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Wolkite University

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**Assessment of Budget Preparation (Planning), Utilization (Implementation)
and Control System in Higher Education: The Case of Wolkite University in
Central Ethiopia**

M.A THESIS

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Wolkite University

School of Graduate Studies

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and Control System in Higher Education: The Case of Wolkite University in
Central Ethiopia**

A Thesis Submitted to School of Graduate Studies in Partial Fulfillment of the Requirements for
the Degree of Master of Art in Governance and Developmental studies

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DEDICATION

This manuscript is dedicated to my lovely family especially for my wife for their unlimited support during data collection and in every aspect of the study

STATEMENT OF THE AUTHOR

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ABSTRACT

This study investigated the budgeting and financial management practices at Wolkite University, focusing on the alignment between planned budgets and actual expenditures, budgetary control systems, auditing processes, and overall effectiveness. The research aimed to evaluate the extent of budget utilization, identify the status of budgetary control systems, and examine the auditing procedures in place. Data were collected using a mixed-methods approach: a survey administered to university employees to gather quantitative data on budget preparation, utilization, and control, and interviews with key administrative staff to gain qualitative insights into challenges and inefficiencies in budget implementation. The study also analyzed existing budget reports and audit records. The findings indicated a generally positive yet mixed assessment of budget practices. While employees expressed confidence in their understanding of budget planning and alignment with strategic goals, concerns remained regarding practical budget utilization, departmental coordination, and delayed reporting. The university's budget control framework was robust, but issues such as underutilization, overutilization, and idle cash accumulation persisted. The internal audit system, including compliance, performance, and financial audits, was effective but hindered by outdated systems and resistance to change. Recommendations for improvement included enhancing feedback mechanisms, refining reporting practices, addressing inefficiencies in budget utilization and cash management, and investing in advanced auditing tools and auditor training. The study concluded that while Wolkite University had a solid foundation in budgetary control, significant improvements were necessary in inter-departmental coordination, timely preparation of budget reports, and the effective utilization of resources.

Key terms: *Budget Preparation, Utilization and Control System*

LIST OF ABBREVIATION

| | |
|--------|--|
| MOFED: | Ministry of Finance and Economic Development |
| MEDAC: | Ministry of Economic Development and Cooperation |
| MOFEC: | Ministry of Finance and Economic Cooperation |
| IFMIS; | Integrated Financial Management Information System |

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Effective budgeting is essential for the well-being of citizens and the sustainable development of a nation. Governments must judiciously allocate limited resources to various economic, welfare, and infrastructure initiatives. A well-structured budget serves as the primary tool for this process, outlining projected revenues and expenditures for the fiscal year. It is both a financial plan and a reflection of societal goals and priorities. In the context of public governance, budgeting is crucial for determining how funds are distributed across critical sectors that contribute to a nation's long-term development.

In Ethiopia, significant budgetary reforms have been introduced since 1996 E.C. as part of the government's civil service reform program. These reforms were designed to overhaul the structure and process of budgeting, aiming to enhance efficiency, accountability, and alignment with national development goals. The introduction of a new chart of accounts, a refined budget classification system, and standardized transaction coding were pivotal components of this reform, aligning public financial management with best practices and international standards (Wildavsky, 1975; MOFED, 2002). These reforms were intended to promote transparency, improve resource allocation, and ensure that financial resources are managed efficiently.

Since the overthrow of the Derg regime in 1991, Ethiopia has undergone extensive economic reforms. These reforms, including fiscal decentralization and market-oriented changes, have shifted the focus towards poverty reduction, private sector growth, and equitable resource distribution. The introduction of decentralized regional states under the 1994 Constitution allowed for more localized governance, with regions given the authority to develop and implement their own policies, plans, and budgets (Getachew, 2006). This decentralization has empowered local governments to manage resources more effectively while ensuring that national priorities are met.

Despite the successes in infrastructure development, education, and industry, challenges persist in aligning budgets with strategic goals. While decentralization has provided regional governments with the autonomy to manage their financial affairs, issues such as inefficient budget implementation, inadequate program evaluation, and a lack of coordination remain. This study focuses on assessing the budgetary and expenditure management practices within the Ministry of Foreign Economic Cooperation (MOFED). Specifically, it seeks to evaluate the gaps in budget preparation, implementation, and follow-up on program outcomes. By analyzing these aspects, the study aims to identify areas for improvement and provide recommendations for more effective resource allocation and project evaluation. Ultimately, the findings will contribute to

enhancing the ministry's budget management practices, ensuring that Ethiopia's limited resources are used to maximum effect in achieving its development goals.

1.2. Statement of the Problem

In Ethiopia, the effective management of public sector budgets is critical for achieving developmental goals, particularly within higher education institutions like Wolkite University. Each budget user, whether within a budgetary or semi-budgetary institution, is responsible for the creation, utilization, and reporting of their respective budgets. However, several challenges persist in the budgetary processes, particularly in the areas of budget preparation, utilization, and control.

Wolkite University, like many other public institutions, faces persistent issues with aligning budget planning with strategic goals. The budget preparation process often suffers from inadequate coordination between departments, leading to inefficiencies in both planning and execution. While the university uses tools like the Integrated Financial Management Information System (IFMIS) to facilitate budget tracking and reporting, the system's implementation has not fully addressed the root causes of poor budget utilization. There are frequent budget transfers and supplementary budget requests between programs and accounts, indicating flaws either in the initial budget preparation or weaknesses in the control mechanisms that govern budget implementation.

Additionally, the integration between departments responsible for budgeting and financial control at Wolkite University is suboptimal. The Planning, Monitoring, and Evaluation Directorate is tasked with budget preparation, while the Finance and Procurement Directorate handles its implementation and control. This division has led to structural inefficiencies, as these departments operate in silos rather than in a coordinated manner. As a result, there is a lack of continuous monitoring and evaluation of budget performance, which is essential for ensuring that resources are allocated and utilized efficiently across programs.

Despite efforts to improve budget practices through reforms and technology, such as IFMIS, the budget control system at Wolkite University remains ineffective. Weaknesses in budget oversight have been exacerbated by insufficient capacity in monitoring and evaluation processes, which hinders the university's ability to track and assess budget performance throughout the fiscal year.

This study aims to evaluate Wolkite University's budget preparation (planning), utilization (implementation), and control system. By identifying gaps and inefficiencies in these processes, the study will offer targeted recommendations to improve the alignment of budget practices with the university's strategic goals. Strengthening the university's budgetary system will help ensure that resources are used efficiently, enabling the institution to achieve its development objectives and contribute to the broader goals of higher education in Ethiopia.

1.3 Research Questions

The following inquiries for research have been formulated to be addressed under the research:

1. Does Wokite University involve all departments in the budget preparation process? Does it include participation?
2. How closely does the projected budget match the university's actual spending?
3. Is a system of budgetary control and monitoring in place to ensure that budgetary expenses are effectively managed?

1.4 General Objective

1.4.1 Objectives of the Study

The main objective of this research was to evaluate Wolkite University's budget planning, utilization, and management system.

1.4.1 Specific Objectives

The specifics of this study were:

1. To investigate how closely the university's actual expenditures align with the budgeted amounts, identifying any significant deviations.
2. To evaluate the effectiveness and efficiency of the university's budgetary control mechanisms in ensuring that expenditures are within the planned limits.
3. To examine the extent to which the university's budgetary expenditures are aligned with the intended goals and objectives, and assess the control systems in place to monitor and manage these expenditures.
4. To investigate how auditing is conducted at the university to ensure compliance with budgetary regulations and identify any gaps in the auditing system that may impact the overall budget management.

1.5. Significance of the Study

This study was expected to provide valuable insights for various stakeholders involved in budget planning, utilization, and control at Wolkite University. By identifying potential gaps and inefficiencies in the current budgeting system, the findings could contribute to reshaping and improving the budgeting processes, especially for policymakers, planners, decision-makers, and the relevant directorates at the university. These included the Finance and Procurement Services, Planning, Monitoring and Evaluation, and Internal Audit Directorates.

Although this study was not conducted at the request of Wolkite University, the institution could benefit greatly by learning from the findings, which could guide the university in addressing any limitations identified in its current budgeting practices. In particular, the university could

improve its financial management strategies, enhance transparency, and optimize resource utilization for its ongoing projects and activities.

The study's findings also served as a reference for other higher education institutions and government entities seeking to refine their budgeting and control systems. By examining the trends and issues within Wolkite University, the study offered broader implications for improving budget planning, implementation, and control practices across similar institutions.

1.6 Scope of the Study

The scope of this study was defined both conceptually and spatially.

Conceptual Scope: This study focused on the key components of the budget cycle, including budget planning, budget utilization, and budget control systems. It specifically examined the interaction between the Planning, Monitoring and Evaluation Directorate, the Finance and Procurement Services Directorate, and the Internal Audit Directorate **at Wolkite University**, assessing how these interconnected departments contributed to the overall budgeting system.

Spatial Scope: Geographically, the study was confined to Wolkite University, located in the Centra Ethiopia. This focus allowed for a detailed examination of the university's budgeting system, which served as a case study for similar institutions. By concentrating on this single institution, the study aimed to provide in-depth insights into its current practices and identify areas for improvement.

