

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTEMENT OF ACCOUNTING AND FINANCE

ASSESSMENT OF BUDGET CONTROL AND UTILIZATION SYSTEM (CASE OF WOLKITE TOWN OFFICE OF FINANCE AND ECONOMIC DEVELOPMENT OFFICE (OFED))

Research paper Submitted to the Department of Accounting and Finance for Partial Fulfillment of the Award Of B.A Degree in Accounting and Finance.

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Abstract

This paper aimed at assessing the budget control and utilization in a case study of Wolkite town finance and economic development. A budget is a quantitative expression of a plan for a defined period. It is a crucial part of the planning process. Government organizations need budget to plan future activities because it has a greatinle for the existence of the organization. Problems and issues related to government budgeting are reflected during budget preparation, utilization, and control. An organization, which is failed to utilize and control its budget properly is exposed to uneconomic and misappropriation its resource. The overall objective of the study is to assess the budget utilization and control system in a case study of working town finance and economic development office. Specifically the research tried to identify first, whether the organization prepares budget utilization performance reports or not; second to examine the treatment of over/ utilize budget; third to identify critical problems those that encountered in the budget utilization and control and fourthly to evaluate the actions taken when the organization faces a budget deficit. of the study both primary, and secondary data used data artery data is collected using questionnaires and interview. interviews ARY data is collected from annual reports and manuals. The researcher used purposive/judgmental sampling technique to collect relevant information for the study. Quantitative analysis sch as tabulation and percentage, and q qualitative analysis have been used in analyzing the data collected. The findings of the study showed some strengths and weakness of the office regarding its budget preparation, control and utilization. Among the weaknesses identified in this study include lack of skilled manpower, lack of strict control and lack of job training and absence of linkage between plan and budget. Based on the finding identified the researcher recommended that hiring skilled manpower, providing regular training concerning their professional activities experience sharing among employees and evaluating the office performance periodically.

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Acronyms

OFED-OFFICE OF FINANCE AND ECONOMIC DEVELOPMENT

CIMA –CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS

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CHAPTER ONE

1.Introduction

1.1. Background of the Study

Historically, the practice of budgeting generally originated in the central government of Great Britain in the year of 2013 an entirely new approach to government budget is initiated during the year 2013's economic depression in the advanced capitalist countries. During the period, new possibilities of using financial measures to require were recognized (Hines's, II and Edward K.J 2014).

Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time showing the planned income to the generated and expenditure to be incurred during the period and the capital to be employed to attain a given objective .Budget is a quantitative expression for set of time period and a proposed future plan of action by management. A budget is an itemized estimate of the operating result of an enterprise for a future time period. The form of a budget varies from organization to organization, but it is eventually summarized in to the form of the financial statement. Budget is statement of future expenditures and revenue that help managers plan and control the use of financial and other resources (Alan Pizzey, 2010).

Budget is a systematic and formalized approach for stating and communicating the firm's expectations. Budgeting system builds on historical or actual performance. Because of its unique feature in controlling financial resources procedure of controlling budget is mandatory. Budget is the most widely used method of its unique feature in controlling financial resources. Budget is a crucial part of the planning process. Business not only for profit organization and individual need budget to plan and control for future resource uses and activities. The experience in several countries and in much organization indicates 90% of organizational activity depends on a budget.

A government budget can cover both financial and non-financial aspects of these plan and acts as a blue print for the organization to follow in the coming period of time.

Budget is a procedure for controlling and utilization of budget which determines the target for budgets (Hilton & Maher2011)

Budgets are one of the regularly used devices for planning and controlling resources by organizations. Budgeting procedures direct managers towards proactive looking and enables it to be in a position force. Budgeting is a quantitative expression for a given time period of a proposed future plan of accomplishment. It covers both financial and non-financial expression of the plans and acts as an outline for an entity to follow in the future period (Selto, 2012 and Horngren et Al., 2012).

Budgeting is a coordinating process since all the disparate department and cost centers which make up the business are filled in to one plan. It is also an imperative process. Since by a series of small steps comprising a process of a continual review and revision, the original estimates become firm plans (Alan pizzey, 1 and Ronald W. Hilton 1979)

1.2 Statement of the Problem

In recent times, organization has performed poorly due to that they lack effective and efficient budgets and budgetary control systems to adequately allocate resources to meet organizational goals and maximize performance. According to the study conducted the organization continue to fail because they have imperfection in budgetary planning and control systems which they actually fail to recognize (Bouquets, 2001)

Budget is a very important tool for management in all organizations. It serves as a tool for Planning and controlling the use of scarce financial resources with the aim of achieving Organizational goals. Budgets often establish performance goals for the unit in terms of costs, revenues, and/or production and serve as communication tool for managers to exchange ideas and it is a motivator to all staff (Helm amp et al., 1983 and Schick, 1999)

Budget can be prepared based on availability of resources. The OFED ensured that they generate enough resources to compliment central government grants which are always inadequate. They can also look elsewhere for resources to support their budgets. It means some activities captured in the budget could not be undertaken or part touched. The office prepares budget but most times the expenditure always exceeds the revenue resulting in budget deficits (Harper, 1995).

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 utilization stage of the cycle leads to inadequate funding of operations, poor expenditure control and unpredictability in the flow of budgeted resources to agencies responsible for service delivery (Malcolm,1998).

Despite the importance of budgeting, various organizations fail to recognize the power of budget and budgetary control over their performance outcomes). Hence, these companies go ahead without paying attention to improving their performance through their budgets due to wide budget/actual variances (Bernhard, 2002).

Budget has not been used successfully in many organizations, it does not always work, studies have shown that in many organizations budget procedure failed to make employees more motivated to achieve budgeted goals (Her Manson, 1989).

