.764	12
Budget implementation	0.723	5
budget utilization	0.707	5
Budget controlling	0.732	4
All variables	0.845	26

Source: *Own Survey, 2019*

Cronbach's alpha is used in this study to assess the internal consistency of the research instrument which is the questionnaire. The researcher took & modified from related researches and developed. Cronbach's alpha (α) is a coefficient of reliability used to measure the internal consistency of a test or scale; it resulted in a number between 0 and 1. As the result approaches to 1 the more the internal consistency of the items, which means all the items measure the same variable.

The result of the coefficient alpha for this study's instrument was found to be 0.845 (table 4.1). This can be seen as indication of acceptability of the scale for further analysis since all items of Budget component (preparation, implementation and controlling) measures the same variable which is budget. The items under each of the above budget component dimensions are also tested to check if they measure the same dimension or not. All dimensions consistency results were greater than 0.7. Cronach's alpha values greater than 0.7 indicate higher degrees of internal consistency (Henson, 2001). Subsequently the results were deemed acceptable further analysis was conducted.

4.3 Demographic Characteristics of Respondents

This section is designed to discuss the general demographic characteristics of respondents such as education level, work experience and occupational position of the respondents which was consisted in the first part of the questionnaire.

Here we shall discuss how educated the respondents are by seeing their educational level demographics.

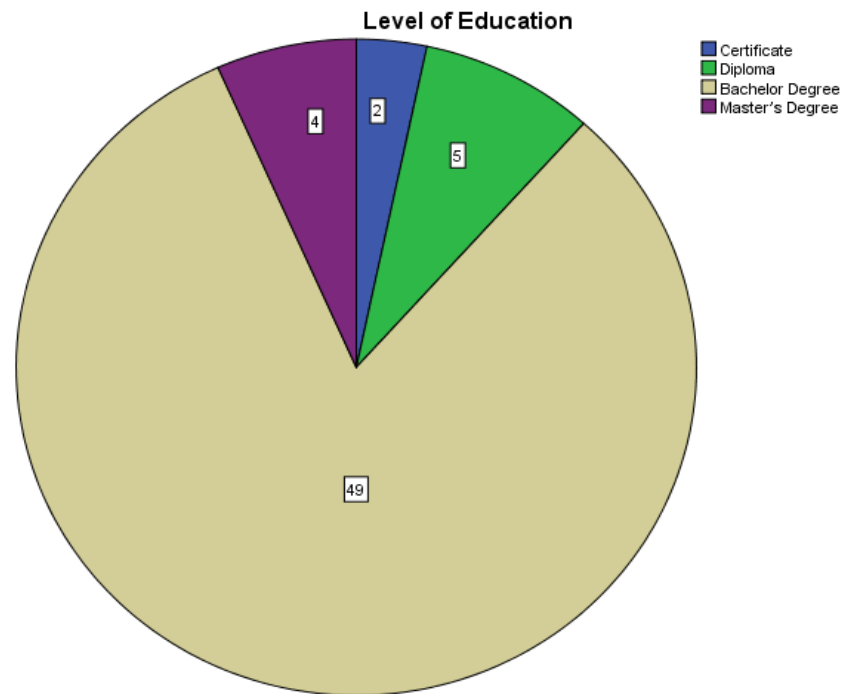


Figure 2: Educational level of respondents

Source: Survey result 2019

The above question was regarding educational level of the respondents. From fig 2, we can see that the education level of most of the respondents is degree with 49 followed by diploma and the others are educated with masters and certificate. This shows that most of the respondents are educated with a degree and above level of education. This can indicate that the respondents can have a clear understanding of the item of questions and since the education level is related to profession, we can assume that the information provided by the respondents may be valid and reliable.