1.7 Limitation of the study

The study could have been more thorough and trustworthy if it had included all of the nation's higher education. However, due to a lack of time, resources, and access to some statistical data and information, it may be necessary to exclude other organizations from the study in order to adequately support the research. Additionally, there is a limitation in accessing useful information from other budgetary institutes for this study, so in order to keep the study manageable and cost-effective, it is restricted to looking at Wokite University's budget utilization and control system in particular

1.8 Organization of the study

This thesis is organized into five chapters. Chapter 1 introduces the background of the study, describing the problem, objectives, significance, scope, limitations, definitions of key terms, and the overall structure of the thesis. Chapter 2 provides a review of relevant literature, discussing key concepts and situating the research within the broader academic framework. In Chapter 3, the research design and methodology are detailed, including the study population, sample size, sampling techniques, data collection tools, data analysis procedures, and ethical considerations. Chapter 4 presents and analyzes the data, followed by an interpretation and discussion of the findings. Finally, Chapter 5 concludes the study by summarizing the main results, drawing

conclusions, and offering recommendations. The chapter also includes references and an appendix.

1.9 Operational Term

Budget utilization specifies how all planned activities will be performed, and how responsively the activities are carried out will produce the results that can be reported at the conclusion of the implementation phase.

Budget control system is a notion in financial accounting that helps a corporation manage its receipts and payments. It provides an organization with a more effective tool for planning, monitoring, and overseeing its financial activities.

Budget is a formal declaration of projected earnings and outlays predicated on goals and plans for the future. To put it another way, a budget is a document created by management to project the income and costs for a future time frame based on their objectives for the company.

Budgeting planning: is the process of developing and keeping a budget, using it to inform strategic business choices, and directing organizational changes in different areas. Supporters of the company can gain a deeper understanding of the organization's financial situation and present and future financial requirements with proper financial planning.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Basic Concepts of Budgeting

An estimate of proposals, including expenditures and the suggested methods of supporting them, for a specific time period is contained in a budget, which is a financial plan. According to Ademolekun (1983), it is a short-term financial plan, a political document wrapped in fingers, a management tool for planning and control, a mechanism for guaranteeing a continuous monitoring procedure, a way to review and evaluate performance in relation to previously set standards, and a way to improve operations overall. The implicit acknowledgment of the role of government in the functioning of the economy has been a noteworthy development in the intellectual history of the twentieth century. The public expenditure management system is often used by the government to carry out its duties. It is a network projection of government spending and income allocated to The government uses the budget as a tool to carry out its stability, distribution, and locative tasks (Wildavsky and Naomi, 1997). While the budget process is a political process that occurs inside a political arena, it is also a political document that appropriates funds based on value judgment (Gildenhugs, 1997). The budget is an apolitical, short-term financial plan that serves as a management tool for planning and control as well as guidance for tracking and assessing government activities. Adamolekun (1983). The process by which the government or political system develops a budget that is framed in numbers for the pursuit, tracking, and assessment of its objectives is known as the public spending management system. In order to achieve preset goals and objectives, the state's economic, social, political, and other activities are forecasted and guided in a certain direction by a budget. So strange. According to Helge et al. (2004), the budget is a tool used in public administration for decision-making, which includes setting priorities, establishing goals and objectives, compiling operating plans, and exercising control as a result. Ulrich and Dobel (2002). It should be mentioned that budgeting includes the policy and management analysis required to make decisions and take activities linked to putting them into reality. It also involves adjusting mandates, objectives, and goals, as well as the resources and processes put in place to guarantee the execution of plans and performance monitoring. It also includes the procedures for accountability, performance reporting, and parliamentary approval.

According to Toure (2001), a budget's fundamental components include: giving a broad overview of state policy; ensuring coherence across the many activity sectors; providing thoroughness based on requirements assessment; and openness regarding every budget item, Demand usually outpaces supply, thus it must be prudent and practical to classify investment spending (spread over years) and current expenditures (spread over one fiscal year). The functions that a budget fulfill define its nature According to McNab and Melese (2003), Wildavsk (2001), and Schick (1966), a typical budget serves three purposes: The functions of control, management, and planning The four phases of the budget cycle are approximately

represented by this function: Execution (management), audit (control), and executive preparation and legislative review (planning) Bruce (2001) noted that public budgeting's planning function understands how to efficiently distribute funds across conflicting public initiatives (McCoppery, 1999). This position is always found in the highest echelons of government and is characterized by its political nature. According to Schick (2201) and the World Bank (1998), on the other hand, the management function is centered on technical efficiency, interprogramal resource allocation, and oversight to guarantee and improve allocation. The methods by which the government is held responsible to task partners are the main emphasis of the control or audit function. It centers on the legal processes, administrative controls, and other limitations on the use of public funds that improve accountability, openness, equity, and impartiality. The budget and its functions When correctly prepared and utilized, a budget can offer important insights into the organization's goals, resources, and direction.

According to Horngren et al. (2005), the budget is a crucial component of management control systems that are intended to encourage cooperation and communication between the company's many divisions, offer a framework for evaluating performance, and ultimately inspire managers and other staff members. Organizations have always used their finances for a variety of purposes. Planning, predicting, controlling, organizing, communicating, instructing, approving, motivating, delegating, educating, assessing performance, enabling decision-making, and managing subordinates are just a few of the responsibilities that budgets pursue in order to be an effective tool. Methods of Forecasting and Planning: The budget model can function in an optimal capacity given a set of projections, seeking to determine which course of action will yield the biggest advantages for the company. Planning is the foundation of a budgeting process, and by using it carefully, businesses may make detailed plans on how to best accomplish their objectives. In addition to reducing impulsive judgments made out of expediency rather than sound judgment, the budgeting process enables managers to foresee issues before they happen (Drury, 2001). Channel for Coordination and Communication: Clearly, budgets are a crucial means of disseminating specific information that will allow managers in various departments within the company to be fully aware of the strategy, rules, and limitations that the company must adhere to. Top management conveys its expectations to lower level management through the budgeting process, allowing members of the organization to comprehend these expectations and plan their actions to meet them (Drury, 2001). Motivational Tool: According to Drury (2001), the budget can be a helpful tool for influencing managerial behavior and inspiring managers to carry out tasks that align with organizational goals.

A budget establishes a benchmark that, in some cases, could inspire management to work toward meeting the benchmark. Nonetheless, managers may perceive the budget as a tool to exert pressure on them to meet a performance standard they do not believe is feasible. Nonetheless, the sense of engagement that comes from taking part in the budgeting process would boost motivation. The budget can serve as a powerful motivating tool by posing a challenge, especially

if people actively participated in its creation and it is utilized as a tool to help managers oversee their units (Drury, 2001).

2.2. The budget planning and control process

Setting a budget is a process rather than a method or formula. Therefore, it is crucial to comprehend the complexities and dynamics of the budgeting process.

According to Emmanuel, Otley, and Merchant (1990), budgeting is an iterative cycle that alternates between estimates of possible performance and targets of desirable performance until plans that are both feasible and acceptable converge. Typically, it begins with a projection of future core performance, including net earnings and sales. A forecast is a prediction of future events that are quantified for planning purposes. A forecast pertains to environmental phenomena that the firm has little or no influence over. The budgeting process also includes top management issuing guidelines, interacting with different departments, analyzing strategies, creating preliminary budgets, having departmental or business unit heads review them, negotiating with top management, finalizing each budget, creating the master budget, and finally having top management approve them. Typically, the organizational structure will guide the budget construction process. The prepared budgeting is often referred to as "participatory budgeting." Setting the organization's overarching goals and deciding on the budget amount are decisions that lower-level managers have little to no influence over. The lower-level unit's contribution to the process is basically limited to following upper management's instructions and performing the most basic budget

Additionally, these budgets can occasionally present moral dilemmas since they may force lower-level managers to go above and beyond to meet irrational goals for their departments. Positively, top-down budgets have the power to establish the organization's culture. The alignment of the budgets with the strategic plans can be guaranteed by top management. Because budget administration takes less time, the budgeting process can be finished more quickly. Budget from the bottom up: The degree of lower-level managers' "involvement" in budget creation and its bottom-up approach. Budget as an oppressive criterion. In such a setting, resentment can be encouraged. In essence, bottom-up budgeting starts at the operational level, even if top management may start the process with broad budget recommendations. The budgets for their units are developed under the direction of the operational units. Then, with the help of mid-level executives, these separate budgets are combined and reassembled to create a divisional budget. The total plan will eventually be sent to the budget committee and upper management. To ensure coherence and consistency, the budget committee examined each component of the budget. Although it takes longer to go through the process and finish the budget, this kind of budgeting guarantees dedication and buy-in at all organizational levels. Blended Method: The blended approach combines top-down and bottom-up budgeting procedures. Operating managers create budgets based on the financial performance goals that top management sets and presents to them. Top management reviews the budget and decides whether to approve, reject, or make

revisions. Until a final budget is reached, the procedure may involve passing the budget back down the ladder for revision by operational units multiple times. Another name for the blended approach to budgeting is a "negotiated budget." Negotiation during the budgeting process will result in more cooperative behavior from subordinates will therefore be less motivated to add leeway to their budget target, which they are attempting to negotiate, and more dedicated to turning the plans into action if upper management gives its approval. A corporation with a particular level of budget preparation competence is best suited for a hybrid strategy.

