



**St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA IN ACCOUNTING AND FINANCE**

**ASSESSMENT OF BUDGETARY CONTROL SYSTEMS IN
MINISTRY OF EDUCATION**

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**AUGUST, 2020
ADDIS ABABA-ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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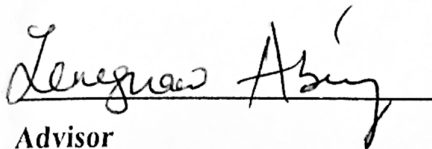
THESIS TITLE

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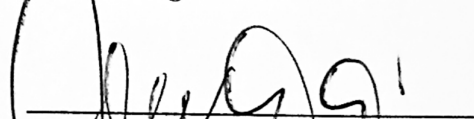
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Declaration

I, the undersigned, declare that this thesis entitled an “Assessment of budgetary control system in Ministry of Education Addis Ababa” is my original work, prepared under the guidance of Zenegaw Abiy (PhD). 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.

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A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above the printed word 'Signature'.

Signature

August, 2020

Endorsement

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

Zenagnaw Abiy (PhD).

Advisor

St. Mary's University, Addis Ababa



Signature
August, 2020

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Abstract

This study pertains to assessment of existing budgetary control systems being used to control budget utilization in Ministry of Education. The study is descriptive and analytic in nature, for assessment of budgetary control systems at ministry head office in Arada and Communication and Information Centre at Mexico, Addis Ababa. Census method was implemented to collect data from 68 respondents through questionnaire using statements based on specific objectives of the study and secondary data was collected from ministry annual report, books, journals and thesis. Validity of the questionnaire was established based on external pilot study and the reliability of the questionnaire was established using Cronbach's Alpha. Analysis of the data was conducted using SPSS and Microsoft Excel. The results of the study analysis revealed gap like feedback from budget users regarding previous year budget utilization is not collected for updating the new budget. Budget was generally underutilized because of purchasing not being done on time, some planned activities not being accomplished on time, tendency to utilize NGO's donations rather than the allocated budget, which implicated the BCS's. The most important fact which indicates the deficiency of controls in BCS was the lack of periodic self-explanatory reports about mismatching, realignment of budget and undertaking unplanned activities. Based on the findings it was recommended that involvement of management at every level of budget utilization is required, strong audit department for monitoring, solutions on time to adjust misalignment of planned budget, to avoid unplanned activities and it was strongly recommended that there should be budget committee for accountability and transparency regarding budget issues.

Key words: Budgetary Control Systems, Unplanned Activities, Monitoring, Utilization, Audit department and Budget Committee.

Table of Contents

Declaration	iv
Acknowledgement	vi
Abstract	vii
List of Acronyms	x
List of Tables	xi
List of Figures	xii
Chapter One	1
Introduction	1
1.1 Background of the Study	1
1.2 Background of the Organization	2
1.3 Statement of the Problem.	3
1.4 Research Question.....	4
1.7 Scope of the Study	5
1.8 Significance of the Study.....	6
1.9 Organization of paper.....	6
1.10 Limitations of the study.....	6
2.1 Theoretical literature	8
2.1.1 Definition of Budget.....	8
2.1.2 Budgeting.....	9
2.1.3 Purpose of Budget.....	9
2.1.4 Type of budget	10
2.1.4.1 A fixed Budget	11
2.1.4.2 The flexible Budget.....	11
2.1.4.3 Zero-Base Budgeting (ZBB).....	12
2.1.4.4 Traditional Budgeting System (TBS).....	12
2.1.4.5 Performance Budgeting System (PBS)	13
2.1.4.6 Planning, Programming, Budgeting System (PPBS).....	13
2.1.5 The Budget Process.....	14
2.1.5.1 Budget Preparation.....	15
2.1.5.2 Budget Utilization	15
2.1.6 Concepts of under and over utilization of Budget	16
2.1.7 Characteristics of Budget.....	17
2.1.8 Common problems/limitations of using budget.....	17
2.1.9 Budgeting for public institutions.....	17

