COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Assessment of government expenditure management (A case of finance and economic development of Gurage Zone)

A senior essay submitted to the department of accounting and finance impartial fulfillment for the requirement of Bsc degree in accounting and finance.

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ABSTRACT

This study was conducted on Assessment of Government Expenditure Management in case of Finance and Economic Development Bureau in Gurage Zone. The research paper contains the methodology of the study such as target population, sample size, sampling techniques. The research tried to consider the problem of effectiveness of government expenditure in Gurage Zone and mechanisms to solve the problem. From the distributed questionnaires, 16 respondents were returned. Source of data was collected from both primary and secondary source. The collected data were edited, coded and summarized. The target respondents that are used by the researcher are manager, auditors and accountants of the organization. The Bureau has a great management of government expenditure and it performs the work efficiently and effectively. Even though, they have low perception to give information, data was collected from the board. In this particular study percentage and table for data analyzed and interpretation was made. Important recommendation was provide based on the finding of the study.

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ACRONYMS

- ✓ GASB…….General Accounting Standard Board
- ✓ SLG……... Senior Level of Government
- ✓ FGE…… Federal Government of Ethiopia
- ✓ MEFFW……. Micro-Economic and Fiscal Frame work
- ✓ PEP……. Public Expenditure Program

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Expenditure is the actual expense that recognized the fund and liabilities that are measured and incurred. This usually means that expenditure is recognized if the related liability is expected to be liquidated through the use of expendable available financial resource. Expenditure results from operating activities, capital asset and servicing debt. Government expenditure includes all government consumption investment but excludes transfer payment made state government acquisition of goods and services for current use to directly satisfy collective needs of the members of the community is close as government financial expenditure and government expenditure can be financed by feel takes or government borrowing. (N. Hyman, 2005) Government Expenditure also refers to expense that the government expenditure incurred or cash outflow of government for it is maintenance.

The primary focus of governmental accounting was to expend public funds collected in various forms like taxes or fees is spend according to meet the need and demand of public. A government body usually representing elect officials interprets the public desires and legally adapts a budget or a plan of how many is to be spent. For normal operating purpose the budget period is defined as fiscal year. It was the legitimate power governing body to authorize the spending of budget of money for a specific purpose during specific time from based on the governmental accounting practice. As an international level public expenditure are faced with numerous problem of wastage of resource mainly due to weak planning and account system, poor financial management and poor procurement practice and procedure. The above issue motivated the researcher to study assessment of government expenditure management in Gurage Zone .

1.3 Statement of the problem

Expenditure was foundation of planning, organizing, controlling and evaluating activities of government funds and measure of fund liabilities incurred. Public expenditure are faced numerous problems of resource mainly due to weak planning accounting system, poor financial

management and poor procurement practice and procedure. Nevertheless in most countries central government budget allocation are used as indicator of supply of public deficit. (Http; // encyclopedia.ort). In effective expenditure management and financial allocation lead the country towards budget deficit at this time Ethiopia needs improvement on the effectiveness of public expenditure and service delivery in general.

In this study the researcher attempted to see whether Gurage Zone finance and economic development Bureau expend the budget effectively. This study was considering factors that affect effectiveness of expenditure and related problem and provide possible solution for the problem identified.

1.4 Objective of the study

1.4.1 General Objective of the study

The general objective of the study was to assess government expenditure management (case study in finance and economic development Bureau in Gurage Zone).

1.4.2Specific Objectives of the study

1. To assess the effectiveness of managerial control in government spending.
2. To explain the effect of public /government / expenditure on capital.
3. To identify the factor that affect effective expenditure in the zone.

1.5 Research Question

In this study the researcher tried to identify the following basic research question

1. What system in the Bureau use to evaluate the government expenditure management?
2. To what extent of the government expenditure management is effective in the town?
3. What are the factors that affect effectiveness of government expenditure in the zone?

1.6 Significance of the study

Effective and efficient government resource management and implementation process is very essential for developing countries effective utilization is nothing without budget control. The following are some of the significance of the study.

The study will be very important for financial decision marker and It will help to improved effectiveness of expenditure system, It will help the organization that maintaining and

implementation public expenditure, It will serve as reference for the future researcher who would conduct their senior research project on similar title, It gives awareness to the society and It also up grades the researchers understanding how the government expenditure system is applied.

1.7 The Scope of the Study

Generally the study was conducted on assessment of government expenditure management in Gurage Zone finance and economic development department. The study was limited to Gurage Zone due to other Zone requirements of many cost and time. The researcher was emphasizing on how the government expenditure expend effectively in Gurage Zone. This research study was only focused on the problem associated with government expenditure and related weakness of Gurage Zone bored.

1.8Limitation of the Study

The time allocated for the study of this research was not enough and shortage found allocation. The other is limitation of obtaining sufficient evidence is the main factor. Most organization was not volunteer to coordinate with any higher education's institutions to facilitate the learning environment. It also lacks the number of employees, time and shortage of budget.