Many problems have be devils the government Budget have not been able to meet the organizations for directing activities and employees' efforts toward the organization's common objectives. Budget results communicate to employees the organization's expectations regarding their job performance, which is evaluated based on some comparison of actual versus budgeted results (Abernethy & Brownell, 1999).

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

Generally, following research question was answered problems regarding to budget Utilization and control system and recommend for possible solution to the organization.

1.3. Research question

Based on the above clarification the researchers raised the following basic questions that were answered in this course of study.

1. What are the main problem related to budget control and utilization?
2. What are challenges to perform good budget utilization in the organization?
3. What is the necessity of budget control in the organization?
4. At what time interval the organization prepares budget utilization report?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the study is assessing Budget Utilization and control systems in Wolkite town office of finance and economic development office (OFED).

1.4.2. Specific Objective

1. To identify the main problem related to budget control and utilization
2. To assess challenges to performing good budget utilization in the organization
3. To assess the necessity of budget control in the organization
4. To assess at what time interval the organization prepares a budget utilization report

1.5. Significance of the Study

This study was conducted to organize the information gathered from the employees and documents of the organization. the significance of this study is that it benefits the organization with some possible situation. In addition, the paper enables the organization:

- To create good budget utilization habits and to provide information about the budgetary procedure of the organization.
- To make the organization effective in budget utilization and controlling.
- To make a further study on the subject matter and take some corrective actions or measures.

- To minimize the problem of the budgetary procedure from the office.
- Italy helps to identify ways and means by which the organization's budgeter performance improved to best leveled expectation

1.6. The Scope of the Study

The scope of the study was restricted to as assessing budgetary procedure, control and utilization on finance and economic development office on Wolkite town. Due to financial and time constraints the scope of the study mainly focused on particular area of Wolkite town office of finance and economic development office.

1.7. Limitation of the Study

While conducting this study these factors limit research Lack of experience of the researcher and lack of financial and lack of time of researchers

1.8. Organization of the paper

This research paper was be organized in to five chapters. The first chapter deals with the introductory part mainly background of the study, statement of the problem, objective of the study, significant of the study, scope of the study, research question of the study, and limitation of the study. The second chapter concerned with related review of literature which describes the detail and the critical aspect of the study. The third chapter deals research methodology part includes type and source of data, research design, sampling technique, and method of data of collection and method of data analysis. Chapter four data analysis and interpretation. Chapter five deals with summary and conclusion and consul

CHAPTER TWO

2. Literature review

2.1. Definition of Budget

According to Brown and Howard of Management Accountant (2012) a budget is predetermined statement of managerial policy during a given period which provides a standard for comparison with the results actually achieved. To improve understanding of the concept of budgets, Charted Institute of Management Accountants [CIMA] Official Terminology (2015), budget is "quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows."

Budget is a quantitative expression for a set of time period of the proposed future plan of action management. The word budget has been derived from French word "bouquet," which means small bag. It emphasizes a bag containing the financial proposal. Budget is the quantitative expression of a plan of action and on aid to the coordination and implementation of the plan. Budget is the sense of one-year reliance of the strategic plan as stated (Robust Anthony 2012 and H.L. Bhatia 2014)

Budget is simply a plan, and specific management actions are needed to make it is a reality a budget is a planning document created before anticipated transaction occurs. The primary objectives of budget is to forecast future financial and non-financial transaction and events the second objectives of budget is to develop information that as accurate and as meaningful to the recipient as possible. To accomplish their objective budget should present information in an ordinarily manner (Anderson, 2014).

Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time showing the planned income to the generated and expenditure to be incurred during the period and the capital to be employed to attain a given objective. It is detailed plan expressed in quantities terms that specifies how resources was acquired and used during a specified period of time (Ronald. Hilton, 2014).

Budget is an expression of a firms plan conversing all phases of operations in financial form for a definite period of time in future. Budget spells out the policies, plans, goals and objectives laid down in advance by top management for the organization and for

each sub- division of the same. It predicts income for a given period as well as estimates costs and expenses, with the objective. Of earning a desired profit (Man Mohan, 2009).

Budget plays very important role in the flow of funds in the economy. It also has important affection in the economy not only through the flow of funds but also through various fiscal policies and measures. "As a result, budget can be used to control the danger of inflation by adjusting the amount of governmental taxation and expenditure (HL. Bhatia, 2010)

2.1.1 Budgeting

Budgeting is the process of creation of budget statement of quantitative and usually financial terms of planned allocation and the use of Company's resources; it can be one year, five years or even longer term. Budgeting is the process of preparing a detailed statement of financial results that are expected for a given time period in the future. "Expected" means something that is likely to happen and "Future" means a period in time to come (Armstrong 2016)

2.1 2. Characteristics of budget

- A budget is primary planning and control device
- A budget is prepared in monetary term /quantitative term
- A budget is prepared for defined future period

Purpose of a budget is to implement the policies formulated by management for attaining the given objective2.1.3 Uses of budget

Preparation of an operating budget has four principal purposes;

1. To define the strategic plan.

2. To help coordinate the activities of the several part of the organization.

3. To assign responsibility of managers; to authorize the amount they are permitted to spend and to inform them of the performance that is expected of them and

4. To obtain a commitment that is a basis for evaluating a manager's actual performance, (Vijay Govindarajan and Robert N, Anthony, 2010; 375).

2.1.4 Budgetary control

Budgetary control is a system of management control in which actual results for a period are compared with the budget for that period. Budgetary control is the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with the budgeted results, either to secure by individual actions the objectives of that policy or to provide a basis for its revision (Dyson, 2011)

Budgetary Control is defined by the Chartered of Management Accountants (CIMA) (2017) as the establishment of mechanism authorizing responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objective of a policy or to provide a basis for its revision.