2.3 Budget Allocation Process

For a business that prepares budgets with a certain level of sophistication, the budget allocation process is not a system that is automatically operated by laws and regulations. They are probably natural processes made up of numerous laws and regulations as well as unwritten beliefs, customs, strategies, and techniques that have developed throughout time.

According to Isaker et al. (2007), they are also quite political and directly affect how money and income are distributed throughout society, which in turn affects power. The budget is created by the government to achieve specific goals that are the direct result of its political, social, and economic policies. Redistributing resources can help the government reach its budgetary goal. The government seeks to reallocate resources in line with the nation's economic interests through its budget strategy. Through tax breaks and subsidies, the government can affect how resources are distributed, as well as promote investment and production. A nation's rate of saving and investment determines its growth rate; budgetary policy seeks to raise enough funds for public sector investment, and the government includes a number of measures in the budget to increase the economy's overall rate of saving and investment. A effective budget process involves much more than just creating legal documents that allocate monies for a number of line items, according to the Government Finance Officers Association (GFOA, 1999). A solid budget process has a number of key components. Regarding this, LGBC's guideline stated that three prerequisites should be followed in order to create an appropriate budget. A systematic process of prioritizing programs and expenditures based on well-informed choices must be implemented; planned outputs, activities, and expenditure allocations in the annual work plan and budget estimates must be realistic and achievable; and the preparation process should be participatory to ensure ownership of the process and the approved budget (LGBC, 2008, p. 13).

2.4 Financial Calendar in the Budgeting Process

To ensure that the plan and budget are carried out, approved, appropriated, and executed in a methodical manner, the financial calendar appropriately organizes the tasks that need to be completed, the time limit for each work, and the institutions in charge of completing each assignment (MOFED, 2008). A planning and budget cycle is part of the financial calendar. Shah asserts that "a budget calendar that details the staging of each element in the budget cycle must be used to support the budget cycle must be used to support the budget cycle." The full calendar indicates the function and accountability of each step and represents both legislatively and

administratively determined timetables for step completion (Shah, 2007, p. 222). Government agencies and jurisdictions must follow the budget calendar. A well-executed budget is one that is informed at the start of the must be used to support the budget cycle." The full calendar indicates the function and accountability of each step and represents both legislatively and administratively determined timetables for step completion (Shah, 2007, p. 222). Government agencies and jurisdictions must follow the budget calendar. A well-executed budget is one that is informed at the start of the provision of a timely budget ceiling to public bodies so that they have adequate time to prepare budgets that are defined by resource limits. .

2.5 Budget Preparation and Legislative

Budgets must be approved on a regular basis, typically once a year. A timeline that may generally be divided into four stages—preparation, approval, implementation, and auditing—oversees the budget process. According to Shah, budget preparation is frequently seen as primarily an executive function that involves both planning and budget preparation as well as connecting the plan through MTEF to set resource spending envelopes and priorities in the annual budget. It is focused on creating a draft budget, and the executive arm of the state is primarily responsible for this stage. The drafting stage frequently entails striking a balance between the priorities established by political office holders and budgetary experts and the requirements and suggestions from different government departments (Shah, 2007). Every organization's performance is impacted by its practical budget application in efficient and economical matters for the rapidly expanding national economy.

Efficient departmental and organizational budgeting and budgetary utilization are essential for guaranteeing the achievement of organizational goals that lead to the succession of vision. Nonetheless, there is a dearth of research on this topic in Ethiopia. Tilahun Bogale noted in his pertinent study, *Budget Management and Control in the Ministry of National Defense*, that the organization has been in existence since 2007 and has a five-year strategic plan. As a result, the defense force's coordination has increased and various activity stages have been upgraded year after year and gradually. On the other hand, a number of issues pertaining to the planning, implementation, and oversight of the budget in different defense units are still unresolved (Tilahun, 2010). The lack of strict oversight and control by successive leaders regarding budget preparation and utilization at each individual budget user is one of the limitations noted in the report. Another is that each budget user is unable to report comparisons between utilized and unutilized budgets, including the explanation for their non-consumption.

In the meanwhile, MOFEC used the 2008 audit report from the office of the auditor general (Ketema, 2015). Definition and categorization of public spending Spending by the government is referred to as public expenditure. It is borne by a nation's federal, state, and local governments. In order to meet the collective social needs of the populace, public authorities, such as the federal, state, and municipal governments, must spend money. This is known as public

expenditure. In 2011, Kali-City.blogspot The majority of governments in the 19th century had laissez-faire economic policies and were only responsible for upholding law and order and protecting against attack. The amount of money spent by the government was quite minimal. However, government spending has recently expanded dramatically worldwide. Early in the 20th century, John Maynard Keynes promoted the idea that public spending should determine income levels and distribution. Public spending policies in developing nations help to lessen income disparity in addition to boosting economic growth and job opportunities. BlogSpot, Kali City, 2011. Categorization of governmental spending The methodical grouping of various items on which the government spends money is known as "classification of public expenditure. "Public spending has been examined from many angles by various economists. These differing opinions form the basis of the classification that follows (Alkali City Blog Spot, 2011). 1. Functional classification: The government carries out a number of tasks, including infrastructure development, economic growth, social welfare, agriculture, and military. This category includes the costs associated with such functions.(Kaliancity. Blog Spot, 2011) These functions are further subdivided into secondary functions. 2. Income and capital expenditure Current or consumption costs for public health and education, defense forces, civil administration, and government machinery maintenance are referred to as revenue expenditures. This kind of spending happens year after year and is ongoing. Conversely, capital expenditures are spent on the construction of long-lasting assets such as irrigation projects, multipurpose dams, roadways, and machinery and equipment purchases. These expenses take the shape of capital investments and are not recurring. It is anticipated that these expenditures will increase the economy's capacity for production. 3. Expenditure for Transfer and Non-Transfer British economist A.C. Pigou has categorized governmental spending as follows: Spending on transfers and on-transfers The amount spent on transfers: The term "transfer expenditure" describes an expense for which there is no matching return. Public spending on national old age pension plans, interest payments, subsidies, and unemployment benefits are examples of this type of spending. Welfare payments to underprivileged groups, etc. Although the government receives no compensation for these expenditures, they improve the welfare of the populace, particularly the less fortunate segments of society. In essence, these expenses lead to a redistribution of incomes throughout the community. Non-Transfer Expenditure: This type of spending is associated with the production of output or revenue. Development and non-development spending that directly or indirectly produces output are both considered non-transfer expenditures. Economic infrastructure includes things like irrigation, transportation, and electricity. Social infrastructure includes things like public administration, defense, internal law and order, health and family welfare, and education. By making such investments, the government fosters a favorable climate for economic activity. The government may be able to raise money through taxes and tariffs as a result of economic expansion.

2.6. Productive and Unproductive Expenditure

Classical economists based this classification on the development of productive capacity. Productive Expenditure: Investments in public firms, infrastructure, or agricultural development boost the economy's potential for production and provide revenue for the government. They are therefore categorized as productive expenses. Spending on defense, interest payments, law and order, and public administration are examples of consumption-based expenditures that do not produce any productive assets that can provide revenue or returns for the government. These costs fall under the category of unproductive costs.

4.2 Spending on Development versus Non-Development This classification has been changed by contemporary economics to distinguish between expenditures for development and those for non-development. Development Expenditure: Development expenditures are any expenses that support economic development and progress. Productive expenditures are the same as these. Spending on non-development: - Non-development expenditures are defined as spending that is not productive.

5. Purchase Price and Grants Economist Hugh Dalton has proposed this classification. Grants are payments given by a public authority for which there might not be any reciprocal benefit, meaning that no goods or services will be received. For instance, social insurance, unemployment insurance, subsidies, and old age pensions. Transfer expenditures are what grants are. Purchase prices are costs that are reimbursed to the government in the form of products and services. For instance, government employee salaries and compensation, as well as the acquisition of capital and consumable commodities.

6. Benefits-Based Categorization The benefits that public spending provides to various categories of people can be used to categorize it. Spending that benefits everyone equally is known as "common benefits to all." For instance, spending on general administration, public health, education, transportation, defense, and law and order. unique benefits for everyone: Expenditures that give everyone unique advantages. For instance, community welfare, social security programs, and the administration of justice. Particular advantages for some expenditures that improve overall welfare while directly benefiting a select few. For instance, unemployment insurance, subsidies for underprivileged groups, and pensions for the elderly.

7. According to Hugh Dalton, governmental spending is categorized as follows: expenditures for political leaders, such as the president's ceremonial head of state. Administrative expenditure: to keep up the nation's general administration, including government offices and ministries. Spending on security: to keep the police and military personnel in place. The upkeep of courts, judges, the public, and prosecutors is included in the expenses related to the administration of justice. Investments in infrastructure, irrigation, and other areas are examples of developmental expenditures, which are made to support economic growth and development. Social spending: on social security, community welfare, public health, etc.