2.1.10 Budgetary Controls.....	18
2.1.11 Budget Control Benefits	18
2.1.12 Reason for Variations between Budgeted and Actual Expenditure	19
2.1.13 Components of Budgetary Control	19
2.1.14 Budget Committee.....	20
2.2 Empirical literature review	21
2.2.1 Empirical literature review in other countries	21
2.2.2 Empirical literature review in Ethiopia	25
2.3 Summary of Literature Review.....	27
Research Design and Methodology.....	29
3.1 Research Design.....	29
3.2 Methods and instruments of data collection	30
3.3 Target Population.....	30
3.5 Validity and Reliability of Data Collection Instruments.....	31
3.6 Ethical Considerations.....	33
Data Analysis, Results and Interpretation.....	34
4.1 Demographic characteristics of respondents	34
4.2 Data Analysis and Results Interpretation	36
4.2.1 Examining the Budget Planning of Ministry of Education	37
4.2.3 Assessment of Budget Utilization.....	42
4.2.4 Variance for Mismatching of the Budget Targets to the Actuals	47
Findings, Conclusion and Recommendations	55
5.1 Summary of Findings	55
5.1.1 Finding of budget planning in MoE	55
5.1.2 Findings of control systems used for budget preparation.....	55
5.1.3 Findings of budget utilization	55
5.1.4 Findings of variance for mismatching of the budget targets to actuals.....	56
5.1.5 Findings of control systems of budget realignment	56
5.2 Conclusions.....	56
5.3 Recommendations	57
ANNEXURE.....	66

List of Acronyms

BCS: Budgetary Control System
BPRMD: Budget Planning and Resource Mobilization Department
EFY: Ethiopian Fiscal Year
ETB: Ethiopian Birr
NGO: Non-Governmental Organization
NNPC: Nigerian National Petroleum Corporation
MoF: Ministry of Finance
MEFF: Macro-Economic and Fiscal Framework
MoE: Ministry of Education
MoSHE: Ministry of Science and Higher Education
PBS: Performance Budgeting System
PPBS: Planning, Programming, Budgeting System
SD: Standard Deviation
SPSS: Statistical Package for Social Science
TBS: Traditional Budgeting System
ZBB: Zero-Base Budgeting

List of Tables

Table 1 - List of target population.....	31
Table 2 - Cronbach's alpha for section - 1.....	32
Table 3 - Cronbach's alpha for section – 2.....	32
Table 4 - Cronbach's alpha for section – 3.....	32
Table 5 - Cronbach's alpha for section – 4.....	32
Table 6 - Cronbach's alpha for section – 5.....	33
Table 7 - Analysis of budget planning data of moe	37
Table 8 - Assessment of control systems used for budget preparation of moe.....	39
Table 9 - Implementation of budget assessment	42
Table 10 - Budget over/under utilization annual report of moe 2018-19.....	43
Table 11 - Variance for mismatching of the budget targets to the actual.....	47
Table 12 - To identify the control systems of budget realignment	51

List of Figures

Figure 1 – Age group analysis (in years)	34
Figure 2 – Educational level	35
Figure 3 – Work experience (in years)	36
Figure 4 – Variance analysis of MoE budget for the year 2018-19	50

Chapter One

Introduction

This introduction section includes background of the study, statement of the problem, general and specific objectives of the study, research questions and significance of the study, scope of the study and organization of the paper.

