



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF BUDGET PREPARATION AND

UTILIZATION:

CASE STUDY AT SAVE THE CHILDREN ETHIOPIA

BY

MESERET BERIE ID MBAAF/0432/2008A

January 2016
ADDIS ABABA, ETHIOPIA

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**AREARESEARCH SBMITTED TO ST.UNVERCITY, SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIRMENTS FOR THE DEGREE OF MASTER OF
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ADVISOR

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January 2016
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DECLARATION

I, Meseret Berie, declare that this thesis is my original work, prepared under the guidance of my advisor Dr. Abebaw Kassie. All Sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Meseret Berie

Name

Signature

St. Mary's University, Addis Ababa

29, December, 2018

ENDORSEMENT

This Thesis has been submitted to St. Mary's University of Graduate Studies for examination with my approval as a university advisor.

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29, December, 2018

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ABSTRACT

Budgeting is about making plans for the future, implementing those plans and monitoring activities to see whether they conform to the plan. The purpose of this study is to assess budget preparation and budget utilization of save the children international Ethiopia. The study focused on budget preparation, monitoring and utilization activities undertaken during the project cycle periods. To achieve the objectives of the thesis, census method was used and selected. Managers of the sample organization were communicated to identify the key staffs that are responsible in the budgeting process. 44 staffs are taken as respondents from Program, Finance and Grant management departments of the organization out of 50 staffs who were recommended by the organization managers. A self-administered questionnaire was distributed to respondents. Secondary data was also collected from budget performance reports, financial statements and manuals. As the findings show, the overall budget preparation and utilization system in the organization missed the participation of concerned staffs. Participation of staffs in budget development helps to achieve the purposes of budget such as coordination, communication and motivation in the process of achieving the expected performance level. So it is recommended that the organization should participate the concerned staffs in budget preparation, budget monitoring and utilization.

ACRONYMS

SCI: Save the children international

UK: United Kingdom

USA: United states of America

BVA: Budget Versus Acutual

Award manamet: Grant management

Co: Country office

NGO: Non-govermental organization

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Chapter 1

1 INTRODUCTION

The introduction part includes the background of the study, statement of the problem, research question and objective of the study, significant of the study, scope and organization of the study.

1.1 BACKGROUN OF THE STUDY

Budget preparation and budget utilization involve the process of identification of public needs and the determination of the quality of goods and services to satisfy these needs through the political process, by economic analysis with the overall development plan objectives.

Save the children prepares budget in form of donor and public policy to serve as a driver through which its mission could be achieved. As good as our budget is, the performance of which can be measured in terms of accomplishment. Budget accomplishment is far from reality and the disparity between budget and accomplishment are so wide and kept on abating as years pass by. The question that could readily come to mind is why do we continuously experience these failures? Could it be that it is ill conceived or ill planned? Could it be ascribe to poor monitoring and implementation? The need to provide answers to these questions gave impetus for this study. Source, Award Management Manual (2012), Award Management Manual: Key principles, guidance and process steps. ‘

The concept of budgeting as it is now understood, originated in the central government of Great Britain. It later developed gradually, as a result of parliament’s struggle to obtain control over the finance of the crown. In 1217, it was declared in Magna Charta that “No cottage or aid shall be imposed in the kingdom unless by the common council of realm. After the revolution of 1688, parliament now approved the right to authorized expenditure by the crown as well as taxation

apart from items in the sovereign's civil list, which was gradually reduced until it covered only the personal expenses of royal family".

Bendlebury (2005). Parliament now began to fix government total expenditure and to prescribe or appropriate the amount to be spent for parliamentary purposes (California Department of Finance, 1998). A budget is a framework for revenue and expenditure outlays over a specified period usually one year. It is an instrument stipulating policies and programmes aimed at realizing the development objectives of a government. Budgeting and its process in Nigeria remain problematic both in the areas of preparation and implementation, hence, the need for adequate control aimed at improving effective resources utilization at the budget implementation stage. To achieve these objectives, there is need for the introduction of new audit waves such as the value for money audit, due process, and cost audit and so on.

The Tennessee board of Regents (2006) defines budgeting as the process whereby the plans of industries are interpreted into an itemized, authorized and systematic plan of operation, expressed in monetary terms for a given period. Budgeting, at both management level and operation level looks at the future and lays down what has to be achieved.

Budgetary control entails a repetitive circle of planning and control which is normally followed by appropriate information about actual result to the management for comparing them against a budget and initiating a control action if necessary (Defranco,1997). Budget and Budgetary control constitute important management and internal control systems and are central to the process of planning and control which are major activities of management in all organizations Beatrice and Thuo, (2013).

Effective Budget preparation and utilization are tools that measure management performance of a company and promotes sound morale financial harmony within the organization. It makes possible for an organization to verify If or not the plans of the company are properly comprehended by all members of staff and implement corrective measures where in under deviation or the deviation is occurring. As budgeting is an approach for planning and financial planning is highly important to an organization, it becomes imperative for an organization to view the future out comes of current decisions so as to prevent surprises and comprehend the

connection amid current and future decision. Budgeting and budgetary control have attained high focus among organizations in the present day and thus offer high prospects which this research study examines. Control systems grounded on financial measures are highly adopted in economic organizations.

The principal patterns for assigning financial accountability within organizations could be grouped as follows:- revenue center, standard finance centers, discretionary expense centers, investment centers and profit centers Bruns& Waterhouse,1975;Vancil,(1973).

The sequence of this categorization is from narrowest to widest with respect to the decision-making discretion allowed or needed of the supervisor. The supervisor of standard finance center holds authority over lesser financial variables as compared to the supervisor of an investment center. Moreover, the choice for a design for allotting financial accountability should be an important objective of the organizational framework, which is described in the context of delegation of authority and also the specialization of endeavor and organizational approach.

By way of budgets, operations of distinct parts of a company could be controlled and coordinated. A control system normally integrates techniques and measures that conform to the accountabilities delegated to supervisors under the firm's structure. When the decision-making group is decentralized and fractions of a company turns out to be more independent, managers would be accountable for more financial variables as well as the financial control systems would be more multifaceted in the sense that they would fit in higher variables Burns&Waterhouse,(1975).

Organizational framework is perceived as being something which depends on the dependent on the given back drop and situation for the company where it functions, taking in characteristics like its size, dependence and technology. Two variables, perceived control and control system

complexity are viewed as intervening to impact budget-associated behavior encompassing the extent of such behavior, the nature of behavior and lastly, the quality and contentment with relation to the level the budget is viewed as efficient in attaining organizational objectives and better performance Bruns&Waterhouse, (1975).

Budgetary process is an ideal routine that reflects the interplay of strategic objective and resource constraints. Thus, it is a tool for managerial decision, making concern for both human and material resources allocation.

The primary characteristic of businesses all over the world involves setting goals to which money are connected or allocated. From these goals, specific objectives are delineated and funds are sub divided among them. Budgeting also provide information and data of past performance and thereby proceeds to allow for meaningful comparisons between „expected“ and „actual“ progress. Adjustments are at times made to the current budget or the future budget preparations cycle to close any performance gaps that may exist. In all, the budget provide a vital tool for project evaluations, for any ad hoc many measures to be taken if the need arise which is a vital tool for decision makers, more especially the management and main board members of the organization.

To narrow it down to Save the Children International organization, budgeting will serves as:

- An indicator of expenditure and income that are linked to the daily operational activities of the project managers in the various camps of operation.
- A way of providing information and supporting management decisions throughout the year.
- And a means of monitoring and controlling the performance, particularly analyzing the differences between the budget and actual.

The motivations for this study is to investigate the budget Preparation and utilization system and its implication of performance for the achievement of organization objectives in this changing

environment aiming at identifying problems, analyzing and making suggestions towards the current budgeting and budgetary control system practiced by Save the children International based on the findings of the research.

Save The Children International is one of International Non-Governmental Organization working globally for improvement of a world in which every child attains the right to survival, protection, development and participation. Since Save the Children International Ethiopia working on different social development activities, humanitarian , health , education and others in order to attain, develop and improve the living standard of children on this world to maximization as their goal and this could only be realized when resources are properly planned and controlled with the required commitment and expertise Okpanachi and Muhammad, (2013). Therefore, there is a need for effective budget preparation and utilization as it constitute important and fundamental management and internal control systems. In addition in order to meet government proclamation on budget utilization of nonprofits Organization 30% Administrative budget and 70% program budget from the total project budget is also one critical which needs developing high budget controlling systems.

This research work will be therefore, investigates the role of budget preparation and utilization on organizational performance: A case study of save the children International Ethiopia. The specific objective will be to examine the impact of budget administration, budget utilization system and budget processes on organizational performance.

The study will consider in this study, being a sample of the entire population of the Save the children organizations in Ethiopia Staff Addis Ababa head office based. The sources of data for the research will be both primary and secondary sources. Census technique will be going to be used for the study instead of a sampling technique. Questionnaires and interviews will be going to be used as the data collection methods for the study. Based on the analysis, internal control system will be seen to be significant in detection and prevention of fraud in Organization, hence the need for an effective and adequate internal control system. Data going to be captured in

this study, will be going to analyzed through descriptive method. Quantitative technique was also going to be used to analyze the response of the respondent. The descriptive analysis will involve the use of percentage, tabulations, and graphical presentation. Findings from this study will reveal that budgets and budgetary controls are factors that can influence the performance of an organization, as they have a very mutual relationship. Concerning how budgets are linked to performance, budget preparation and utilization mainly form and give every organization the structural support to achieve its goals and objectives, and maximizing performance, through resource allocation and control.

1.2.1 BACKGROUND OF STAVE THE CHILDREN

Save the Children history is traced back to its founder: Eglantine Jebb whose word, "Every generation of children, in fact, offers mankind the possibility of rebuilding his ruin of a world", is expounding to the organization's current international reputation: *the world's leading independent organization for children*. Save the Children is operating in 120 countries and the member of International Save the Children Alliance, the world's largest child development consortium. It began working in Ethiopia 30 years ago initially focusing on humanitarian relief. Afterward, Save the Children diversified its support to vulnerable children through long-term development initiatives. Along with this, seven Save the Children members (Canada, Denmark, Finland, Norway, Sweden, UK and US) started operating in Ethiopia, each with their own initiatives, improving the lives of children. In October 2012, the seven members merged into one operational platform and named as Save the Children International.

Save the Children's global theory of change states as: We will be the voice for children, achieve sustainable results at scale, build partnership and be the innovator. Save the children International's strategic plan comprises three main areas:

- (1) Child survival - no child dies from preventable causes before their fifth birthday;
- (2) Access to Quality Education - all children learn from a quality basic education;
- (3) Child Protection - violence against children is no longer tolerated.

1.2 STATEMENT OF PROBLEM

According to the researcher assessment and observation, there is gap on budget preparation and utilization of the organization due to the following reasons:

- Improper planning of budgets and late starting of project implementation affect the budget utilization
- Lack of collaboration work within the organization departments, government and communities, regarding on the preparation and utilization of budget.
- Budget variance are not reviewed and revised on regular base.
- Grant review meetings are not conducted on regular base.

Every organization doing exceedingly well on the face of the earth rely heavily on budgets, and budgetary control measures to improve performance, through adequate resource allocation. Budget and Budgetary control, both at management and operational level looks at the future and lays down what has to be achieved. Control checks whether or not the plans are realized, and puts into effect corrective measures.