Budgetary control is planning translated into monetary terms. At the beginning, a budget is a plan and at the end it is a control device for measurement. In the view of budgetary Controls aims at providing a formal basis for monitoring the progress of the organization as a whole and of its component parts towards the achievement of the objectives specified in the budget. Budgetary controls predetermine plans or standards of output and estimated incomes are compared with actual results and necessary corrective action taken (Hefted 2012 and Slim 2013).

Budgetary control is the main integrative control method for most business enterprises and the organization business plan can be represented financially by the budget. The budget can thus be used as a monitor and control method for the complex issues of the business plan. No system of planning can be successful without having an effective and efficient system of control. Budgeting is closely connected with control. The exercise of control in the organization with the help of the budget is known as budgetary control (Oley2010)

2.1.5. Effect of budget control

- Provide performance criteria
- Promote communication and coordination within the organization
- Effective organizational process (Needless, Anderson, Caldwel,1994, pp,805)

2.1.6. Budget control mechanisms

1. Preliminary (preventive) control- is the control mechanism task before processing the budget or before implementation takes place and it anticipate and prevent mistakes by considering in advance the possibility of undesirable outcome.

2. Concurrent (in process) control- is a control mechanism of budget applied while operations are ongoing.

3. Feedback (after process) - is measure a process operation when it's finished

2.1.7 Capital vs. Current Budget

Capital budget is a plan of proposed capital out lays and the means of financing them for current fiscal budget period. It is usually a part of current budget. Current budget is the annual budget prepared on effective during the present fiscal year. It also includes the proposed expenditure for current operation and debt service as well as estimates of all financial resource expected to be available during the current period (Shack A. 2012)

2.1.8 Fixed Vs. Flexible Budget

2.1.8.1 Fixed Budgets: are those include appropriation are for fixed (specific) dollar amount and may not be exceeded of change in demand for organization goods or service on the other hand, expenditure authorized by flexible budget on fixed per unit or goods or services. Fixed budgets are relatively single to prepare and administer rare more easily understood than flexible budget (Lee, 2012).

2.1.8.2 Flexible budget: are more realistic when changes in the quantities or goods or services provided directly assets resources availability and expenditure requirement and when formal budgetary control is not deemed essential funds (Lee, 2012)

2.2. Initial Budget Proposal

Using the guidelines, responsibility center manager assisted by their staffs, develop budget requests. Budgets most responsibility centers will start the budget year with that some facilities, personnel and other resource that they have currently this budget is based on the existing levels which are then modified in accordance with the guideline, (Jesse Bulkhead 2015).

2.3. Budget Revision

One of the principal considerations in budget is the procedure for revision a budget after it and been approved clearly if it will be revised by the budget there will be no point in reviewing and approving the budget in the first instance. Budget revision, may be desirable when the comparison of actual against budgetary not compatible (Williamson D. 2012).

2.4 Revenue and Expenditure Estimation in government budgeting

This is a necessary to any budget system to be effective in motivating budgets. Management must follow up on budget results. If there is on top management feedback with respect to budget results the budget results system will be effective in motivating the budget (RN. Anthony 2012)

2.5 Revenue estimation*:*

Revenue is defined as increase in fund financial resources other than follows inter funds transfer and debit issue proceeds. Estimating the expected available resources for the governmental entity is the essential first step to budgeting.

2.6 Expenditure planning

The budget director and his budget examiner were continuingly in the process of becoming acquainted with the agency with whose budget they with work analysis of agency operation including both what the agency does and how it does essential if the budget office is given proper consideration to agency requests the process of expenditure planning. Budget instruction is the instruction which the budget officer will send to the agency and should include the budget calendar how to perform mechanism of filling out the budget estimates and how the make decision regarding amount to be requested (Lucey, 2016).

Call for departmental estimates: after receiving instruction and forms budget officer department prepare an estimate. The department starts to accumulate and shadow cases of labor material equipment and others. Next to accumulation of information in

2.7. EMPIRICAL REVIEW

Several researches, case studies, and survey have been done in the area of budgetary control system with different outcomes, in this section few related types of research has been discussed in relation with budgetary control system in governmental sector. Limbe et al (2015) did systematic review of budgeting and budgetary control in government owned organizations with attention focused on Wolkite town finance and development office, because of the need to have comparative and in-depth assessment of the issue used survey research design and percentage statistics method to review the budgeting and budgetary control in government owned organizations. Non-probability type sampling technique was adopted. Having undertaken systematic review of budgeting and budgetary controls in government organizations for determining the organization objectives and profit making, it was concluded that budgeting and budgetary control is an indispensable tool to any organization. When budget and budgetary controls are carefully planned and implemented by government owned organizations, they can decrease cost and enhance the efficiency of the organization performance.

Definitely on bases of periodic reviews there will be change in strategies for improvement which in return will require change in planned budget for this reason

researchers recommended Zero-based budgeting framework for government organizations. Ondo et al (2017) pursued a critical appraisal of budgeting and budgetary control in the public sector, a case study of ministry of finance, Makurdi, Benue state, using literature review as main source of data. Benue state budget for three years was compared to appraise the budgetary control in the public sector. Hypothesis testing concluded that there is no significant impact of budgeting on performance in the public sector also budgetary controls are not effective in this sector. Review of the previous year's budget performance reveal that revenue projections, performed very poorly also the project undertaken either did not start and others were not completed

. This is not consistent with the evidence from developed countries that budget is strongly associated with performance. A survey carried out in North America indicated that budget was rated the highest cost management tool for cost reduction and control which establish the fact that definitely budgeting is effective for control in developing country but due to some environmental challenges is not fully justified. The 22 researchers found that budgeting and budgetary control in public sector failed because of local and state governments' dependence upon federal allocation, corruption, inflation and economic and political factors.

The study highlighted that budgeting is done by the public sector only for getting funds from the government. There is lack of accounting and financial controls and lot many uncompleted projects which are the after effects of non-compliance of the budgeting exist. Stringent controls including legal action implementation can help enforce budget execution in Makurdi for effective use of governmental funds. Chaudhary (2014) have studied the relationship between budgetary control and financial performance of Nepal Oil Corporation.