1.1 Background of the Study

The fundamental goal of governments and governmental agencies is to deliver quality living standards and education for their citizens. To achieve this objective, ministries/departments are formed and given the responsibility of delivering various public services to meet the specific needs of the general population. Public resources are entrusted to public sector institutions for the purpose of delivering services. These institutions have a duty to utilize these resources entrusted to them, efficiently for quality service delivery. Therefore, efficient management of resources requires the design and implementation of right budgeting and budgetary control system as an integral part of the financial management processes of the institution (Atuilik, et. al. 2019). As per Drake and Fabozzi (2010) government relies heavily on budgets and budgetary systems of the public sector to succeed in its strategic goals, in spite of any size or complex issues of the sector. The collection of planned activities and the estimation of expenditure to accomplish them are known as budgeting but the effective mechanisms which control this expenditure to achieve the desired results is known as budgetary control systems. Isaac et.al. (2015) mentioned that budgetary controls are centralized controls for controlling decentralized activities also accordingly budgetary control systems are policy frameworks of the management for budget preparation, continuous monitoring of actual performance with budgetary performance and the revision of budget according to some urgent activities to be attended. If budgetary control systems are strong and rigid enough, they make the organization efficient and for budgetary controls to be effective they require the backup of the internal audit department for correct and timely budget utilization reports so that timely action can be taken in case of variance. In case the overall performance of the organization is below targeted, it's the budgetary control systems which help management to identify the correct reasons for it. Budgetary control is not a substitute of management as it cannot replace management in decision making but can only provide data for decision making. According to Nwoye (2015) budgetary control is a system of maximizing operational effectiveness of the organization by comparing actual performance with that budgeted and taking action based upon the results. The effectiveness

of a budgetary control system depends on ensuring that appropriate timely remedial action is taken when variances are observed.

Parameswaran (2005) stated that the concept of budgeting means a plan by government of its expenditures and revenues for a specified period. In Ethiopia, commonly government budget is prepared for a year, known as Ethiopia fiscal year (EFY), from July 8th of this year to July 7th of the next year. With the intention of building uniform budgetary control in the government organizations, Ministry of Finance set budget guideline for all government finance bureaus. As a principle, those guidelines serve as budgetary control systems for budget holders. However, the guidelines issued regarding budgetary control do not ensure efficiency and effectiveness of budget utilization unless the responsible budget holders show commitments and sense of accountability (Garedew, 2018). Studies show that governments which have effective BCS, have stronger budget utilization, these rules focus on formal and informal procedures for preparing, adopting, and implementing the budget (Schick, 2007).

From the above-mentioned references made by the earlier researchers, this study focuses on assessment of budgetary control systems in Ministry of Education Addis Ababa.

1.2 Background of the Organization

The Ministry of Education is a governmental Ministry of Ethiopia. It is headquartered in Arada Sub-City, Addis Ababa. The ministry is responsible for controlling the teaching and learning process from elementary school education to higher secondary school education in the country, also regulates the general curriculum of public schools and sets the regulations for private schools. The ministry also has, in accord with Ethiopian law, the authority to regulate all institutions of learning to a certain limit, including responsibility of Ethiopian national exams.

In the ministry there are different departments handling different portfolios. Each department prepare their own capital budget along with current budget, depending upon the tasks they are allocated. All departments forward their budgets to the planning and budget department, which further scrutinizes the budget requested, consolidate it and forward it to Ministry of Finance (MoF) for approval and release of funds. In the current 2019-20, the cumulative budget figures for general education and support programs for eight different departments, was 1,195,375,000ETB (Approved budget program information from Ministry of Education Head Office AA). Supporting program ETB175,947,600.00, Teachers and support staff for general education department ETB38,203,100.00, Education system support department ETB33,156,800.00, Information and communication technology education project development (Capital Budget) ETB56,971,400.00, Education entity follow up, support and

evaluation department ETB14,535,600.00, General Education quality improvement project (Capital budget) ETB268,509,500.00 and from donation ETB293,126,000.00, Loan ETB314,925,000.00 from different entities.

Ministry of Education has a set amount of fixed budget by MoF, which are from the past expenditure references. While budgeting for the new financial year all the eight departments of the ministry prepare their budget as per the amount indicated to them by the planning and budget department of the education ministry. If there is any extra need of resources because of new project or new development they request the same to planning and budget department, who prepare the justification for the extra expense requested. This request is authorized by the education minister and the same is forwarded to MoF along with the budget request for allocation.