Most of the time, Organization have performed poorly due to the fact that they lack effective and efficient budgets, and budgetary control systems to adequately and judiciously allocate resources to meet organizational goals, and maximize performance. A study conducted by Boquist (2001) observed that companies continue to blunder and fail because they have flawed budgetary planning and control systems, which they apparently fail to recognize. Some firms sense weakness of their budgetary analysis but viewed them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustration.

Non-government International Organization working in Ethiopia on humanitarian and development in different ways are engaged in challenges on budget and controlling is systems which affects performance of organization because of restriction of unbalance budget utilization proclamation by government of Ethiopia which is 30% for administration expenses and 70% for program purpose from the total proportion of budget.

According to 70/30 guideline (Article 88 of Proclamation 621/2009) on the performance of NGOs in general which states the annual allocation of budget by any charity or society shall not be less than 70 percent for the implementation of its purposes and not exceeding 30 percent for its administrative activities. As Hiwot Getachew (2016) stated, this research has gathered the necessary information regarding the impact of the guideline. NGOs are having difficulties in meeting the 70/30 requirement and NGOs are forced to compromise on programs' deliverables quality. NGOs are sandwiched to satisfy donors' interest by achieving high quality project outputs and on the other being compliant to the guideline by reducing administrative costs. The difficult part is major activities that are required for successful project accomplishments are found in the administrative category of the guideline.

The study focused on the following basic research questions on the evaluation of budget preparation and budget utilization as a management tool in save the children international and to provide achievable suggestions and recommendations for save the children specifically budget holders, finance and project staff and grant management unit, due to Inappropriate preparation and utilization of budget, it will happen budget variance or over or under spending of budget, and the organization became poor financial performance and financial sustainability of the organization with existing and new donors.

This research tried to answer the question what is the practice of budget preparation and budget utilization to manage budget over and under spent in save the children international. It in turn pursues to answer the following research questions:

1. What is the level of participation of save the children staff specially' budget holders, finance unit and grand management unit staffs in the budget preparation and budget utilization process?
2. What is the practice of save the children international staffs to apply the tools in the process of budget preparation, budget monitoring to control improper utilization of budget to discharge roles and responsibilities?

Tools

- Effective and efficient preparation and utilization of budgets.
- Controlling and monitoring project budgets on regular bases.

- Have proper planning to implement new projects on time, review budget variance on time.

1.3 OBJECTIVES OF THE STUDY

1.3.1 General objectives

General objective the general objective of the study is to examine the practice of effective and efficient budget preparation and budget utilization as a management tool for managing over and under spent More than 15 project budgets of save the children international. The research pursues to describe budgeting processes and budget monitoring practices in save the children and the conditions that result good budget implementation and adequate cash flow.

1.3.2 Specific objectives

The study has the following specific objectives.

1. To examine budget preparation practices of save the children.
2. To assess budget utilization practices of save the children.
3. To identity the control level of save the children international budget preparation and utilization.

1.4 SIGNIFICANCES OF THE STUDY

This research is significant to save the children international, budget holders, finance, grant management unit and other project staff to identify the major problems on budget preparation and budget utilization as a management tool to manage the under and over spent of save the children project budget. Taking this in to consideration, therefore, the study has the following major significances:

- It would enrich the knowledge of save the children international on budget preparation and budget utilization.
- It provides baseline information about Save the children international current practice of the budget preparation process and budget utilization in managing donor funds.

- Save the children can get inputs to improve budget preparation and utilization practices in implementing donor funded projects.
- It can be used as additional sources for other NGOs budget preparation and budget utilization practice in Ethiopia.

1.5 SCOPE OF THE STUDY

The scope of this research is limited at save the children international only. The research goes through to investigate on how budget prepared in the selected area of study and utilized accordingly. The time horizon of the study covered by this research had been limited to assess the last Three years budget utilization of save the children international covering from 2015 up to 2017G.C. During the last three years, a budget utilization trend of the Save the children from three years audited budget report of Save the children. Because starting from 2013 Save the Children of different seven independent organizations are merged in to one organization called save the children international due to this reason the organization has different challenges to properly prepare and utilize their project budgets due to different reasons such as:-

- New Financial accounting system.
- Huge donor compliance
- New coding structure, charging expenditures from on budget line other.

1.6 ORGANIZATION OF THE STUDY

The study is organized into five chapters. Chapter one covers the background of the study, problem statement, objectives of the study, research questions, significance of the study, scope of and limitation of the study. Chapter two review literatures on assessment on budget preparation and utilization process. And good practice in budgeting, role of budget preparation and budget utilization and reporting budget performance, analysis and explains budget over and under spent. Linkage of financial management and budget being a tool for measuring financial performance and empirical studies on budgeting. Chapter three is about the methodology used in the study. It covers the research design, population, sample and sampling procedures, data collection

instruments and analysis methods. Chapter four is about data presentation findings and analysis while chapter five provides the conclusions and recommendations.

Chapter 2

2 REVIEW OF RELATED LITERATURE

This chapter two reviews the earlier studies and literature related to budget preparation and utilization process, implementation, budget forecasting budgeting approaches, good practice in budgeting, role of budgeting and budget monitoring and controls, budget variance, linkage of financial management and grant management.

2.1 BUDGETING AND BUDGET PROCESS

Budgeting is the process of preparing, compiling and monitoring financial budgets. It is a key management tool for planning and controlling a department within an organization. 'Budgeting creates a framework within which individuals, departments, and whole organizations can work. Budgets encourage individuals and departments to look and plan ahead using a standardized agenda that can enhance effective communication of their objectives' Brookson (2000). Budgets also provide a focus for evaluation of the various aspects of an organization in a controlled fashion.

According to the Australian audit office better practice guide (2008), developing and managing budgets is a fundamental element of an organization's financial management framework. Effective budgeting will significantly contribute to the achievement of an organization's goals and objectives. Organizations use budgeting to establish and communicate funding priorities, support decision making, set financial controls, and monitor and report financial performance. Effective budget processes, which underpin the efficient allocation of resources, enable organizations to more readily identify and respond to changes in environmental conditions and

organizational priorities. Budget shows also an organization's expected financial performance, financial position and cash flows disaggregated by area of responsibility. Developing budget involves making decisions on the allocation, use and administration of resources to achieve the organization's objectives.

Effective budgeting processes typically involve a series of integrated activities designed to align: organizational planning; financial responsibility, accountability and authority; budgeting and reporting; resource allocation; and the monitoring and evaluation of budgeting performance. Budgets as financial plans that set out anticipated revenues and estimated expenditures over a certain period of time have long been in use. Organizations have made budgets the central part of their planning and control system. Budgeting enables to coordinate the allocation of resources through internal communication while at the same time serving as a means of expenditure authorization and evaluation base has made budget the most important tool to enhance managers performance when running an organizations. Budgeting, planning and reporting processes have a cascading effect within an organization as strategic goals and priorities flow to operational areas. It is important to allocate budgets consistent with the organization's financial management framework and aligning with managers' specific responsibilities.

The budgeting process give an opportunity to the managements at all levels and in different departments to meet, discusses and relate their targets to each other. Organizations are most successful if everyone works together to meet common goals rather than each manager acting individually to build their own empires. The co-ordination process helps managers get an understanding of how each activity relates to the whole, which is very important for them to achieve organizational objectives.

The various activities within an organization require to be coordinated by preparation of plans of actions for future periods. Lucey (2002) emphasize the importance of budgeting to an organization and indicate that no goal of an organization can be achieved without planning. Top managers provide the strategic directions of the organization and select the strategic option that

have the greatest potential of achieving the organization objectives. Long-term plans should be developed to implement the strategies and of course the financial implication is defined through projections.

“Generally, a budget translates the long term plans of an organization into annual operating plans. The budgeting process therefore involves reviewing the projections of the long term plans and revises them in the light of more recent information” Drury, (2006).

Drury states that the budgeting process cannot be viewed as being purely concerned with the current year but must be considered as an integral part of the long-term planning process as it is influenced by decisions taken in the past and has implications on programs that will be undertaken in future. The budgeting practice comprises the whole budget cycle process which entails the philosophies adopted to guide preparation of a budget, the approval process and the mandate for implementation.

The keys to a successful budgeting process as provided financial management essentials hand book by Lewis (2012), on practical financial information for non-government organizations are that first clearly identify programmatic objectives that are aligned with the mission and strategic plan, determine the financial resources needed and available to achieve program goals, involve staff and board members in the process to improve accuracy of information and commitment to the plan, document indicating the assumptions and formulas and finally customize the process to suit your organization.

The budget part of a proposal identifies total project costs and estimates the application of this monetary value during various phases of the project. The budget can only be developed after the proposed project has been planned at a detailed activity to be implemented to achieve project goals. It also requires that the proposal writer has a good understanding of the rules and regulations of the funding agency to which the proposal will be submitted. How the budget is prepared depends on the complexity of the project and the instructions of the funding agency.

Funding agencies are concerned not only with the total amount of money requested but also if the request is realistic and well justified. Correct presentation of the budget can help to create respect for the Project manager in the minds of the funding agency. The budget must conform to the goals and the narrative of the proposal indicated in the detail activities plan.

2.2 BUDGET PREPARATION

During budget preparation, trade-offs and prioritization among programs must be made to ensure that the budget fits government policies and priorities. Next, the most cost effective variants must be selected.

This chapter focuses on the core processes of budget preparation, and on mechanisms for aggregate expenditure control and strategic allocation of resources. Efficiency and performance issues are discussed. Operational efficiency questions directly related to the arrangements for budget preparation are discussed.

2.2.1 Benefits of budgeting to an organization

Every organization whether small, medium or large is expected to prepare a budget that guides their day to day operations. The need for preparation and maintenance of budgets is based on some importance, some of the benefits includes:

- It provides clear guiding principle for managers and supervisors and is the major way in which organizational objectives are translated into specific tasks and objectives related to individual managers.
- Large organizations consist of many people and parts similarly to TANESCO. These components need to be coordinated to work together in a cohesive fashion. The budget is the tool that communicates the expected outcome and provides a detailed script to coordinate all of the individual parts to work in performance.
- It helps managers in identifying constraints and bottlenecks before they become major problems to the organization Jackson & Sawyers, (2001). For instance, in electricity

production efficient operation of the power plant can be limited by supply of natural gas. Thus, a well-developed a budget will always consider capacity constraints this means managers can learn well in advance of threatening production and distribution bottlenecks.

- Moreover, budgeting assist managers to have better understanding of their business and it provides a yardstick by which business performance can be measured. If negative deviations are discovered, it permits timely corrective action to be implemented Borja &Lombeida, (2002).
- Furthermore, according to Jackson and Swyers (2001) budgeting has to do with forecasting and estimating the future profitability of the company, due do that reason the budgeting process forces management to focus on the future and not to be disturbed by daily crisis in the organization.

In most organizations it is common for managers to argue and compete for allocations of limited resources. Each business unit has employees deserving compensation adjustments, projects needing to be funded, equipment replacement and the like. This naturally creates strain within an organization, as the sum of individual resource requests will usually be greater than the available pool of funds.

Successful managers will learn to make a strong case for the resources needed to their units through a budget which enables effective allocation of resources in relation to funds available.

