

**ASSESSMENT OF BUDGET IMPLEMENTATION  
AND CONTROL SYSTEM A CASE STUDY IN  
WOLKITE TOWN ADMINISTRATION OF FINANCE  
BUREAU**



**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

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**WOLKITE UNIVERSITY**

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**ADVISORS' APPROVAL SHEET**

This is to certify that a thesis on the topic entitled “Assessment of Budget Implementation and Control system A Case study In Wolkite Town Administration of Finance Bureau ” submitted Partial Fulfillment of the Requirements for the BA Degree in Accounting and Finance; the undergraduate program has been carried out by JALENE EYASU, under my supervision. Therefore I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis.

ADVISOR

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#### EXAMINERS' APPROVAL SHEET

We, the undersigned, members of the Board of Examiners of the final open defense by **JALENE EYASU** have read and his thesis entitled "Assessment of Budget Implementation and Control system A Case study In Wolkite Town Administration of Finance Bureau" and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the BA degree in Accounting and Finance.

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Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the department of Accounting and Finance.

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## **Abbreviation**

PFM.....public financial management

IMF.....The International Monetary Fund

PEFA..... Public Expenditure and Financial Accountability

AfDB.....African Development Bank

UNECA.....United Nations Economic Commission for Africa

KPIs..... key performance indicators

GTP.....Growth and Transformation Plan

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## **Abstract**

This study assesses the budget implementation and control system in the Wolkite Town Administration Finance Bureau, Ethiopia, focusing on challenges, strengths, and areas for improvement. Utilizing a descriptive research design, primary data were collected through questionnaires (33 respondents) and interviews with managers, while secondary data were derived from financial reports and official documents. The findings reveal significant challenges, including resource constraints (72.8% of respondents), insufficient internal controls (69.7%), lack of budget flexibility, and poor interdepartmental coordination. Additionally, 54.5% of respondents reported infrequent audits, and 24.2% perceived corruption, highlighting transparency and accountability gaps. Strengths identified include systematic resource allocation and regular monitoring.

The study concludes that while the bureau has a structured budgetary framework, inefficiencies persist due to external factors (e.g., economic fluctuations), weak oversight, and coordination issues. Recommendations include enhancing budget flexibility through contingency funds and mid-year reviews, strengthening internal controls with regular audits and digital tracking, improving transparency via quarterly reports, and fostering interdepartmental coordination. Implementing these measures would optimize resource utilization, align budgets with organizational goals, and restore public trust. The findings contribute to the discourse on public financial management, offering actionable insights for local governments in Ethiopia and similar contexts.

# **Chapter One**

## **1. Introduction to the Study**

### **1.1. Introduction**

Budgeting is an essential tool for financial planning and control in both governmental and private institutions. It provides a structured framework for allocating resources effectively, ensuring that objectives are met within a specified time frame. This study aims to assess the effectiveness of budget implementation and control systems, with a focus on Wolkite Town Administration's Finance Bureau. Proper budget management not only enhances resource utilization but also helps organizations achieve their goals and provide public services efficiently.

### **1.2. Background of the Study**

The term "budget" originally referred to a "bag" or "public purse," symbolizing a government's financial plan (IM Pandey, 1983). A government budget, much like a personal one, involves the balance between total revenue and expenditure. Taxes constitute the primary source of government income, while budget allocations typically focus on key sectors such as health, education, national defense, and public services.

Effective budget implementation and control systems are critical for ensuring the efficient allocation of resources, maintaining fiscal discipline, and achieving organizational or governmental objectives. Across the globe, governments, corporations, and institutions adopt budgeting as a tool to plan, implement, and monitor financial activities in alignment with strategic goals. Despite advancements, challenges such as corruption, resource mismanagement, and inadequate monitoring mechanisms continue to hinder progress in various regions.

Globally, budget implementation is recognized as a cornerstone of public financial management (PFM). The International Monetary Fund (IMF) and the World Bank have emphasized the importance of budgetary processes in driving economic stability and development. Tools such as the Public Expenditure and Financial Accountability (PEFA) Framework are widely used to evaluate and improve the effectiveness of budgeting

systems. Key elements of these frameworks include budget credibility, comprehensiveness, and transparency.

Numerous global studies, such as the World Bank Report on Public Sector Governance (2021), have identified common issues in budget implementation, including delayed fund disbursements, insufficient oversight, and misalignment between budgetary allocations and policy priorities. These challenges are particularly pronounced in developing nations, where institutional weaknesses often exacerbate inefficiencies.

In Africa, budgeting is a vital tool for driving sustainable development and achieving the goals outlined in the African Union Agenda 2063. Effective budget implementation is essential for addressing critical challenges such as poverty, infrastructure deficits, and inadequate healthcare systems. However, research by the African Development Bank (AfDB) and United Nations Economic Commission for Africa (UNECA) highlights significant gaps in the budgeting process, including weak institutional capacity, over-reliance on donor funding, and lack of accountability.

For instance, the AfDB's African Economic Outlook Report (2022) underscores the need for African governments to strengthen internal control mechanisms to enhance budget execution. Similarly, a study by UNECA (2021) emphasizes the importance of integrating digital tools and enhancing technical capacity to improve budget monitoring and evaluation. Despite these efforts, corruption, political interference, and limited technical resources remain persistent barriers across the continent.

In Ethiopia, public budgeting is governed by a robust legal and institutional framework designed to ensure fiscal discipline, accountability, and transparency. The country's budgeting system is anchored in the Federal Democratic Republic of Ethiopia Constitution (1995) and the Financial Administration Proclamation No. 648/2009, which provide the foundation for public financial management. These laws emphasize the equitable allocation of resources and the efficient execution of budgets in line with national priorities.

The Ethiopian government aligns its budgeting process with broader national strategies, such as the Growth and Transformation Plan (GTP) and the Homegrown Economic Reform Agenda. At the federal and regional levels, institutions like the Ministry of Finance and the Ethiopian Office of the Auditor General oversee budget preparation, implementation, and control. Reports from the Ethiopian Auditor General have highlighted recurring issues such as delays in fund transfers, lack of skilled personnel, and weak monitoring systems.

Research such as the Public Expenditure and Financial Accountability (PEFA) Ethiopia Assessment (2020) and the World Bank Ethiopia Public Financial Management Performance Report (2021) further identifies challenges in the country's budgetary

processes. These include inadequate alignment between budgets and development plans, poor internal control mechanisms, and limited use of technology in budget monitoring.

At the local level, Wolkite Town Administration faces similar challenges in budget implementation and control. Despite its efforts to align budget allocations with development priorities such as infrastructure, healthcare, and education, the town struggles with issues like resource constraints, delays in fund disbursement, and weak internal audit systems. These challenges are consistent with findings in local studies, such as the Ethiopian Civil Service University Report on Local Government Budgeting (2022), which underscores the need for enhanced capacity-building and the adoption of modern financial management tools.

This research seeks to assess the budget implementation and control system in Wolkite Town Administration, with a focus on identifying challenges, evaluating existing mechanisms, and proposing actionable recommendations for improvement. By drawing insights from both global and local contexts, the study aims to contribute to the broader discourse on improving public financial management in Ethiopia.

### **1.3. Background of the Organization**

The Wolkite Town Administration Finance Bureau operates under the Central Ethiopian Regional State of the Federal Democratic Republic of Ethiopia. Established in November 2003, it resulted from the merger of the Bureau of Finance and the Bureau of Planning and Economic Development. The Bureau's mission is to facilitate the region's maximum development by managing financial resources efficiently.

Located approximately 152.3 kilometers southwest of Addis Ababa. Wolkite Town serves as the administrative center of the region. The Finance Bureau performs various critical functions, including coordinating and directing revenue agency activities, preparing budget allocation formulas, inspecting budget expenditures, and submitting financial reports. Its income sources include regional government budgets and donations. The Bureau also liaises with external organizations to establish cooperative partnerships.

## **1.4. Statement of the Problem**

A budget serves as a financial plan that outlines an organization's goals and proposed actions for a specific period. Effective budgeting ensures that resources are aligned with objectives, operational efficiency is maintained, and accountability is upheld. However, despite its importance, many organizations encounter significant challenges in budget preparation, implementation, and control.

In the case of the Wolkite Town Administration Finance Bureau, an analysis of financial performance over the past five years (2011–2016 E.C.) reveals persistent issues such as inefficient allocation of resources, delays in fund disbursement, and inconsistencies between planned and actual expenditures. These challenges have led to underutilization of allocated funds, unmet performance targets, and reduced public trust in the bureau's financial management.