Work experience of respondents

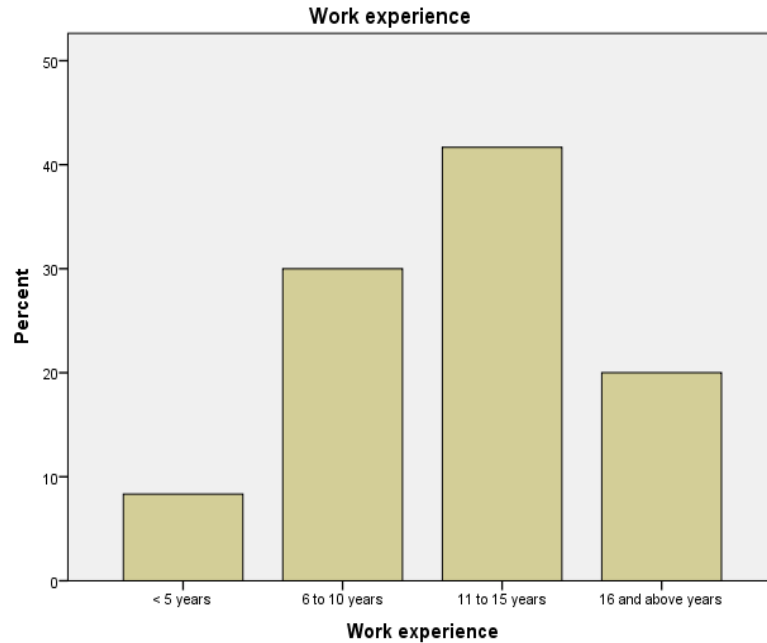


Figure 3: Work experience of respondents

Source: Survey Results, 2019

As indicated in the Figure 3 above, about 41.7% of the respondents have between 11 to 15 years of work experience, while 30% are between 6 to 10 years, 8.3% less than five years and 20% are above 16 years of work experience. The respondent’s years of experience on the budget participation can be considered as relevant. They are perceived by the researcher as of having the contextual understanding of the process of budget to respond the questions asked.

Table 3: Level of positions of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid budget team leader/coordinator	9	15.0	15.0	15.0
Valid budget officers	51	85.0	85.0	85.0
Total	60	100.0	100.0	100.0

Source :Survey results 2019

Table 3, showing the Employment position of the respondents, There are 9(nine) team leaders/coordinators and 51(fifty one) are budget officers in the Sub Cities of Addis Ababa.

They are considered as having a great level of influence on the successful preparation, implementation and controlling of budget, since they are the governing bodies of the budget. Therefore signifies high reliability of the obtained responses.

4.4 Budget preparation

Some questions were forwarded to assess the budget preparation process. The response of budget users is shown as follows in relation to budget preparation. The summary of the response presented in table 4below.

Table 4: Budget preparation response of budget users

Items	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
You have adequate understanding to prepare budget	27(45%)	26(43.3)	3(5%)	2(3.3%)	2(3.3%)	60
Your office has sufficient number of budget professionals(budget officers) who prepare budget	3(5%)	22(36.7%)	2(3.3%)	29(48.3%)	4 (6.7%)	60
Budget of your office is developed by knowledgeable individuals	13(21.7%)	29(48.3)	7(11.7%)	10(16.7%)	1(1.7%)	60
Budget plan of your office is prepared based on valid assumptions	15(25%)	26(43.3%)	4(6.7%)	15(25%)		60
Your office have ample time to prepare budget	3(5.6%)	19(31.7%)	5(8.3%)	29(48.3)	4(6.7%)	60
Your office prepares its annual plan based on the strategic document of city administration	16(26.7%)	30(50%)	5(8.3%)	8(13.3%)	1(1.7%)	60
Public representatives/denizen are participate during budget preparation in your office	6(10%)	26(43.3%)	7(11.7%)	19(31.7%)	2(3.3%)	60
Your office prepared budget based on the need of the beneficiaries	8(13.3%)	18(30%)	5(8.3%)	24(40%)	5(8.3%)	60
The amount of budget prepared for each program line item is in properly over estimated	4(6.7%)	27(45%)	6(10%)	20(33.3%)	3(5%)	60
The budget demand preparation of your office follows the budget programs	13(21.7%)	34(56.7%)	6(10%)	5(8.3%)	2(3.3%)	60
budget is prepared for each activities in your office	14(23.3%)	30(50%)	7(11.7%)	5(8.3%)	4(6.7%)	60
There is problem of matching plan with budget in your office	20(33%)	27(45%)	0	13(24.7%)	0	60