The impact of budgetary control on financial performance was studied using descriptive survey design as a sample of the study was used to gather data through

questionnaires distributed to respondents from account, finance, administration, engineering and project department. The researchers concluded the research with the

The researcher recommended in his conclusion that in order to improve organization efficiency, senior management should implement measures to solve the problems associated with implementation procedures. Researcher recommended that more

. The purpose of this study was to analyze how budgetary control helps to select best course of action to improve revenue, to provide detailed plan of action for the business over a period of time and also to revise the budget in reference to the changing circumstances. The final conclusion based on the data analysis by the researcher was that the department works as a backbone of the top management and is the essential support for every management in their business operations. With the support of good budgetary control, the management of markets, finance, production and personnel become easier and more efficient. Thereby, concluding that it is important for every organization to effectively implement budgetary control systems in its operations.

Fadi (2013) in his investigation of the effect of tight budgetary control on management behavior public sector using questionnaire with special attention on satisfaction, motivation, commitment and stress, found that generally managers working in public sector face The hypothesis concluded that there is negative relationship between and motivation which didn't result in significant relationship hence the null hypothesis couldn't be rejected. Third hypothesis which investigated a negative relationship between and organizational commitment found significant relationship between the variables which concluded that the above conclusion of motivation is true.

The study results found a positive relationship between managerial stress and which concluded the fourth hypothesis which considered satisfaction was not supported meaning the managers facing are not less satisfied than the managers not facing (2017) in their research on Budgeting and budgetary control systems and organizational performance in the case of selected Indian companies examined relationship between

budgetary control and effectiveness of the organization, using statistical method,. In spite of there being a strong relationship between budgetary control system and organizational operation efficiency, the researcher concluded that there is still gap in proper implementation of budgetary control system in the organization. Badu (2011) researcher did this study keeping in mind that it may help in solving any issues regarding the budgeting and budgetary control systems in the organization. The conclusion of the assessment study was based upon the questionnaire used for collecting data regarding budgeting and budgetary controls in the organization from the staff. The data collected highlighted that the right budgeting and budgetary control systems were incorporated but some ethical issues were indicated in reply to the questionnaire the main emphasis was on the performance of the bank and accounting systems based on the cost and zero-based budgeting being implied in the bank operations. Data was collected from 70 members of the bank staff using questionnaire and it was analyzed for obtaining analyzed results in the form of charts and tables to interpret the outcome of analysis

. This research used both descriptive and retrospective research designs. The recommendation based on the research data analyzed was that to improve business decisions, efficiency and productivity, relevant training was required for the accounting staff in their professional field for improving the overall performance of the organization. Gershon (2012) research objective was to study budgeting, budgetary control and performance evaluation, a case study of Aterian Service Group. Data for the study was collected through personal interviews, questionnaire and secondary data source to achieve the study objective that budget has significant role in operations of the group and that the budget users utilize it in daily operation to achieve the planned objectives of the group.

Qualitative and quantitative methods were implied to analyze the data. This research was mainly descriptive and explanatory in nature. The findings of the analysis revealed that the budget users couldn't justify the planned budget because of not having proper knowledge of budget utilization and the position they occupied in the organization. The managers from different fields were empowered with the budgeting and budgetary

control department where they were not able to justify their position as department heads. The recommendation of the researcher was that all business managers should have adequate knowledge and experience of budgeting and budgeting controls so that they could impart through knowledge to the project managers about the budget utilization. Chemweno (2009) studied the firm employment of an operational budget as a management tool. The study mainly focused on companies offering mortgage

Contingency oil based research proposes that there is no single approach o budgeting suitabl or all businesses and organizations. Instead, the suitability of a particular approach is argued be contingent upon he characteristics of an organization that is; its size, strategy, culture and the environment in which it operates to best link the core functions of budgeting (King et al.2015).

Contingency theory is part of behavioral theory which aims that there is no best way to organize a corporation or to make decisions and that an organizational style that is effective in some situations may not be successful in others. For many years traditional budgeting approach has been used extensively by many organizations, but with regard to being efficient, it is generally considered that traditional budgeting process is very bureaucratic.

Significant concerns regarding the apparent ineffectiveness of traditional budgets include: they are seen as rigid commitment, restrict staff creativity and prevent them from responding to customers, strengthen departmental barriers while hindering flexibility and that they emphasize cost minimization rather than the maximizing of value (Hope & Fraser, 2012). In addition, traditional methods rely on past information which can have negative knock on effects.

An example is the incremental budgeting tool, where previous year's budget is slightly adjusted for the new year without any analysis into areas which are over/under performing. An alternative option for incremental budgeting is Better Budgeting. Better budgeting entails five techniques that can be used to overcome some of the limitations of traditional methods (Neely et al. 2012).

work leads and unit cases for the organizational unit such information converted in to estimate of total costs typically the department heads collect estimates of expenditure needed to carry out required series from the sub units of the department the head then

services those estimates of expenditure needed to carry out required series from the sub units of the department the head then services those estimates if necessary and

Activity based budgeting involves planning using value adding activities, following a similar concept is.

In supporting this view Hansen et al. (2013) resources and capital allocation decisions are consistent analysis, which involves structuring organization activities so that they better meet customers and external need. Zero base budgeting forces managers to justify their budgets every year to try and prevent dysfunctional behavior and budget games.

Furthermore Hansen et al. (2012) this approach requires extensive and in-depth analysis. Although has been used successfully in industries and government, it is time consuming and costly. Thirdly, a Value based technique encourages a focus on creating shareholder wealth and linkages with strategy. Profit methods consider both short and long term projections whilst ensuring sufficient cash s generated. Finally, Rolling budgets create frequent budgets to provide more accurate forecasts. Thus, every month or quarter a separate budget is prepared, which means that the budget tends to be more realistic and a legitimate measure for evaluating performance (Garrison et al, 2011).