For example, during the 2014 E.C. fiscal year, only 70% of the allocated budget was utilized, resulting in incomplete projects and unaddressed community needs. Furthermore, limited capacity in budget monitoring and the absence of robust corrective mechanisms have exacerbated these issues. These recurring problems highlight a systemic gap in the bureau's ability to implement and control budgets effectively.

This study seeks to address these gaps by identifying the key factors influencing budget implementation and proposing practical recommendations to improve the bureau's financial management practices. By doing so, the study aims to contribute to enhanced resource utilization, transparency, and accountability within the Wolkite Town Administration.

## **1.5. Research Questions**

To address the above issues, the study seeks to answer the following questions:

- What procedures are followed during budget preparation?
- What trends are evident in budget utilization over the past five fiscal years?
- What factors most significantly affect budget utilization?

## **1.6. Objectives of the Study**

### **1.6.1. General Objective**

The general objective of this study was to assess the factors influencing budget implementation and control systems in Wolkite Town Administration's Finance Bureau.

### **1.6.2. Specific Objectives**

- To evaluate whether the procedures followed during budget preparation align with recommended practices.
- To analyze budget utilization trends over the past five years.
- To identify factors affecting budget utilization.

## **1.7. Significance of the Study**

This study provides valuable insights into the challenges faced by Wolkite Town Administration Finance Bureau in implementing and controlling budgets. The findings will:

- Assist the Bureau in improving budget implementation and control practices.
- Enhance the researcher's understanding of budget practices.
- Enable the Bureau to identify its strengths and weaknesses by comparing annual reports from previous and current years.
- Offer practical recommendations for addressing identified challenges.

## **1.8. Scope of the Study**

The scope of this study is limited to the budget implementation and control systems of the Wolkite Town Administration Finance Bureau. It focuses specifically on assessing practices and challenges within this organization.

## **1.9. Limitations of the Study**

This study faces certain limitations that may affect its findings and generalizability. Firstly, it is confined to the Finance Bureau of Wolkite Town Administration and does not encompass other bureaus or related entities. Secondly, data availability is restricted to a five-year period (2011–2016E.C), which may not capture longer-term trends. Additionally, challenges such as limited access to some documents, time constraints, and potential biases in responses from interviewees or questionnaire participants could influence the outcomes of the study.

## **1.10. Organization of the Study**

This study was organized into five Chapters chapters:

- Chapter One: Introduction, which includes the background, problem statement, objectives, significance, and scope of the study.
- Chapter Two: Literature review, which explores theoretical and empirical aspects of budgeting.
- Chapter Three: Research design and methodology.
- Chapter Four: Data Analysis , Result Discussion and Interpretation
- Chapter Five: Summary, Conclusion and Recommendation

# Chapter Two

## 2. Literature Review

### 2.1. Introduction:

This chapter provides a comprehensive review of existing literature on budget implementation and control systems. The review aims to establish a theoretical and empirical foundation for the study by exploring concepts, frameworks, and findings from previous research. It covers key areas such as the definition and significance of budgeting, theoretical approaches to budget control, factors affecting budget implementation, and empirical evidence from similar studies.

### 2.2. Concept of Budgeting

Budgeting is widely regarded as a critical component of financial management. It involves the allocation of resources to achieve specific organizational objectives within a defined period. According to Horngren et al. (2015), a budget serves as a "quantitative expression of a proposed action plan for a given period." Budgets are essential for planning, controlling, and evaluating an organization's financial performance.

Effective budgeting ensures optimal resource utilization, enhances accountability, and facilitates decision-making. Public sector organizations, such as government finance bureaus, rely on budgets to allocate funds to critical sectors, including education, health, and infrastructure. However, the success of budgeting depends on the implementation and control mechanisms in place.

#### 2.2.1. Characteristics of budgeting

The budget has the following characteristic;

- ❖ It is a quantitative statement expressed in terms of money.
- ❖ It is prepared in advance and approved prior to a definite period of time during which it is to operate.
- ❖ It relates to future. In other words budgets are prepared for future implementation.
- ❖ A budget is prepared for the implementation of the policy formulated by the management for the purpose of attaining a given objective.

The institute defines budgetary control as the establishment of budgets relating to the responsibilities of executives of the requirements of a policy and the continuous

comparison of actual with budgeted results, either to secure by individual action the objectives of the policy to provide firm basis for its revision.

### **2.2.2. Types of budgets**

There are two types of budgets; such as Fixed budget and flexible budget

**Fixed Budgets:** Fixed budgets express a rigid or inflexible plan. It is defined as a budget which is designed to remain unchanged irrespective of the volume of output or turn over attained. In case of a fixed budget, there is one set of conditions and one level of activity and the management expects then without any variation. But, in practice, the level of activity and the volume of output of a company will vary considerably from times to time as a result of internal limitations as well as external; factors like market condition, demands, price etc.

**Flexible Budgets:** a budget that shows how costs vary with different rates of output or at different levels of sales volume a flex budget includes formulas that adjust expenses based on changes in actual revenue or other activities. The result is a budget that is a fairly closely aligned with actual results. This approach varies from the more common static budget, which contains nothing but fixed expenses amounts that do not vary with actual revenue levels.

### **2.2.3. Preparation of Flexible Budgets**

A Flexible budget can be prepared under three methods: such as Tabula method Charting method and Ratio method

**Tabular Method:** The expenses are recorded under major groups, namely variable, semi variable and fixed. The flexible budget covers all possible volumes of production Costs for any volume not specifically covered are obtained by interpolation or by proportional method.

**Charting Method:** Under this method, groups of expenses are analyzed according to their behavior variable, semi variable and fixed. There is an estimate of expenses or groups of expenses are made against different levels of activity and plotted graph paper. The budgeted cost corresponding to the level of activity attained can then bread out from the chart.

**Ratio Method:** When the activities of a concern are on standard lines and also nature and scope of expenses are uniform, many of the expenses can be expressed as percentage of level of activity or production. The budgeted cost for any desired level of any develops of activity can be ascertained with the help of these ratios.

#### **2.2.4. Operation of Flexible Budgetary control**

In What Flexible budgetary control is not operated in conjunction with standard costing the variances cannot be explained in detail but they can be reflected only in total. As a result, it will be difficult to come with a valid conclusion as the variances will not be much information. When standard costing and flexible budgeting are operated, simultaneously, the technique of determination of flexible budget allowance for fixed over heads is different from that when standard costing is not insistence.(micheal 1976)

#### **2.2.5. Advantages of budgets**

Budgets are an integral part of management control systems when administrated thought fully by mangers budgets.

- Promote coordination and communication among sub units within the company.
- Provide a frame work for judging performance and facilitating learning.
- Motivate managers and other employee (Charles 2006)

#### **2.2.6. Budgeting Systems**

The modern budget system has accomplished the growth of representative government and governmental activities. In most countries, the budget system will established first at the federal level and then spread to state and local government. The main objective of preparing the basic budgets for a manufacturing enterprise the details of budgets systems vary among business enterprises. They are affected by such factors as the type and complexity of operations, the organizational structure of the enterprise and managements philosophy. A budgeting system used by an automobile manufacture such as general master would obviously differ from the budgeting system used by a small paper products manufacture. Differences among budgeting systems are even more significant among different types of business such as manufactured and service enterprise. (Arora 1990)

**Sales Budget** The first budget prepared is usually the sales budget. An estimate of the sales value serves as basis for the other budgets. Sales volume affects the factors entering in to the determination of operating income. The sales budgeted normally indicates as for each product;

The quantity of estimated sales and The expected unit saving price. These data are often classified by regions and or by sales representatives. In estimating the quantity of sale for each product, past sale volumes are often classified used as starting point. (arora1990)

**Production Budget** Production: should be carefully coordinated with the sales budget to ensure that production and sale are repeatedly in balance during the period. The number of units of each product to be manufactured to meet budgeted sales and infantry needs is set forth in the production budget (arora 1990)

**Direct Materials Purchases Budget:** The production budget provides the starting point for determining the estimated quantities of direct materials to be purchased. These quantities are multiplied by the expected units purchase price to determine the total cost of direct materials to be purchased.

**Direct Labor Cost Budget:** The production budget also provides the starting point for preparing the direct labor cost budget. The direct labor requirements should be closely coordinated between the production and personal departments. This ensures that there will be enough labor available to meet production needs, Efficient manufacturing operations minimizes idle time and labor shortages.