Source: survey results 2019

As indicated in the above table respondents were asked about the preparations of plan whether it is related with budget or not. As shown in the above table from 60 respondents total of 41 respondents (15 strongly agree and 26 agree) agree on the existence of relation between plan prepared with budget request. On contrary in this table shows problems of match of plan with budget. From 60 respondents 47 of the informants (20 strongly agree+27agree) agreed about the occurrence of problems in matching plan with budget.

According to Peters (1998), identifies weakness relate with budget planning: when there is poor planning; little links between policy making, no strong linkage between planning and budgeting and poor expenditure control will be result.so if there is strong relationship between plan and budget, problems of matchingof budget with plan is not expected. Besides to this questionnaire, there were answers provided by the respondent's for open-ended questions shown that there is limitation to integrate plan and budget request. As the respondent stated, because of the capacity problem sometimes there were some difficulties to assign the needed amount of budget for the plan

Respondents also asked questions regarding budget estimations. Most of the respondents (56.7%) agreed that budget is improperly over estimated during budget preparations. The respondents also explained reasons about it in the open ended parts. As explained by some informants, the main reason is they considered as the office responsible for budget approval allocates budget by reducing some percentage from the initial request. So that, according to their intention, if they submitted actual demand without overestimation, the amount approved for that budget year would become less than what is expected. Most of the respondents also, stated that the Sub Cities has no sufficient number of budget professionals who prepare budget.

As indicated in table 4 there are questions about the participations of concerned bodies during budget preparations particularly denizen. 6(10%) respondents are strongly agreed and 26 (43.3%) respondents also agreed that there are public representatives during the preparations of budget. Dissimilarly when we see the question which identifies whether budget preparation is based on the need of beneficiaries or not, 48.3 percent (40%+8.3%) of the respondents disagreed those Sub Cities preparations of budget based on the need of

the beneficiaries. Some respondents also stated on the written part that budget preparation is left only for budget planning departments and concerned bodies do not participate in budget planning. According to (Irene S. Rubin, 1999) the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities. So this indicates even though there are public representatives during budget preparation priorities are not given during preparations of each budget.

Moreover, experts and budget officers from BOFED identified that problems happened during preparations of budget by budget users. Some of the problems are budget users do not give special attention during preparation of budget, there is a mismatch between what they plan with the actual one, there is a tendency of submitting budget without plan, lack of highly skilled personnel regarding plan and budget, budget requisition above the budget ceiling, budget requests are simply copied from the previous year and this does not consider the current market price of materials, lack of full attention and coordination within the organization. According to Maitland (2001) the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action.

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

4.5 Budget Implementation and Utilization

Table 5: Budget implementation and utilization

Items	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Your office prepares budget implementation report on time	18(30%)	21(35%)	6(10%)	12(20%)	3(5%)	60(100%)
Your office prepares complete budgetary implementation reports to Addis Ababa Finance and Economic Development Bureau/BOFED	17(28.30%)	23(38.30%)	3(5%)	15(25%)	2(3.3%)	60(100%)
There is regular follow up of budget implementation in your office	15(25%)	20(33.3%)	4(6.7%)	18(30%)	3(5%)	60(100%)
Your office has adequate capacity to evaluate budget with its main activities	9(15%)	22(36.7%)	4(6.7%)	19(31.7%)	6(10%)	60(100%)
Late start of activities in processing local agreements hinders the budget implementation.	22(36.7%)	23(38.30%)	4(6.7%)	10(16.7%)	1(1.7%)	60(100%)
There is underutilization of budget in your office	15(25%)	22(36.7%)	8(13.3%)	12(20%)	3(5%)	60(100%)
Your office presents budget utilization report on time	10(16.7%)	30(50%)	6(10%)	12(20%)	2(3.3%)	60(100%)
Budget utilization reports are consistent with plans	15(25%)	22(36.50%)	7(11.7%)	15(25%)	1(1.7%)	60(100%)
Your office frequently ask budget transfers	21(35%)	19(31.7%)	4(6.7%)	15(25%)	1(1.7%)	60(100%)
Your office has the practice of regular follow up on its budget utilization.	15(25%)	18(30%)	7(11.7%)	15(25%)	5(8.3%)	60(100%)