1.9Organization of the Study

The study were organized in to five chapters with different characteristics the first chapter deals with introduction part that includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, limitation of the study and organization of paper. The second chapter deals with literature reviews. The third chapter deals with research methodology. The fourth chapter deals with data analysis and interpretation, and the last chapter consisted of conclusion and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Concept of Government Expenditure

Expenditure is the measure of fund liabilities incurred (expendable fund financial resources used during a period for operations, capital out lay and debt service. (Robert J, Freeman, 2003)

Government expenditure refers to the expense which the government incurs for its own maintenance as also for the society the economy as a whole. These days, some governments are incurring expenditure to help other countries and that would also from a part of the total public expenditure. With expanding state activities, it is becoming increasingly difficult to judge what portion of public expenditure can be ascribed to the maintenance of the government itself, and what portion to the benefit of the society and the economy (H.L.Bahta, 2003,)

Public expenditure is the expenditure incurred by public authorities' central, state, local governments either for the satisfaction of collective needs of the or for promoting their economic and social welfare or for protecting the citizens in the country. Just as consumption is the end of all economic financial activities of economic development of a country (S.N.Chad, 2008,)

Expenditure: when the vendor supplier performs on a contract or purchase order and goods or services are received, an expenditure has taken place, expenditures are organized in the accounting period in which fund liability is incurred, except for un matured interest on long-term debt, which is recognized when due and certain compensated absences and claims and judgments which are recognized when obligations are expected to be liquidated with expendable available resources, thus an expenditure and a corresponding liability or cash disbursement is recorded at the time goods or services are received or at the time funds are granted to an authorized recipient. (Debar 2004)

2.2 Types of Expenditure

There are various broad types of expenditure, capital out lay expenditure, debt service, inter-governmental and current operating expenditure as well as inventories and pre payments. (Robert Freeman,2003)

2.2.1 Capital outlay Expenditure

Capital out lay expenditures typically financed from the general fund and special revenue funds. The general fund and special revenue funds are typically used to finance and account for most general government activities of states and local governments.

General government activities police protection, fire protection, central administration, street maintenance and general operating activities of independent school districts and nonproprietary special districts.

2.2.2 Debt service Expenditure

Debt service expenditure are recognized ‘when due’ mainly because most levy the related property takes and budget on a ‘when due’ basis.

Thus the appropriations for principal and interest expenditure are equal the payments to be made during the year regardless of any accruals at year end. (Robert J. Freeman 2003)

2.2.3 Inter governmental Expenditure

State governments in particular often incur intergovernmental expenditures under state revenue we sharing, grant and other financial assistance programs to countries, cities, schools and other local governments. (Robert J. Freeman 2003).

2.2.4 Current Operating Expenditures

All governmental fund expenditures other than those for capital out lay, debt service or intergovernmental purpose are referred as current operating expenditures or simply operating expenditures. Payroll and related personal costs are the largest current operating expenditures of most state and local governments.

2.3 The purpose of government expenditure

Government spends money for a variety of reasons, including:

1. To supply goods and services that the private sector would fail to do, such as public goods, including defense, roads and bridges; merit goods, such as hospitals and schools; and welfare payments and benefits, including unemployment and disability benefit.
2. To achieve supply-side improvements in the macro-economy, such as spending on education and training to improve labor productivity.
3. To reduce the negative effects of externalities, such as pollution controls.
4. To inject extra spending into the macro-economy, to help achieve increases in aggregate demand and economic activity. Such a stimulus is part of discretionary fiscal policy.

Local government is extremely important in terms of the administration of spending. For example, spending on the education are administered locally, though local authorities. Approximately 75% of all public spending is by central government, and 25% is by local government. (John Maynard Keynes, 1930).

2.3.1. Central and local government (public sector) spending

Using public spending to stimulate economic activity has been a key option for successive governments, public spending should be increased when private spending and investment were inadequate. There are two types of spending. (John Maynard Keynes 1930)

1. ***Current spending***, which is expenditure on wages and raw materials. Current spending is short term and has to be renewed each year.
2. ***Capital spending***, which is spending on physical assets like roads, bridges, hospital buildings and equipment. Capital spending is long term as it does not have to be renewed each year - it is also called spending on 'social capital'.

2.4Factor that affect government expenditure

Government spending especially on government entities is affected by a wide range of non-income factors. They include earthquakes and floods. However, there are other important determinants that affect overall government spending. They are limited to specific categories including government policies and politics. (Http; // encyclopedia.ort).

2.4.1Politics

Politics play a very crucial role in determining government spending. Politics always bubble around government activity where political winds blow in different directions. In most cases, politics reduce federal deficit and reduces government spending especially on social programs.

Such forces decreases government purchases in a downward shift of the government's purchase line. Politics also affect government spending because powerful interest groups often convince political leaders to focus more on activities that are important to the government. The government will then focus on national defense, space program or the environment thus reducing its overall spending.(Http; // encyclopedia.ort).This kind of shift in political winds causes increase in government spending. As a result, an upward shift in the government's expenditure line also occurs.

2.4.2Policy choices affecting government spending

Tax policy- the government imposes taxes on different products and services with an aim of promoting economic growth. This raises the level of revenue that the government collects from different sectors of the economy. Increase in taxes increases government spending and vice versa.

Trade policy-when a country allows for free trade, the economy grows and it increases government spending. However, a government that restricts trade by imposing strict policies leads to economic inefficiency. This reduces government spending. It is essential to note that economic efficiency through free trade promotes government and boosts the standards of living.

Monetary policy-monetary regime is one of the factors that can hinder a country's economy based on its impact on government spending. With a stable monetary system, there is a good environment for government spending. With a poor monetary system, investment opportunities are crippled and economic confidence in people as well as the government is destroyed thus, reducing its spending.(Http; // *encyclopedia*.ort).

Private property- this is also one of the policies that affect government spending. It is also considered as an independent policy affecting the level of government spending. Availability of

property rights plays a very crucial role in promoting government spending and economic growth. Additionally, if the government controls major resources, it is more likely for political forces to dominate different economic factors thus, determining how resources will be allocated. Therefore, for any level of government purchases or spending, the security of different property rights will also have a strong effect on economic performance. (Http; // encyclopedia.ort).