**Factory overhead cost budget:** The estimated factory overhead costs necessary to meet production needs there up the factory overhead cost budget. Supporting schedules that break down factory overhead costs by department are often prepared for distribution to the departments. Such schedules enable department supervisors to focus attention on those costs for which they are responsible. They also aid the production manager in evaluating performance in each department.

**Cost of Goods Sold Budget:** The direct materials purchase budget, direct labor cost budget and factor overhead cost budget provide the starting point for preparing the cost of goods sold budget. The desired ending inventory and the estimated beginning inventory date are combined with these date to determine the budgeted cost of goods sold.

**Operating Expenses Budget:** The estimated selling and administrative expenses make up the operating expenses budget. This budget usually provides the expenses by nature or type of expenditures. Such as sales salaries, rent, insurance and advertising

**Capital Expenditure Budget:** The capital expenditure budget summaries plan for acquiring plant assets. Such expenditures are necessary as machinery and other plan assets wear out, become obsolete or for other reasons fall below minimum standards of efficiency. In addition, an expansion of plant facilities may be necessary it meet increasing demand for a company's product or to expand the company's product line. The use full life of many plant assets extends over relatively long periods of time in addition, the amount of the expenditures for such assets many changes significantly for year to year.

**Cash Budget:** The cash budget presents the expected in flows and out flow of cash for a day week a month or a longer period.

Date from the various operating expenses budget; affect the cash, the direct materials purchases budget and the operating expenses budget affect the cash budget. In addition, the capital expedite budget divided policies and plans for equally or long term debt financing also affect the cash budget. In the cash budget, receipts are classified by source

and payments by purpose the estimated cash balance of the end of the period is then compared with the minimum balance required by operations. Any expected excess or deficiency can thus be determined. (Michael 1976)

## **2.3. Theoretical Approaches to Budget Control**

Several theories underpin the study of budget implementation and control systems. Key theoretical perspectives include:

### **2.3.1. Agency Theory**

Agency theory emphasizes the relationship between principals (e.g., government or stakeholders) and agents (e.g., managers or public officials). It highlights the need for effective monitoring mechanisms to ensure that agents act in the best interest of principals. Budget controls serve as tools for mitigating agency problems by promoting transparency and accountability.

The Principal-Agent Problem is a fundamental concept in Agency Theory, which was first formalized by economists Michael C. Jensen and William H. Meckling in their 1976 paper titled *Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure*.

In this theory, the principal-agent relationship occurs when one party (the principal) hires another party (the agent) to perform a task on their behalf. The problem arises because the agent and the principal have different interests and levels of information, which can lead to agency costs—the costs incurred by the principal to monitor the agent's behavior and ensure the agent acts in the principal's best interest.

Agency Theory focuses on these two key problems:

**Conflicting Interests:** The agent may act in ways that are beneficial to them but not to the principal. For example, a manager (agent) might prioritize short-term profits that benefit their own bonus structure rather than long-term investments that benefit the shareholders (principals).

**Information Asymmetry:** The agent usually has more information about the tasks they perform than the principal, leading to situations where the principal cannot fully observe the agent's actions. This makes it harder for the principal to ensure the agent is acting in their best interest.

To mitigate these problems, Agency Theory suggests strategies such as monitoring (e.g., audits or regular reports), incentive alignment (e.g., performance-based compensation),

and contract design (e.g., clear terms of employment that outline expected behaviors and consequences).

A notable work is "Agency theory, corporate governance and corruption" by M. S. Mollah and M. Mollah (2024), which revisits the separation between ownership and control. The study explores how agency theory can be applied to understand governance structures and the role of corruption in organizational settings.

### **2.3.2. Public Choice Theory**

Public choice theory examines how individuals and groups make decisions in the public sector. It suggests that budgetary decisions are influenced by political and bureaucratic interests, which may not always align with public welfare. This theory underscores the importance of checks and balances in budget implementation.

One well-known Public Choice Theory is the Median Voter Theorem. This theory, developed by economists Anthony Downs in his 1957 book *An Economic Theory of Democracy*, posits that in a majority-rule voting system, the preferences of the median voter (the voter whose preferences lie in the middle of the political spectrum) will tend to prevail.

Explanation of the Median Voter Theorem:

The Median Voter Theorem suggests that in a democratic system, where elections are decided by majority rule, political candidates or parties will adapt their policies to appeal to the median voter. This occurs because political candidates aim to maximize their chances of winning the election, and to do so, they must secure the most votes. Since voters' preferences are distributed along a spectrum, the candidate whose policy positions most closely align with the preferences of the median voter has the highest likelihood of winning.

For example, in a two-party system, if Party A positions itself too far to the left and Party B too far to the right, the median voter—who falls between these extremes—may find neither party appealing. However, if Party A shifts its policy position closer to the center (the median), it could win over the median voter and thus increase its chances of victory. The result is that, over time, candidates in competitive elections tend to converge toward the middle of the political spectrum to secure the most votes.

Reference for Literature Review:

Downs, A. (1957). *An Economic Theory of Democracy*. Harper and Row.

In his groundbreaking work, Downs argues that democracy functions as a competitive electoral process in which political parties or candidates seek to win elections by adopting policies that appeal to the median voter. The theory provides an economic perspective on how political competition works in practice and suggests that under certain conditions, democratic outcomes are not necessarily reflective of the extremes of the political spectrum, but rather are driven by the preferences of the majority or the median voter.

Example of Application:

In Wolkite Town, if the majority of voters prioritize projects that benefit education, the finance bureau might allocate more funds to this sector, even if other sectors like health or infrastructure might have more urgent needs. The budget decisions made by local government officials could then be analyzed in light of the Median Voter Theorem: are they aiming to secure the support of the median voter for re-election, or are they focusing on more balanced or technical needs?

By relating the Median Voter Theorem to your research, you can explore the intersection of political preferences, budgeting, and control systems in public administration. This theoretical framework can also guide your analysis of how political factors might influence the effectiveness of budget implementation and control in Wolkite Town, adding a layer of political economy to your study.

A literature review" by M. S. Mollah and M. Mollah (2017), examine how economic theories, including Public Choice Theory, are applied in budgeting processes. The review highlights the role of motivation in budgeting and discusses how economic theories inform budgeting practices.

### **2.3.3. Incremental Budgeting Theory**

Incremental budgeting theory posits that budgetary decisions are often based on adjustments to previous budgets rather than comprehensive reviews. While this approach simplifies decision-making, it may perpetuate inefficiencies if past allocations were sub optimal.

A well-known example of a theory related to Incremental Budgeting is the "Garbage Can Model" of decision-making, which was developed by Michael D. Cohen, James G. March, and Johann P. Olsen in their 1972 paper titled A Garbage Can Model of Organizational Choice. This theory is often applied to explain incremental budgeting, especially in complex organizations like governments and large public institutions.

Explanation of Incremental Budgeting Theory and the Garbage Can Model:

Incremental Budgeting suggests that budget changes are typically small and gradual, rather than radical or comprehensive. Instead of starting from zero and re-assessing all activities and expenses, organizations usually base their new budgets on the previous year's budget with small adjustments (increases or decreases). The idea is that major changes in budgetary allocations are rare, and decisions are made incrementally, responding to routine adjustments rather than large-scale strategic shifts.

The Garbage Can Model helps explain why budgeting can often be incremental rather than fundamental:

In complex organizations, decision-making can be chaotic and not always rational. Decision-makers may not have all the relevant information or time to make comprehensive decisions. As a result, decisions on budgets and resource allocation tend to be incremental, as issues are addressed in a piecemeal fashion, often based on the previous budget, rather than rethinking the entire budget from scratch.

The "garbage can" metaphor suggests that decisions are sometimes made by mixing different problems, solutions, participants, and opportunities that are available at the time. Decisions, including budget adjustments, are made when the right combination of factors comes together, often leading to small, incremental changes rather than large, disruptive shifts.

Example of Incremental Budgeting in Practice:

Imagine a local government department that is planning its budget for the upcoming year. Instead of drastically overhauling the budget or revising it based on new policy priorities, the department might simply make incremental changes by adjusting last year's budget—such as increasing the allocation for public safety by 2% while slightly reducing funds for recreational programs. These incremental changes may reflect ongoing political pressures, past budgetary decisions, and the general status quo within the department rather than a deep rethinking of priorities.

Reference for Literature Review Section:

Cohen, M. D., March, J. G., & Olsen, J. P. (1972). A Garbage Can Model of Organizational Choice. *Administrative Science Quarterly*, 17(1), 1-25.