The budget can be a useful device for influencing managerial behavior and motivating managers to perform in line with the organizational objectives (Drury, 2001). A budget provides a standard that under certain circumstances may motivate managers to strive to achieve the standard. However, it is possible for manager's to view budget as a pressure device in trying to get them to achieve a level of performance that they do not see as achievable. Nevertheless, motivation would be enhanced through the feeling of involvement which participation in the budgeting process can promote.

2.2.2 Human aspects in budgetary process

The success of organizational control depends upon the actions of top management and their appreciation of the importance of sound interpersonal relationships between different levels of the hierarchy. Management accountants through the budget process can motivate employees and improve attitudes amongst managers towards budgetary control; this is possible through having a sound and effective budgetary process.

A sound budgetary process communicates organizational goals, allocates funds, motivates employees, encompasses participation and provides feedback. It establishes goals and policies, examine definite requirements, incorporate assumptions and provide flexibility (Lucey, 2009). That is a comprehensive budget usually involves all segments of an organization as a result representatives from each unit need to be included throughout the process of budget preparation. The process is likely to be led by budget committee mainly consisting of senior-level personnel. In large organizations, budgeting is a collective process in which operating units prepare their plans in conformity with corporate goals published by top management. Each unit plan is intended to contribute to the achievement of corporate goals. The principal stages involved in the budget process include:

1. Communicate the details of objectives and strategy to those liable for preparation of budgets.
2. Communicate the details of budget preparation procedures to those liable for preparation of budgets.
3. Discover the limiting factor which restricts overall budget flexibility and forms the focus of the budget cascade.
4. Prepare preliminary set of budget.
5. Discuss budgets with line managers.
6. Organize and review budgets.
7. Accept budgets in absolute form;
8. Carry out ongoing appraisal of budgets as they are implanted Weetman, (1996).

The budget construction process will normally depend on the organization chart. Some entities follow a top-down or mandated approach others follow a bottom-up or participative approach.

Top-Down Budget

This approach begins with upper-level management establishing parameters under which the budget is to be prepared. Lower-level personnel have little input in setting the overall budget objectives of an organization. The approach has a major disadvantage that; lower-level managers may view the process as dictatorial standard because they may find themselves put in a position of ever-reaching to attain targets for their units and as a result may create goal divergence. On the positive side: it provides effective communication device within an organization. Moreover, top down approach assists managers to maintain financial control over the budget of which is difficult when bottom-up approach is used.

Participation in budgeting (Bottom-up Budget) Responsibility accounting assumes that manager' influence costs and that the best way of controlling these costs is to hold these managers responsible for the costs they influence (Garrison, Noreen & Seal, 2003). This means that bottom line or are required to develop their own budgets and are then held responsible for meeting their targets. Bottom-up budget is most useful when lower-level managers

Actively are involved or engaged in the budgeting process. Participation adds reliability to the budgeting process and creates greater commitment and accountability toward the budget, as budgets are set by management but the people to realize the budget standards are the staff.

Prior studies on the relationship between participative budgeting and performance have provided diverse results. Covaleski et al. (2003) found that, there exists a positive relationship between budget participation and performance while other scholars found negative relationship. All in all, the key to successful performance necessitate the involvement of managers and personnel at all levels as it helps to ensure departments will attain targets and operate within the budget. Controller must be able to negotiate and communicate effectively with people in all levels of an organization.

Issues relating to participation in budget process have been well discussed by Sullu (1991) in his paper on "Behavioral Dimension of Budgetary Planning & Control"

He emphasized that budgeting is not mechanistic technical procedure; its success is totally dependent upon the goodwill and co-operation of the participants. Without this, budgeting will become a mere paper exercise with no real impact on the operations of the organization. In the process he added that; it is quite wrong to ignore human factor. If human factor and its elements

will be lacking in the budget process, then the whole process will be useless and will appear as a paperwork that will not help any organization. This statement highlights that; the central behavioral issue is the degree of participation in the preparation of budget that upper-level management is willing to entrust to middle-and-lower managers. This has become one of the most important aspects of the budgetary process since in reality the approved budget represents a consensus and bargained commitment among many people in the organization.

Many organizations prepare budget that they use as a method of comparison when evaluating their actual results over the next year. The process of preparing a budget should be highly regimented and follow a set schedule, so that the completed budget is ready for use by the beginning of the next fiscal year. Here are the basic steps to follow when preparing a budget:

1. Update budget assumptions:- Review the assumptions about the company's business environment that were used as the basis for the last budget, and update as necessary.
2. Review bottlenecks:-Determine the capacity level of the primary bottleneck that is constraining the company from generating further sales, and define how this will impact any additional company revenue growth.
3. Available funding:-Determine the most likely amount of funding that will be available during the budget period, which may limit growth plans.
4. Step costing points:- Determine whether any Step costs will be incurred during the likely range of business activity in the upcoming budget period, and define the amount of these costs and at what activity levels they will be incurred.
5. Create budget package:- Copy forward the basic budgeting instructions from the instruction packet used in the preceding year. Update it by including the year-to-date actual expenses incurred in the current year, and also annualize this information for the full current year. Add a commentary to the packet, stating step costing information, bottlenecks, and expected funding limitations for the upcoming budget year.
6. Issue budget package: - Issue the budget package personally, where possible, and answer any questions from recipients: - Also state the due date for the first draft of the budget package.

7. Obtain revenue forecast. Obtain the revenue forecast from the sales manager, validate it with the CEO, and then distribute it to the other department managers. They use the revenue information as the basis for developing their own budgets.
8. Obtain department budgets: - Obtain the budgets from all departments, check for errors, and compare to the bottleneck, funding, and step costing constraints. Adjust the budgets as necessary.
9. Obtain capital budget requests: - Validate all capital budget requests and forward them to the senior management team with comments and recommendations.
10. Update the budget model: - Input all budget information into the master budget model.
11. Review the budget: - Meet with the senior management team to review the budget. Highlight possible constraints issues, and any limitations caused by funding problems. Note all comments made by the management team, and forward this information back to the budget originators, with requests to modify their budgets.
12. Process budget iterations: - Track outstanding budget change requests, and update the budget model with new iterations as they arrive.
13. Issue the budget: - Create a bound version of the budget and distribute it to all authorized recipients.
14. Load the budget: - Load the budget information into the financial software, so that you can generate budget versus actual reports.

2.2.3 Budgetary Control

Budgetary control is a tool implored by management to keep track of actual performance to ensure budgeted standards are met (Kpedor, 2012). It entails a repetitive circle of planning and control which is usually followed by appropriate information about actual result to the management for comparing them against the budgeted and initiating a control action if necessary Defranco, (1997). According to Okapnachi and Muhammed (2013), absence of effective budgetary control breeds disregard for laid down procedures, loss of focus and shoddy coordination of activities and these are capable of crippling an organization.

Budgetary control is a system of management control in which actual results for a period are compared with budget for that period (Dyson, 2001).

Budgetary control is the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with the budgeted results, either to secure by individual actions the objectives of that policy or to provide a basis for its revision (CIMA terminology, 2006). Performance refers to qualitative and quantitative description of results which enables to shape the future of an entity. Organization performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results (Lebans&Euske, 2006).

This study therefore will seeks to evaluate the performance of the Save the children international using a financial indicator-return on assets, as previous studies, which will consider how budgetary and budget controlling system links to the organization performance of budgeting in SCI Ethiopia.

2.3 BUDGET UTILIZATION

Budget utilization defines the means by which all planned activities will be delivered and responsiveness in the activities will create the outcome for reporting by the end of the implementation period. This study sought to investigate the effect of budget utilization on the financial performance of save the children international.

2.3.1 Concept of under and over utilization of budget

Performance-Based Budgeting?

Performance-based budgeting aims to improve the efficiency and effectiveness of public Expenditure by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information.

There are a number of models of performance based budgeting that use different mechanisms to link funding to results. Some have very sophisticated features and require the support of correspondingly sophisticated public management systems, while others focus more on the basics. Performance-based budgeting should not be seen as an isolated initiative. It should be

viewed, rather, as part of a set of broader reforms often referred to as an aging for results designed to focus public management more on results delivered and less on internal processes.

The most basic form of performance based budgeting is that which aims to ensure that, when formulating the government budget, key decision makers systematically take into account the results to be achieved by expenditure.

The essential requirements for this most basic form of performance based budgeting are information about the objectives and results of government expenditure, in the form of key performance indicators and a simple form of program evaluation and a budget preparation process designed to facilitate the use of this information in budget funding decisions, including simple expenditure review processes and spending ministry budget decisions. A program classification of expenditure in the budget is also highly recommended. By classifying expenditure into groups of similar services with similar objectives, a program budget helps budget decision makers compare the costs and benefits of expenditure options. Systematic consideration of results in the budget preparation process has the potential to improve expenditure prioritization (the capacity to allocate limited resources to where they will do the most good) and encourage line ministries to spend more efficiently and effectively by making them aware that their performance will influence their level of funding and by reducing or streamlining the controls that impede good performance.

2.3.2 Budget Processes to Use Performance Information

The availability of the right performance information is a necessary but not a sufficient condition for the success of performance-based budgeting. The performance information also has to be actually used in the budget process. There have been a number of examples of countries that have made great efforts to develop the necessary performance information—and have also placed the budget on a program basis but have then failed to make any significant use of this information when deciding the budget. Experience shows that, in order for performance-based budgeting to work, reconsideration of spending priorities and program performance need to be formally integrated into the budget process. These routines need to be designed so as to make maximum use of available information on program performance. The precise form such routines

should take should be country-specific, depending in part on national specifics such as the characteristics of the political and administrative systems. However, some key common elements are a “strategic phase” early on in the budget cycle, which incorporates a preliminary consideration of the government’s broad expenditure priorities.

2.4 EMPIRICAL LITERATURE REVIEW

Yahya N. (2008) explores on the effect of budgetary participation and performance (BPP) relationship in a public sector organization in a developing country, Malaysia. The study also attempts to examine whether organizational commitment and perception of innovation mediate the BPP relationship.

The results suggest that budgetary participation has a direct relationship with managerial performance. Thus the public sector, even bureaucratic and mechanistic organizations should encourage budgetary participation as it is evidenced to have an effect on performance. The results also suggest that budgetary participation indirectly affects managerial performance through the mediating variable of organizational commitment (OC). However, the results do not support managers’ perception of innovation (POI) as a mediating variable in the budgetary participation and managerial performance relationship, although budgetary participation is positively related to POI. It is an interesting finding that in a public sector organization, at least in a mechanistic organization like the Ministry of defense (MINDEF), further initiatives may be required, such as reward schemes, in order for POI to have an effect on performance.

Melek, (2007) did a study on the impact of budget participation on managerial performance via organizational commitment. He conducted a study on the top 500 firms in Turkey the results of this study provided a number of contributions to management accounting literature by improving understanding of budget participation and organizational commitment affecting managerial performance. First, according to regression analysis results, this study suggested that the effects of budget participation and organizational commitment by itself on managerial performance are positive and significant second this study found out that the managerial performance scores were

found to increase when the interaction score between budget participation and organizational commitment increase.

That is to say high interaction between budget participation and organizational commitment provides appropriate condition, for high managerial performance. However, the results indicated that while improving high organizational commitment feeling of subordinates in firms can lead to increase in their performance, low organizational commitment feeling of subordinates can lead to decreasing in their performance.