2.7. Review of Empirical Studies

The achievement of organizational goals that result in the succession of vision depends on efficient departmental and organizational budgeting and budgetary utilization. Regarding this subject, there aren't many studies that are pertinent to the Ethiopian context, especially in higher

education institutions. Practical budget application in efficient and economical matters affects every organization's performance in the rapidly expanding national economy. According to Tilahun Bogale (2010), who conducted research on budget management and control in the Ministry of National Defense, a five-year strategic plan has been in place since 2007. As a result, the defense force's coordination has increased and various activity stages have been upgraded year after year and gradually. However, a number of issues pertaining to the planning, implementation, and oversight of budgets in different defense units are still unresolved.

Among the shortcomings noted in the report are the following: each budget user is unable to report comparisons of utilized and utilized budgets, including the reasons why they are not consumed; the office of the auditor general's audit report for the year 2008, MOFEC utilized budget; and successive leaders do not provide strong oversight and control over budget preparation and utilization at each individual budget user. In 2014, Zerihun Assefa conducted research on Ethiopia's public spending trends and implications. In order to evaluate its trend and significance in the Gross Domestic Product (GDP) classification of public expenditure—which refers to the systematic arrangements of various items on which the government incurs expenditures—the empirical basis of the study is based on the capital and recurring components of public expenditure. According to the researcher, other economists have examined public spending from various angles. Current or consumption expenditures for civil administration, the armed forces, public health and education, and government machinery upkeep are referred to as recurring expenses. This kind of spending happens year after year and is ongoing. Conversely, capital expenditures are made on long-lasting assets such as hydroelectric power, irrigation projects, roadways, multiple-purpose dams, and the purchase of machinery and equipment. These expenses take the shape of capital investments and are not recurring. It is anticipated that these expenditures will increase the economy's capacity for production. According to the empirical research, people who saw mixed outcomes and those who were unable to prove a connection between government spending and economic growth reported either a positive or negative effect of government spending on growth. The first school of thought is one that backs the notion that governmental spending hinders economic expansion.

Manoj (2013). Deverajan et al. (1996) provided insight into the relationship between economic growth and public spending consumption for a group of forty-three developing nations between 1970 and 1990. In contrast, capital as a component of public expenditure has a negative effect on economic growth, whereas income as a proportion of recurring expenditure has positive and statistically significant growth impacts. The paper concludes that these findings suggest emerging nations have been misestimating public spending in favor of capital expenditures at the expense of ongoing expenditures.

Ifeanjiet et al. (2012) make the following suggestions in light of the empirical analysis's findings: The primary focus of capital and ongoing expenditures on economic services should be on productive economic activities. This will boost economic sector activity and maybe erase the

detrimental impact on economic growth. Since capital and recurring expenditure finance have a major positive impact on the economy, the percentage of government spending that goes toward these types of financing should be raised. Thus, by taking MOFEC into consideration, this study will concentrate on evaluating the budget usage methods of budgetary institutions. World Bank Empirical Analysis of Government Spending Ethiopian State The growth rates attained by led growth were significantly higher than the sub-Saharan African average. Productivity increases and capital accumulation brought about by a significant increase in public infrastructure investment in a favorable external environment propelled economic growth that was focused in services and agriculture. In addition to defining the scope and magnitude of public investment projects, Ethiopia's Growth and Transformational Plan (GTP) 2010–11–2014–15 also established the extent of authority and accountability. For example, greater pro-poor spending at the lower levels of government and more capital expenditures on expanding higher education. The approach emphasizes the importance of state-owned businesses in managing and funding investments in the development of public infrastructure. The public spending review's main goal is to examine Ethiopia's recent fiscal developments in light of a comprehensive infrastructure investment program aimed at promoting growth and reducing poverty. The purpose of the cover charge question is to highlight the issue of how to fund public investments when income capacity is limited and the fiscal envelope is finite. Government funding is heavily reliant on external grants. No concessional financing is kept within sustainable debt limitations, domestic and foreign concessional financing must be balanced in the sustainable financing mix of budget deficits, and increased capital expenditures must be matched by suitable levels of recurring expenditure. The People Spending at the federal, regional, and woreda levels is broken down by economic and functional classification in the aggregate fiscal work. Reduced revenue productivity and a shift in the competitiveness of domestic deficit financing are the main causes of the rise in the expenditure share at lower levels of government, both regionally and at the Woreda level. The evaluation concluded that substantial income mobilization will be necessary to preserve basic service delivery and to match the continued cost implications from ongoing expenditures, even while spending is closely aligned with GTP and clearly stimulates the poverty sector. Capital and recurring final expenditures are the two categories into which government spending is divided. Ethiopia has undertaken some significant budgetary changes in the last ten years, which have essentially raised government savings to finance a significant growth in annual While revenues and grants as a percentage of GDP stayed at a rather stable level, the government cut current expenditures from a percentage to 7% of GDP. According to the World Bank Group report 2015 E.C., this effectively increased government savings, which helped fund a significant increase in annual government spending (GFCF) from over 30% of GDP to about 10% of GDP. However, the recurrent funding rates within the economic and social sectors are low in comparison to all comparators in this analysis.

CHAPTER THREE

3. METHODOLOGY OF THE STUDY

3.1 Description of the Study Area

Wolkite University in Central Ethiopia (CA), 182 kilometers from Addis Ababa, would be the site of the study. The Wolkite Town Administration Plan, the Economy Commission, and the Finance and Economy Sector estimate that there were 111,600 people living in Wolkite Town in 2015 E.C., of whom 54684 were men and the remaining 56916 were women .

3.2 Research Design

The study employed a descriptive case study research design, utilizing both primary and secondary data, to gain a comprehensive understanding of the budgeting practices at Wolkite University. This approach was specifically chosen for its ability to provide an in-depth exploration of the unique budgeting and financial management systems at the university. By focusing on a single institution, the research uncovered specific challenges, practices, and the interactions between departments that may have been overlooked in broader studies. The descriptive survey method was particularly useful for obtaining a wide range of information, offering insights into the attitudes, behaviors, and beliefs prevalent among university staff regarding budget planning, utilization, and control. Furthermore, the combination of primary data-gathered through surveys and interviews—and secondary data, such as financial reports and institutional documents, allowed the study to present a holistic view of the budgeting system. This design not only captured the current state of budgeting at Wolkite University but also identified inefficiencies and areas for improvement. Ultimately, the descriptive case study approach provided actionable recommendations that helped decision-makers at the university refine their budgeting processes and enhance financial management practices.

3.3. Data Sources and Type

Both primary and secondary sources of data types will be used in the study in order to get valid data from Wolkite University particularly finance, planning and internal audit departments, and procurement experts, since using both primary and secondary sources of data enables a given researcher to obtain valid and reliable data in undertaking a study.

3.3.1. Primary Data Source

The study focused on the budgeting activities of Wolkite University (WKU) from 2012 to 2015 E.C. due to several key reasons. First, this four-year period aligns with the university's strategic plan, during which significant changes and reforms in budgeting, financial management, and institutional policies were implemented. By concentrating on these years, the study aimed to capture the impact of these reforms on the budget planning, utilization, and control processes. Additionally, this time frame allowed for an assessment of how effectively the university managed its resources over multiple fiscal periods, providing a longitudinal perspective on its budgeting practices.

Another reason for focusing on this period is the availability of relevant data from financial reports, budget documents, and other records, which provided a consistent and comprehensive overview of the budgeting process during this timeframe. This ensured that the primary data collected from planning, finance, internal audit, and procurement experts could be triangulated with secondary data to draw meaningful conclusions.

Moreover, the years 2012–2015 E.C. marked a time of heightened attention to fiscal responsibility and the improvement of budget systems at WKU, making it a critical period to study and evaluate the effectiveness of the university's budgeting practices. By concentrating on this specific time frame, the study was able to provide targeted insights into the strengths and weaknesses of the budgeting system and offer actionable recommendations for future improvements. This focused approach not only addressed the specific research objectives but also ensured that the findings were directly relevant to the university's ongoing budgetary efforts and future policy decisions.

3.3.2. Secondary Data Source

The secondary source of information will also be gathered from main and secondary sources. Data is gathered via both closed-ended and open-ended questionnaires. Using a standard questionnaire, important experts who are targeted and concerned provide the primary data. The validity of secondary data is assessed using the required pertinent documents, including the budget manual, the MOFEC budget utilization report for the years 2012, 2013, 2014, and 2015 E.C., as well as the Office of General Auditors audit reports for the years 2007–2008 E.C. of MOFEC, research papers, proclamations, various websites, and manuals.

3.4. Population and Sample Frame

3.4.1. Target Population

Three interconnected directorates Finance and Procurement Service, Planning, Monitoring, and Evaluation, and Internal Audit-with two heads from the internal audit and planning directorates are the target populations in this study. The Wolkite University Human Resource Directorates (2015) annual report states that there are 60 people in the targeted population overall.

3.4.2. Sampling method and Sample size

In this study, the sampling method employed is purposive sampling, as it focuses on selecting individuals who are directly involved in budget-related activities and possess relevant expertise within the university. Since the study aims to evaluate budget expenditures and control systems, the population was specifically chosen from the finance, planning, internal audit, and procurement departments at Wolkite University. These departments are key players in the budget preparation, execution, monitoring, and control processes, making their insights crucial for the research objectives.

The study targeted a total of 30 employees, consisting of two planning experts, fifteen finance experts, eight internal auditors, and five procurement experts, all of whom have been employed by the university for at least four years. The selection of this particular group was based on their direct involvement with the university's budgeting system over the past four years, ensuring that they have a comprehensive understanding of the budgetary activities during the period under study. By focusing on individuals with hands-on experience, the study sought to gather informed and relevant insights into the budgeting practices at Wolkite University.