The Garbage Can Model provides a theoretical basis for understanding why incremental budgeting often happens in real-world organizations. It emphasizes the complexity and randomness in decision-making processes, which contributes to the tendency to rely on incremental changes rather than comprehensive budget reforms. By incorporating this model into your literature review, you can analyze why budgeting processes at the local

government level (like Wolkite Town Administration) might be incremental and driven by existing structures, routines, and political influences rather than radical change.

How has incrementalism as a theory contributed to our understanding of the politics of public budgeting" by M. S. Mollah and M. Mollah (2023) explores the contributions of incremental to understanding public budgeting politics. The study examines how incrementalism has been employed to justify governmental fiscal choices and its implications for budgeting practices.

## **2.4. Factors Affecting Budget Implementation**

Several factors influence the effectiveness of budget implementation. These include:

**Planning and Preparation:** Comprehensive planning and realistic budget estimates are essential for effective implementation. Inadequate planning often leads to mis-allocation of resources and project delays.

**Capacity and Expertise:** The technical capacity of staff involved in budget implementation significantly impacts outcomes. Lack of training and expertise can hinder effective execution.

**Monitoring and Evaluation:** Robust monitoring and evaluation mechanisms are critical for identifying variances and taking corrective actions. Without these mechanisms, budgetary inefficiencies may persist.

**Political and Economic Factors:** Political instability and economic fluctuations can disrupt budget implementation. Changes in government priorities or economic downturns may necessitate budget re-allocations.

## **2.5. Empirical literature review**

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

According to Getachew (2006) conducted a study on the analysis of medium term expenditure planning and budget allocation in Ethiopia stated that, even though there have been several attempts to address the weaknesses of the Ethiopian budgetary system and try to resolve conflict between annual budget perspectives with medium term planning horizons, successful modern budgeting system remains a continuous problem of the country. In addition, Getchew explained that, the main problems of the Ethiopian budget process systems were:

- Lack of proper medium term perspective;
- Lack of properly integration of capital and recurrent budget;
- The head of public bodies did not give much attention for preparation of budget;
- Budget doesn't give incentives for efficiency;
- During budget utilization performance measures is not applied;
- The relationship between budget and macro-economic policy framework is insufficient;
- Preparation of budget based on unreliable data and estimation;
- The budget system was ineffective to ensure financial accountability; and
- Involvement of stakeholder and Political commitment in the budget process are limited.

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

According to Horngren, Sundem, Stratton, Burgstahler&Schatzberg, (2008) state that, recent surveys show just how valuable budgets can be. They assert that, a study of more than 150 organizations in North America listed budget preparation and utilization as the most frequently used as most important part of budget process. One of the usefulness of the process of budgeting forces manager to become a better administrator and puts planning in the fore front of managers' mind.

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

Guilding et al. (2000) found that accountants in New Zealand and United Kingdom tend to see variances from budget as being important and performance appraisal was based mainly on budget achievement.

According to Joshi et al. (2003), examines budgetary planning, control and performance evaluation in developing countries. A questionnaire survey of 54 medium and large sized firms including both listed and non-listed firms was conducted. His findings revealed that most of the firms prepare long-range plans and operating budgets, and use budget variance to measure performance for timely recognition of problems and to improve the next periods budget. Moreover, findings showed that the main purposes of budgeting in most companies are to: maximization and the control performance by investigating variances. Poor cooperation and ineffective planning are the main reasons for not achieving the required standard targets.

study by Aregawi (2020) on budget management in Ethiopian municipalities found that inadequate planning, lack of accountability, and limited capacity were major obstacles to effective budget implementation. Similarly, World Bank reports emphasize the importance of public financial management reforms in enhancing budgetary outcomes.

In the context of Wolkite Town Administration, previous assessments have highlighted recurring issues such as underutilization of funds, delays in project execution, and insufficient monitoring. These findings underscore the need for targeted interventions to address systemic weaknesses.

## **Chapter Three**

### **3. Research Methodology**

#### **3.1. Introduction**

The effective implementation and control of budgets play a crucial role in ensuring financial accountability and resource optimization within public institutions. Budgetary processes, when effectively managed, ensure that resources are allocated efficiently and utilized in alignment with organizational goals. However, inefficiencies in budget implementation and control often lead to resource wastage, unmet objectives, and reduced public trust.

This study aims to assess the budget implementation and control system in the Wolkite Town Administration of Finance Bureau. Specifically, it seeks to identify the key challenges hindering effective budget utilization, evaluate the current practices employed by the bureau, and measure their efficiency in achieving financial accountability. By providing evidence-based insights, the research intends to support decision-makers in formulating strategies for improved financial management and resource optimization. Additionally, it underscores the importance of robust monitoring and evaluation mechanisms in achieving sustainable financial outcomes.

The findings from this study are expected to contribute to the body of knowledge on public financial management and serve as a practical resource for the Wolkite Town Administration and similar institutions striving to enhance their budgetary systems.

#### **3.2. Research Design**

This study adopts a descriptive research design, which is aimed at providing an in-depth understanding of the budget implementation and control system in the Wolkite Town Administration of Finance Bureau. The descriptive design is appropriate for exploring and describing the current practices, challenges, and areas for improvement in budget management. By using this design, the study will generate detailed information that can be used for actionable recommendations and future improvements.

#### **3.3. Research Approach**

The research adopted a mixed-methods approach, combining both qualitative and quantitative methodologies. This approach allowed for best understanding of effective implementation and control of budgets by integrating numerical data with contextual

insights from staff. Quantitative data was collected through structured questionnaires, while qualitative insights were gathered through interviews and open-ended questions.

### **3.4. Data Sources**

The research utilizes both primary and secondary data sources, ensuring a comprehensive approach to data collection:

#### **3.4.1. Primary Data**

These data are collected directly from employees of the Wolkite Town Administration of Finance Bureau using structured questionnaires and interviews. This approach allows for gathering firsthand insights and opinions on the effectiveness of budget implementation and control mechanisms.

#### **3.4.2. Secondary Data**

This involves collecting relevant information from existing reports, financial records, budget documents, and other official publications within the Wolkite Town Administration. These data provide context and support for the analysis of primary data.

### **3.5. Target Population**

The target population for the study comprises the 52 staff members of the Wolkite Town Administration of Finance Bureau. This population includes individuals responsible for planning, implementing, and controlling the budget, ensuring that the study captures perspectives from relevant and informed personnel.

### **3.6. Sampling Technique**

A purposive sampling technique is utilized in this study. This non-probability sampling method focuses on selecting respondents based on their expertise and experience in budget implementation and control processes. By targeting experienced employees, the study ensures that the data collected are reliable, relevant, and reflective of the realities of budget management within the bureau.

### **3.7. Sample Size**

The sample size for this study includes all experienced employees from the total staff population of 36. The final number of respondents will depend on the availability and willingness of the employees to participate in the study. This comprehensive approach allows for obtaining meaningful insights from a significant proportion of the target population.

### **3.8. Data Collection Tools**

#### **A) Questionnaires**

Structured questionnaires are designed with a combination of closed and open-ended questions to gather quantitative and qualitative data. These questionnaires are pre-tested to ensure clarity, reliability, and validity.

#### **B) Interviews**

Semi-structured interviews are conducted with selected participants to gather deeper insights and qualitative information about the challenges and opportunities in budget implementation and control systems. This method allows for flexibility in exploring key themes and issues.

### **3.9. Data Analysis**

Data analysis for this study involved both descriptive statistics and frequency analysis to effectively summarize and interpret the collected information. Quantitative data gathered through questionnaires were manually organized into tables, which helped to clearly present key trends and patterns related to budget implementation and control practices within the Wolkite Town Administration Finance Bureau. These tables were used to show response distributions and highlight common challenges faced by staff in executing and managing budget activities. In addition, frequency analysis was employed to determine how often specific responses appeared, enabling the identification of recurring issues such as resource constraints, audit frequency, and internal control weaknesses. Qualitative responses from interviews were reviewed and grouped by emerging themes, which provided contextual insights into employee perspectives. This analytical approach allowed for a comprehensive understanding of the data without the use of statistical software, and facilitated a straightforward interpretation of results to support the study's conclusions and recommendations.