Regulatory policy-red tape and bureaucracy also have a very considerable effect on government spending and the economy at large. A deregulated market encourages efficient government spending and allocation of different resources. This is based on the fact that major spending decisions are made as per economic factors in the market. Excessive regulation on the other hand results in high costs of different products and services as well as inefficient government spending behavior. Fiscal policy also affects government spending. When there is desire by the government to control economic instability, the level of government spending will increase and vice versa. When aggregate expenditures decreases, government spending on different businesses may also increase. (Http; // encyclopedia.ort).

2.5Inventories and Prepayments

The GASP permits inventories and prepayments to be charged as expenditures immediately because from a cash or convertible to cash perspective such item are not financial resources available for financial future expenditures. (Robert J. Freeman 2003).

2.6 Government Expenditure Composition

There are many government expenditure compositions. Some of them are as follows.

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1. Justice and Securities

In tracing the gradual development of state function we found what the maintenance of internal security, the protection of each other member of the society against the injustice or operation of the other member of its or in more modern phase of law and order was a task that was attempted in the earlier stages of social evaluation. (John F. Due,2005)

2. Income Maintenance

Income maintenance is the most important function of government. This consists of various social security's and welfare programs and farm price support program to maintain farm incomes. The bulk of these expenditures go for social security payments and other forms of social insurance, unemployment, and retirement programs reminder is spent on public assistance and farm support programs. (John F. Due,2005).

3. Health 'sand Education

With the inception of Medicare and Medicaid, health expenditure are become a major activities of the federal, state and local governments, some health expenditures are a public good quality, basic medical research, prevention and control of health problems and etc. expenditure on education and man power has comprised a large portion went for federal aids to vocational secondary and elementary education and man power training. To the extent that overall level of productivity income in society is dependent up on educated and skilled work force, federal aid for education or man power training reflects the existence of production externalities that cannot be captured by the private market. (John F. Due, 2002)

3. Transportation and Communication

The largest portion of their expenditure are made from surface transport such as high ways, mass transit, railroads, and air transport, water transport and also postal service. (John F. Due, 2002)

2.7 Cause of Increasing Government Expenditure

It is very difficult to identify specific 'causes' of increasing government expenditure. However, some major factors definitely related to increasing size of government expenditure are increase in income, population, urbanization and human resources. (Charles F, Bastabel)

A) Income

Raising real income is associated with raising government expenditure in to two ways. First, as income increase in an economy there is shift from manufacturing and merchandising industry to service industry. Second, service activity tends to have lower rate of productivity increase over time. (Charles F, Bastabel)

B) Urbanization

Urbanization over some range should lead to decrease cost of same public goods and services as economies of scale are achieved. However, more goods and services are provided publicity in urban than rural areas causing higher public expenditure, and many cities of such size that all potential economies of scale have been exhausted. (Charles F,Bastabel)

We note population itself is increasing in most causes which thus becomes a major contributing factor to the growth of public expenditure. The sheer scales of various public services have to increase in harmony with the population growth. (Charles F, Bastabel)

D, Education and Human Resource

The proportion of government expenditure for human resource has been growing steadily with some relative decline during war time almost all countries, the most expenditure class for human resource development are education, health, hospital, public welfare and social insurance. (Charles F, Bastabel)

2.8 Government Accounting

One unique aspect of the government environment is that government may be involved in both governmental type and business type activities include fire and police protection, courts and other general governmental activities. Business Mope activities include public utilities (e.g. electricity, water) and other activities for which users feel are charged and that are operated similarly to private business. (Robert J, Freeman, 2003)

2.9 Sources of Financial Resources

Because of the primary source of the financial resources of business are not available to governments for governmental type activities, government must raise financial resources from other sources. Two primary example of these revenue sources are taxes and inter-governmental grants and subside.

Taxation the power to tax is unique to government and most governmental service are financed by tax most general government services for example, police and fire protection elementary and secondary education and streets and high ways are usually financed almost exclusively by tax revenues. The power to tax causes taxpayers to be involuntary resources providers. Individual tax payers cannot refuse to pay taxes if they think the government is using the resources

improperly, or pay a lesser amount if they not use as many of the governments services as do others. (Robert J, Freeman, 2003)

Many governments also have other powers, similar with taxation such as, levying license and permit fees, fines and other changes, this ability of governments to exact resources from individual, business and others by taxation and similar levies without an arm's length exchange transaction means that the types levels and quality of service that government provides are not automatically dictated or regulated by what constituents are willing to pay for the services. (Robert J, Freeman, 2003)

Intergovernmental Revenue subsides from higher level governments are another significant source of revenues. The federal government provides hundred billion dollar of revenue to every year, and states provide additional resource and local governments. Most intergovernmental revenues are not provided as a direct result of services received by the resource provider but rather to help finance certain services for the recipient's constituency. (Robert J, Freeman, 2003)

2.10 Financial Resource Allocation Mechanism

General government financial resource allocation, are derived from processes clearly different from business enterprise, absence of direct relationship between the financial resource provided by an individual tax payer and the service provided to that individual tax payer makes it impossible for the resource allocations to be mad in the same manner as for business enterprises. Various restrictions on resource use and the budget process determine how the allocations are made. (Robert J, Freeman, 2003)

Restrictions on Resource use: - The primary mechanism used for allocating general government resource to various uses is for restrictions to be placed on financial resource use by the resource providers or their representatives. One level of restrictions requires that certain resources be used for a particular purpose or program, such restrictions arise as a result of