Source: survey results 2019

According to survey data from experts frequent budget transfer and accumulation of unutilized budget were observed in Sub cities. According to Allen and Tommasi (2001), to utilize budget successfully it depends on various factors, such as the executing

capability of agencies or institution concerned. As per the survey result, majority of the respondents in the sample have justified that there is existence of underutilization as indicated

As indicated table 5 above respondents asked about the utilizations of budget of their Sub Cities so 15(25%) were strongly agreed and 22(36.7%) were agreed that there was underutilization of budget in their sub Cities. As (Ketema, 2015) stated underutilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization. As it is explained from the open-ended questions, majority of the respondents also admit occurrence of unutilized budget.

On the other hand the respondents were asked about the consistency of budget utilization with budget plan 15(25%) and 22(36.50%) strongly agree and agree respectively. If there was consistency of budget with its plan there should not be existence of budget difference i.e under utilizations of budget. According to Allen and Tommasi (2001), to utilize budget successfully it depends on various factors, such as the executing capability of the agencies or institution concerned.

Majority of the experts and budget officer in BOFED agree on the frequent asking of budget transfer .In addition to this they also stated, because of budget is prepared without fully participations and discussions of concerned individuals ,excess number of budget transfer and adjustments happened. The professionals also mentioned that there is lack of skilled manpower and experience among the driving forces that result discrepancies in budget utilization.

In general, many of the respondent's assents that what is planed is not implemented properly, this is because complicated procedure in procurement of items i.e long hinders the purchasing process at the same time, late start projects in processing local agreements hinder the budget implementations and delay of budget release by budget holders leads to underutilization of budget.

Table 6: Audited budgetary revenue and expenditure reports of Sub Cities presented by BOFED

Ethiopian Fiscal Year	Organizations	Adjusted budget	Actual expenditure	Difference	percentage of Actual expenditure from Adjusted one
2006 E.C	Sub Cities	5,510,179,720	4,731,938,720	778,241,000	86%
2007 E.C	>>	7,098,016,430	6,321,830,590	776,185,850	89%
2008 E.C	>>	8,658,467,950	7,545,646,130	1,112,821,820	87%
2009 E.C	>>	10,150,233,330	9,496,932,800	653,300,530	94%
2010 E.C	>>	12,438,871,370	11,353,793,450	1,085,077,890	91%

Source: BOFED budget department report from 2006 up to 2010 E.C

4.6. Budget Controlling

Table 7: budget controlling Responses of Budget users

Items	Measurement					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Budgeting department has means to take corrective action on the weakness of budget implementation	14(23.3%)	32(53.3%)	8(13.3%)	4(6.7%)	2(3.3%)	60(100%)
Your Sub-City has adequate internal control audit section/unit	12(20%)	24(40%)	4(6.7%)	19(31.7%)	1(1.7%)	60(100%)
Internal auditors of your organization Independently conduct their duties and responsibilities.	9(15%)	14(23.4%)	9(15%)	26(43.3%)	2(3.3%)	60(100%)
The current budget control system of your office is sufficient	8(13.3%)	13(21.7%)	4(6.7%)	25(41.7%)	10(16.7%)	60(100%)

Source: Survey results 2019

As indicated in tables 7 above respondents were asked if there are corrective mechanisms when weakness is face during budget implementation. A total of 46(76.6%) are agreed that there are mechanisms of corrective action.13.3% and 10% respondents were neutral and disagree respectively.