### **3.10. Ethical Considerations**

Ethical considerations were carefully observed throughout the entire research process to ensure the integrity and credibility of the study. Participation in the study was entirely voluntary, and all respondents were informed about the purpose of the research, how the data would be used, and their right to withdraw at any stage without any consequence. Informed verbal consent was obtained from each participant prior to data collection. The privacy and confidentiality of all participants were respected, and no personal identifiers were included in the reporting of results. Responses were handled with strict confidentiality and were used solely for academic purposes. Furthermore, care was taken to present the findings honestly and objectively, avoiding any form of bias or

misrepresentation. By adhering to these ethical standards, the study aimed to protect participants' rights and maintain high research quality.

## **Chapter Four**

### **4. Results Analysis and Presentation**

#### **4.1 Overview of Data Analysis and Presentation**

This study provides an in-depth analysis of the budget implementation and control system in Wolkite Town Administration, highlighting key challenges, strengths, and areas for improvement. The research was conducted through questionnaires distributed to 36 respondents, with 33 valid responses, yielding a 92% response rate. The study assessed various aspects of budget implementation, including clarity of guidelines, resource sufficiency, transparency, internal controls, and audit frequency. Additionally, interviews with managers provided qualitative insights into the budget management process.

#### **4.2 Characteristics of Respondents**

##### **4.2.1 Demographic Profile**

The respondents in this study consisted of employees with different roles and experiences, contributing diverse perspectives to the research findings. The demographic analysis is categorized based on job roles, work experience, and educational qualifications.

##### **4.2.2 Role of Employees**

The respondents were distributed across various job positions within the organization. The data is presented in the table below:

Employee Role	Frequency	Percentage (%)
Budget Officers	10	30.3%
Accountants	7	21.2%
Management Staff	2	6.1%

Other Roles	11	33.3%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

The data indicates that budget officers and accountants make up a significant proportion of the respondents, with 30.3% and 21.2%, respectively. Management staff account for a smaller percentage, while other employees, including administrative and support staff, make up the largest share at 33.3%.

#### **4.2.3 Work Experience**

The respondents' work experience was classified into three categories, as illustrated in the table below:

Work Experience (Years)	Frequency	Percentage (%)
1 - 3 years	8	24.2%
4 - 6 years	15	45.5%
More than 6 years	10	30.3%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

The majority of the respondents (45.5%) have between 4 to 6 years of experience, followed by 30.3% who have more than 6 years of experience. A smaller percentage (24.2%) have 1 to 3 years of experience, reflecting a mix of seasoned professionals and relatively new employees.

#### **4.2.4 Level of Education**

The respondents' educational qualifications are summarized in the table below:

Educational Qualification	Frequency	Percentage (%)
Diploma	3	9.1%

First Degree	23	69.7%
Master's Degree	7	21.2%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

The data suggests that the majority of respondents (69.7%) hold a first degree, followed by 21.2% with a master's degree. A small fraction (9.1%) hold a diploma, indicating that most employees possess at least an undergraduate-level education.

### **4.3. Budget Implementation Data Analysis and Interpretation**

#### **4.3.1 Clarity of Budget Implementation Guidelines**

The findings reveal that a majority of respondents (54.5%) perceive the budget implementation guidelines as somewhat clear, indicating that while the guidelines provide a general direction, there may be areas needing further clarification. Additionally, 18.2% of respondents believe the guidelines are very clear, suggesting that some employees find them well-structured and easy to follow. However, an equal proportion of respondents (18.2%) expressed neutral opinions, implying that they neither find the guidelines particularly clear nor unclear. Notably, 9.1% of respondents rated the guidelines as somewhat unclear, indicating some level of ambiguity or lack of accessibility in the documentation or communication of budget implementation procedures.

This distribution suggests that while the majority of employees can navigate the budget implementation guidelines effectively, there is still a need for improvement in terms of clarity, communication, or training to ensure all employees fully understand and adhere to the guidelines.

#### **4.3.2 Frequency of Budget Revisions**

The data indicates that budget revisions occur with varying frequencies across departments. The majority of respondents (48.5%) stated that budgets are revised occasionally, suggesting that while adjustments are made during the fiscal year, they are not frequent but occur when necessary. Additionally, 39.4% of respondents reported that budget revisions happen frequently, indicating that some departments may require

constant adjustments due to unforeseen changes, evolving priorities, or financial constraints.

On the other hand, a smaller proportion (12.1%) mentioned that budget revisions happen rarely, implying that in some cases, the budget remains largely unchanged throughout the fiscal year. This could indicate either strong initial budget planning or limited flexibility in modifying allocations.

The results suggest that while most departments have a degree of flexibility in adjusting their budgets, a significant portion undergo frequent changes, which could be indicative of dynamic financial environments, unexpected expenditures, or inefficiencies in initial budget planning.

### **4.3.3 Effectiveness of Budget Communication**

The data indicates varying perceptions of communication effectiveness across respondents. The majority of respondents (54.5%) rated communication as effective, suggesting that, overall, communication is generally clear and meets expectations. This response indicates that while communication is functioning well for most participants, there may still be areas where improvements can be made to enhance clarity or timeliness.

A significant portion of respondents (24.2%) reported a neutral stance on communication effectiveness, indicating that these individuals did not have strong opinions either for or against the communication. This could suggest that the communication process might not have been particularly engaging or impactful for these respondents, or it was sufficiently adequate but not remarkable. This neutral rating highlights a potential area for further improvement, where efforts could focus on making communication more engaging or clearer to create stronger positive responses.

Meanwhile, 15.2% of respondents found the communication to be ineffective. This suggests that, for a small group of participants, communication did not meet expectations, possibly due to issues like lack of clarity, delays, or failure to convey necessary information. The presence of these negative responses points to potential barriers or gaps in the communication process that need to be addressed to ensure all participants receive timely, clear, and actionable information.

Finally, only 6.1% of respondents considered the communication to be very effective. This indicates that while a small group perceived the communication to be exemplary, it was not the dominant view. This could imply that even though communication may be adequate for many, there is still room to elevate it to a level where it can be considered highly effective by all.

Overall, the results suggest that while communication is generally effective for most respondents, there is a significant opportunity for improvement. The neutral and ineffective responses highlight areas where the communication process could be optimized to ensure greater engagement, clarity, and satisfaction across all participants.

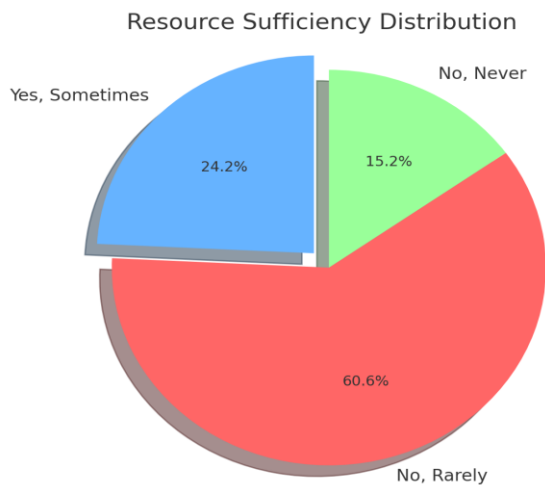
#### 4.3.4 Sufficiency of Resources

The data reveals varying levels of resource sufficiency across the respondents. The largest group (60.6%) reported that resources are "No, Rarely" sufficient, indicating that for the majority of participants, resources are infrequently available or sufficient to meet needs. This suggests that a significant portion of respondents may face challenges in accessing or utilizing resources consistently, which could impact their ability to perform tasks efficiently and achieve desired outcomes.

A smaller group (24.2%) selected "Yes, Sometimes," implying that resources are occasionally sufficient but not consistently. This response suggests that while there are times when resources meet needs, these instances are not regular, and there may be periods of resource shortages or limitations. It reflects a moderate level of resource sufficiency, where occasional gaps are experienced.

Only 15.2% of respondents reported that resources are "No, Never" sufficient, indicating that this group consistently faces resource shortages. This highlights a significant issue, as these respondents are not receiving the necessary resources at all, which could hinder productivity and overall success.

In conclusion, the results suggest that the majority of respondents (60.6%) experience significant resource limitations, while a smaller group experiences occasional sufficiency. Only a few report consistent sufficiency of resources, pointing to a potential need for more consistent allocation or increased resource availability to support the respondents effectively. Addressing these gaps could enhance performance and efficiency across the board.



### 4.3.5 Transparency of Budget Implementation

The data indicates differing perceptions of transparency among respondents. The largest group (45.5%) reported a "Neutral" stance, suggesting that they are either unsure or feel that transparency is neither particularly high nor low. This response may point to a need for more clarity or openness, as respondents are not strongly perceiving either a transparent or opaque environment.