Similarly the study supported the hypothesis that interaction score between budget participation and organizational commitment varies according to low and high managerial performance. As to this while high interaction between budget participation and organizational commitment is associated with high managerial performance, low interaction score between budget participation and organizational commitment is associated with low managerial performance.

A survey conducted by Ambetsa, (2004) of budgeting control practices by commercial airlines operating at Wilson Airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in the preparation of the budget and lack of top management support. He further concludes that airlines operate and use budgets to plan implement and evaluate their business performance. All enterprises make plans using budgets some in a systematic and formal way, while others in an informal manner but still have some form of budgetary control and budgetary control practices. Therefore the issue is not whether to prepare a budget but rather how to do it effectively.

Wamae, (2008) researched on challenges of budgeting at National social security fund (NSSF). The aim of the study was to establish the challenges of budgeting process and the challenges faced when drawing up a budget to be used by an organization and how organization can effectively face the budgeting challenges. The population constituted nine (9) board of directors and sixteen (16) senior managers at NSSF who were concerned with budgeting issues at the organization.

The researcher collected data by use of questionnaire, observation, and interviews as main instrument of data collection. From the study the researcher found that the organization faced challenges when drawing up budget and the biggest included on commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving target, leading to complaints from the board.

The researcher concluded that budgeting was very effective at NSSF as they served their purpose assisting in control, used as a means by which management communicates by other level of department. The researcher added that the process of budgeting at NSSF.

Faced some challenges which were inability to achieve the required value of business inadequate authority to spend despite allocation, cost inflation, poor participation and poor co-ordination of the exercise. The researcher recommends that all units in the organization should be involved in the budget preparation and enough time is allocated to prepare.

Otley, (1978) did a study on budget use as a measure of managerial performance. He did a research on a single large organization which had a considerable number of production facilities, producing similar products geographically dispersed around the United Kingdom. The individual production units were largely independent on each other. Therefore, the unit of analysis was the individual unit manager who was responsible to the group manager for the production of their units. His findings were that there is a positive relationship between budget use in evaluating managers and their level of performance unlike (Hop-wood, 1972) he noted little evidence to indicate that any particular style of budget use affected actual performance although this is a most elusive relationship to capture in a field study, But it was found that there were considerable, interaction and long-term unit profitability. A situation had evolved where profitable units produced accurate budgets which were subsequently used as a basis for evaluation; whereas unprofitable units produced optimistic budgets which gave the impression & profitability, but which were not then used in evaluating unit and managerial performance.

Hop-wood, (1972) had done a previous study to determine what effects different budget based styles of evaluation had on manager's performance. He suggested that one important dimension of budget use is the relative importance attached to the budgeted that one important dimension of budget use is the relative importance attached to the budget in evaluating managerial performance. A rigid style of evaluation based primarily upon whether or not a manager has met his budget, was found to result in the belief that the evaluation was unjust, in wide-spread tension and worry on the job and in feelings of distract and dissatisfaction with the superior using the style managers evaluated in this rigid manner were also found to manipulate accounting data to improve their reported performance and to make decisions detrimental to the long-term well-being of the organization. However when a more flexible style of evaluation was adopted with budget information being used in conjunction with other sources of information, concern with

Long-term economic performance was maintained but fewer dysfunctional side effects were observed. However, Hopwood's emphasis was primarily on the effect that budget use has on manager's beliefs and feelings and not with the overall effectiveness of operations.

Though he found no significant difference in the extent to which managers evaluated under different styles met their budgets he was able to conclude that this was likely that the tensions and manipulations noted under the rigid style of evaluation caused deterioration in long-term performance.

Amalokwu and Obiajulom, (2008) in a thesis present a paper titled Budgetary and management control practices (budget being the tool for management control in Guinness Nigeria plc "The study was described based on a qualitative approach in data collection (primary data) research purpose, data analysis as well as critiques to the method use. A sample of 50 respondents was used. The research conclusion was that budgets could facilitate the creating and sustaining of competitive advantages by enabling the following management functions. Forecasting and planning, communication and coordination, motivational device evaluation and control and decision making.

Brownell, (1982) did a study to establish relationships between budget participation and performance. New identities some variables which are effective on the relationship between participation and performance namely moderator variables. By using contingency approach he categorized them into the four groups. These moderators included:

- 1) The cultural variables of nationality legislative systems, race and religion.
- 2) The organizational variables of environmental stability, technology, task uncertainty and organizational structure.
- 3) The interpersonal variables of task stress, group size, intrinsic satisfaction of task and congruence between task and individual, and 4) the individual variables to locus of control, authoritarianism, external reference points and perceived emphasis placed on accounting information.

There are two important studies examining national culture variable that was categorized in the first category by Brownell. Norway culture based study of (Lau and Buckland, 2000) accepts thus culture as a natural chance for managerial performance and low diversity within the Norwegian participation is expected to range from medium to high rather than from low

situations are common in Norway, prior studies finding pertaining to high participation situations are expected to be supported in Norway.

Tsui, (2001) study based on China and Caucasian cultures points that the interaction effects of management accounting system and budget participation on managerial performance were different, because of the cultural background of managers more specifically, he put forward the observation that the relationship between management accounting system information and managerial performance of Chinese participation but positive for Caucasian managers past studies consider organizational culture as an element of organizational structure as in Brownell technology.

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. In the same view, in a roundtable discussions organized by CIMA and ICAEW in 2004 on "The traditional role of budgeting process in organization", it is stated that budgeting and the accompanying process are indispensable and that, research in organizations seems to suggest that this is a commonly held view.

It was further stated that, traditional budget process remains widespread. Some claim that as many as 99% of European companies have a budget in place and no intention to abandon it Kennedy & Dugdale (1999, cited in CIMA-ICAEW, 2004).

Consistent with this, Anand (2004) in a survey carried out in India found out that good budget process as one part of management control system is wide spread. Precisely, 88.7% of the respondents in their study prepared budgets. They assert that nearly all the companies in

Australia, Japan, UK, and USA prepare budgets (Asada et al., 1989, Blayney & Yokoyoma, 1991, Chenhall & Langfield 1998 all cited in Anand et al., 2004).

On the contrary, research also shows that over 60% of companies claim they are continuously trying to improve the budgeting process to meet the demands set for management in creating sustainable value Ekholm & Wallin, (2000), cited in CIMA-ICAEW, (2004). According to Bourne (2004), Cranfield University in 2001 teamed up with Accenture's finance and performance management service line to undertake a large worldwide review of planning and budgeting. They focused on 15 companies in the US and Europe which had already made adjustments to their budgeting practice. In addition, the researchers reviewed over 100 academic and practitioner books on the subject. The result showed a widespread dissatisfaction with the budgeting process Bourne, (2004).

However, empirical evidence from Nigeria showed that from country other than the developed ones on the value of budget preparation and utilization. The study concludes that most companies in Nigeria operate budgets annually, thereby confirming its widespread use.

We can also conclude that budget preparation and utilization is a veritable part of budget process. It is recommended that efforts through researches should be directed towards improving the budget preparation and utilization rather than calling for its total abandonment.

In addition the study helps how to know budget is prepared, utilized & performed effectively and will provide technical knowledge for the organization as well as the reader. It measured to ascertain whether public entity or activity is achieving its objectives and if progress is being made toward attaining policy or organizational goals. And it is a quantifiable expression of the amount, cost, or result of activities that indicate how much, how well, and at what level, Activities or services are provided to beneficiaries of community during a given time period.

Chapter 3

3 RESEARCH DESIGN AND METHODOLOGY

The basic aim of this chapter is to clarify, explain and present the framework underlining the research objectives. This highlights the research design, sources of data (both primary and secondary), population and sampling techniques, sample size, data collection tools (questionnaire and interview), validity and reliability as well as data analysis. Quantitative technique is employed on SCI where camps managers of the various sites are studied.

3.1 RESEARCH DESIGN

In order to have a holistic view about this topic, the study employed quantitative methods to extract the required information. Quantitative research is an inquiry into identified problem, with numbers, and analyzed using statistical techniques. The goal of quantitative methods is to determine whether the predictive generalizations of a theory hold true.

3.2 DATA GATHERING INSTRUMENT

Both Primary and secondary data was collected for the purpose of this study. The primary data for this research was collected through questionnaires which were self-administrated. In order to determine the effect of budgeting and budget monitoring as a management tool for enhancing financial management in SCI Ethiopia, a self-administered questionnaire were distributed to employees involved in the budgeting and monitoring process. This enabled the researcher to get adequate and accurate information from people with related experience. The researcher used structured questionnaires as data collection instrument. Budget variance analysis reports, and financial statements also used as sources of secondary data.

3.3 POPULATION SIZE

The research worked with population size of fifty persons (50).

The breakdown is as follows:

Category of Workers	Number
Project Managers or Budget holders	25
Finance staff	15
Award or Grant management staff	10
Total	50

3.4 SAMPLE TECHNIQUE

The census method was used. The researcher collected the data from the three categories of staff as mention as project managers, finance and grant management respondents for the study. It was hoped that this census technique would eliminate selection bias in the study.

To determine the population of the respondents the researcher communicated the manager of the sample organizations to identify the departments and key staffs who are responsible and can provide information based on their experience to the questionnaire in budget preparation, monitoring and utilization according to the structure of each organization.

3.5 METHODS OF DATA ANALYSIS

Depending up on the volume of data collected through the instruments applied for this research, the analysis is made using Microsoft Excel. Table's graphs, charts and percentages are used to analyze the data.

Chapter 4

4 DATAPRESENTATION, ANALYSIS AND INTERPRETATION

4.1 VALIDITY ANALYSIS

The researcher communicated the managers of the Save the children to identify departments and key staffs who were involved in budget preparation and budget utilization processes. The purpose of identifying the key staff was to examine the appropriateness of the research instruments to be used in collecting the required data and determine the participants.

According to Mugenda and Mugenda (2003), the quality of a research study depends to a large extent on the accuracy of the data collection procedures and the instruments or tools used to collect data must yield the type of data the researcher can use to accurately answer his or her questions. The questionnaire is developed and shared. Comment is received from the advisor and experts that have experience in managing finance and grant for long years. The questionnaires were also analyzed to find out whether the methods of analysis are appropriate.

4.2 RESPONSE RATE ANALYSIS

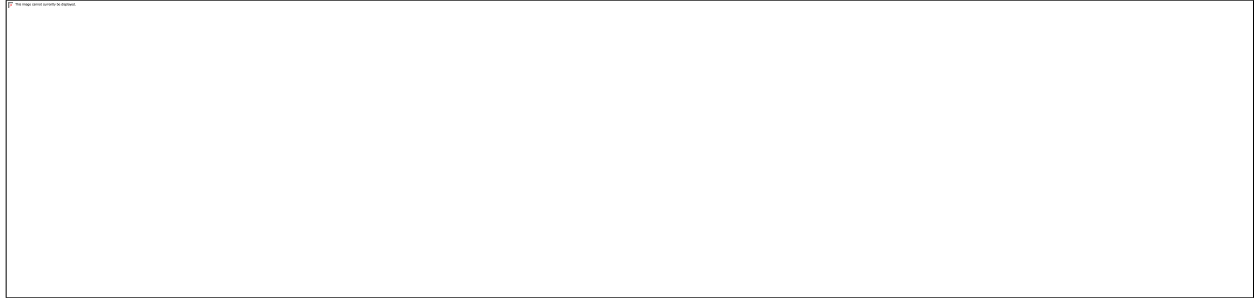
The study targeted on save the children international to collect the research data. Managers of the sample organizations were communicated to identify the departments and key employees that contribute in budget preparation and utilization according to the structure of the organization who can provide information based on their experience and responsibility. A total of 50 staffs were identified as the population of the study. Questionnaire is given to Fifty (50) staffs that are selected as respondents from Program, Finance and Award management units of the organization based on census technique. Forty four (44) staffs have responded to the questionnaire. That is Eighty Eight (88%) of the respondents returned the questionnaire properly. Six employees did not respond to the questionnaire because they were on annual leave.