1. Intergovernmental grantors requiring that the resources provided be used for a particular purpose.
2. Taxes and similar resources being levied for a specific purpose such as for roads, education or debt services.
3. Debt proceeds being restricted to a specific purpose. (Robert J, Freeman, etal 2003)

The Budget:- Taxes and other revenues are allocated to various uses by placing more detailed (budgetary) restrictions on their use as well; budget is adopted in to law and essentially becomes a contract between the executive branch, the legislative branch and the citizenry. The annual budgetary process and budget are extremely important in the SLG governmental type activities environment, the budget is an expression of public policy and intent. It is also financial plan that indicates the proposed expenditures for the year and means of financing them. (Robert J, Freeman, 2003)

2.11 Accountabilities

The numerous environment features result in distinct SLG accountabilities, which are unique in both farms (1) to which SLGs and their official are accountable and (2) the focuses of their accountabilities. (Robert J, Freeman, 2003)

To whom accountable SLG are accountable to their constituencies and other government arises in part because senior levels of governments often have some, over sight authority over lower level of government.

Accountability Focuses SLG accountability have various focuses, such as accountability for;

1. The use of financial resource from various revenue sources or bond issues in accordance with any restriction on their ruse.
2. Compliance with the budget
3. Efficient and effective use of SLG resource
4. Maintain general government capital asset

2.12 Ethiopian Government Accounting System

Accounting system is the method and records established to identify assemble, analyze, classify, record and report of a government transaction and to maintain accountabilities for the related assets and liabilities. (FGE accounting system volume 1, 2005)

2.12.1 Basis of Accounting

The basis of accounting is the basic set of principles and rules employed by the accounting system to determine when and how to record transactions.

The FGE accounting system employs a modified cash basis of accounting. The modified cash basis of accounting is consistent with the budgeting process and produces information for comparing budgeted and actual revenue and expenditure. (FGE Accounting System volume 1, 2002)

2.12.2 Chart of Account

Chart of account is a system of coding used by financial management system to identify and classify financial entities and events.

The current chart of account treats; all detailed account codes as temporary accounts. Temporary accounts are accounts that begin each year with a zero balance. (FGE Accounting System volume 1, 2002)

2.13 Bookkeeping Method

The FGE accounting system uses double-entry bookkeeping, double entry bookkeeping means that both aspects of each transaction are recorded in the accounting records with at least one debit and one credit so that the total amount of debit and the total amount of credit are equal to each other's.

2.14 Public Expenditure in Ethiopia

2.14.1 Expenditure management and accounting system in Ethiopia

Under umbrella of the civil service reform project a component called the expenditure management and control program has been operating since 1997 to improve budget cycle management in Ethiopia starting from the federal level and then working its way to the regions under the public of the decentralization support.(Ethiopian , public expenditure review, volume II 2004, P,44)

2.14.2 Expenditure Planning

The government has been moving for some time towards a more systematized medium term planning process using a locally adapted approach along the lines of the medium term expenditure framework use in several other countries. The Ethiopian application of the general concept has involved a three tie approach consisting of,

a. A rolling macro-economic and fiscal frame work (MEFF) which would result in a three year projection of the likely resource envelope for the country and breakdown by broad of federal government expenditure and subsidies to the regions.
b. A three year public investment program which would be deriving its annual ceilings (indicative planning figures) from the MEFF and was intended to transfer in to a full public expenditure program (PEP).
c. A biding budget calendar which would ensure that the regions in particular would receive timely information about the level of the federal subsidy, which constitute the back of the revenue of regions (Ethiopian public expenditure review, volume II, 2004, p, 45)

CHAPTER THREE

3. METHODOLOGY OF THE RESEARCH

3.1. Research Design

The study was conducted through descriptive research in order to assess the effectiveness of government expenditure in case of finance and economic development Bureau in Gurage Zone and to obtain the information concerning the current status of the Zone and to draw conclusion from the fact it discovers. The researcher used both qualitative and quantitative research approach.

3.2 Sources of Data

For the sake of achieving the purpose of this study relevant data was collected from both primary and secondary source. The primary data was collected by using closed and open ended questionnaires. Because both open and closed ended questionnaire are good to get responses from the respondents and are suitable for doing the research. The secondary data was collected from different sources such as journals, documents, fiancé and economic development office records and report.

3.3 Target Population

Target population of the study was Manager, Accountant and Auditors of Gurage Zone finance and economic development Bureau.

3.4 Sample Size

Even though all employees of the Bureau and sector of the town can respond to question because of cost and time constraint it is impossible to collect data from the employee and sector of the zone, so the researcher select 18 out of 36 employees.

3.5 Sampling Technique

The researches were used purposive or judgmental sampling methods which is non-probability sampling method. The researcher was choice the technique because it permits the researcher to have completed freedom of selecting individual who can provide relevant information.

3.6 Method of Data Collection

The relevant data collection to the study were used both primary and secondary data sources. The primary data was collected by using closed and open ended questionnaires to be distributed to 18 of employees from a 36 employees target population researcher was by a system of judgmental sampling method. The secondary data was collected from different books.

3.7 Method of Data Analysis

The collected data was carefully, edited, coded, tabulated and organized based on the type of basic question and nature of data was analyzed through chart, percentage and the qualitative data's is analyzed through detail explanation depend on the response of respondent research process.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

4.1 Procedures for collecting data

The study deals with "assessment of government expenditure management a case of finance and economic development Bureau in Gurage Zone." The researchers have used the questionnaire method as a primary means of data collection. The researcher prepared 19 questions in the form of questionnaires. This may help the result more reliable and help to obtain relatively accurate data that are relevant.