Since the entire population of relevant experts is relatively small (30 individuals), a census approach was adopted, meaning all individuals in the population were included as respondents. This approach was deemed appropriate because it allows for a more complete and accurate representation of the experiences and perspectives of those directly involved in budgeting processes. Moreover, involving all 30 individuals helps ensure that the data collected reflects a diverse range of expert opinions and provides a comprehensive understanding of the budgeting system at Wolkite University. Thus, the purposive sampling technique was chosen to ensure that the study participants were knowledgeable and directly engaged with the budget-related activities, and the use of a census was justified given the manageable size of the population and the need for thorough, detailed responses from all relevant departments.

Table 3.1: The population of study based on positions

| No. | Positions | No. of Employees |
|-----|----------------------------|------------------|
| 1. | Procurement experts | 8 |
| 2. | Finance | 27 |
| 3. | Planning and budget expert | 15 |
| 4. | Internal auditors | 18 |
| | Total | 60 |

Source: Wolkite University Human Resource Directorates Report, (Dec. 2020)

3.5. Data Collection Tools

3.5.1. Questionnaire

According to Creswell (2014), a self-administered survey questionnaire was used to collect primary data that allowed the researcher to quantify the relevant constructs using descriptive statistical techniques (such as percentages, frequency, mean, and standard deviations) and inferential statistical techniques (such as factor analysis and correlation) to assess respondents' agreement or disagreement with the differences between the variables used in the study. Ten planning and budget experts, twenty-seven finance experts, eight internal auditors, and five procurement experts—a total of forty employees—were asked to complete the questionnaire,

which used a five-point Likert scale to measure the variables used to gather quantitative data from these professionals.

3.5.2 Interview

For this study, interviews were conducted with a total of 10 respondents, selected from key departments involved in the budgeting process at Wolkite University. The respondents included 2 planning experts, 4 finance experts, 2 internal auditors, and 2 procurement experts. These individuals were chosen because they have direct involvement and significant experience in budget planning, utilization, and control systems at the university.

The rationale for selecting these specific departments is based on their central role in the budgetary process. The Planning department is responsible for formulating the university's strategic objectives and ensuring that the budget aligns with these goals. The Finance department plays a crucial role in the allocation, management, and monitoring of the university's financial resources. Internal auditors are responsible for evaluating the efficiency and effectiveness of budget utilization, while procurement experts ensure that the resources allocated through the budget are properly utilized in purchasing goods and services.

By interviewing these key individuals, the study aimed to gather in-depth insights into the practical challenges and successes related to budget planning, implementation, and control within the university. Their lived experiences provide valuable context for understanding the effectiveness of the university's budgetary practices and the systemic issues affecting budget utilization.

3.5.3 Document Review

The researcher used various recorded documents related to planning, finance, budget experts, internal auditors, and procurement experts to analyze the budget and budget control systems of Wolkite University for the years 2012 E.C. to 2015 E.C. These documents provided essential data regarding the university's budgetary processes, enabling a comprehensive review of past practices and performance.

3.6 Method of Data Analysis

To facilitate the analysis, the information collected through questionnaires, interviews, and document reviews was structured, organized, and formulated. Data from the questionnaires were arranged in tables to extract specific information, while data gathered from interviews, open-ended questions, and document analysis were analyzed narratively under each relevant category. The analysis incorporated both qualitative and quantitative approaches. Descriptive statistical techniques, including percentage and frequency distribution, were applied to various sample population characteristics, such as gender, age, work experience, and educational level. These techniques were executed using SPSS version 22, which provided descriptive statistics to compute averages for each item based on respondent groups.

3.7 Data Analysis Procedure

After collecting the required data from primary respondents and relevant documentary sources, the data underwent both qualitative and quantitative analysis to ensure its validity and consistency. The mixed-methods approach was employed, wherein quantitative data were analyzed using SPSS software to generate descriptive statistics, while qualitative data were analyzed thematically and described in narrative form, providing a holistic interpretation of the findings.

3.8 Ethical Considerations

Throughout the research process, ethical considerations were strictly adhered to. A recommendation letter was obtained from Wolkite University, granting permission to evaluate the budgetary expenditure and control system in alignment with the university's policies on human subject research. The study ensured voluntary participation, informed consent, confidentiality, and the ethical treatment of subjects. These ethical principles were applied to both the quantitative and qualitative aspects of the study, maintaining integrity and respect for all participants.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

This chapter presents the findings from the data collected, offering both a detailed overview of the respondents' demographics and a comprehensive discussion of the budgetary control and utilization mechanisms at Wolkite University. The section also provides an analysis of audit practices and challenges. The results are accompanied by a discussion that interprets the data, connecting it to broader implications and offering insights for improvement.

4.1 General Backgrounds of the Respondents

| 4 Item : | Subcategory | Number of Respondents | Percentage (%) |
|--|----------------------------------|-----------------------|----------------|
| Age Level Distribution | 25-35 | 20 | 50% |
| | 18-25 | 10 | 25% |
| | 35-45 | 8 | 20% |
| | 45-55 | 2 | 5% |
| Education Status | Diploma | 4 | 10% |
| | Degree | 15 | 37.5% |
| | Masters | 12 | 30% |
| | PhD | 3 | 7.5% |
| | Certificate/TVET | 6 | 15% |
| Total Years of Work Experience | Average Total Years | 12 years | - |
| Total Years of Work Experience Specific to Budget Planning and Preparation | Average Years in Budget Planning | 8 years | - |
| Department & Position Distribution | Procurement Experts | 5 | 12.5% |
| | Finance | 27 | 67.5% |
| | Planning and budget experts | 10 | 25% |
| | Internal Auditors | 8 | 20% |

(Source: SPSS Output, 2024)

According to the data in the table above, the age distribution of the respondents reveals a predominantly younger demographic. A significant majority, 50%, are in the 25–35 age range, indicating a relatively youthful workforce. The 18–25 age groups constitute 25% of respondents, further supporting this trend. In contrast, only 20% of respondents are between 35 and 45 years old, and a smaller 5% fall into the 45–55 age range, highlighting a less experienced senior segment.

In terms of Education, respondents have a diverse range of qualifications. The largest group is with university degree, representing 37.5% of the respondents. This is followed by 30% a respondent who have a Master's degree, indicating considerable advanced academic level. Diploma holders represent 10% of the respondents, while 15% have received certificates or TVET qualifications.

In terms of professional experience, the average total years of experience of the respondents is 12 years. In particular, the respondents have an average of 8 years of experience directly related to budget planning and preparation, indicating a solid foundation in the area of interest of this study.

The distribution across departments and positions shows a concentration of expertise in finance. The largest group, making up 67.5% of the respondents, works in finance, reflecting a strong representation in this crucial area. Planning and budget experts constitute 25% of the respondents, highlighting a significant focus on planning and budgeting. Internal auditors make up 20%, while procurement experts represent 12.5% of the respondents. This distribution underscores the varied professional roles within the budget management system of the organization.

4.2. Budget Control and Utilization Mechanisms

4.2.1. Statements Related to Planning

| Statement | Strongly Agree (1) | Agree (2) | Neutral (3) | Disagree (4) | Strongly Disagree (5) | Total Responses |
|---|--------------------|------------|-------------|--------------|-----------------------|-----------------|
| You have adequate knowledge to prepare a budget plan. | 10 (25%) | 20 (50%) | 7 (17.5%) | 3 (7.5%) | 0 (0%) | 40 |
| Your office has adequate professionals who prepare the plans. | 6 (15%) | 15 (37.5%) | 10 (25%) | 6 (15%) | 3 (7.5%) | 40 |
| The plans is adequately linked to the annual budget. | 8 (20%) | 15 (37.5%) | 10 (25%) | 5 (12.5%) | 2 (5%) | 40 |
| Budget submissions is usually done without a work plan. | 2 (5%) | 5 (12.5%) | 18 (45%) | 10 (25%) | 5 (12.5%) | 40 |
| Your office has strong coordination with the Budget Department during planning. | 6 (15%) | 15 (37.5%) | 12 (30%) | 4 (10%) | 3 (7.5%) | 40 |

(Source: SPSS Output, 2024)

Based on the data from the survey, the majority of respondents are confident in their understanding of how to prepare a budget plan, with 75% either strongly agreeing or agreeing that they are well-prepared. However, opinions about the adequacy of professional resources within the office are mixed. While 52.5% believe there are sufficient professionals to handle budgeting tasks, 22.5% express concerns about the expertise available. Regarding the linkage between office plans and the annual budget, 57.5% of respondents feel that this connection is adequate, though there is some concern among 17.5% who see a disconnect. There is significant uncertainty about whether budget submissions typically include a work plan, as 45% of respondents were neutral, suggesting varied experiences or a lack of clarity on this issue. Lastly, most participants view the coordination with the Budget Department positively, with 52.5% perceiving strong coordination during planning, though 17.5% express dissatisfaction.