A smaller group (30.3%) selected "Yes, Somewhat," indicating that while transparency is present to some extent, it is not fully clear or comprehensive. This suggests that there is partial transparency, but room exists for further improvement to ensure more openness and clarity in processes and decisions.

Only 24.2% of respondents reported "No, Somewhat Corrupt," pointing to a concern that transparency is lacking and there may be elements of corruption or hidden practices. This response suggests a significant issue with transparency, as these respondents believe there are questionable or unethical practices that reduce transparency.

In conclusion, the results show that while a majority of respondents (45.5%) feel neutral about transparency, a considerable portion (30.3%) sees some level of transparency, though it is not fully sufficient. A smaller group (24.2%) perceives some level of corruption, pointing to a need for improved transparency and a reduction in opaque or corrupt practices. Addressing these concerns could help build trust and ensure more openness in operations.

Transparency Level	Frequency	Percentage (%)
Yes, Somewhat	10	30.3%
Neutral	15	45.5%
No, Somewhat Corrupt	8	24.2%
Total	33	100%

(Source: Data Collected From Questionnaires)

### 4.3.6 Agreement with Existing Monitoring Mechanisms

The data shows a mixed response regarding the level of agreement among respondents. The largest group (45.5%) reported that they "Disagree," indicating that a significant portion of participants does not agree with the statement or proposition being assessed.

This suggests that there may be concerns or disagreements regarding the subject matter, highlighting the need for further clarification or improvement in the area being addressed.

A smaller group (30.3%) selected "Neutral," implying that they neither agree nor disagree with the statement. This indicates uncertainty or indifference, which could suggest a lack of strong opinion or sufficient information to form a definitive stance.

Only 24.2% of respondents reported that they "Agree," representing the smallest group. While this indicates that some participants support the statement, the relatively low percentage suggests that overall agreement may be limited.

In conclusion, the results suggest that the majority of respondents (45.5%) disagree with the statement, with a substantial group (30.3%) remaining neutral. Only a small proportion (24.2%) agree. This highlights the need for addressing the concerns of those who disagree and engaging with the neutral group to better understand their perspectives and potentially shift opinions in a more favorable direction.

## **4.4. Budget Implementation Control and Audit**

### **4.4.1 Frequency of Audits**

The data reveals differing patterns in the frequency of audits across respondents. The largest group (54.5%) reported that audits occur "Rarely," suggesting that for the majority of participants, audits are infrequent. This could indicate a lack of regular oversight or an inconsistency in audit schedules, potentially leading to challenges in maintaining effective control and accountability over processes.

A smaller group (27.3%) selected "Occasionally," implying that audits happen from time to time, but not on a regular basis. This response indicates that while audits may be conducted, they are not part of a consistent schedule, which might lead to occasional lapses in oversight and possibly reduce the overall effectiveness of auditing practices.

Only 18.2% of respondents reported that audits occur "Regularly," highlighting that a minority of participants experience a steady auditing schedule. This group likely benefits from continuous monitoring and more effective management of processes, which could lead to better control and performance.

In conclusion, the results suggest that most respondents (54.5%) experience infrequent audits, which could lead to potential gaps in oversight and accountability. A smaller group benefits from occasional audits, and only a few report regular audits, pointing to a need for more consistent auditing practices to ensure that processes are effectively monitored and controlled. Enhancing audit frequency could improve accountability and support more efficient operations.

Audit Frequency	Frequency	Percentage (%)
Regularly	6	18.2%
Occasionally	9	27.3%
Rarely	18	54.5%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

#### 4.4.2 Effectiveness of Internal Controls

The data indicates a significant disparity in the sufficiency of internal controls across respondents. The majority (69.7%) reported that internal controls are "No, Partially Insufficient," suggesting that most participants feel internal controls are not fully adequate to ensure effective management and oversight. This indicates that internal controls may need substantial improvement or strengthening to address potential weaknesses in safeguarding operations and resources.

A smaller group (18.2%) selected "Yes, Partially Sufficient," implying that while internal controls are somewhat adequate, there are still gaps or areas for improvement. This response reflects a moderate level of satisfaction with the existing controls, though it highlights the need for ongoing adjustments or enhancements to achieve full sufficiency.

Only 12.1% of respondents reported that internal controls are "No, Completely Insufficient," suggesting that this group consistently faces significant deficiencies in internal controls, which could expose them to risks such as fraud, errors, or inefficiencies.

In conclusion, the results show that the majority of respondents (69.7%) view internal controls as partially insufficient, indicating a need for improvement. A smaller group feels that the controls are partially sufficient, while a few respondents face completely insufficient controls. Addressing these gaps could enhance operational effectiveness and reduce risks by ensuring stronger internal control systems.

Internal Control Sufficiency	Frequency	Percentage (%)
Yes, Partially Sufficient	6	18.2%
No, Partially Insufficient	23	69.7%

No, Completely Insufficient	4	12.1%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

#### **4.4.3 Frequency of Budget Discrepancies**

The data reveals varying levels of discrepancies across respondents. The largest group (42.4%) reported that discrepancies occur "Occasionally," indicating that while discrepancies are not a constant issue, they do happen from time to time. This suggests that there may be occasional lapses or inconsistencies that need to be addressed to improve accuracy and reliability.

A slightly smaller group (36.4%) selected "Rarely," implying that discrepancies occur infrequently. While this is a positive sign of stability, it also suggests that there may still be room for improvement in reducing errors or discrepancies even further.

Only 21.2% of respondents reported that discrepancies occur "Frequently," highlighting a significant issue for this group. Frequent discrepancies could indicate systemic problems or recurring issues that need immediate attention to ensure more reliable and accurate operations.

In conclusion, the results suggest that while most respondents experience discrepancies occasionally or rarely, there is a smaller group that faces frequent discrepancies. This points to potential areas for improvement in processes, controls, or communication to reduce the frequency of errors and enhance overall efficiency. Addressing these discrepancies could lead to more accurate and reliable outcomes for all involved.

Frequency of Discrepancies	Frequency	Percentage (%)
Frequently	7	21.2%
Occasionally	14	42.4%
Rarely	12	36.4%
Total	33	100%

**(Source: Data Collected From Questionnaires)**

#### **4.5 Challenges of Budget Implementation Process**

In the analysis of the budget implementation process, resource constraints emerged as one of the most frequently cited challenges. Respondents indicated that a significant portion of the allocated budget was insufficient to cover the actual needs and requirements of their departments or projects. These resource shortages often led to delays in implementation, reduced scope, or the necessity to prioritize certain expenditures over others. Resource constraints may stem from various factors such as unrealistic budgeting, unforeseen increases in operational costs, or inadequate financial planning. This challenge highlights the gap between theoretical budget planning and the practical realities of managing financial resources. Addressing resource constraints often requires a more flexible approach to budgeting, where reallocation of funds can be done when certain areas experience underspending, and additional resources can be sought if the situation allows.

Another major challenge highlighted by respondents was the impact of unexpected external factors on budget implementation. These factors include changes in economic conditions, fluctuations in currency exchange rates, shifts in government policy, or unforeseen events such as natural disasters or pandemics. Such factors can disrupt the budgetary assumptions and forecasts, leading to substantial deviations from the planned budget. For instance, sudden price hikes in raw materials or regulatory changes that necessitate unplanned expenditures can destabilize the entire budget implementation process. In response, some organizations have turned to contingency planning and built-in flexibility within their budgets. By setting aside a certain percentage of the budget for unforeseen circumstances or regularly updating the budget to reflect changing conditions, organizations can better navigate such external shocks. Additionally, robust risk management strategies, including scenario planning, are essential to anticipate and mitigate the impact of such disruptions.

In dealing with these challenges, respondents highlighted various strategies employed to minimize their effects on budget implementation. For resource constraints, the most common approach was the careful reallocation of funds from areas with lower priority to those that were more critical. In some cases, departments or teams collaborated more closely to share resources or reduce costs in non-essential areas, ensuring that the core objectives of the budget could still be met. When it came to unexpected external factors, many organizations adopted a more agile and responsive budgeting process. This included regular monitoring and revising of the budget in response to changes in the external environment. By establishing more frequent checkpoints to assess the progress of implementation and the impact of external factors, organizations were able to adjust their financial strategies more quickly, ensuring smoother implementation despite unforeseen challenges.

These strategies, though not foolproof, help organizations adapt to both internal and external pressures, ultimately ensuring more successful budget implementation even in the face of substantial challenges.