On the other hand, majority of the respondents 36(20%) agree on the Presence of adequate no of internal auditors. However, evidence gathered from budget, monitoring and evaluation sub process owner in the office did not have stable human resource skills manpower and the requirement of the position or job specification in business process re-engineering (BPR) study did not relevant criteria with the position of the requirements. This indicate that there is no well-functioning adequate internal control system, hence affects the spending trend by either reducing or increasing the expenditure other than real amount.

The existence of internal audit section in budgetary institutions becomes worthless unless its auditors perform their duties and responsibilities independently. Based on this essence of auditing, respondents were asked to rate about the independence of internal auditors.

Subsequently, majority of respondents 26(43.3%) are disagree and 9(15%) and 14(23.4%) become strongly agree and agree respectively. This indicates the independence of internal auditors in the sub-city becomes not as per principles. Therefore, if auditors lack independence, they cannot perform their duties properly. Lack of proper audit will lead to failure in implementing the budget properly. This also may lead to increase expenditures or underutilize the budget, misusing of budget & increased transfer of budget. Experts from BOFED also comment Even though success of budgetary control depends upon the support of the top management, in some extent there is lack of support from top managements.

On the above table there is also questions if the present controlling system of budget is sufficient or not and 35% respondents agreed (13.3 % strongly agree and 21.7% agree) and 58.4% are disagree (16.7% strongly disagree and 41.7% disagree) .In addition to the closed ended questions, respondents mentioned in the open ended questions that Quarterly supervision by BOFED is not convenient in order to take Quick actions on weakness of budget users and Strengthen of internal audit, and accountability helps in controlling of budget.

The experts from BOFED also explain that the bureau controlled budget of budget users using IBEX (Integrated budget and expenditure System), preparing check list and follow up and giving trainings when gap is observed.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

As it is indicated in chapter one introduction part, the general objective of this research paper was to assess budget preparation, implementations and controlling practice of Sub Cities in Addis Ababa then to recommend on the key problem areas that seek attention and improvement. Therefore, the following findings were identified during the analysis.

- ☞ Numbers of professionals (budget officers) in the Sub Cities of Addis Ababa are not sufficient
- ☞ It was found that most of the respondents agreed and view on the revision of their plan frequently in relation to annual budget.
- ☞ Other departments considered all plan is prepared by planning department and they left out planning activity for others as recognized from respondent's written response,
- ☞ Most concerned individuals are not participated during budget preparation.
- ☞ Inadequate orientation is presented about plan and budget preparation by Finance and Economic Development Bureau budget department.
- ☞ As recognized from Interview with BOFED experts, some Sub cities budget officers present their annual budget by coping from the previous year budget request as it is.
- ☞ Budget holders do not give sufficient time for budget hearing
- ☞ There is no clear accountability for under-utilizations of budget by the Sub cities budget.
- ☞ BOFED and Planning and Budget Department of sub Cities do not arrange sufficient short term trainings to improve skill of budget officers.
- ☞ Budget controlling system of Sub cities is not enough

5.2 Conclusions

It is known that the study focus on budget preparation, implementations and controlling practice of Sub Cities in Addis Ababa. For this reason, it has been seen relevant literatures review and documents, and gathered primary data from Sub Cities and Bureau of Finance and Economic Development and based on the analysis the researcher conclude the following points.

- ☞ There has no sufficient number of budget professional during preparation of budget
- ☞ there is no ample time to prepare budget
- ☞ Budget is not prepared based on the need of beneficiaries
- ☞ There is mismatch problem budget with plan
- ☞ Sub cities in Addis Ababa do not use the allocated budget effectively
- ☞ Late start of activities in processing local agreement hinders budget implementation
- ☞ Auditors did not conduct their duties independently

According to the result, however, the overall budgeting system misses the important participation of concerned staffs, lack experts.