The Ethiopian budget process is guided by a directive which is set by ministry of finance for all public sectors and this guideline is set to make sure that planning and budgeting are prepared, approved, aligned and used in accordance with set development agendas (MoF 2010). Its preparation is often guided by a document known as the Macro- Economic and Fiscal Framework (MEFF) prepared by MoF. The MEFF provides forecasts of government revenue and expenditure, expenditure financing and the division of total expenditure between federal and regional.

To evaluate the performance efficiency of budget utilization, initiated this study of assessing the existing budgetary control systems in Ministry of Education. The budgetary control reports and the type of systems being implemented will highlight the exact utilization of planned budget and also the gap in existing budgetary controls which doesn't identify the factors affecting the efficient budget utilization in the Ministry.

1.3 Statement of the Problem.

Budgetary control is the process of developing a plan for periodically comparing actual expenditures against that plan to determine if the spending pattern needs adjustment to be in line with the budget prepared (Dunk,2009). As per Boquist 2001, organizations generally fail to recognize that they have flawed budgetary planning and control systems. Epstein and McFarlan (2011) carried out a study in Denmark on measuring efficiency and effectiveness of a nonprofit organization performance; it was found that budgetary control was one of the important tools in achieving efficiency of nonprofit making organizations.

Based on the above references few earlier researches were referred to study the budgetary control systems in government organizations. Such as Tilahun (2010), conducted the study on budget management and control in reference to Ministry of National Defense and concluded

that budget of the Ministry of Defense was prepared without considering reasonable cost estimations and current market price, but was formulated on the bases of figures from previous year budgets. The researcher also revealed that there is idle cash in the Ministry of Defense due to the lack of inconsistent purchase program which lead to unorganized expenditure toward the end of budget year to utilize the budget allocated. The research reveals that budgetary control systems in the Ministry of Defense does not exist even if they do exist, they are ineffective to monitor budget utilization. Abera (2014) studied budget preparation and utilization of educational finance in public secondary schools of Shashemene town by employing descriptive survey and the study revealed that the level of controlling the budget process, effectiveness and efficiency in utilization of budget are positively related, revealing that some budgetary control systems did exist in the organization which gave positive results in budget formation and utilization. Similarly, Ketema (2015) assessment of budget preparation and utilization in Addis Ababa city administration health bureau revealed that there is no accountability in budget and no market-oriented cost estimation because of lack of adequate and experienced staff in the budget department which lead to inefficiency of the health bureau for providing services to the society.

Ministry of Education is one of the nonprofit public sectors in Ethiopia controlling the education system of the country. The annual report of 2018-19 for Ministry of Education indicated that there was underutilization of the allocated budget which reflected the performance inefficiency of the ministry. The data reported was that support program utilized only 78% of allocated budget and general education program only 63%, which indicated the low performance of the ministry in the annual report. Underutilizations of the funds allocated indicate that there is lack of effective budgetary control systems in the organization.

The past research studies done by Tilahun (2010); Abera (2014) and Ketema (2015) have concentrated on budget preparation, transparency and accountability, budget implementation in the public sectors and budgetary control systems for measuring the variances in different areas but no specific research was conducted to assess budgetary control systems being practiced in Ministry of Education (MoE). The objective of this study is to fill the research gap in the prevailing budgetary control systems in this area.

1.4 Research Question

To achieve objective of the thesis, following research question regarding the assessment of budgetary control systems at Ministry of Education were answered:

- ◆ How are budgetary control system in budget planning of MoE?

- ◆ How are the budgetary control systems implied while budget preparation in the ministry?
- ◆ How is the allocated budget utilized in the MoE?
- ◆ What are the reasons for mismatching of the budget targets to the actuals?
- ◆ What is the control systems used for realignment of budget?

1.5 General Objective

The General objective of the study is to assess budgetary control systems in Ministry of Education.