### **Strengths of the Current Budget Control Mechanism in Wolkite Town**

#### **Administration:**

According to the responses from most participants, 63.2% of respondents identified several strengths within the current budget control mechanisms in Wolkite Town Administration. One of the key strengths is the systematic allocation of resources, which ensures that financial resources are distributed according to established priorities and needs. This approach helps ensure that critical sectors and projects receive adequate funding, which contributes to the overall success of budget implementation. Additionally, respondents highlighted the importance of regular monitoring and reporting of the budget, which provides oversight and enables the identification of discrepancies early in the implementation process. Regular reports allow administrators to assess progress, detect issues, and take corrective actions as necessary, ensuring that the budget remains on track. Furthermore, transparency in reporting was noted as another strength, as it allows stakeholders to stay informed about how funds are being utilized. This transparency promotes accountability and builds trust among the community and governmental bodies.

### **Weaknesses of the Current Budget Control Mechanism in Wolkite Town**

#### **Administration:**

Despite these strengths, the current budget control mechanism faces notable weaknesses. Lack of flexibility was identified by respondents as a significant issue, as the rigid structure of the budget often fails to accommodate unexpected external factors, such as economic fluctuations, regulatory changes, or emergencies. This inflexibility limits the ability of the administration to adapt and reallocate resources effectively when unforeseen circumstances arise. Additionally, insufficient internal control mechanisms were highlighted as a major weakness. Many respondents pointed out that the lack of robust oversight and control systems often leads to financial mismanagement or inefficiencies, which are not promptly identified and corrected. Without strong internal controls, the potential for discrepancies and misuse of funds increases. Another key weakness noted was poor coordination between departments. Inconsistent communication and collaboration between departments sometimes lead to duplication of efforts or misallocation of resources, further hindering the overall effectiveness of the budget implementation process. This lack of coordination creates inefficiencies that prevent the budget from being fully utilized in line with its intended objectives.

#### **1. Increasing Budget Flexibility**

One of the major issues highlighted by respondents is the lack of flexibility in budget implementation. To address this, the administration should adopt a more adaptive budgeting approach that allows for adjustments when unexpected external factors arise. This can be achieved by introducing contingency funds within the budget to handle

unforeseen financial needs, such as price fluctuations or emergency expenditures. Additionally, implementing a mid-year budget review system would enable departments to reassess their financial allocations and make necessary revisions based on actual performance and emerging needs.

## 2. Strengthening Internal Control Mechanisms

To tackle insufficient internal controls, it is essential to improve financial oversight and accountability within the budget implementation process. This can be done by establishing stronger audit procedures, ensuring regular internal and external audits to detect discrepancies early. Additionally, implementing automated financial tracking systems can enhance transparency by providing real-time monitoring of expenditures, reducing the risk of mismanagement. Furthermore, training and capacity-building programs for finance officers and department heads can improve compliance with budget regulations and ensure funds are utilized efficiently.

## 3. Enhancing Interdepartmental Coordination

Another significant challenge is poor coordination between departments, which leads to inefficiencies in budget utilization. To improve this, the administration should establish a centralized budget coordination committee that facilitates regular discussions among different departments. Improved communication channels, such as quarterly financial review meetings, can help align budget priorities and prevent duplication of efforts. Additionally, integrating digital financial management systems across all departments would ensure smoother collaboration and better tracking of budget performance.

### Example of a Successful Budget Implementation Process

One example of a successful budget implementation in Wolkite Town Administration was the completion of a local infrastructure improvement project, specifically the construction and maintenance of urban roads. This project was executed efficiently within the allocated budget and delivered within the planned timeframe. The success of this initiative was largely due to a well-structured budget planning process, continuous monitoring, and effective resource management. Unlike other projects that faced delays due to financial constraints or administrative inefficiencies, this project benefited from proactive financial oversight and strong interdepartmental coordination.

### Key Factors Contributing to Success

Several critical factors contributed to the successful implementation of this budgeted project:

**Realistic Budget Planning:** The budget was prepared based on accurate cost estimates, past project expenditures, and market price assessments, ensuring that funds were sufficient to cover all aspects of the project. This minimized financial shortfalls and prevented unexpected delays.

**Effective Monitoring and Reporting:** Regular financial tracking and progress reports ensured that any budget discrepancies were quickly identified and resolved. The use of quarterly financial reviews and internal audits helped keep expenditures in check and prevented mismanagement.

**Strong Coordination Between Departments:** The project involved multiple administrative units, including finance, procurement, and infrastructure departments. Regular coordination meetings helped streamline operations, ensuring that funds were disbursed efficiently and project timelines were maintained.

**Timely Fund Allocation:** Unlike some projects that suffer from late fund disbursement, this initiative received funds on schedule, preventing work stoppages and ensuring steady progress.

**Stakeholder Engagement:** Involving local community representatives and decision-makers helped prioritize essential aspects of the project and gain support for budgetary decisions, ensuring smoother execution.

### **Interview Questions for Managers**

As part of the research, interviews were conducted with department managers to gain deeper insights into budget implementation practices. The following key questions were asked to assess their perspectives on budget alignment, challenges, accountability, evaluation methods, and the impact of policies on financial management.

How does your department ensure that budgets are implemented in alignment with the organization's goals and priorities?

This question aimed to understand the strategies used by departments to ensure that financial resources are allocated and utilized in a way that supports organizational objectives. Managers provided insights into planning processes, prioritization methods, and the role of budget committees in aligning financial decisions with long-term development goals.

What are the most significant challenges you face in monitoring and controlling budget implementation, and how do you address them?

This question helped identify common obstacles in budget monitoring, such as resource shortages, delays in fund disbursement, or external economic factors. Managers discussed the strategies they use to address these challenges, such as periodic budget reviews, reallocation of funds, and seeking additional resources when necessary.

How do you ensure accountability and transparency in budget utilization within your department?

To assess the effectiveness of financial oversight, managers were asked about the mechanisms in place to promote accountability and transparency. Responses included internal audits, financial reporting, and the use of digital tracking systems to prevent fraud and mismanagement.

What tools or techniques do you use to evaluate the effectiveness of budget implementation in your department?

Managers highlighted various methods used to assess budget performance, such as variance analysis, key performance indicators (KPIs), financial dashboards, and periodic expenditure reviews. These tools help determine whether allocated funds are being used efficiently and achieving desired outcomes.

In your experience, how have local or national policies, such as Ethiopian financial laws or proclamations, influenced budget management practices in your organization?

This question explored the role of government policies, financial regulations, and proclamations in shaping budgetary processes. Managers shared how compliance with Ethiopian financial laws influences budget planning, reporting requirements, and financial decision-making within their departments.

## 4.6 Key Findings and Challenges

The assessment of the budget implementation and control system in Wolkite Town Administration Finance Bureau revealed several critical findings and persistent challenges that hinder effective financial governance. One of the most significant findings was the issue of **resource constraints**, which affected 72.8% of the respondents. The allocated budgets were often insufficient to meet the operational and development needs of the departments. This resource shortage not only caused delays in project implementation but also led to partial completion of key initiatives, ultimately affecting service delivery and public satisfaction. The **lack of flexibility in budget management** further compounded this issue. Departments reported difficulties in reallocating funds when unforeseen needs arose, demonstrating that the current system is too rigid to respond to dynamic financial environments or emergencies such as inflation, regulatory changes, or unexpected costs.

Another prominent challenge identified was the influence of **external factors**, including economic fluctuations, policy shifts, and other macro-level uncertainties. These variables disrupted the assumptions made during budget planning and necessitated sudden adjustments, for which the existing system was not adequately prepared. The study also found that **interdepartmental coordination** was weak, with poor communication and collaboration among various departments. This disjointed approach led to overlapping responsibilities, duplication of efforts, and inefficient use of limited financial resources, highlighting a need for a more integrated budget management structure.

In terms of control mechanisms, the **internal control systems were found to be largely insufficient**, with 69.7% of respondents indicating that they were either weak or only partially effective. This inadequacy undermines efforts to detect and prevent financial mismanagement, errors, or fraudulent activities. Similarly, **audit practices were reported to be infrequent**, with more than half of the respondents (54.5%) stating that audits were rarely conducted. The lack of regular financial audits not only reduces accountability but also allows financial discrepancies to persist undetected, posing a risk to the integrity of public funds.

Furthermore, the study uncovered concerning views about **transparency and integrity** in budget implementation. While a significant proportion of respondents remained neutral, 24.2% explicitly perceived some degree of corruption within the financial management process. This perception of opacity and unethical practices could erode public trust and reduce stakeholder engagement in the budget process. Although there were some positive observations—such as systematic resource allocation and the existence of basic monitoring frameworks—these strengths were overshadowed by the systemic inefficiencies and lack of responsiveness in the current budget system.