To finalize, the researcher concluded that the causes for underutilization of budget are mainly due to lack of coordinate effort in purchasing, lack of consistency and delay in purchase processes, incapacitated budget staffs in terms of skill and knowledge in each respective budget offices and lack of information by management at each of the sub-cities to evaluate budget utilization status which lead towards underutilization of budget

5.3 Recommendations

The major interest of this research paper is to assess the budget preparation, Execution and controlling of Sub Cities in Addis Ababa weakness observed by budget holders, and suggest possible recommendation to overcome such problems. Therefore, the following recommendations are suggested to Sub cities in Addis Ababa.

- ☞ Concerned bodies/units should be participated and pay attention to the Sub cities budget during budget preparations, Implementation and review needs the participation of relevant stakeholders. So, the Sub Cities financial utilization process should not operate in an isolated manner.
- ☞ The annual budget should be prepared according to the plan that has been already targeted and the current market price of items should consider
- ☞ There should be strong supervision and control by budget holders in order to take corrective actions on weakness.

In general, Sub Cities in Addis Ababa should take all possible actions to correct the observed weaknesses, and repetition of the problems in subsequent years.

Moreover, the researcher would like to recommend that future studies should be carried out to establish the challenges related to the budget implementation process of Budget users.

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Appendix I
St. Mary's University
School of Graduate Studies
Department of Accounting and finance
MBA in Accounting and Finance

Research Questionnaire

Name of Researcher: Tsige G/hiwot Tesfaye

Dear Respondents:

The purpose of this questionnaire is used to collect the information from your organization related to budget preparation, implementation and controlling practice. It helps to complete my Master's Degree in Accounting and Finance at St. Mary University Graduate Study. In order to make this study successful, the researcher kindly requests you to fill in the Questionnaires brought to you. For anything you have responded on, the confidentiality is strongly kept. Thank you very much for your time and cooperation. If you have any enquiries or clarifications, kindly contact me in person through:-

My e-mail tsigegebrehiwot08@gmail.com

Appendix I Questionnaires distributed for Sub Cities budget officers and team leaders

General Instruction;

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

PART 1: DEMOGRAPHIC INFORMATION

1. Level of Education: Certificate Diploma Bachelor Degree Master's Degree

2. Work experience: ≤ 5 years 6 to 10 years 11 to 15 years 6 and above

3. Level of position in your office: budget officers team leaders

Hint: 5=strongly agree, 4=agree, 3=Neutral 2=Disagree 1= strongly disagree.

S/N	Part II budget preparation	5	4	3	2	1
1	You have adequate understanding to prepare budget					
2	Your office has sufficient number of budget professionals(budget officers) who prepare budget					
3	Budget of your office is developed by knowledgeable individuals					
4	Budget plan of your office is prepared based on valid assumptions					
5	Your office have ample time to prepare budget					
6	Your office prepares its annual plan based on the strategic document of city administration					
7	Public representatives/denizen are participate during budget preparation in your office					
8	Your office prepared budget based on the need of the beneficiaries					
9	The amount of budget prepared for each program line item is over estimated					
10	The budget demand preparation of your office follows the budget programs					
11	budget is prepared for each activities in your office					
12	There is problem of matching plan with budget in your office					

13. Any comment regarding budget preparation _____

	Part III Budget implementation	5	4	3	2	1
1	Your office prepares budget implementation report on time					
2	Your office prepares complete budget implementation reports to Addis Ababa Finance and Economic Development Bureau/BOFE					
3	There is regular follow up of budget implementation in your office					
4	Your office has adequate capacity to evaluate budget with its main activities					
5	Late start of activities in processing local agreements hinders the budget implementation.					

6. Any comment regarding budget implementation _____

	Part IV budget utilization	5	4	3	2	1
1	There is underutilization of budget in your office					
2	Your office presents budget utilization report on time					
3	Budget utilization reports are consistent with plans					
4	Your office frequently ask budget transfers					
5	Your office has the practice of regular follow up on its budget utilization.					