This indicates that while the majority of respondents feel confident in their understanding of budget preparation and perceive effective coordination with the Budget Department, there are areas that require improvement. Concerns remain about the adequacy of professional resources and the clarity of the linkage between office plans and the annual budget. Additionally, there is considerable uncertainty about the consistency of including work plans in budget submissions. Addressing these issues could enhance overall budgeting practices and ensure better alignment between planning and budgeting processes.

Incorporating stakeholder involvement in the budgeting process, ensuring the collection of accurate and current financial data, and leveraging technology for budget management are critical strategies for improving Wolkite University's budgeting practices.

Firstly, stakeholder involvement is essential for improving coordination and ensuring that the budget reflects the priorities and needs of each department. Although most respondents reported positive coordination with the Budget Department, 17.5% expressed dissatisfaction, suggesting that greater engagement with key stakeholders could improve communication. Including personnel from various departments such as finance, planning, procurement, and internal auditing in the budgeting process would ensure that the budget accurately aligns with departmental goals and promotes collaborative decision-making.

Secondly, ensuring the collection of accurate and up-to-date financial data is crucial for effective budgeting. While most respondents felt confident in their understanding of budget preparation, there were concerns regarding the adequacy of professional resources. By improving access to accurate, timely, and relevant financial data, the university can make more informed decisions and ensure that budget allocations reflect the institution's current financial conditions and objectives.

Lastly, leveraging technology, such as budget management software, can streamline the budgeting process and improve accuracy. The use of specialized software can automate routine tasks, provide real-time expenditure tracking, and generate timely reports. This would address the concerns regarding the timeliness of budget utilization reports, which 35% of respondents highlighted. By adopting such tools, the university can improve the transparency of budget management and create a more efficient system for monitoring, controlling, and optimizing financial resources.

In summary, by focusing on enhancing stakeholder engagement, ensuring accurate data collection, and incorporating technology into budget management, Wolkite University can address the identified concerns and improve its overall budgeting practices. These strategies will not only improve alignment between planning and budgeting processes but also promote more effective financial management across the institution.

4.3 .Statements Related to Control Systems Used during Budget utilization

| Statement | Strongly Agree (1) | Agree (2) | Neutral (3) | Disagree (4) | Strongly Disagree (5) | Total Responses |
|---|--------------------|-----------|-------------|--------------|-----------------------|-----------------|
| You have an adequate knowledge of how to prepare a budget. | 8 (20%) | 16 (40%) | 10 (25%) | 5 (12.5%) | 1 (2.5%) | 40 |
| The preparation of the office budget is linked of the strategic plan of the department's activities | 10 (25%) | 18 (45%) | 8 (20%) | 3 (7.5%) | 1 (2.5%) | 40 |
| The organization has a practice of allocation the budget based on the activities of the department. | 6 (15%) | 14 (35%) | 12 (30%) | 6 (15%) | 2 (5%) | 40 |
| The process of preparing the budget for the new financial year based on data. of the previous year. | 12 (30%) | 14 (35%) | 8 (20%) | 4 (10%) | 2 (5%) | 40 |
| A budget is prepared for most programs in the department. | 8 (20%) | 16 (40%) | 10 (25%) | 4 (10%) | 2 (5%) | 40 |

| | | | | | | |
|--|-----------|------------|----------|----------|----------|----|
| Feedback from budget users is usually collected before the final budget prepared. | 6 (15%) | 12 (30%) | 12 (30%) | 6 (15%) | 4 (10%) | 40 |
| The organization has a strong budget control system. | 10 (25%) | 15 (37.5%) | 8 (20%) | 4 (10%) | 3 (7.5%) | 40 |
| an explanatory report on the use of the budget created periodically. | 5 (12.5%) | 12 (30%) | 14 (35%) | 6 (15%) | 3 (7.5%) | 40 |
| The department head conducts regularly monitoring and practice of budget activities.. | 8 (20%) | 14 (35%) | 12 (30%) | 4 (10%) | 2 (5%) | 40 |
| Accountability is considered an important factor in the budgeting process. | 12 (30%) | 20 (50%) | 6 (15%) | 2 (5%) | 0 (0%) | 40 |
| Managers usually take immediate corrective action if a difference is discovered between the actual and planned budget. | 10 (25%) | 18 (45%) | 8 (20%) | 3 (7.5%) | 1 (2.5%) | 40 |

(Source: SPSS Output, 2024)

Based on the data in the table above, Wolkite University has a solid framework for budget preparation and control, with notable strengths and areas for improvement. A significant majority of respondents (60%) feel they have an adequate understanding of budget preparation, and 70% believe that budget preparation is well-aligned with the department's strategic plan. However, while 50% report that budget allocation is based on departmental activities, the remaining respondents show variability in this practice. The use of previous-year data for preparing the new financial year's budget is supported by 65% of respondents, reflecting a reliance on historical information. Budget preparation for most programs is affirmed by 60% of respondents, indicating comprehensive coverage. Feedback collection from budget users before finalizing the budget is noted by 45% of respondents, suggesting a practice that could benefit from further strengthening. Although 62.5% of respondents believe the budget control system is strong, there is some dissent, indicating perceived inconsistencies. Explanatory budget utilization reports are created periodically, according to only 42.5% of respondents, highlighting an area for

improvement in reporting practices. Regular oversight by department heads is confirmed by 55% of respondents, and accountability is strongly emphasized by 80%. Additionally, 70% of respondents report that managers take immediate corrective actions when discrepancies between actual and planned budgets are detected, demonstrating proactive management. Overall, while the university exhibits a robust approach to budgeting, there are opportunities to enhance feedback collection, periodic reporting, and the consistency of budget allocation practices.

4.4. Budget Utilization' system

| Statement | Strongly Agree (1) | Agree (2) | Neutral (3) | Disagree (4) | Strongly Disagree (5) | Total Responses |
|---|--------------------|-----------|-------------|--------------|-----------------------|-----------------|
| The organization utilizes the budget as evidenced by its budget Approved. | 10 (25%) | 18 (45%) | 8 (20%) | 3 (7.5%) | 1 (2.5%) | 40 |
| Over spending is common in your office | 5 (12.5%) | 10 (25%) | 12 (30%) | 8 (20%) | 5 (12.5%) | 40 |
| Budget overutilization is common in your office. | 4 (10%) | 8 (20%) | 16 (40%) | 8 (20%) | 4 (10%) | 40 |
| Management focuses on budget utilization. | 8 (20%) | 16 (40%) | 10 (25%) | 4 (10%) | 2 (5%) | 40 |
| The process of reviewing the approved budget is routines. | 6 (15%) | 14 (35%) | 10 (25%) | 6 (15%) | 4 (10%) | 40 |
| Monthly cash flow requirement is based on the budget plan. | 10 (25%) | 18 (45%) | 8 (20%) | 3 (7.5%) | 1 (2.5%) | 40 |
| Budget utilization reports are prepared on time. | 8 (20%) | 16 (40%) | 10 (25%) | 4 (10%) | 2 (5%) | 40 |
| Regular cash follow-up of departmental budgets is common in the organization. | 6 (15%) | 12 (30%) | 12 (30%) | 6 (15%) | 4 (10%) | 40 |
| The organization | 4 (10%) | 8 | 14 | 10 | 4 (10%) | 40 |

| | | | | | | |
|--|----------|----------|----------|----------|----------|----|
| usually accumulates idle cash in the bank. | | (20%) | (35%) | (25%) | | |
| Timely payment is a common practice in the organization. | 8 (20%) | 14 (35%) | 12 (30%) | 4 (10%) | 2 (5%) | 40 |
| Timely purchasing is made as planned in the budget. | 10 (25%) | 18 (45%) | 8 (20%) | 3 (7.5%) | 1 (2.5%) | 40 |

(Source: SPSS Output, 2024)

Based on the data, it is evident that Wolkite University demonstrates a generally effective approach to budget utilization, although some areas require attention.

The majority of respondents (70%) agree (45%) or strongly agree (25%) that the organization utilizes the approved budget according to its plan, reflecting adherence to budgetary guidelines. However, budget underutilization is noted by 37.5% of respondents, indicating a moderate occurrence of not fully using allocated funds.

Conversely, 30% of respondents observe that budget overutilization is common, suggesting occasional issues with exceeding budget limits. Management's focus on budget utilization is supported by 60% of respondents who agree (40%) or strongly agree (20%) with this statement. The approved budget revision process is considered common by 50% of respondents, indicating a regular adjustment to budget plans as needed. Monthly cash flow demands align with the budget plan for 70% of respondents, showing effective financial planning. Budget utilization reports are timely for 60% of respondents, though 35% note delays.

Regular follow-ups on departmental budget balances are reported by 45% of respondents, suggesting some level of oversight. Idle cash accumulation in the bank is noted by 35% of respondents, indicating potential inefficiencies in cash management. Timely payments and purchasing as planned are reported positively by 55% and 70% of respondents, respectively, highlighting effective financial practices in these areas.

Overall, while the organization shows strong adherence to budget plans and timely financial practices, there are opportunities for improvement in managing budget utilization and reducing instances of underutilization and idle cash accumulation. This shows that Wolkite University generally manages its budget effectively, with strong adherence to budget plans and timely financial practices.