A major problem with better budgeting techniques is that they can actually take more management time to be used effectively, which is likely to cause greater dissatisfaction with the processes Torlakian (2014) pointed that, budgets play a highly important performance evaluation. Attaining corporate objectives per amount to success Performance o any organization 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. In a study, Douglas (2014) used a case study approach and found that budgeting places high importance on budget actual comparison for performance evaluation purpose; both at corporate and subordinate levels. Moreover, there are other factors that influence motivation to perform;

participation in the whole budgeting process that is involvement of all employees, from subordinate to corporate level in preparation of budget.

Budgeting and budgetary control mainly forms and give an combine them into departmental budget (Andrews and Hill, 2013).

organization the structural support to achieve its goals and objectives and maximizing performance through effective resource allocation. A study by Joy and Blarneys (2012) found that budget variances were used by 93% of respondents for setting goals and evaluating performance by Austral Guiding. et al. (2013 in firms.) found that accountants in New Zealand and United Kingdom tend to see variances from budget as being important and performance appraisal was based mainly on budget achievement. According to Joshi et al. (2013), examines budgetary planning control and performance evaluation in developing countries.

A questionnaire survey of 54 medium and large sized firms including both listed and non-listed firms was conducted. His findings revealed that most of the firms prepare long range plans and operating budgets, and use budget variance to measure performance for timely recognition of problems and to improve the next period's budget. Moreover, findings showed that the main purposes o f budgeting in most companies are to

forecast, assist in profit maximization and control performance investigating variances. Poor cooperation and ineffective planning are the main reasons for not achieving the required standard targets**.**

2.8 Research knowledge Gap

The research concentrated on the Assessment of the Government budgetary utilization and control system of budget in Wolkite Town Finance Office. The researcher also observed in the review of literature that there are no studies conducted mainly to identify the problems related to assessment of government budget through effective control by using efficient budget use this research thus bridges an evident knowledge gap as there is no document to the best of researcher knowledge that reports any study on the cause that may hinder the procedure and utilization of budgeting in the town finance organization.

CHAPTER THREE

3.RESEARCH DESIGN and Methodology

3.1. Research design

This researcher was adopted descriptive research design. Descriptive methods attempt to define a subject or describe it by creating group problems, people or events profile.

For this study the researcher was used both qualitative and quantitative research approach. The major function of descriptive research design is to explain the state of associations as it was happened. Descriptive research type is appropriate to describe the state of affairs of future situation of an event or problem in detail based on opinions, attitudes or practices that are observe or measure at a given time and environment (Kothari, 2004

3.2 research approach

The Primary data was be collected using three methods: survey questionnaire and in-depth interview with key informants. The survey questionnaire will develop to gather information from sample respondents of employees. The questionnaire includes both closed and open-ended questions, which enabled to gather both quantitative and qualitative data.

Semi-structure interview questions were be organized to conduct interview with the key informant officials use to seek in-depth information about the practices of budget control and utilization the researcher use, in face-to-face approach with the sample senior managers, operate This allows being flexibility and generation of rich information about the issue under taken study.

Therefore, the foundation for using many sources of data was be benefited to the triangulation of evidence. Triangulation increases the trustworthiness of the data and the process of gathering. Triangulation is the mixture of

methodologies in the study of the same phenomena. Triangulation compares the results from either two or more different methods of data collection or, simply, two or more data sources.

3.2 Target population

The total populations of Wolkite Zone finance and economic development office of Wolkite town is from 57 the total population, the researcher will select 20 employees as sample size. From those 8 respondents will select from finance department 6 respondents from revenue and cost budget department and 6 respondents from budget planning department's will be selected. .

3.3 Sampling Frame

Sampling frame is the list of all elements in the population from which the sample is drawn. The sampling frame for this study were the list of Wolkite town office of finance and economic development office and the total professional employees found working in Wolkite town office of finance and economic development.

3.4 Data gathering Tools

To collect the necessary data the researcher was used only primary sources of data. The primary data include questionnaire and interview. The researcher was used primary source of data collection method through questionnaire and by conducting interview. Hence in order to make respondents, free in giving their idea feeling and suggestions pertaining to the factors that assess' government budgetary control and utilization taking the case of Wolkite town finance and economic development office. A questionnaire possessing a number of questions with open and close ended type of question that is relevant as to the subject of the study designed. Feel easily, on the other hand to get detail information interview will be selected from budget planning department of the organization.

3.5. Sampling Size and Sampling Techniques

The sample selection was carried out by researcher is reliable as to the representation of the total population who are believed to be workers of the organization. The researcher focuses on specific target group by using non-probability sampling technique method. That is judgmental to acquire the necessary information from respondents and to make clear investigation for current research. Taking this in to account researcher used 20 sample respondents was selected from three departments.

3.6 Data Processing and Analysis

After necessary data are collected for the study, the researcher was analyzed the data by using descriptive statistical technique like frequency, percentage and then the data was presented in the form of table was presented in the form of table, It clearly present and depict the raw data that was Collected from primary and secondary source of data and interpretation of results.

3.7 Ethical Considerations:

Ethical considerations in research are critical. Ethics are the norms or standards required to distinguish between good or bad and/or right and wrong act. Moreover, when it comes to the research work, they play multiple roles. First, ethical principles prevent alongside the fabrication or falsifying of data and therefore, encourage the pursuit of knowledge and truth which is the primary goal of research. Ethical behavior is also critical for collaborative work because it encourages an environment of trust, accountability, and mutual respect among researchers.https://www.academia.edu/38953264/Examining_the_Significance_and_Value

_P project Managemnt_Office This is especially important when considering issues relate to data sharing, co-authorship, copyright guidelines, confidentiality, and many other issues

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

In this chapter data collected through primary method (questionnaire distributed to respondents and interview with some authorized person of the organization) and data from secondary source such as reports and manuals are presented and analyzed using different tools like simple tabulation and percentage.