The sample organizations are requested to provide their annual budget and expenditure variance analysis and financial reports to analyze the variance for three years 2015 -2017.

4.2.1 Respondent's demographic information

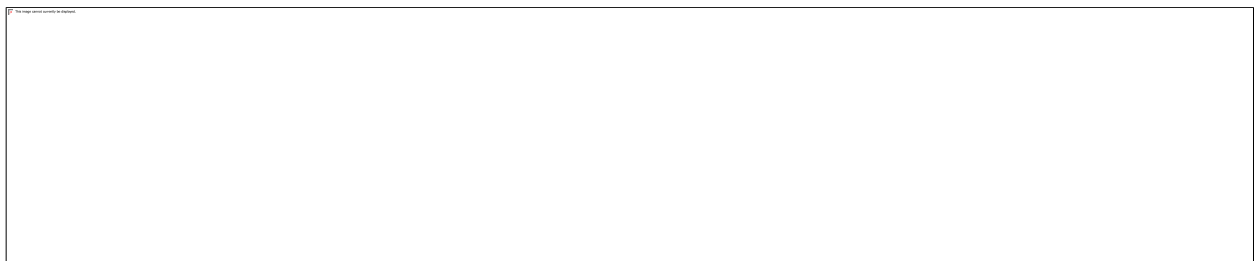
Departments and key staffs who have the experience are selected to respond to the questionnaire from program, finance and grant/Award departments of the sample organization according to the organizational are consider as the respondents in this research. This helps to get the experience from different departments that they are responsible for the Preparation and utilization of project budgets.

Department of respondents in the organization



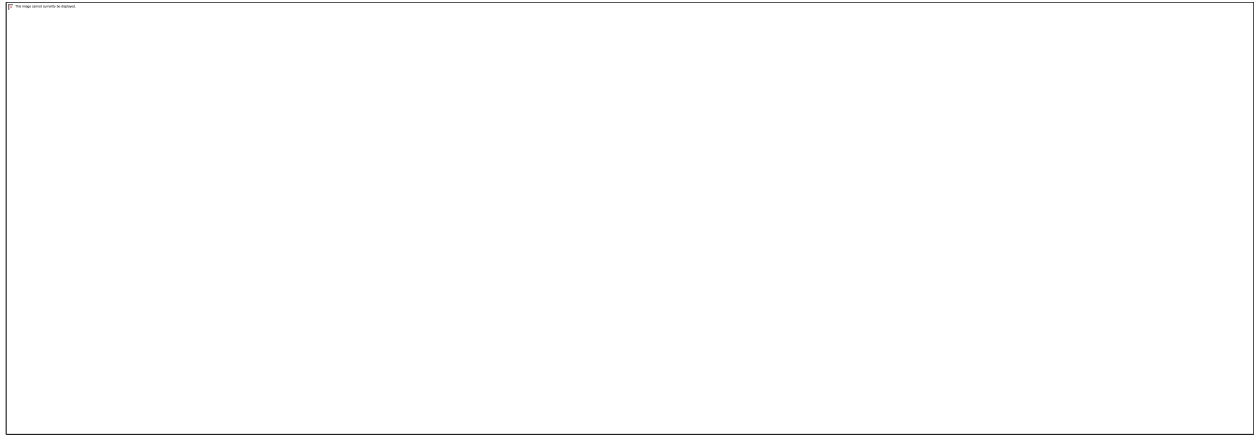
As indicated on the above table 17 (38.64%) from program, 16 (36.36%) from finance and 25 (25%) from Grant/Award Management departments are responded to the questionnaire. According to the data, 15 (34.09%) females and 29 (65.9%) males respond to the questionnaire as shown on the table below. This indicates that almost 88% of the respondents are response the questioner, this helps as the researcher get adequate information for data analysis.

Gender Of the respondents

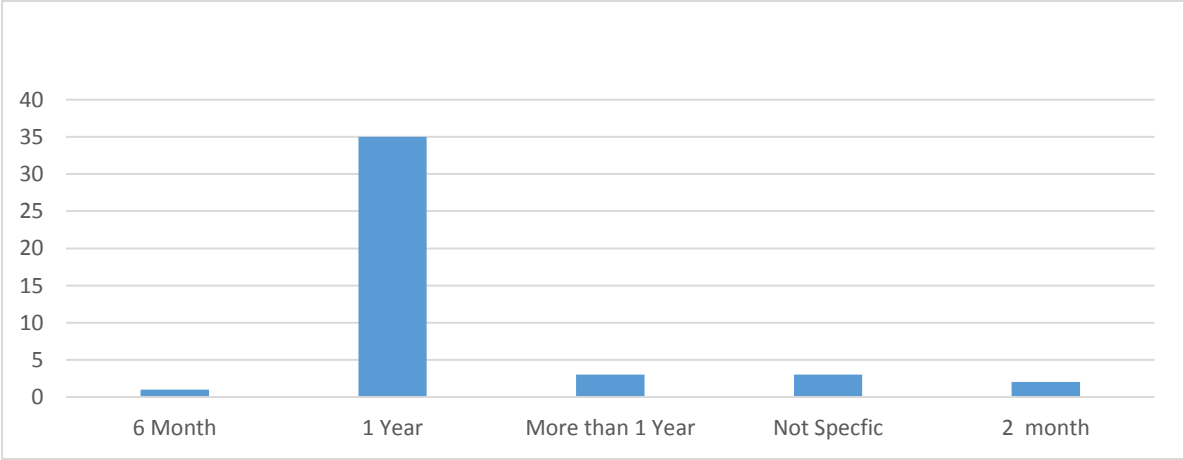


Moreover, 31(39.2%) of the respondents have one to three years of services in the organizations. And 43(54.4%) of the respondents have more than three years' experience in the organization as shown in the following table.

Respondents Year of Service in the organization



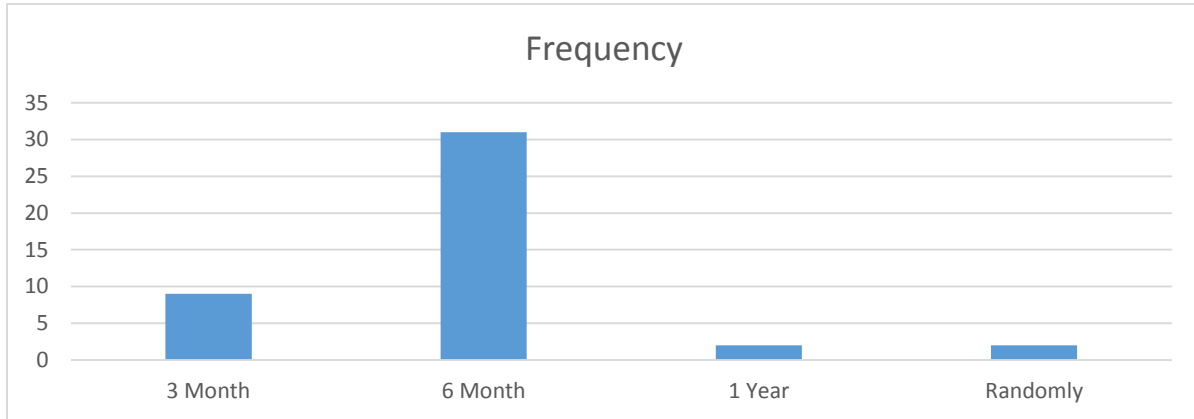
This helps to get relevant answer from the staffs that have experience in budget preparation and project budget utilization that is used as an input to answer the research questions.



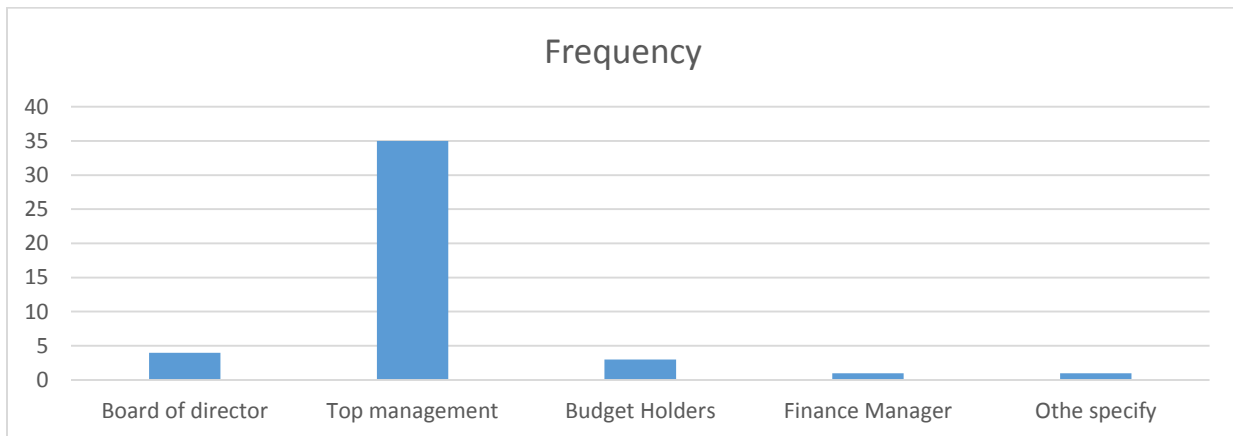
From the findings, 35(79.55%) of the respondents indicated that the organization budget covered a time dimension of one year and the rest of the respondent less than or equal to 3(6%) indicated that the organization covered a time dimension of more than one year and other alternatives. This indicates that the time dimension of the budget Preparation and utilization is monitoring in one fiscal period of projects. It can be short term or long term.

As indicated on chart below, (31)70.45% of the respondents indicated that the budget is reviewed every 6 months, (9) 20% of the respondents indicated that the budget is reviewed every 3 months, (2) 4.55% of the respondents directed that budgets are reviewed every one year,

(2) 4.55% of the respondents indicated that budget is reviewed randomly as shown below. This indicates all project budgets of the organization are not reviewed on the same period of time, this indicates inconsistency in budget reviewing on the organization project budgets.