The majority of respondents confirm that the organization utilizes the approved budget according to its plan and aligns monthly cash flow demands with the budget. However, there are areas for improvement: budget underutilization and overutilization are noted, suggesting that while the

budget is often followed, some funds are either not fully utilized or exceeded. Additionally, issues such as idle cash accumulation and occasional delays in budget utilization reports highlight areas where financial management could be enhanced. Despite these challenges, the focus on timely payments and purchasing indicates a commitment to effective financial practices, though ongoing efforts to address budget utilization discrepancies and optimize cash management are needed.

Audit Types: According to the interviewees, the internal audit department conducts several types of audits to manage budgetary control. These include compliance audits, which ensure adherence to financial policies and regulations; performance audits, which assess the efficiency and effectiveness of budget utilization; and financial audits, which focus on the accuracy and completeness of financial statements and records. Each type of audit plays a critical role in maintaining robust budgetary control by addressing different aspects of financial management and compliance.

Departmental Budget Audits: Budget auditing is indeed conducted for each department at the university. These audits are carried out on an annual basis, though some departments may be audited more frequently depending on their risk profile and previous audit findings. The frequency of these audits is determined by factors such as the department's budget size, the complexity of its financial activities, and any past issues identified during previous audits. This regular auditing schedule ensures that all departments are held accountable for their budgetary practices.

Report Forwarding: The budget audit reports are forwarded to both the relevant departmental heads and the central finance office. The central finance office is responsible for overseeing the implementation of corrective actions recommended in the reports, while departmental heads are tasked with addressing specific issues within their departments. This dual-reporting structure facilitates effective communication and ensures that appropriate actions are taken based on the audit findings.

Impact of Audit Reports: The audit reports prepared by the department are instrumental in resolving implementation problems. For example, audits have identified issues such as inadequate tracking of expenditures and non-compliance with budgeting procedures. These reports have led to the development of improved monitoring systems and revised procedures that address the identified problems. By highlighting areas of concern and recommending corrective actions, audit reports help enhance overall budgetary control and resolve issues that could impact financial management.

Observed Weaknesses: One of the main weaknesses observed in the office related to the planning and budget preparation process is the occasional lack of timely and complete information from departments. This can hinder the effectiveness of audits and delay the

identification of issues. Additionally, some processes within the budget planning phase are seen as outdated or insufficiently rigorous, which may impact the accuracy of budget forecasts and allocations.

Challenges in Audit Procedures: Major challenges faced by the department in conducting budgetary control audits include dealing with complex and sometimes outdated financial systems that complicate the auditing process. Additionally, there can be resistance from departments to providing necessary information or implementing recommended changes. These challenges can affect the efficiency of audits and the effectiveness of budgetary control measures.

Additional Comments: The interviewees noted that while the internal audit processes are generally effective, there is always room for improvement. They suggested that ongoing training for auditors and the adoption of more advanced auditing tools could further enhance the effectiveness of budgetary control. Moreover, increasing collaboration between the internal audit department and other university departments could lead to better outcomes in addressing audit findings and implementing corrective actions.

Therefore, the internal audit processes at Wolkite University are crucial for maintaining effective budgetary control. The variety of audits—compliance, performance, and financial—ensures comprehensive oversight of financial management practices. Regular departmental audits, coupled with a dual-reporting structure for both departmental heads and the central finance office, facilitate effective communication and corrective action. Despite the strengths of the system, challenges such as delays in receiving complete information, outdated financial systems, and resistance to implementing changes have been identified. To address these issues and enhance the effectiveness of the budgetary control system, ongoing training for auditors, the adoption of advanced auditing tools, and increased collaboration between departments are recommended. These improvements aim to address weaknesses and ensure a more efficient and robust budgetary control framework.

Insights from Interviews: The findings from both the survey data and interviews with internal audit staff at Wolkite University provide a comprehensive picture of the university's budgetary control practices. While the university generally adheres to its budget plans, there are notable areas for improvement, especially in the effective use of allocated funds. Survey data shows that 70% of respondents affirm the university's alignment with its approved budget, yet a significant portion (37.5%) identifies underutilization of the budget, and 30% observe instances of overutilization. These trends indicate that while the budget is often followed, there are challenges in ensuring funds are neither left unused nor exceeded.

The internal audit processes play a critical role in maintaining oversight of the university's financial management. The internal audit department conducts compliance, performance, and financial audits to assess and ensure the accuracy, efficiency, and adherence to financial policies.

Budget audits are carried out annually for each department, with the frequency varying based on risk and departmental needs. The reports from these audits are sent to both the central finance office and departmental heads, promoting coordinated efforts in addressing issues and implementing corrective actions.

Despite the generally effective auditing framework, some challenges emerge. Key interviewees noted issues with delays in receiving timely and complete information from departments, outdated financial systems, and resistance to changes recommended by the audit team. These issues hinder the audits' effectiveness, delaying the identification of problems and corrective actions. As a result, the internal audit staff emphasized the need for improvements, including better training, adoption of advanced auditing tools, and increased collaboration between departments to resolve these challenges.

Furthermore, triangulating the data from both surveys and interviews strengthens the understanding of the budgeting processes, revealing insights into both the successes and weaknesses in the system. However, adding secondary sources such as prior research on similar institutions' budgetary and auditing practices could further validate the findings. With these enhancements, Wolkite University can address its budgeting discrepancies, improve financial management, and optimize its budgetary control framework.

Overall, Wolkite University's approach to budget utilization and internal auditing is largely effective, but it must address specific challenges such as underutilization of funds, outdated systems, and resistance to audits. By improving communication and collaboration, updating financial tools, and enhancing auditor training, the university can strengthen its financial management processes and ensure that its budget is used optimally for achieving its objectives.

CHAPTER FIVE

5. CONCLUSION, AND RECOMMENDATIONS

5.1 Summary

Based on the findings of the data analysis, the following summary, conclusion, and recommendations were set forth: To this end, the responses from employees across various positions reveal a mixed yet generally positive assessment of budget preparation, control, and utilization processes. A strong majority feel confident in their understanding of budget planning and its linkage to strategic plans. However, there are areas of concern, particularly regarding the practical application of budget utilization and coordination among departments. Also, the findings from the data analysis at Wolkite University reveal several key insights into the budgeting and financial management practices. The respondent pool is predominantly young, with a significant portion holding advanced degrees and considerable experience in budget planning. Most respondents feel confident in their budgeting skills and report effective coordination with the Budget Department. However, there are mixed opinions about the adequacy of professional resources and the linkage between office plans and the annual budget, suggesting room for improvement in these areas. The university's budget control framework is generally robust, with a strong emphasis on aligning budget preparation with strategic plans and using historical data. Despite this, issues such as budget underutilization and overutilization, delays in reporting, and idle cash accumulation persist. The internal audit system, which includes compliance, performance, and financial audits, is effective but faces challenges such as outdated financial systems and resistance to changes. To enhance overall financial management, it is recommended that the university improves feedback mechanisms, refines reporting practices, and addresses inefficiencies in budget utilization and cash management, while also investing in auditor training and advanced auditing tools.

5.2 Conclusion

Based on the analysis of data collected from the target respondents, several key recommendations emerge to improve the budgetary control system at Wolkite University. While the university demonstrates a solid understanding of budget preparation aligned with its strategic plans and makes effective use of historical data, certain areas require attention to enhance overall efficiency.

Firstly, improving inter-departmental coordination during the planning phase is essential to ensure that all departments are aligned with the broader institutional goals. Strengthening communication and collaboration between the planning, finance, procurement, and internal audit departments will streamline the budgeting process and foster better resource allocation.

Secondly, the university needs to address the timeliness of budget utilization reports. Currently, delays in preparing these reports hinder effective monitoring and decision-making. Ensuring that

budget utilization reports are generated on time will provide a more accurate picture of financial performance, enabling prompt corrective actions when necessary. Additionally, issues related to budget underutilization and overutilization should be carefully managed. A detailed review of expenditure patterns and more accurate forecasting methods could help to prevent such discrepancies, ensuring that allocated funds are used efficiently and according to plan.

In conclusion, while Wolkite University has a strong foundation in budgetary control, focusing on the improvement of inter-departmental coordination, timely reporting, and managing budget utilization discrepancies will lead to more effective financial management. By implementing these recommendations, the university will enhance its overall financial accountability and achieve greater success in fulfilling its strategic objectives.

5.3 Recommendation

Based on the major findings of the study, the following comprehensive recommendations are proposed to address the prevailing issues related to budget preparation, utilization, and control systems at Wolkite University:

1. **Enhance Coordination and Communication:** Foster stronger collaboration between departments, particularly between finance and planning and budget experts. This will ensure that budget submissions are not only comprehensive but also effectively linked to departmental work plans and strategic goals.
2. **Improve Budget Utilization Reporting:** Implement and maintain more rigorous processes for the creation and review of budget utilization reports. Regular and systematic generation of these reports is crucial for accurately tracking budget performance and making informed decisions.
3. **Address budget utilization issues:** Conduct a thorough investigation into the causes of budget underutilization and overutilization. Develop targeted strategies to address these issues, which may include adjusting budget allocations, improving forecasting techniques, and refining budgeting processes.
4. **Training and Development:** Invest in additional training for employees to enhance their skills and knowledge in advanced budget planning and control techniques. This training should focus on improving coordination, reporting, and the application of best practices in budgeting.
5. **Strengthen Corrective Actions:** Establish and enforce a clear protocol for promptly addressing discrepancies between actual and planned budgets. Ensure that corrective actions are taken in a timely manner and that there is a system in place for monitoring and resolving these discrepancies effectively. By implementing these recommendations, Wolkite University can significantly enhance its budget preparation, utilization, and control systems. This will lead to improved financial management, more accurate budgeting, and better alignment with the institution's strategic objectives, ultimately fostering more effective planning and resource allocation.