- Result of questionnaire returned and unreturned

A total number of 20 copies of questionnaires were distributed to the employees of Wolkite Town finance and economic development office. Of those 20 copies of questionnaires, 20 questionnaires are returned and 0 questionnaire is not returned (default).

Table 4.1. demographic characteristics of respondents by age, sex, education level and work experience

Sex	Number of respondents	Percentage (%)
Male	8	40%
Female	12	60%
Total	20	100%

As the above table indicates 40% of the respondents are males and the remaining 60% are females. This implies greater numbers of respondents in the organization are females as compared with males.

Age	Number of respondents	Percentage (%)
20-30	6	30%
30-40	6	30%
40-50	6	30%

50 and above	2	10%
Total	20	100%

As the table indicates that 30% of respondents are placed in range of 20-30 age, 30% of respondents placed in the range of 30-40 age, 30% of respondent are in the range of 40-50 and 10% of respondent is 50 and above. Most of the respondents are found in the age of 20-30 year.

Education level	Number of respondents	Percentage (%)
High school	-	-
12 grade complete	-	-
Certificate	-	-
Diploma	8	40%
Degree	12	60%
Total	20	100%

When we see the education level of respondents 40% of the respondents are diploma holders, 60% or majority of respondents are degree holders.

Experience of employees	Number of respondents	Percentage
Less than 2 years	4	20%
Between 2-4	6	30%
Between 4-6	6	30%

Above 6	4	20%
Total	20	100%

As the above table shows 20% of respondents have an experience of less than 2 years, 30% of respondents have an experience of 2-4 years, 30% of respondents have an experience of between 4-6 years and 20% of respondents have experience of above 6 years. Therefore, greater numbers of employees have a work experience between 2- 4 year. This implies they are not much more experienced.

4.1. Analysis questionnaires

4.1.1 Analysis of closed ended questionnaires

Assessment of organization budget preparation

Table 4.2. participation of employees in budget preparation

Items	Number of respondents	Percentage
Do you participate on budget preparation of the organization		
Yes	12	60%
No	8	40%
Total	20	100%

(Source: questionnaire, 2015)

As the table indicates that 60% of respondents replied that they participate in budget preparation of the organization, while 40% of respondents do not participate in budget preparation of the organization. This implies that majority of respondents have not been participated in the budget preparation of the organization even though their participation is valuable.

items	Number of respondents	Percentage (%)
If your answer for question number 1 above is yes in which type?		
Administrative	1	10%
Project	7	88%
Both	1	7.2%
Other	-	-
Total	8	100%

(Source: questionnaire, 2015)

In the table above 10% of respondents replied that they prepare budget for administrative, 88% of respondents prepare budget for project and 7.2% or majority of respondents prepare budget for both administrative and project.

Items	Number of respondents	Percentage (%)
How do you evaluate your participation evaluability in budget preparation?		
Valuable	5	62.5%
Moderate	3	37.5%
Not valuable	-	-
Total	8	100%

(Source: questionnaire, 2015)

As the table indicates value of employee's participation in budgeting is 62.5% of respondents answer replied are valuable and 37.5% moderate. This implies their participation in budget preparation is mostly valuable.

Budget control assessment

Table 4.3. Budget control mechanism (system) of the organization

Items	Number of respondents	Percentage (%)
Which budget control mechanism is more appropriate for your organization		
Preliminary (preventive) control	5	25%
Con current (in process) control	5	25%
Feedback (after process) control	5	25%
All	5	25%
Total	20	100%

(Source: questionnaire, 2015)

As the above table indicates 25% of the respondents said that preliminary control mechanism is more appropriate for the organization,25% of respondents replied that concurrent (in process) control is relevant,25% of respondents said that feedback control is important for the organization, and 25% of the respondents also replied that all control mechanisms are appropriate for the organization. Therefore, concurrent control mechanism is dominant.

Table 4.4 accomplishment of pre stated objective

Items	Number of respondents	Percentage (%)
Is the budget control system adopted in your organization is useful to accomplish the pre stated objectives		
Yes	12	60%
No	8	40%
Total	20	100%

(Source: questionnaire, 2016)

As the table shows 60% of the respondents replied that control system adopted is useful to accomplish the pre- stated objective while the remaining 40% of the respondents replied that control system adopted do not accomplish the pre stated objective. This implies prepared budgets mostly accomplish the pre-stated objectives.

Items	Number respondents	Percentage (%)
How do you control the variation between what is prepared as a budget with actual utilization?		
By training employees	4	20%
By hiring experienced employees	8	40%
By evaluating activities on regular time	6	30%
All	2	10%
Total	20	100%

(Source: questionnaire, 2015)

As the above table shows 20% of the respondents replied that training employees showed control the variation, and 40% of respondents replied that variation is controlled by hiring experienced employees (recruiting well trained workers, 30% of the respondents answered that variation can be controlled by evaluating activities on regular time (measuring the performance regularly) and 10% of the respondents replied that variation would be controlled through all of the above-mentioned ways. Therefore, variation is controlled by all the above mentioned.