6. Any suggestions regarding Budget utilization _____

	Part V Budget controlling	5	4	3	2	1
1	Budgeting department has means to take corrective action on the weakness of budget implementation					
2	Your Sub-City has adequate internal control audit section/unit					
3	Internal auditors of your office independently conduct their duties and responsibilities					
4	The current budget control system of your office is sufficient					

5. Any comment regarding budget controlling _____



ቅድስተማሪያምዴኒቨርሲቲ

ድኅረ- ምረቃት/ቤት

የሂሳብመዝገብአያደዘትምህርትክፍል

ይህመጠይቅበዋናነት-በመስሪያቤት-ዎበበጀት-አዘገጃጀት-በጀት-አፈ.ፃፀምእናበበጀት-ቁጥጥርላይያለ ወ.ንሂደት-ለማጥናት-እናበጥናቱግኝት-መሰረት-መፍትሄአቅጣጫለመስጠት-የተዘጋጀስለሆነለሚ ሰጡ-ንበቅድሚያለሚሰጡ-ንመልስምስጋናዩላቅያለነው:: መልስማመስገንበአጠቃላይለሚሰጡ ት-መልስእናአስተያየት-ሚስጥራ-ዊነቱየተጠበቀነው::

ላሎ-ዎት-ማንኛውም-አስተያየት-ወይምጥያቄበኢ.ሜ.ል tsigegebrehiwot08@gmail.com ወይም በስልክ ቁጥር 09-13-00-73-00.

አባሪ |

አጠቃላይ መመሪያ

ከዚህ በታች ለተዘረዘሩት ጥናቲዊ መጠይቆች ከተሰጡት አማራጮች ውስጥ የክፍል ዎ የበጀት አዘገጃ ጀት አፈ.ፃፀም እና የበጀት ቁጥጥርን የሚመለከት ገላጭነው ብለው የሚያስቡትን መልስ አንዱን በመምረጥ ከሚገኘው ውስጥ (x)

ምልክት እንዲያደርጉ እንዲሁም በተሰጡት ክፍት ቦታዎች የግል ዎን አስተያየት እንዲሰጡ በታላቅ አክብሮት እጠይቃለሁ::

ለክፍለ-ከተማዕቅድ እና በጀት የሥራ-ክፍል ባለሙያዎች እና ለቡድን መሪዎች የቀረበ መጠይቅ

ክፍል አንድ:- የግል መረጃ

1. የትምህርት ደረጃ: ስርቴራኬት ኘሎማ የመጀመሪያ ዲግሪ
የማስተርስ ዲግሪ

2. በዚህ ሥራ ላይ ያገለገሉት ጊዜ: ከ 5 ዓመት በታች ከ ዓመት ከ 11-15 ት
ከ 16 ዓመት በላይ

3. የስራ መደብ _____

መለኪያ 5=በጣም አስማማለሁ 4=አስማማለሁ 3= አስተያየት የለኝም =2 አልሰማማም 1= በጣም አልሰማማም

	ክፍል ሁለት ስለበጀት አዘገጃጀት	5	4	3	2	1
1	ስለበጀት አዘገጃጀት ብቁ እውቀት አለዎት					
2	ክፍል ዎበጀት ንዩሚያዘጋጀው በቀጠላው ያተኛ አለው					
3	በክፍል ዎበጀት የሚዘጋጀው የበጀት ዕውቀት ባላቸው ሰዎች ነው					
4	በክፍል ዎበጀት ሲዘጋጅ ተግባራዊነት ባላቸው ግምቶች ላይ ተመስርቶ ነው					
5	ክፍል ዎበጀት ንግድ ዘጋጀት ሲፈጸም አለው					
6	ክፍል ዎ ዓመታዊ ዕቅድ ንብከተ ማስተዳደር በስትራቴጂ ክስነድ/ዕቅድ/ መሠረት ያዘጋጃል					
7	ክፍል ከተማ ዎ የክፍል ከተማ ነዋሪዎች ንበበጀት ዝግጅት ዙሪያ ያሳትፋል					
8	በክፍል ዎ የሚዘጋጀው በጀት የተጠቃሚዎችን /የነዋሪዎችን ፍላጎት ያገናኘበት ነው					
9	ክፍል ዎ ለአብዛኞቹ ፕሮግራሞች የተጋነነ በጀት ያቀርባል					
10	ክፍል ዎ የበጀት ፍላጎት የሚያዘጋጀው በበጀት ዕቅድ መሰረት ነው					
11	ክፍል ዎ ለአብዛኛዎቹ ፕሮግራሞች በጀት ያዘጋጃል					
12	በክፍል ዎ ዕቅድ ከበጀት ጋር ያለ ማዛመድ ችግር ይታያል					