4.2 Analysis of questionnaire

4.2.1 Personal background of the respondents

The respondents are the employee of Gurage Zone finance and economic development Bureau. Questionnaire was distributed to them and analyzed as well as interpreted in this part of the study.

Table; 4.1 Distribution of respondents by Sex

No	sex	Respondent in No	Respondents percentage
1	Male	10	62.5%
2	Female	6	37.5%
Total		16	100%

Source: questionnaire from employees, 2021

The above data reveals that 10(62.5%) respondents were male and the remaining 6(37.5%) were female.

Table;4.2 Age of respondent

Age	No of respondents	Respondents in percentage
18-25	0	-
26-35	3	18.75%

36-45	7	43.5%
Above 45	6	37.5%
Total	16	100%

Source: questionnaire from employees, 2021

The above table reveals the age of respondent in the office. Thus 3(18.75%)of the respondent were found in the age of 26-35 interval and7(43.75) of the respondent were found in the age of 36-45 the remaining 6(37.5%) were above 45 years.

Table; 4.3Educational Levels of the Respondents

No	Educational level	No of respondents	Respondents in percentage (%)
1	Diploma	-	
2	Degree	9	56.25%
3	Masters	7	43.75%
4	Others	-	-
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that educational level of the respondent in the office. Thus 7(43.75%) of the respondents were Masters, and 9(56.25%) of the respondents were degree, from this 8(50%) of male among this 2(20%) is masters and the remaining 8(80%) is degree, and 4(66.67%) of females from this 2(33.33%) is masters holders and the remaining 3(37.5%) of females are degree.

Table: - 4.4work experience

Work experience	No of respondents	Respondents in percentage
1-5	2	12.5%

6-10	4	25%
Above 10	10	62.55
Total	16	100%

Source; questionnaire from employees; 2021

The above table reveals that work experience of the employees in the Bureau. Thus 2(12.5%) were worked for 1-5 years.4 (25%) had been worked for 6 to10 years and the remaining 10(62.5) worked above 10 years in the Bureau.

4.2.2 Method of recording transaction

The federal government of Ethiopia system post financial reform for all governmental organization go use double entry book keeping in which both aspect of each transaction are recorded in the accounting records. So for every debit, there must equal amount of credit. Since Gurage Zone finance and economic development Bureau is one of the government organizations, so they use double entry book keeping method of accounting to record transaction

Table 4.5 method of accounting for expenditure

No	Method of accounting	Respondents in no	Respondents in percentage
1	Is used	16	100%
2	Is not used	-	-
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that the employee response for method of accounting for expenditure in their office. Thus 16(100%) of them are responded that there was a method of accounting for expenditure in the Bureau. The respondent replied that in government expenditure account modified cash basis of accounting is used. Revenue is recognized when payroll is processed at the end of the year and a grace period is recognized when goods are received or service rendered.

Table; 4.6 the expenditure administration effectiveness

No	Expenditure administration effective	Respondent in number	Respondent in percentage (%)
1	Yes	14	87.5%
2	No	2	12.5%
Total		16	1

Source: questionnaire from employees, 2021

The above table reveals that the employee respondent response on expenditure administration effectiveness. Thus 14(87.5%) of respondents responded that the expenditure administration is implemented by following the budget action plan and internal control of finance activity or auditing control activities and the remaining 2(12.5%) of respondent responded that there is ineffective expenditure administration in the Bureau.

Table; 4.7 the rate of financial administration in the Bureau

Rank	Good	v. good	Excellent	Poor	Total
Rate of financial administration					
Respondent in number	11	5	-	-	16
Respondent in %	68.75%	32.25%	-	-	100

Source: questionnaire from employees, 2021

The above table reveals that the employee respondent responded on the rate of financial administration of the Bureau. Thus 11(68.75%) of them respond that the rate of financial administration is good and the remaining 5(32.25%) of them replied that financial administration is very good. This indicates the financial administer manage financial rate in good manner in the Bureau.

Table; 4.8 extent of government expenditure controlled

Question	Response	Number of respondent	Respondent in percentage (%)
The extent of government expenditure is controlled	Very weak	-	-
	Weak	-	-
	Medium	3	18.75%
	Strong	9	56.25%
	Very strong	4	25%
	Total	16	100%

Source: questionnaire from employees, 2021

The above table reveals that an employee response to extent of government expenditure is controlled in the Bureau. Thus 3(18.75%) of them have respond that of government expenditure allocated in the Bureau is medium, 9(56.25%) of them have respond that of government expenditure allocated in the Bureau is strong and the remaining 4(25%) of respondent said that as strong.

4.2.3 Preparation of a plan for expenditure

Financial planning requires that the preparation of a budget to be started in time for its adoption before the beginning of the period to which it applies. To ensure that adequate time will be allowed. Budget calendar is frequently prepared listing each step in produce and time allowed for its completion. The officer consider series step to prepare plan for expenditure of the year.

Table; 4.9 preparation of the plan for the expenditure

N o	The Bureau prepare a plan of expenditure	Respondent in number	Respondent in percentage (%)
1	Yes	16	100%
2	No	-	
Total		16	100%

Source: questionnaire from employees, 2021

The employee responds the preparation of plan for the expenditure. Thus all of them or 16(100%) employee replied that Bureau prepare both short term and long term plan for expenditure. This is goals that you want to spend money in common short term and long term. Goals may include such things as saving for vacation putting aside funds for a semi-annual.

Table; 4.10 preparation of strategic plan for expenditure.