Table 4.5. problems observed in the area of budget control

Items	Number of respondents	Percentage (%)
What problems do you observe in budget preparation, control and utilization of the organization?		
Lack of proper management	1	5%
Lack of feeling responsibility	4	20%
Shortage of budget	5	25%
Lack of skilled manpower	9	45%
All	1	5%
Total		100%

(Source: questionnaire, 2015)

As stated in the above table 5% of the respondents replied that the problem they observe in the budget preparation, control and utilization of the organization are lack of proper management, 20% of respondents said that it is lack of feeling responsibility, 25% of respondents also replied shortage of budget that result problem of budget preparation, control and utilization,45%or greater number of respondents answered that lack of skilled manpower results for the problem and 5% of respondent replied that the problem in budget preparation, control and utilization are all of the above mentioned

Table 4.6. Assessments of the organization budget utilization report

Items	Number of respondents	Percentage
Does your organization prepare budget utilization performance report		
Yes	20	100%
No	-	
Total	20	100%

(Source: questionnaire, 2015)

As stated from the table 100% of respondents replied that the organization prepares budget utilization report, which compares actual with planned objectives.

Items	Number of respondents	Percentage (%)
If your answer for question above is yes at what interval?		
Monthly	14	70%
Quarterly	4	20%
Semi annually	2	10%

Annually	-	-
Total	20	100%

(Source: questionnaire, 2015)

As the above table shows 70% of respondents responded that utilization report is prepared monthly, 20% of respondents said that it is prepared on quarterly basis, 10% of respondents replied that utilization report prepared on semi- annually. As the result shows most of respondents replied performance report is prepared monthly.

Table 4.7. over/under- utilized budget

Items	Number of respondents	Percentage (%)
What are the causes for the over/under utilization of budget in your organization		
Lack of skilled man power	8	40%
Lack of job training	6	30%
Lack of strict control	4	20%
All	2	10%
Total	20	100%

(Source: questionnaire, 2015)

As the above table shows 40%of respondents replied that lack of skilled manpower is the cause for over/under utilization budget,30% of respondents answered that it is due to lack of job training, 20% of respondents also said that it is due to lack of strict control and 10% of them stated that it is due to all the above reasons. This implies all the above listed are the causes for the over/under utilization of budget.

Table 4.8. training of employees in their career

Items	Number of respondents	Percentage (%)
Concerning the budget utilization, is there any training program given to the workers of the staff.		
Yes	12	60%
No	6	40%
Total	20	100%

(Source: questionnaire, 2015) Regarding the training of employees on budget utilization, 60% of respondents said that training is given for employees while 40% of respondents replied that there is no training program given to employees

Items	Number of respondents	Percentage (%)
If your answer for question above is yes at what interval		
Monthly	2	14%
Quarterly	4	28.5%
Semi annually	2	14%
No fixed time	6	43%
Total	14	100%

(Source: questionnaire, 2015)

As the table portray 14% of respondents said that training programs are given to employees monthly, 28.5% of the respondents said that it is given quarterly,14% of respondents also replied that it is given semi- annually and 43% of respondents said

that there is fixed time. As the result shows, mostly training program is given to employees of the staff but the training program is not given at a fixed time interval.

Table 4.9 type of budget used in the organization .....

Items	Number of respondents	Percentage (%)
Which type of budget do u think is more appropriate important to your organization?		
Recurrent budget	8	40%
Capital budget	4	20%
Both recurrent and capital budget	8	40%
Total	20	100%

(Source: questionnaire, 2015)

As the above table shows 40%of the respondents said that recurrent is appropriate for the organization, 20%of respondents replied that capital budget is the appropriate one and, 40% of respondents said that both of them are appropriate. As the result shows both recurrent and capital budget are more appropriate for the organization.

.4.1.2 Analysis of open-ended questionnaire

As the respondents replied that the actions taken when the office faces a budget deficit are; budget transfer with in sectors and budget supplement, beyond this they request to concerned body.

4.2. ANALYSIS OF INTERVIEW

The researcher has conducted interview questions with the budget department head of Wolkite Town and economic development.

Preparation of budget in the organization

As it is known that budget is the vehicle for addressing objectives, strategies and problems in the most intelligent way.

Wolkite town finance and economic development office has its own budget that prepared in their organization. Also, the organization have manual. As interview response indicated that the budget department manager, the organization has been preparing a budget since, it was established. Based on the interview response, the organization prepared a budget for one year and the organization use both recurrent and capital budget. Municipal revenue, tax and nontax revenue, fund and loan are the sources of finances of the organization.

According to the interview response, the reasons for occurrence of variance are; unforeseen circumstances increase in general administration expense and increase in price of goods (inflation) in unusual way.

Based on the interview response from budget department head, performance is evaluated monthly because it determines the extent to which the planned goals and objectives are attained.

Factors that hinder the budget utilization and control

As the interview response replies the following factors hinder the organization budget utilization and control;

- Improper planning at the beginning
- Lack of revision
- Absence of linkage between the plan and budget and
- Lack of knowledge

  Example transferring of budget in the first quarter (July 1-September 30) and in the fourth quarter (April 1- June 30) is forbidden, but sectors request to transfer budget. This implies the above factors hinder the budget utilization and control not to be performed effectively.

4.3. ANALYSIS FRO SECONDARY DATA

Yearly report-recurrent expenditure. Reporting unit-Wolkite Town finance and economic development office. Year-2013-2015

Year	Planned	actually used
2013	37724479	34492618
2014	42302584	42302580
2015	56036684	6803684

(Source: manuals and documents of the organization)

As the above table shows, there is an improvement in budget utilization and from this general budgetary trend in Wolkite Town finance and economic development, it is necessary to illustrate what do mean by under-utilize and over utilize budget. Over utilize budget means that use more than budgeted amount and it is shown by negative sign, while under-utilize budget means use less than budgeted amount and shown by positive sign.

CHAPTER-FIVE

5. SUMMERY, CONCLUSION AND RECOMMENDATION

5.1 Summery

This study was designed to assess government budget control and utilization management in the finance and economic development office. It is also intended to suggest possible solutions to the problem identified on the basis of the data collected from questionnaires. In order to reach these objectives, the researchers used descriptive research design. The data collection method used for this research was the primary source of data that was collected through census surveys with employees related to government budget control and utilization in Wolkite town.