13. ስለበጀት አዘገጃጀት በተመለከተ ማንኛውም አስተያየት ካለዎት ይግለጹ። _____

	ክፍል ሦስት ስለበጀት አፈፃፀም	5	4	3	2	1
1	ክፍል ዎ የበጀት አፈፃፀም ሪፖርት በወቅቱ ያዘጋጃል					
2	ክፍል ዎ የተሟላ የበጀት አፈፃፀም ሪፖርት ለአዲስ አበባ ከተማ አስተዳደር ሲያቀርብ ይቀርባል					
3	ክፍል ዎ በበጀት አፈፃፀም ዙሪያ መደበኛ ክትትል ያደርጋል					
4	ክፍል ዎ በጀት ንክተት ያዘጋጃል ምንም ዓይነት ፍላጎት ለመገምገም የሚያስችል አቅም አለው					
5	ዘግየተው የሚጀመሩ ፕሮግራሞች በበጀት አፈፃፀም ላይ ክፍተት ይፈጥራል					

6. ስለበጀት አፈፃፀም በተመለከተ ማንኛውም አስተያየት ካለዎት ይግለጹ _____

	ክፍልአራት ስለበጀትአጠቃቀም	5	4	3	2	1
1	ክፍለከተማዎከተፈቀደለትበጀትቦታችይጠቀማል					
2	ክፍልዎየበጀትአጠቃቀምሪፖርትበወቅቱያዘጋጃል					
3	የክፍልዎየበጀትአጠቃቀምሪፖርትከዕቅድዎጋርተያያዥነትአለው					
4	ክፍልዎበተደጋጋሚየበጀትዝውውርይጠይቃል					
5	ክፍልዎከወጪቀሪበጀቱንበየጊዜውየመከታተልልምድአለው					

6. ስለበጀትአጠቃቀምበተመለከተማንኛውምአስተያየትካለዎትይግለጹ። _____

	ክፍልአምስት ስለበጀትቁጥጥር	5	4	3	2	1
1	የበጀትክፍልበተለያዩየስራክፍሎችበበጀትዝግጅትእናአፈጻጸምላይለሚታዩክፍተቶች የማስተካከያመንገዶችአሉት					
2	ክፍለከተማዎጠንካራውስጣዊየሂሳብቁጥጥርክፍልአለው					
3	ክፍልዎየበጀትአጠቃቀምሪፖርትበወቅቱያዘጋጃል					
4	መስሪያቤትዎውስጥያለአዲተርገለልተኛበሆነመልክስራውንበመስራትኃላፊቱንይወጣል					
5	በክፍልዎአሁንያለውየበጀትቁጥጥርዘዴበቂነው					

6. በጀትአጠቃቀምንበተመለከተማንኛውምአስተያየትካለዎትይግለጹ። _____

Appendix II
St. Mary's University
School of Graduate Studies
Department of Accounting and finance
MBA in Accounting and Finance

Interview

1. What are the main challenges with budget users in preparing budget?
2. What are the weakness observed during budget preparations and Implementations?
3. If there are problems in budget preparations,implementationsand utilization in the Sub cities, whatare the solutions you recommend?
4. In what frequency does your organization follow the budget users on budget implementations?
5. Is there frequent budget revision and budget transfer by sub cities?
6. How do you control l the budget of Sub cities?