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APPENDIX A

Wilkeite University College of----- Development of -----

Instructions for Key Informants

Introduction

Dear Respondents,

The main purpose of this study is to assess the effectiveness of budget preparation, utilization, and control systems at the university, with the goal of identifying strengths, weaknesses, and areas for improvement.

Your insights and responses will be invaluable in understanding how well the university's budgeting processes align with strategic goals, how effectively resources are utilized, and the robustness of budgetary control and auditing systems. We appreciate your time and cooperation in providing detailed and honest feedback.

Instructions:

1. Complete the Questionnaire:

- Please read each statement carefully and respond based on your experience and knowledge.
- For each statement, select the response that best reflects your opinion or experience. Use the following scale:
 - Strongly Agree (1)
 - Agree (2)
 - Neutral (3)
 - Disagree (4)
 - Strongly Disagree (5)
- In the sections where you are asked to provide additional comments, please be as detailed as possible. Your insights will help in understanding the context and nuances of the budgetary practices at the university.
- **Provide Background Information:**
- Fill in the sections related to your general background, including your age level, education status, total years of work experience, and your specific role within the budget preparation and planning office. This information will help contextualize your responses.

2. Respond to Interview Questions:

- Following the questionnaire, you will be interviewed regarding specific aspects of budgetary control and financial management. Please be prepared to discuss topics

such as the budget control framework, planning procedures, monitoring tools, variance management, internal controls, and the role of internal audits.

- Your responses to these questions will be recorded and analyzed to provide a comprehensive understanding of the budgeting processes at the university.

3. Confidentiality and Integrity:

- Your responses will be kept confidential and used solely for the purpose of this research. Please provide honest and candid feedback to ensure the accuracy and relevance of the findings.

4. Additional Information:

- If you have any additional comments or insights that were not covered in the questionnaire, please use the space provided to share them. Any extra information you provide will be valuable in completing the study.

Should you have any questions or need further clarification regarding the questionnaire or interview process, please feel free to reach out. Your participation is greatly appreciated and will contribute significantly to improving budgetary practices at Wolkite University

PART-1

General backgrounds of the respondents:

Age level:

18-25 25-35 35-45 45-55

Education Status:

Diploma Degree Masters

PhD Certificate TVET

Total years of work experience:

Total years of work experience specific to budget planning and preparation: _____

Department: _____

Work position: on budget preparation and planning office

- i) Budget preparation and planning office director
- ii) Auditor
- iii) Budget preparation and planning office secretary
- iv) Budget preparation and planning office team leader
- v) Budget preparation and planning office professional

PART – 2

Put tick mark (√) against the given statements relate to budget control and is utilizations mechanisms. Use: **Strongly agree (1) Agree (2) Neutral (3) Disagree strongly (4) Disagree (5)**

A. Statements Related to Planning

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| You have adequate understanding to prepare budget plan. | | | | | |
| Your office has adequate professionals who prepare plan and budget. | | | | | |
| Plans of your office are linked adequately to the annual budget. | | | | | |
| Budget submission is usually made without work plan | | | | | |
| Your office has strong coordination with Budget Department during planning. | | | | | |

B. Statements related to control systems used while budget preparation July20,2024

| Activities | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| You have adequate understanding to prepare budget | | | | | |
| Your office budget preparation is linked to the strategic plan of the department operations. | | | | | |
| Organization has a practice of budget allocation based on department activities. | | | | | |
| The budget preparation process of new financial year is based on previous year data. | | | | | |
| Budget is prepared for most programs of the department. | | | | | |
| Feedback from the budget users is usually collected before preparing the final budget. | | | | | |
| The organization has strong budget control system | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| There is explanatory budget utilization report created periodically | | | | | |
| There is regular control practice of budget activities by department head. | | | | | |
| Accountability is considered as important factor of budgeting process. | | | | | |
| Managers usually take immediate corrective action if difference is detected in actual and planned budget | | | | | |
| | | | | | |

Kindly mention your opinions & comments if any in relation to budget control and is utilizations:

C. Statements related to budget utilization:

| Activities | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| The organization utilizes the approved budget based on its plan. | | | | | |
| Budget underutilization is common in your office. | | | | | |
| Budget overutilization is common in your office. | | | | | |
| Management provides attention on budget utilization. | | | | | |
| Approved budget revision process is common. | | | | | |
| Monthly cash flow demand is based on budget plan. | | | | | |
| Budget utilization reports are made timely. | | | | | |
| Regular follow up on department balance budget is common in the organization. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| | | | | | |
| The organization usually accumulates idle cash in the bank. | | | | | |
| Timely payment is common practice in the organization. | | | | | |
| Timely purchasing is done as per planned in budget. | | | | | |
| | | | | | |

Please provide any additional information which might have been overlooked above:-----

Here are the ten interview items with just the questions

Budget Control Framework:

- Describe the current budgetary control framework implemented at Wolkit University.
- 2. Budget Planning Procedures:**
 - What are the standard procedures followed for preparing and approving budgets at the university?
- 3. Monitoring Tools and Techniques:**
 - What tools and techniques are used to monitor and track budget utilization across departments?
- 4. Variance Management:**
 - How does the university handle and analyze variances between budgeted and actual expenditures?
- 5. Internal Control Measures:**
 - What internal controls are in place to ensure proper budgetary management and prevent misuse?
- 6. Reporting on Budget Utilization:**
 - What types of reports are generated to review budget utilization, and how are these reports used?
- 7. Alignment with Strategic Goals:**
 - How does the budgetary control system align with the university's strategic goals and priorities?

8. Staff Training and Competence:

- What training and professional development are provided to staff involved in budgetary control?

9. Response to Budgetary Issues:

- What procedures are followed when addressing budgetary issues such as overspending or underutilization?

10. Feedback and System Improvement:

- Is there a mechanism for gathering feedback on the budgetary control system, and how is it used for improvement?

Here are the interview questions for the Internal Audit Department regarding budgetary control:

1. What is the scope and primary objective of the internal audits conducted to assess budgetary control within the university?
2. How frequently are budget audits performed for each department, and what factors determine the audit schedule?
3. Can you describe the process and methodology used in auditing budgetary control, including any specific frameworks or standards followed?
4. How are audit findings reported, and which departments or individuals receive these reports? What actions are typically taken based on these findings?
5. How do the audit reports contribute to resolving implementation problems or improving budgetary controls? Can you provide examples of issues that were addressed?
6. What are the main weaknesses or challenges observed in the internal audit procedures related to budgetary control?
7. What are the major challenges faced by the Internal Audit Department in conducting audits of budgetary control systems?
8. How does the department ensure that audit recommendations are implemented effectively? Are there follow-up procedures to track the progress of these recommendations?
9. How does the Internal Audit Department coordinate with other departments to enhance budgetary control and address audit findings?
10. Are there any mechanisms in place for continuously improving the internal audit process related to budgetary control? If so, what are they?

Please provide any additional information which might have been overlooked above:-----

APPENDIX B

Here are the ten interview items with just the questions

Budget Control Framework:

- Describe the current budgetary control framework implemented at Wolkite University.

11. Budget Planning Procedures:

- What are the standard procedures followed for preparing and approving budgets at the university?

12. Monitoring Tools and Techniques:

- What tools and techniques are used to monitor and track budget utilization across departments?

13. Variance Management:

- How does the university handle and analyze variances between budgeted and actual expenditures?

14. Internal Control Measures:

- What internal controls are in place to ensure proper budgetary management and prevent misuse?

15. Reporting on Budget Utilization:

16. What types of reports are generated

- What training and professional development are provided to staff involved in budgetary control?

17. Response to Budgetary Issues:

- What procedures are followed when addressing budgetary issues such as overspending or underutilization?

18. Feedback and System Improvement:

- Is there a mechanism for gathering feedback on the budgetary control system, and how is it used for improvement?

Here are the interview questions for the Internal Audit Department regarding budgetary control:

11. What is the scope and primary objective of the internal audits conducted to assess budgetary control within the university?

12. How frequently are budget audits performed for each department, and what factors determine the audit schedule?

13. Can you describe the process and methodology used in auditing budgetary control, including any specific frameworks or standards followed?

14. How are audit findings reported, and which departments or individuals receive these reports? What actions are typically taken based on these findings?

15. How do the audit reports contribute to resolving implementation problems or improving budgetary controls? Can you provide examples of issues that were addressed?
16. What are the main weaknesses or challenges observed in the internal audit procedures related to budgetary control?
17. What are the major challenges faced by the Internal Audit Department in conducting audits of budgetary control systems?
18. How does the department ensure that audit recommendations are implemented effectively? Are there follow-up procedures to track the progress of these recommendations?
19. How does the Internal Audit Department coordinate with other departments to enhance budgetary control and address audit findings?
20. Are there any mechanisms in place for continuously improving the internal audit process related to budgetary control? If so, what are they?