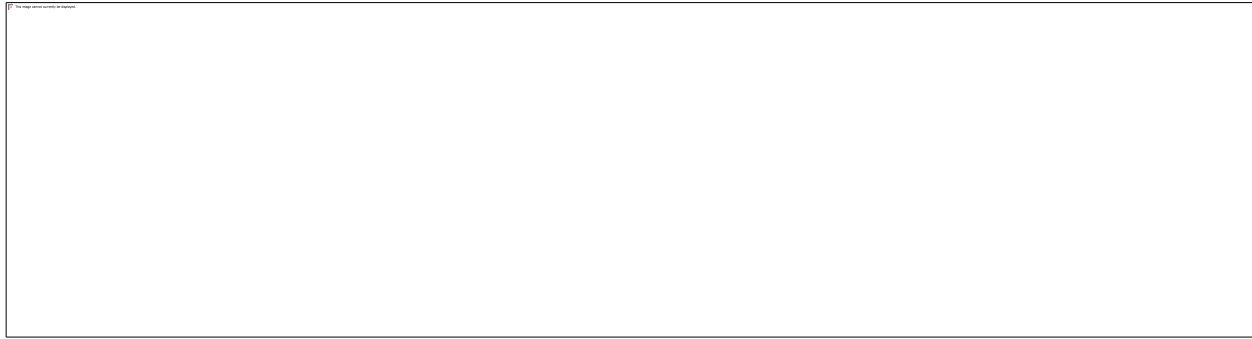


Most budgets are approved by the top management according to the risk level and scheme of delegation (63%), while 35 % of the respondents indicated that the budget approval is done by board of directors/trustees as shown in the following chart. This implies that budgets are approved by the top management before execution of the project activities according to the level of delegation in the organization structures. This indicates budgets are approved by different deferent levels of staff as appropriate.



Analysis of participation of staffs in the budget development process Respondents are asked if they are participated in the process of budget development to raise funds from different donors that they are responsible for budget implementation.

Responsible staffs in budget Development

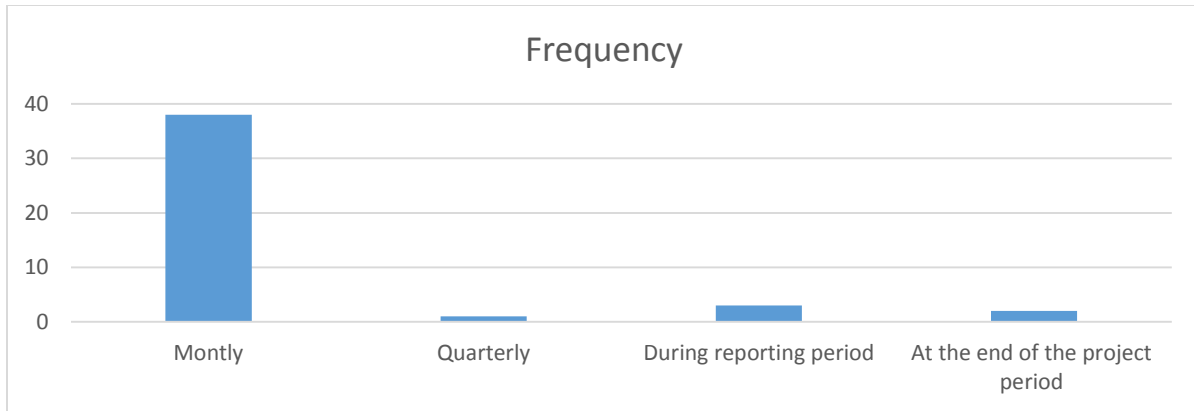


As shown on above table 41(93%) of the respondents indicate that their organization participate responsible staffs in budget development that they are responsible for implementation. And only 3(6%) of the respondent indicate that their organization do participate staffs in budget development to raise funds from different donors. As indicated

This indicates that most of concerned staffs responsible for budget implementation are participated in the budget development process to raise funds. This indicates that the organizations are usually used top down budget approach. According to Gregory (2005) the first good characteristics of a good budget is participation. Participation of staffs in budget development helps to achieve the purpose of budget. Staff participation helps to coordinate, communicate, and motivate the implementers to expected performance level.

According to the findings, 25% of the respondents indicated that monthly grant review meeting is conducted, 51% of the respondents indicate that quarterly grant review meetings is conducted, 9% of the respondents indicate that grant review meeting is conducted during reporting period and 15% of the respondents indicate that no grant review meeting is conducted with staffs to evaluate the status of budget implementation in line with the detail implementation plan as shown in the following chart.

The timing of grant review meetings



This indicates that the timing to conduct grant or Award review meeting is on monthly basis in the organizations. This indicates that there is good coordination, follow up and communication, to solve the problems in the process of budget preparation and utilization.

Table below shows that 34(72.27%) of the respondents indicate that their organization has policy and procedures in budget preparation and utilization processes. Only 10(22.73%) of the respondents indicate that there is no policy and procedures in budgeting and budget monitoring in their organizations. This implies that most of the respondents knows the organizations policy and procedures in budget preparation and utilization processes. This helps the organizations budget is prepared and utilize in line with the organizations policy and procedures.

Policy and procedures in budget preparation and utilization

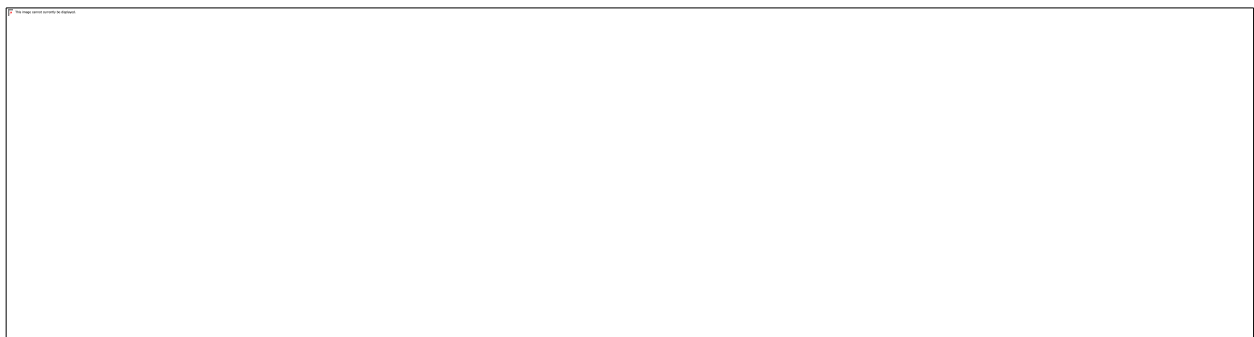
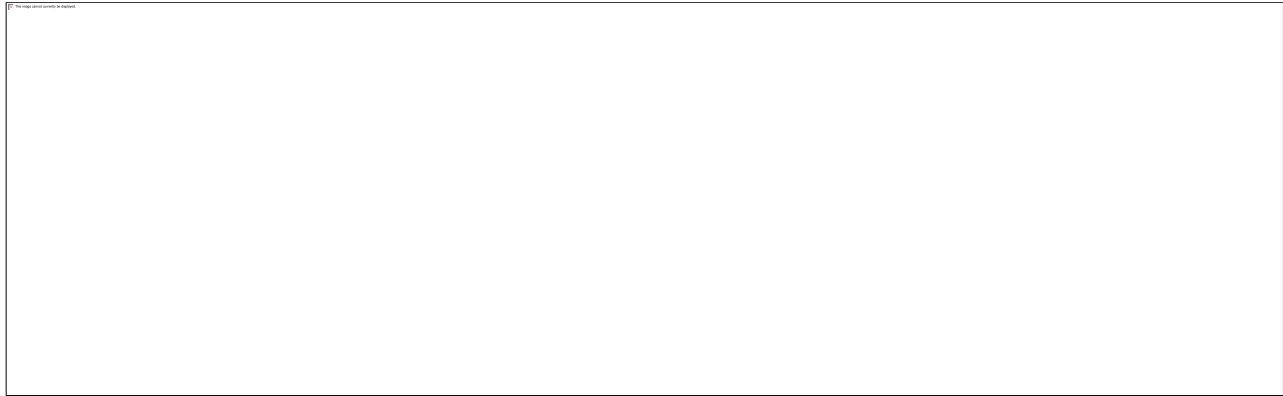
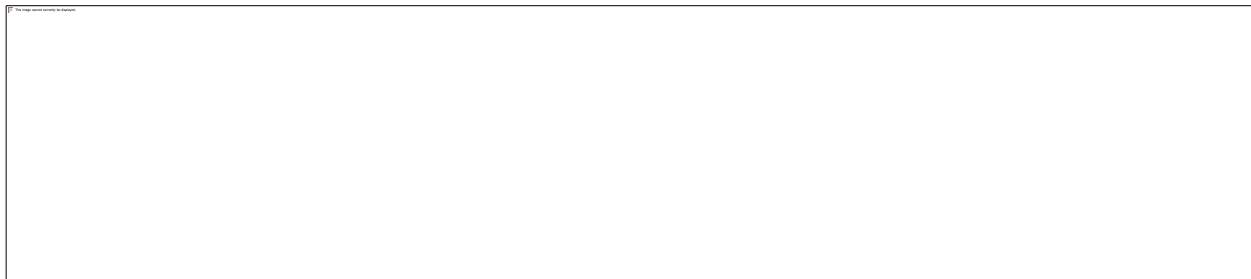


Table below reveals that 40(90.9%) of the respondents indicate that the organization has requested no cost extension from donors due to underspend of the budget implementation during the planned period. 4(9%) of the respondents indicate that their organization do not request no cost extension from donors while implementing project budgets.



This illustrates that majority of the project budget has requested no cost extension from donors. This implies that the organizations face underspend during budget implementation process and the project activities are not implemented in accordance the agreement with the donor. So that organizations are forced to request no cost extension for additional periods with the same budget to accomplish the project activities. This sign of ineffective implementation and put endanger the smooth relationship between the donor and the organization.

Request no cost extension from donor



According to the findings, 33(75%) of the respondents indicated that they observed over or under spends more than the allowable range of the donor for a specific project over the project period of the project. 11(25%) of the respondents indicated that they do not observed over or under

spends more than the allowable range of the donor for a specific project during project budget implementation. Most of the respondents indicate that over and underspent more than the allowable range is observed in their organizations as shown in the below table. Timely budget utilization and variance analysis is very important to prevent over and under spends. This indicates that the organizations do not do implement the project budget on time and as per the planed period.

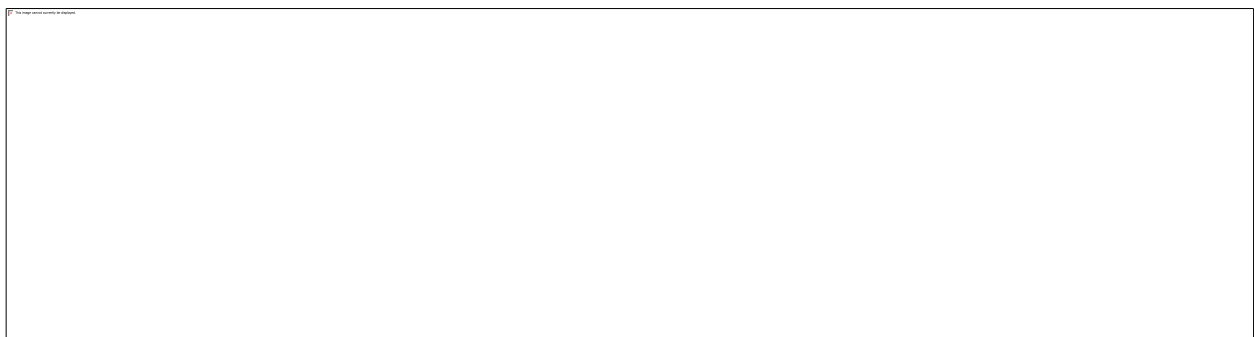
Over or underspends more than the allowable range

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Analysis of budget versus expenditure report by finance department/system

Respondents are asked about the provision of budget versus actual report by the finance department/system regularly to budget holders to do budget monitoring and variance analysis. 95.45% of the respondents have indicated that budget versus actual is provided by the finance/system regularly for budget monitoring and variance analysis. 4.55 % of the respondents indicate that budget versus actual is not provided by the finance/system regularly for budget monitoring and variance analysis.