Types of plan	No of respondent	Respondent in percentage%
Short term plan	10	62.5%
Long term plan	3	18.75%
Both	3	18.75%
Total	16	100%

Source; questionnaire from employees; 2021

The above table reveals that the employees response about the plan of expenditure in the Bureau. Thus 10(62.5) employees have respond that the Bureau prepare short term plan and3(18.75%) employees respond that the bureau prepare long term plan. the remaining 3(18.75) employees respond the bureau prepare both short term and long term plan.

4.2.4 Control action for expenditure

Table; 4.11control action of expenditure

No	Control action in Bureau	Respondent in number	Respondent in percentage (%)
1	Yes	16	100%
2	No	-	-
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that the employees response for control action for expenditure in Bureau. Thus all of them 16(100%) have respond that there is control action in the Bureau. The respondent planning is set for control the expenditure and allocation of the resource is made for control action and by using internal audit system. Pre-Audit, end of the month bank reconciliation are anther control action in the bureau

.

4.2.5 Budget deficit

Budget deficit is a situation of expanded amount of budget is more than the planned amount. Or when expenditure incurred by the government is greater than revenue collected from different sources

Table; 4.12 budget deficit in the Bureau

N o	There is a budget deficit	Respondent in number	Respondent in percentage (%)
1	Yes	9	56.25%
2	No	7	43.75%
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that the employee respondent's response for budget deficit in the Bureau. Thus 9(56.25%) replied that there is a budget deficit in the Bureau. The respondent responds that at the time budget deficit the Bureau transfer from surplus department to the deficit one by putting priorities system project and programs to solve the problem.

4.2.6 Effectiveness of public or government expenditure on capital

Table; 4.13 effectiveness of public or government expenditure on capital

N o	Effective on public or government expenditure on capital	Respondent in number	Respondent in percentage (%)
1	Yes	10	62.5%
2	No	6	37.5%
Total		1 6	100%

Source: questionnaire from employees, 2021

The above table reveals that the employee of the bureau responds on effectiveness of public or government expenditure on capital. Thus, 10(62.5%) of the respondent respond that the Bureau is effective on public or government expenditure on capital, and the remaining 6(37.5%) of the

Respondent respond that there is ineffective on public or government expenditure on capital in the Bureau

Table; 4.14budget expenditure in the office is affected by different factors

N o	Budget expenditure is affected by different factors?	Respondent in number	Respondent in percentage (%)
1	Yes	10	62.5%
2	No	6	37.5%
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that factors that affect budget expenditure in the Bureau. Thus, 10(62.5%) of the respondent respond that there is no any factor that affect budget expenditure in the Bureau, while the remaining 6(37.5%) of the respondent respond that the budget expenditure is affected by different factors such as unexpected expense underutilization of resource etc.

Table; 4.15 budget utilize for intended purpose

N o	Budget utilize for intended purpose	Respondent in number	Respondent in percentage (%)
1	Yes	1 1	68.75%
2	No	-	-
3	To some extent	5	31.25%
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that the budget is utilized for the intended purpose in the Bureau. Thus 11(68.75%) of respondent responded that the budget is utilize for mainly intended purpose, and

the remaining 5(31.25%) of respondent replied that to some extent the budget utilize for the intended purpose

Table; 4.16 responsibility of setting a plan for expenditure

N o	Who is responsible for setting a plan for expenditure	Respondent in number	Respondent in percentage (%)
1	Board of director	-	-
2	Employee	-	
3	*Management*	*12*	*75%*
4	Others	4	25%
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that responsibility for setting a plan of expenditure in the Bureau. Thus 12(75%) of respondent replied that the management are responsible for setting a plan for expenditure, and the remaining 4(25%) of respondent replied that of others are responsible for setting a plan of expenditure.

Table; 4.17 government expenditure period cover

N o	Government expenditure period cover	Respondent in number	Respondent in percentage (%)
1	Monthly	8	50%
2	Quarterly	-	-
3	Semi- annually	4	25%
4		4	

	Annually		25%
Total		16	100%

Source: questionnaire from employees, 2021

The above table reveals that expenditure period cover in the Bureau. Thus 8(50%) of the respondent replied that the expenditure will cover in monthly, 4(25%) of the respondent replied that the Bureau expenditure will cover in semi-annually and the remaining 4(25%) of the respondent replied that the office expenditure will cover annually or yearly.

4.2.7Item of expenditure included in recurrent and capital expenditure

The employee respondent responded that the recurrent expenditure intended for running administrative cost of the government includes salary, wages, stationary, communication, utilities, office service, social security, and contribution etc…, the capital expenditure is a government out lay for economic and social development that includes dump, agricultural and industrial development construction of school and roads, hospitals.

Table; 4.18in 2011, 2012 & 2013E.C annual capital expenditure plan and spend report of the Bureau

Acc. Code	Description	2011		2012		2013	
		Plan	Spend	Plan	Spend	Plan	Spend
6111	Salary	485,374.87	463,462.45	700,086.17	700,086.17	657,134.83	657,134.83
6112	Wages	3,511,809.53	3,468,366.79	11,687,688.28	3,334,434.28	23,152,457.05	5,525,316.54
6114	wage to causal staff	299,490.43	298,810.11	327,301.76	327,286.84	393,493.01	393,493.01
6120-6129	Allowance/ benefit	640,929.61	650,670.62	724,323.61	724,321.97	918,621.29	918,621.29
6120	Allowance to permanent staff	604,824.35	519,346.78	538,170.06	538,166.59	760,349.03	760,349.03
6130-6139	Pension cont...	2,560.781.39	2,541,701.88	2,859,615.09	2,859,604.09	3,993,720.62	3,993,720.62
6213	Printing	89,858.17	87,745.28	101,783.15	101,783.03	50,511.12	50,511.12
6215	Education	217,532.61	217,474.05	29,708,603.95	240,572.60	311,851.84	311,851.84
6217	Fuel &lob	245,978.08	245,512.98	308,917.03	308,914.94	385,824.01	385,824.01
6218	Other mat	1,778.156.37	1,759,075.94	2,015,406.52	2,015,405.52	2,715,776.15	2,715,776.15