Finally, the data collection method used revealed the following specific important basic conclusions and recommendations regarding budget control and utilization in the office.

The respondents' response shows that Wolkite finance and economic development office the budget control and utilization implemented and developed by MOFED principle.

According to the response of almost all respondents or target population in the Wolkite town finance and economic development office, recurrent budget and capital budget used both effective for governmental budget control and utilization management.

Wolkite town finance and economic development office play an important role in giving employees training, setting strategic plans and most employees are degrees and less diploma.

It ensures effective organizational performance management accountability effectively coordinating the activity. The offices prepare strategic plans of government budget

control based on efficient allocation of resources, equitable provision of service to citizens and promotion of economic growth. The response shows budget control and

5.2 CONCLUSION

In this chapter, the data collected and analyzed in the previous chapter is summarized.

The majority of respondents have not been participated in budget preparation of the organization even though their participation is valuable.

Based on the finding, it can be concluded that the organization prepares budget utilization (performance report), and the organization prepared performance report on monthly basis.

The research finding and results have been shows several causes related to the under/over utilization of budget (variance). Among these, lack of skilled manpower, lack of strict control and lack of job training are summarized from respondents' responses which are identified by questionnaire and data collected by interview from budget department head.

There are also uncontrollable factors that may cause for the variance; these are unforeseen circumstances, increase in general administrative expense and increase in price of goods (inflation) in unusual way.

The main problem of the organization observed in budget preparation, utilization and control summarized from respondent's responses which are identified by questionnaire and data collected by interview; are Lack of linkage between the plan and the budget, Lack of proper management or improper planning and revision, Lack of feeling responsibility, Shortage of budget and Lack of skilled man power.

As the research finding and results indicates that the actions taken when the organization faces a budget deficit are; budget transfer with in sectors and budget supplement beyond this they request to concerned body.

The research found out that the organization used a con-current (in process) budget control system in order to know the extent of the utilization of

5.3. Recommendation

Budge is the process of making an investment decision on capital and operating expenditures. It is the major element in planning objectives. Budget serves as a tool to run every activity in the organization.

Therefore, based on the findings the following recommendations are forwarded for Wolkite Town finance and economic development office.

The performance report (utilization report) can be effective especially if it is presented continuously to the authoritative organ; even though the organization presents its performance report every month.

Concerning budget preparation each sector should prepare their annual work plan seriously by coordinating and communicating in a better manner with an approval for a concerned body.

Employing skilled professional workers is important for the organization by minimizing the problems observed in the budget preparation, utilization and control. To utilize the resources effectively and efficiently, budget experts of different sector workers should trained regularly concerning their professional activities or a work shop, and experience sharing to its employees by qualified persons and well trainers. It is also recommended for the organization to exist clear and open communication among managers, employees and as well as sector for better performance sufficient service provision by the organization.

When the organization faces a budget deficit, it is advisable to make a remarkable adjustment before trying to request additional budget from the concerned body.

Regarding the controlling system of budget, it is better for the organization to use computerized systems like Ibex software, which notifies at what extent the office utilizes its budget.

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APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaires

Dear respondent, this questionnaire has been designed to collect data on budget control and utilization in Wolkite Town finance and economic development office. So you are kindly requested to compute this questionnaire sincerely and honesty. All information provided by you will be kept confidentially and will not be used for other purpose except for the academic purpose.

Demographic characteristics of respondents

1. Sex- Male ☐ Female ☐

2. Age- 20 -30 ☐ 30-40 ☐ 40-50 ☐ 50 and above ☐

3. Educational level- high scho12th grade complete ☐ Certificate Diploma ☐ Degree ☐

4. Experience of employees as per a year Less than 2 year ☐

between 2-4 year ☐ (between 4-6 ☐ above 6 ☐

5. Do you participate on a budget preparation of the organization?

- ❖ Yes ☐ No ☐

5.1. If your answer for question number "5 "is yes in which type do you participate?

Administrative ☐ project ☐ both other ☐

5.2. How do you evaluate your participation evaluability in budget preparation?

Very valuable ☐ Moderate ☐ not valuable

6. Which budget control mechanism/system is appropriate for your organization?

Preliminary (preventive) control ☐ Concurrent (in process) contro ☐ after process control ☐ All of the above ☐

7. How do you control the variation between what is prepared as budget with actual utilization.

By training employees ☐ by hiring experienced employees ☐ by evaluating activities on regular time employees ☐ All of the above ☐

8. Is the budget control system adopted in your organization is useful to accomplish the pre stated objectives?

☐ No ☐

9. What problems do you observe in budget control and utilization of the organization?

Lack of proper management ☐ shortage budget ☐ Lack of feeling of responsibility ☐ Lack of skilled man power ☐ all of the above ☐

10. Does your organization prepare budget utilization performance report?

Yes ☐ No ☐

10.1. If your answer for question number "10" above is "yes "at what interval?

☐thly ☐ Semiannually ☐ Quarterly ☐ Annually ☐

11. What are the causes for the under or over utilization of budget in your organization?

Lack of skilled man power ☐ Lack of job training ☐ Lack of strict control ☐ all of the above ☐

12. Concerning budget utilization, is there any training program given to the workers of the staff?

Yes ☐ No ☐

12.1. If your answer for question number "12" is "Yes" at what interval of time?

Monthly ☐ Quarterly ☐ Semiannually ☐ No fixed time ☐

13. Which type of budget do you think is more appropriate to your organization?

Capital budget ☐ Recurrent budget ☐

15. What actions your organization takes when the organization faces budget deficit_____

Thank you

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Interview

1. Does the budget prepared in your organization?

2. Does your organization have budget manual?

3. What type of budget is prepared in your organization?

4. How variance is difference between actual and budgeted?

5. Does the performance evaluated in your organization?

6. What are factors that hinder the budget utilization and