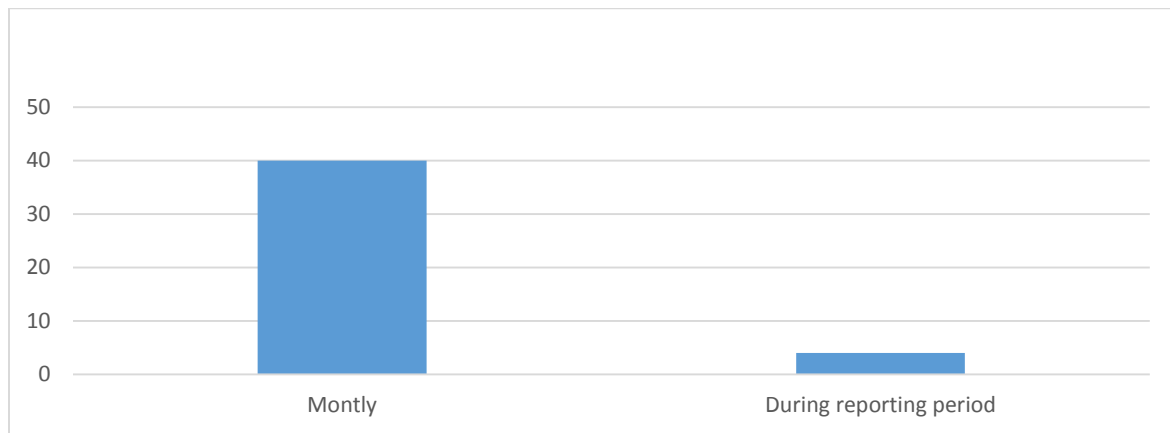
Budget versus actual report by finance department/system

An empty rectangular box with a thin black border, intended for a table or chart related to the section header above.

Analysis of budget monitoring and variance analysis by budget holders.

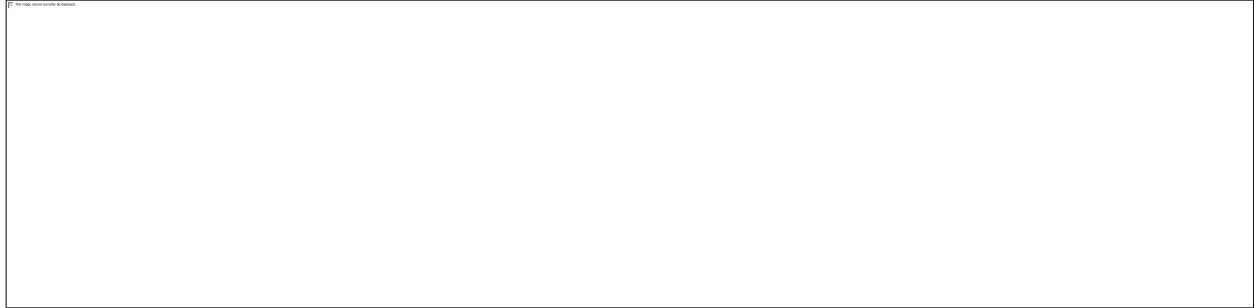
Chart below shows that 91% of the respondents indicated that budget holders monitor their budget and do variance analysis monthly, 9% of the respondents indicate that budget holders monitor their budget and do variance analysis reporting period, to control over and underspends. This implies that the organization do not have regular budget monitoring and variance analysis schedule to control over and under spends on time. This leads managers to make passive decisions to take corrective actions on identified problem and gaps. This implies that most of the budget holders are monitor their project budgets in good manner to have an effective and efficient utilization of project budgets, however some are not doing well, so due to this reason the organization declines it budget utilization performance.

Budget monitoring and variance analysis by budget holders



From the findings, 100% of the respondents indicated that budget holders and finance rephrase project budget, based on identified gaps and variance analysis for future improvement as shown on the below table. Rephrasing budget and mapping to donor accounts in such a way that follows the pattern of expenditures and implementation of activities in accordance the detail implementation plan helps to compare actual results with the planed one in a given period time.

Budget holders and finance rephrase project Budget



4.2.2 Budget Preparation Analysis

The respondents are invited to indicate their level of agreement on the following statements in relation to budget preparation. The responses are rated on a five point Likert scale where: 1 indicate no extent; 2 less extent; 3 some extent; 4 large extent and 5 very large extent. The level of score was analyzed which shows the frequency, mean and standard deviation are generated from advance excel formula as illustrated in table below.

Budget Preparation in save the children

	1	2	3	4	5	Mean	SD
Budgets are prepared with reference to the organization annual plans, strategic plan and overall goal.	1	3	4	23	11	3.93	.936
Budgets are used to allocate the resources.	2	3	5	15	18	3.95	1.265
All staff or functions of the organization are involved in budget preparation.	5	9	12	15	3	3.05	1.140
The budgeting process starts with preparation of forecasts of the expected confirmed income/Awards.	0	6	4	11	21	3.95	1.371
The organization has documented budgeting process (budget notes) which is referenced during the process	0	3	11	17	13	3.90	.910
The budgets are always approved by the senior management before any execution.	1	2	4	14	24	4.41	.959

Grand Mean						3.87	
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From the findings, the respondents point out to a large extent that budgets are always approved by the senior management before any execution (4.41) they agreed to a large extent that budgets are used to allocate the resources and are prepared with reference to annual plans, strategic plan and overall goal, the organization has documented budgeting process which is referenced during the process. The findings further showed that, to large extent the process starts with preparation of forecasts of the expected confirmed income (3.95). However, all staffs are not involved in the process of budget preparation (3.05). In general save the children have a good budget preparation process as revealed by a mean of (3.87). This indicates that there is gap on budget preparation of the organization as indicated above detail.

4.2.3 Budget monitoring Analysis

The respondents were requested to indicate their level of agreement on the following statements in relation to budget monitoring. The responses are rated on a five point Likert scale where: 1 indicated no extent; 2 less extent; 3 some extent; 4 large extent and 5 very large extent. The level of score was analyzed which shows the agreement level designed by Best (1977:174). The frequency, mean and standard deviation are generated from advance excel formula is illustrated in table below.

Budget monitoring in save the children

	1	2	3	4	5	Mean	SD
The approved budgets are shared with all departments and budget holders and ensure they are understood.	2	2	8	15	16	3.89	1.166
Leadership and support provided by managers to the subordinate throughout budget execution is effective.	2	7	14	17	4	3.32	1.006
While striving to implement project the budget holder consider how their action affect achievement of the set target of the organization as a whole.	2	3	16	18	5	3.48	.952
There is always reference to budget before any request	1	3	10	24	6	3.70	.878

to undertake an activity is approved to ensure that there are adequate funds.							
Recording of actual result is accurate and timely.	0	8	12	20	4	3.45	.901
Budget vs actual comparison and identification of variances is done regularly.	0	3	10	10	12	3.91	.884
Budgets are reviewed as need arises to capture the reality during implementation.	0	6	10	20	8	3.68	.934
Reports on budget variance are shared with budget holders and senior management.	2	2	6	17	16	3.93	1.149
Variances are investigated and justified to take timely corrective actions.	5	2	11	18	8	3.50	1.191
The organization develops solutions to problems revealed by budgetary control.	2	5	12	18	7	3.52	1.045
Grad Mean						3.64	

As the result shows the respondents moderately agreed that budgets are reviewed as need arises to capture the reality during implementation (M=3.68), leadership and support provided by managers to the subordinate throughout budget execution is effective (M=3.33), recording of actual result is accurate and timely to some extent (M=3.45). The respondents agreed to some extent that while striving to implement project, the budget holder consider how their action affect achievement of the set target of the organization as a whole (3.45), coordination among departments during budget execution is achieved through clear communication and consultation (3.32). In addition, they agreed that there is always reference to budget before any request to undertake an activity is approved to ensure that there are adequate funds [3.7]. And the respondents moderately agreed that budget versus actual comparison and identification of variances is done regularly (3.91) variances are investigated and justified to take timely corrective actions (3.50) and the organization develops solutions to problems revealed by budget monitoring (3.52). Moreover, respondents agreed to high extent that reports on budget variance are shared with budget holders and senior management (3.93) and the approved budgets are

shared with all departments and budget holders and ensure they are understood to a high extent (3.89).

As the analysis shows the result showed that in relevance to budget monitoring in Save the children, there are moderate efforts in review of budgets and variance analysis as need arises to capture the reality during budget utilization, the leadership and support provided by managers to the subordinate throughout budget execution is effective; recording of actual result is moderately accurate and timely; while there is reference to budget before any request to undertake an activity for approval. The approved budgets are shared with all departments and budget holders and ensure they are understood to a high extent.

4.2.4 Budget utilization Analysis

The respondents were required to point out their level of agreement on the following statements in relation to budget implementation. The responses are rated on a five point Likert scale where: 1 indicated no extent; 2 less extent; 3 some extent; 4 large extent and 5 very large extent. The level of score was analyzed which shows the agreement level designed by Best (1977:174). The frequency, mean and standard deviation are generated from SPSS is illustrated in table below

Budget utilization in save the children

	1	2	3	4	5	Mean	SD
Save the children utilizes its allocated fund as per proclamation number 621/2009-at least 70% for program cost & at most 30% admin cost.	1	0	4	17	22	4.34	.834
Donor funds are utilized for the purpose it was meant according to their objectives and compliance.	0	2	11	14	17	4.05	.914
Donor has a system of regularly reviewing expenditures against approved budgets.	1	0	8	22	13	4.05	.834
It utilizes its fund through continuous utilization control.	0	2	5	30	7	3.96	.680
Save the children utilizes its fund based on its project schedule.	1	7	11	14	11	3.61	1.104
Save the children utilizes its fund based on	0	4	8	23	9	3.84	.861