6232	Transport	540,964.81	541,357.69	561,095.28	561,083.73	1,097,944.84	1,097,944.84
6241	Maintain	617,623.13	594.446.28	877,289.98	877,289.98	1,180,153.64	1,180,153.64
6243	Equipment	1,677,456.72	1,662,675.47	1,796,063.15	1,796,063.15	2,863,839.48	2,863,839.48
6251	Const. mat	8,271,790.87	8,250,650.72	9,884,030.96	9,883,954.07	11,672,304.5	11,671,733.51
6255	Fright	783,119.36	762,999.43	939,461.05	939,461.05	1,387,526.58	1,387,526.58
6257	Electric	971,242.16	957,657.6	1,406,779.1	1,406,724.57	1,532,236.16	1,532,236.16
6258	Telecom	22,286,546.28	22,276.036.5	240,575.04	22,096,173.18	31,291,048.83	31,291,048.83
6259	Water	100,468.69	99,974.92	222,734.43	222,733.74	283,095.44	283,095.44
6270-6279	Training service	935,027.26	932,664.43	1,046,304.11	966,930.66	2,081,315.94	1,969,940.94
6312	Purchase	3,150,967.07	3,107,020.7	4,431,289.07	3,650,076.81	5,220,820.54	5,220,819.73
6314	Purchase building	484,438.62	476,215.43	526,303.47	526,303.47	644,639.70	644,639.70
	Total	**50,253,379.32**	**49,995,866.05**	**54,078,026.3**	**54,077,366.44**	**74,856,169.1**	**74,855,577.29**

Source: annual capital expenditure report of the Bureau, 2011, 2012 and 2013

The above table reveals that capital expenditure both plan and spend amount from the year 2011, 2012 and 2013 E.C. In year 2011 E.C there was planned amount/**50,253,379.32**/ greater than spent amount/**49,995,866.05**/, in 2012 E.C the amount of planned/**54,078,026.3**/ is the similar with the amount of spent **/54,078,336.44/,** in this year the budgeting system is good, and in 2013E.C planned amount/**74,056169.1/ is** similar with spent amount/**74,855,577.29**/ and also it is good budgeting system in the Bureau.

4.2.8 Recurrent expenditure

Table; 4.19in2011, 2012& 2013annual recurrent expenditure plan and spend report of the Bureau

No	Description	2011		2012		2013	
		Plan	Spend	Plan	Spend	Plan	Spend
6111	Salary, wages	6,783,891.43	6,783,891.43	13,102,949.3	13,453,970	38,240,562.56	38,697,443.3
6212	Bureau supply	6,741,859	6,731,507.57	7,554,536.4	6,747,063.14	2,158,545.8	2,160,717.6
6214	Medical supply	35,224,430.8	35,216,138.57	2,000,000.0	1,711,760.5	2,956,001	2,160,717.6
6215	Education	4,522,338	4,623,309.36	7,612,109	7,612,072.89	399,232.86	372,217.65
6217	Fuel lubricant	500,000.0	398,988.19	271,553.93	266,862.16	454,057.76	415,248.80

6219	Miscellaneous	5,245,745	5,245,744.94	2,761,430	2,761,424.3	6,353,737.94	6,353,712.6
6231	Periderm	5,938,817.09	5,938,816.29	9,082,671.0	9,082,565.74	2,157,504.37	2,157,504.3
6232	Transportation	1,778,666.6	1,778,666.6	1,026,011	1,026,011	3,979,594.26	3,979,594.26
6233	Bureau entertainment	4,431,,900.57	4,431,159.67	8,528,354.48	8,528,354.48	2,297,040.06	1,297,039.45
6244	Maintenance	7,243,069.76	7,182,154.52	1,575,250	1,575,250	6,640,574.84	6,640,574.7
6313	Equipment	1,494,039.99	1,494,093.08	1,183,897	1,183,896.95	8,163,210.82	8,142,768.1
6314	Purchase of plant asset	8,056,541.25	8,035,545.61	9,801,603.03	9,799,105.61	12,313,047.21	12,313,046.43
6324	Construction of infra...	2,779,951.06	2,087,881.55	15,781,113.0	15,781.025.2	17,183,928.51	17,183,527.47
6415	Continence	1,475,116.74	1,475,074.25	1,588,983	1,588,913.6	58,789.8	58,789
6416	Compensation of staff	856,714,.42	856,714.14	305,000	302,673,5	2,404,795	2,404,795
	T o t a l	**93,016,639.1**	**92,935,914.9**	**82,175,461.45**	**81,442,036.39**	**96,760,622.80**	**97,242,010.12**

Source: annual recurrent expenditure and spends report from Gurage Zone finance and economic development Bureau, 2011, 2012 and 2013 E.C.

In 2011 E.C spent less than planned, because expenditure amount of spent is decreased **92,935,914.9** and planned is increased by the amount of **93,016,639.1**.