Overall, the findings suggest that without strategic reforms in flexibility, internal control, transparency, and interdepartmental coordination, the bureau will continue to face challenges in achieving effective and accountable budget execution. The study calls for a comprehensive review of existing processes and the adoption of modern financial management practices to address these gaps and ensure that public resources are utilized efficiently for sustainable development.

## **Chapter Five:**

### **5. Summary, Conclusion and recommendation**

#### **5.1 Summary**

This study set out to assess the budget implementation and control system in the Wolkite Town Administration Finance Bureau, and the findings indicate several significant issues that impact the efficiency and effectiveness of the bureau's financial management. A major challenge identified was the issue of resource constraints, with 72.8% of respondents indicating that the budget allocated was often insufficient to meet actual departmental needs. This shortfall in resources led to delays in project execution and forced departments to make compromises in their operational plans. Additionally, the study found that the budget framework lacked flexibility, making it difficult for the administration to adjust financial plans in response to unforeseen developments or shifting priorities. External factors such as economic instability and changes in national or regional policies were also reported to negatively affect the budget execution process, further complicating the financial landscape.

Another key issue that emerged from the findings was the lack of effective coordination among departments, which often resulted in inefficiencies and misallocated resources. The study also revealed considerable weaknesses in the internal control system, with 69.7% of respondents indicating that current control mechanisms were only partially sufficient. Compounding this issue was the infrequent audit practice, with 54.5% of respondents stating that audits occurred rarely, limiting oversight and accountability within the financial system. Transparency was another area of concern; while a significant portion of respondents remained neutral, about 24.2% expressed concerns about possible corruption or lack of transparency in budget implementation.

Despite these challenges, the research did uncover some strengths within the existing system. Most notably, the Finance Bureau demonstrated a degree of systematic resource allocation and periodic monitoring, which helped ensure that key areas received attention and financial tracking was, to some extent, maintained. However, the study ultimately underscores the need for comprehensive reforms and strengthened practices to achieve a more responsive, transparent, and efficient budgeting system.

#### **5.2 Conclusion**

The research concludes that while Wolkite Town Finance Bureau has made notable efforts in establishing structured budgeting practices, significant shortcomings hinder its effectiveness. These include resource limitations, inadequate flexibility, weak internal controls, infrequent audits, and poor interdepartmental collaboration.

Despite these issues, the presence of structured resource allocation and periodic monitoring highlights foundational strengths upon which improvements can be built. For the Bureau to realize its goals and align with Ethiopia's national reform agendas like the Growth and Transformation Plan (GTP) these gaps must be addressed with urgency.

An enhanced and responsive budgeting system that emphasizes accountability, flexibility, and interdepartmental synergy will not only improve fiscal performance but also rebuild public confidence and ensure efficient public service delivery.

### **5.3.Recommendations**

To address the challenges identified in the budget implementation and control system of the Wolkite Town Administration Finance Bureau, several recommendations are proposed. First, it is essential to enhance budget flexibility to allow adjustments during the fiscal year. This can be achieved by introducing contingency funds specifically allocated for unexpected expenditures and by conducting mid-year budget reviews. Such a system would enable departments to re-evaluate their allocations based on actual performance and evolving needs, improving responsiveness and efficiency.

Strengthening internal control mechanisms is also vital. The Finance Bureau should establish a robust audit framework that includes both regular internal and external audits to detect discrepancies early and ensure accountability. Additionally, adopting automated financial tracking systems would allow real-time monitoring of expenditures, reducing the risk of mismanagement. Capacity-building programs should also be implemented to train finance officers and department heads in budget compliance and modern financial management practices.

Improving transparency and accountability should be a core priority. This can be done by ensuring that budget guidelines are clearly communicated to all stakeholders, and by regularly publishing accessible quarterly financial reports that detail budget performance and fund utilization. Furthermore, establishing a whistle blower mechanism would create a secure channel for reporting corruption or financial irregularities, thereby reinforcing trust and integrity in the system.

Enhanced coordination among departments is equally important for efficient budget implementation. Creating a centralized budget coordination committee would help facilitate communication, align financial priorities, and prevent duplication of efforts. Regular interdepartmental meetings and the integration of digital financial systems across all departments would also contribute to smoother collaboration and more effective resource allocation.

Moreover, increasing the frequency of audits from annually to quarterly would improve oversight and promote a culture of continuous financial accountability. The role of the Auditor General's office should be reinforced to ensure it has the resources and authority to monitor budget execution effectively and enforce compliance.

Finally, addressing resource constraints requires better budget forecasting based on historical trends and realistic cost assessments. Exploring alternative funding sources, such as public-private partnerships, could help bridge financial gaps. To support all these efforts, it is essential to invest in staff development by providing continuous professional training in budgeting, auditing, and the use of digital financial tools. This will empower employees with the skills needed to manage public resources effectively and sustainably.

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## **Appendix**

### **Questionnairefor Assessment of Budget Implementation and Control System**

This questionnaire is designed for research purposes together insights from experienced staff regarding budget implementation and control systems in Wolkite Town Administration of

Finance Bureau. Please provide honest and accurate responses. Your responses will be kept confidential and used solely for academic purposes.

#### **Instructions:**

Please read each question carefully before answering.

Forclosed-ended questions, tick (✓) the most appropriate answer.

For open-ended questions, provide detailed responses in the space provided.

#### **Closed-Ended Questions**

1. What is your current role in the Finance Bureau?

Budget Officer

Finance Manager Accountant

Internal Auditor

Other:

2. How many years of experience do you have in this role?

Less than 1

year 1–3 years

4–6 years

More than 6 years

3. What is your highest level of education?

Diploma

Bachelor's Degree

Master's Degree

Other:

4. How clear are the guidelines for budget implementation in your department?

Very clear

Somewhat clear Neutral

Somewhat unclear Very unclear

5. How often are budgets revised during the fiscal year?

Frequently

Occasionally Rarely

Never

6. How well are the allocated budgets aligned with the department's priorities?

Fully aligned

Mostly aligned

Neutral

Poorly aligned

Not aligned at all

7. How effective is the communication process between departments during budget implementation?

Very effective Effective

Neutral

Ineffective

Very ineffective

8. Are sufficient resources (e.g., funds, technology, staff) provided for implementing the budget effectively?

Yes, always

Yes, sometime

No, rarely

No, never

9. Do you feel that the budget implementation process is transparent and free from irregularities?

Yes, completely Yes, somewhat Neutral

No, somewhat corrupt No, very corrupt

10. How often is budget implementation monitored and evaluated in your department?

Regularly

Occasionally Rarely

Never

11. To what extent do you agree that the existing monitoring mechanisms are effective?

Strongly agree Agree

Neutral Disagree

Strongly disagree

12. How often does the department conduct audits to check the accuracy of budget implementation?

Regularly

Occasionally Rarely

Never

13. Do you think the existing internal control mechanisms are sufficient to prevent budget mismanagement?

Yes, fully sufficient

Yes, partially sufficient No, partially insufficient

No, completely insufficient

14. How frequently do you encounter discrepancies or issues during budget implementation?

Frequently

Occasionally Rarely

Never

15. What is the main challenge you face during budget implementation?

Lack of funds

Ineffective monitoring mechanisms

Delays in fund disbursement

Inadequate skilled personnel

Political influence

16. How satisfied are you with the overall budget implementation and control process?

Very satisfied Satisfied

Neutral

Dissatisfied

Very dissatisfied

## **Open-Ended Questions**

17. Can you describe any specific challenges or difficulties you've faced during the budget implementation process? How were these challenges addressed (if at all)?

18. In your opinion, what are the strengths and weaknesses of the current budget control mechanisms in Wolkite Town Administration?

19. What changes or improvements would you recommend to enhance the effectiveness of budget implementation in your organization?

20. Can you provide an example of a successful budget implementation process in your department? What factors contributed to its success?

## **Interview Questions for Managers**

1. How does your department ensure that budgets are implemented in alignment with the organization's goals and priorities?

2. What are the most significant challenges you face in monitoring and controlling budget implementation, and how do you address them?

3. How do you ensure accountability and transparency in budget utilization within your department?

4. What tools or techniques do you use to evaluate the effectiveness of budget implementation in your department?

5. In your experience, how have local or national policies, such as Ethiopian financial laws or proclamations, influenced budget management practices in your organization?