continuous monitoring & evaluation system							
Grand Mean						3.97	

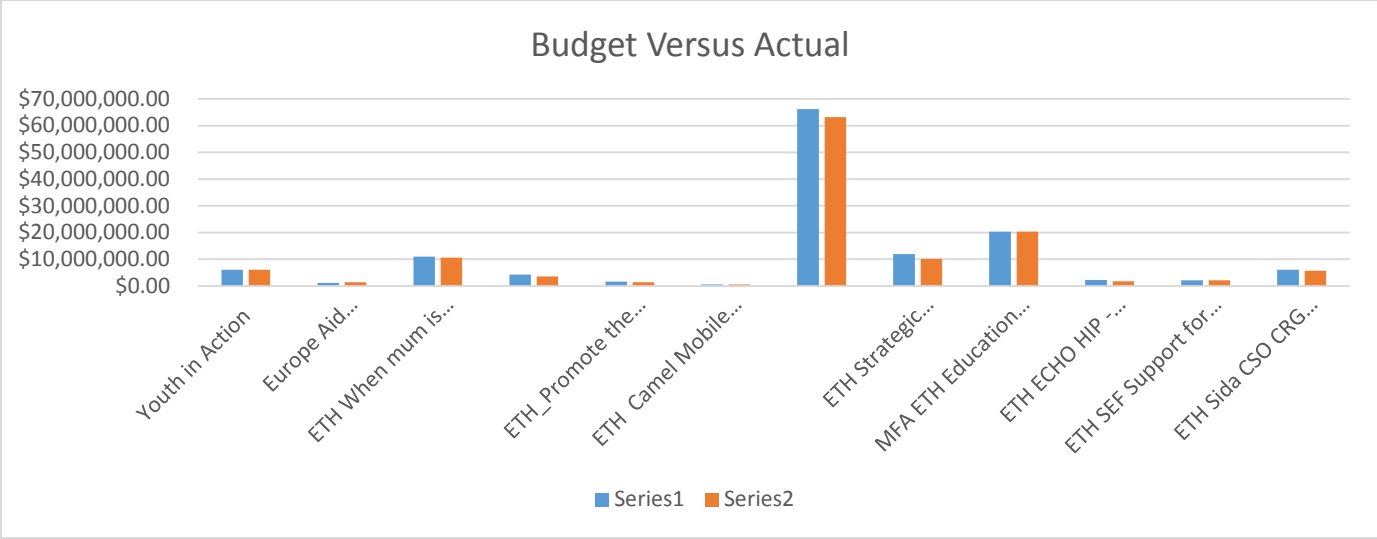
Above table showed that the respondents moderately the organization utilizes its allocated fund as per proclamation number 621/2009-at least 70% for program cost & at most 30% admin cost(M=4.34),Donor funds are utilized for the purpose it was meant according to their objectives and compliance (M=4.05)Donor has a system of regularly reviewing expenditures against approved budgets(M=3.95),It utilizes its fund through continuous utilization control(M=3.96),the organization utilizes its fund based on its project schedule(M=3.61) and utilizes its fund based on continuous monitoring & evaluation system (M=3.84). This shows there is a gap on budget utilization on project periods due improper planning of budgets.

4.3 BUDGET AND EXPENDITURE PERFORMANCE ANALYYSIS

All the sample projects are requested to provide their annual budget and actual expenditure variance analysis. Twelve (12) projects provide consolidated annual budget and expenditure variance analysis reports for the period of three years from 2015 to 2017. Based on this the consolidated budget versus expenditure data collected from the organizations is summarized in accordance with the specific projects areas of for the years 2015, 2016 and 2017 on tables. The budget performance of the three years are analyzed on charts based on specific project, amount of budget and expenditures to show the annual budget versus expenditure performance of the organizations. Moreover, the total budget and expenditure the three years are analyzed on table and chart to evaluate the changes in budget and expenditures of the years under consideration as follows.

Consolidated annual budget versus expenditure report in USD





From the result, it is presented that the organization allocate their budgets in different sectors of project activities as project budget makes the master budget. These project activities include on the above table. According to the result shown on the table and charts, the total budget of all projects was \$170,445,968.21 and the total expenditure was \$151,111,087.69 from the year 2015 to 2017. The reason for under and over spending is the delay on starting of project period and improper planning of budgets.

Chapter 5

5 CONCLUSION AND RECOMONDATIONS

5.1 CONCUSION

The study focused on the budget preparation and utilization as a management tool for managing variances or budget utilization performance for project budgets operating in save the children international organization to answer the following research questions:

1. What is the level of participation of save the children international staffs in the budget utilization Processes?
2. What is the practice of save the children international to apply the tools in the process of budget preparation and budget utilization to control variances to discharge roles and responsibilities?

Focused on the budget preparation and utilization as a management tool for managing variances or budget utilization performance for project budgets operating in save the children international.

Managers at all levels know the level of resources they will receive and what they are to be used.

Under and over utilization of budgets are happened due to late starting of project budget and improper planning.

Budget variance are not reviewed and revised on regular base.

To have good financial performance within the organization individuals, departments, and the whole organizations can work together in the given budget.

Conducting regular review meeting is needed for budget utilization, this gives the opportunity to assign tasks to different staff and used to know the status of budget and its accomplishment.

Conducting regular grant review meetings with community and the government also helps to solve the problems.

The finance department of the organization should provide the Budget versus analysis report to managers in regular bases.

Finally it is good to understand that effective budget processes, which support the efficient allocation of resources, enable organizations to identify and respond to changes in environmental conditions and organizational priorities.

Budget shows an organization's expected financial performance, financial position and cash flows allocated by area of responsibility.

Effective and efficient planed budget involves making decisions on the allocation, use and administration of resources to achieve the organization's objectives

5.2 RECOMMENDATION

Based on the study findings and conclusions on budget preparation and budget utilization of save the children in managing budget variances which involves planning and utilization, the following recommendations are made.

1. Budgets inspire individuals and departments to look and plan forward using a determined timetable that can enhance effective communication of their objectives and provide a bench mark to measure performance. The organization should involve those staffs who will be responsible for budget monitoring and project implementation in preparing the budget. This

helps to increase the accuracy of budget and motivate the staff to spend within budget in the process of implementation to control variances or reach fund raising targets.

2. Budget monitoring and variance analysis should be made on regular bases in line with the monthly close of financial system to compare budget versus expenditure by budget holders and finance who are responsible for managing the projects budget and activities with clear justification and action points. So that managers are able to prevent over or underspends timely and take corrective actions.
3. The finance department is also responsible to maintain updated records in the financial system to provide reliable and timely report to support the budget holders in discharging their responsibilities. In some organizations the finance department do not provide budget versus actual reports in regular bases to support budget holders in monitoring their budget.

The study recommends that organizations finance department should keep reporting budget versus actual expenditures to support the monitoring of revenue and expense levels in operating activities. It also ensures that cash outflows and inflows remain at adequate levels.

Finally the researcher suggested the above recommendations. The recommendations are crucial to improve budget preparation and budget utilization practice as a management tool for enhancing financial management of the organization. This is because the recommendations are forwarded based on the results of the findings in the process of budget preparation, budget monitoring and Budget utilization for enhancing financial management in the sample organization. Moreover, the researcher would like to recommend that future studies should be carried out to establish the challenges related to the budgeting process among the organization.

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ST. Marry UNIVERSITY

SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

A post-graduate student of St. Marry University masters in Accounting and finance program. As part of academic work the survey is on **Assessment of budget preparation and utilization case study of save the children international** as a management tool for enhancing financial management in save the children Ethiopia. Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. Information provided by you is for academic purposes only and will be treated as private and confidential.

Kindly answer the following questions by ticking the appropriate box and give your answer or suggestion when appropriate.

PART I: General Information

1. Position-----

Would you please specify your department in the organization?

- Program []
- Finance or Grant []
- Support Service Department[]

2. Sex

- Female []
- Male []

3. Your years of service in the organization?

- Less than 1 year []
- 1-3 Years[]
- Above 3years[]

4. What is the time dimension does your organization budget cover?

- 3 months []
- 6 months []
- 1 year []
- More than 1 year[]
- Not specific []
- Other specify-----

5. How often are the budgets reviewed in your organization?

- 3 months []
- 6 months[]
- 1 year[]
- Randomly []
- No revisions are done. []
- Others Specify-----

6. Who approves the final decision on budget proposals?

- Board of Directors/Trustee[]
- Top Management []

- Budget Holders []
- Finance Manager/ FD[]
- Others specify -----

7. Does your organization provide capacity building training in budget preparation and budget utilization for enhancing financial management to budget holders, finance and others?

- Yes []
- No []
- If you have different view please specify-----

8. Do your organization participate concerned staffs in the budget development process that are responsible for the implementation of budget?

- Yes []
- No []
- If your answer for question number 8 is no, what is the reason-----

9. When do grant/Award meeting conducted with staffs to evaluate the status of budget implementation in line with the detail implementation plan?

- Monthly []
- Quarterly []
- During reporting period []
- At the end of the project period []
- No meeting is conducted []
- Do you have different view, please specify-----
--

10. Are there policies and procedures in place in budget preparation, budget control and implementation to identify the role and responsibility of staffs in different departments?

- Yes []
- No []

11. Do you request no cost extension from a donor for projects that you have implemented in your Organization?

- Yes []
 - No []
12. Did you observe over or under spends more than the allowable range of the donor for a specific project that your Organization have implemented?
- Yes []
 - No []
13. Is budget versus actual report is provided by the finance department/system regularly to budget holders to do budget monitoring and variance analysis?
- Yes []
 - NO []
 - Could you specify if you have different view-----
-?
14. When do budget holders monitor their budget and do variance analysis to control over and underspends?
- Monthly []
 - Quarterly []
 - During reporting period []
 - At the end of the project period []
 - Do you have different view, please specify-----

15. Do budget holders and finance rephrase the budget based on identified gaps and variance analysis for future improvement?
- Yes []
 - No []
 - Do you have different view, please specify-----

PART II: SPECIFIC QUESTION TO RESEARCH

Budget Preparation

Indicate your view on the following statements on budget preparation to your organization.

Using a rating of 1 to 5 please indicate your view of the following statement on the budget preparation. Where 5= very large extent; 4= to large extent; 3 = some extent; 2= to less extent; 1=to no extent

	1	2	3	4	5
By planning ahead through budgets, a business can make decisions on how much output – in the form of goods or services – can be achieved. At the same time, the cost of the output can be planned and changes can be made where appropriate					
Budgets are used to allocate the resources.					
All staff or functions of the organization are involved in budget preparation.					
The budgeting process starts with preparation of forecasts of the expected confirmed income/Awards.					
The organization has documented budgeting process (budget notes) which is referenced during the process					
The budgets are always approved by the senior management before any execution.					

18. Budgetary Monitoring Using a rating of 1 to 5 please indicate your view on the following statement on the budgetary control. Where 5= very large extent; 4= to large extent; 3 = some extent; 2= to less extent; 1=to no extent

	1	2	3	4	5
The approved budgets are shared with all departments and budget holders and ensure they are understood.					
Leadership and support provided by managers to the subordinate throughout budget execution is effective.					

While striving to implement project the budget holder consider how their action affect achievement of the set target of the organization as a whole.					
There is always reference to budget before any request to undertake an activity is approved to ensure that there are adequate funds.					
Recording of actual result is accurate and timely.					
Budget vs actual comparison and identification of variances is done regularly.					
Budgets are reviewed as need arises to capture the reality during implementation.					
Reports on budget variance are shared with budget holders and senior management.					
Variances are investigated and justified to take timely corrective actions.					
The organization develops solutions to problems revealed by budgetary control.					

19. Budget utilization using a rating of 1 to 5 please indicate your view on the following statements on budgeting process and its effect on variance. Where 5= very large extent; 4= to large extent; 3 = some extent; 2= to less extent; 1=to no extent

Save the children utilizes its allocated fund as per proclamation number 621/2009-at least 70% for program cost & at most 30% admin cost.					
Donor funds are utilized for the purpose it was meant according to their objectives and compliance.					
Donor has a system of regularly reviewing expenditures against approved budgets.					
It utilizes its fund through continuous utilization control.					

Save the children utilizes its fund based on its project schedule.					
Save the children utilizes its fund based on continuous monitoring & evaluation system					

Thank you for your time and cooperation