In 2012 E.C the amount of spent is less than planned, because expenditure amount of planned is increased **82,175,461 .45** to **81,442,036.39.**
As the above table shows in 2013E.C there was spent amount greater than planned this happened cause of high amount of spent is **97,242,010.12** and less amount of planned is **96,760,622.80**.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 Summary

In this chapter the major finding of the study would be summarized and based on the findings the researcher would try to arrive at conclusion. The researcher would try identifying factors stated under basic question and finally the researcher would recommend and conclude based on findings. Here important summery of finding was presented based on previous section.

1. The response shows that 100% respondents respond thatthe Bureau prepares short term and long term plan for expenditure.
2. Out of total respondents 56.25% were degree and the remaining 43.75% were master holders.
3. Out of total respondent 18.75% said that the extent of government expenditure is allocated and controlled is medium, 56.25% of respondent said that the extent of government expenditure allocated and controlled is strong, and the remaining 25% of respondent said that very strong.
4. Out of total respondents 87.5% of employee responds that expenditure administration is effective and the remaining 12.5% of them said that expenditure administration is not effective.
5. The response shows that 68.75% of them replied that rate of financial administration is good and the remaining 32.25% of them said that very well.
6. From the total respondents 56.25% said that there is a budget deficit and the remaining 43.75% said that there is no a budget deficit.
7. Out the total respondents 18.75% of them replied the extent of government expenditure is medium 56.25% of them replied strong, and the remaining 25% of them replied very strong.

8. Annual capital expenditure planned and spends report from Gurage Zone finance and economic development Bureau for previous three years (2010, 2011 & 2012 E.C). There is a budget deficit of capital expenditure in 2010 and 2011 years.

5.2 Conclusion

Conclusion of the study are presented briefly as follows,

1. Gurage Zone finance and economic development Bureau use modified cash basis of accounting.
2. The effectiveness of expenditure in the zone is almost effective according to questions are replied from respondent but the secondary data from annual plan and expenditure of the Bureau report implies that there is a budget deficit.
3. The plan set for the expenditure in the zone is both short term and long term plan.
4. In general the financial administration of the zone is good.

5.3 Recommendation

Based on the finding of the study the researcher recommended the following points. As a solution to minimize the problem,

1. As the data gathered, analyzed and interpreted, the extent of the government expenditure controlled are medium. Thus the researcher takes it at one factor of the budget deficit in Gurage Zone finance and economic development Bureau, because the extent of government expenditure controlled should have strong.
2. In addition to this the researcher analysis the amount to plan and the amount to spend is not the same in the Bureau, some times the amount they expend is greater than the amount of planned this indicates there is a budget deficit to fulfill what they are planned. As the result of these the government should have allocated sufficient amount of budget to alleviate the budget deficit that is faced the Gurage zone finance and economic development Bureau.

3. When the budget department makes any change on the code proposed budget prepared by the different town and cost center they should aware then on time this make responsible center not to include unrelated codes together at the time they prepare variance.
4. When there is exaggerated estimation on the proposed budget responsible center take corrective action on time and motivated budget section to have goo awareness about how to prepare their budget.

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APPENDIX

WOLKITTE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire

Dear Respondent;

The main objective of this questionnaire is to gather primary data for the topic entitled *'Assessment of government expenditure management a case on Gurage Zone finance and economic development Bureau*'. The purpose of this research paper is to complete the partial fulfillment of bachelor of art degree in accounting and finance. Dear respondent, your answer will be kept confidential and you are kindly requested to fill all questions properly.

General instructions

1. Please answer the following question that are followed by choice and make a tick mark for your answer in appropriate box.

I. Personal Questions

2. A. Gender

   Male ☐

   Female ☐

   C. Education

   Degree ☐

   MA ☐

   Other please specify ☐

3. B. Age

   18-25 ☐

   26-35 ☐

   36-45 ☐

   i. D. Work experience

   1 -5 ☐

   6-10 ☐

   Above 10 ☐

Above 45 ☐

II. Research Question

1. Is there any method of accounting for your office expenditure?
Yes ☐ No ☐

2. If your answer is yes in question 1 what method of accounting your Bureau used?
……
……
……..

3. Does your office effective on public or government expenditure on capital?

Yes ☐ No ☐

4. How do you rate the administration of expenditure in your Bureau?

Very Poor ☐ Poor ☐ Good ☐ Very Good ☐ Excellent ☐

5. To what extent the government expenditure is controlled in your Bureau?
Very Weak ☐ Weak ☐ Middle ☐ Strong ☐ Very Strong ☐

6. Does your Bureau prepare on strategic plan for expenditure?
Yes ☐ No ☐

7. If your answer for question number 5 is yes, what type of strategic planning is prepared for expenditure?
Short term plans ☐ Long term plan ☐ both ☐

8. Does your office take any control on activities of expenditure?
Yes ☐ No ☐

9. If your answer for question number 7 is yes what control activity has been taken?
……
……
……
10. Is there a budget deficit in your Bureau?
Yes ☐ No ☐

11. If your answer for question number 9 is yes what strategy has been implemented to solve the problem of budget deficit specify?

……
……
……
……

12. Does the Bureau expend the budget effectively?
Yes ☐ No ☐

13. If your answer for question number 11 is yes please justify your answer or please explain?
……
……
……

14. If your answer for question number 13 is yes please justify it?
……
……..

15. Is there any factor that affects budget expenditure in your Bureau?
Yes ☐ No ☐

16. If your answer is yes for question numbers 15 please justify it?
……
……..

17. Do you think that the budget is utilized for the intended purpose?
Yes ☐ No ☐ To some extent ☐

18. Who is responsible for setting a plan of expenditure in your Bureau?
Board of Director ☐ Employee ☐ Management ☐ Others ☐

19. How long do your office expenditure period cover?
Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually ☐

Thank You Again For Your Cooperation