1.6 Specific Objectives

- To examine the budget planning of Ministry of Education.
- To assess control systems used for budget preparation.
- To assess budget utilization.
- To examine the variance for mismatching of the budget targets to the actuals.
- To identify the control systems of budget realignment.

1.7 Scope of the Study

In pursuit to improve the education system of the country, Ethiopian government as of August, 2018 split MoE into three separate ministries. This was done keeping in mind to improve the efficiency of the country's education governing body to impart quality education and also for monitoring the operational activities of MoE.

This assessment of budgetary control systems considered mainly the control systems being implied for the budget implementation in the Ministry of Education from August, 2018 when the MoE was restructured into three different ministries. Study identified the existing gaps in budgetary controls to help in effective utilization of the budget in individual departments in Ministry of Education Head Office, Addis Ababa, Ethiopia and Information and communication technology education project which is located in Mexico area as their budget allocation and monitoring is under MoE. Other institutes and universities are out of scope of this assessment study since these universities are allocated operational budget directly from MoSHE as they are separate identities from MoE regarding budget issues.

This assessment emphasized on integration of plan and budget, appropriation and actual controls to achieve the set targets regarding budget underutilization/exceeding utilization of the budget allocated to the ministry.

1.8 Significance of the Study

The significance of this assessment study is to assist the Ministry of Education managers in investigating and put in place the appropriate/or improve the existing, budgetary control systems for efficient performance.

This assessment study would be beneficial for the policy makers of the Ministry of Finance to evaluate the gap in their existing policies, for the improvement of the ministry performance. It would also enhance the decisions of parliament, government stakeholders and some other direct and indirect participants who are interested in good budget practice and budgetary control systems. The MoF can refer the findings of this assessment to amend policies that ensure the proper utilization of public finance.

A carefully designed budgetary control systems gives a sense of direction to an organization, this assessment is intended to assist management of the Ministry of Education to improve their operational effectiveness and add value to the knowledge base on budgetary control systems and help in making major financial decision.

The contribution of this assessment is to compare the theoretical effectiveness of budgeting performance based on budgetary control systems and how the theoretical concepts are applicable in actual practice of the organization. This study also contribute to the literature on the impact of maintaining a proper Budgeting and Budgetary control systems on the effectiveness of public sector institutions. It is expected that the findings of this study would add to the available literature on the subject which will be beneficial to other researchers to develop a conceptual literature.

1.9 Organization of paper

This research paper is arranged in five chapters. Chapter one being Introduction of research study, chapter two Literature review, chapter three Research Design and Methodology, chapter four about Data Analysis, Results and Interpretation and finally chapter five conclusions and recommendations of the findings in MoE.

1.10 Limitations of the study

While conducting this assessment study some limitations were experienced which the researcher had to face. Major was the non-cooperation of the respondents in form of reluctance to give authentic data, and some returned blank questionnaires. This took time as alternative respondents were approached for data collection. Since the Likert scale score was formed by the researcher so there are evident chances of results being biased.

COVID-19 pandemic hampered interviewing the officials of Audit department to further discuss the responses provided by the department in the questionnaire. The non-cooperation

of the audit department hampered to pin point the lack of budgetary controls systems in the specific departments, because of which the overall deficiency of the BCS in MoE was assessed. Due to lack of audit data the researcher was unable to assess the BCS implied by the audit department.

Chapter Two

Literature Review

The study is based on the research done by different researchers about budgetary controls who have different views on the subject and the main focus was to conduct the gap left by the researchers if any. Empirical literatures have also been reviewed in this section for identification of existing literature gaps based on researches done.

2.1 Theoretical literature

Theoretically, budgetary control systems have been reviewed and explained by different researchers while studying the budget performance of country's public sector. Different theories, terminologies and views have been provided by them about budget and budgetary control systems of a budget.

2.1.1 Definition of Budget

The word Budget is adapted from French word "Baguette" meaning a little bag (Quick et.al, 2001), since during the annual presentation of the country budget the finance ministry head bring the annual budget in a small bag to the parliament for presentation. A government budget is a financial plan which details its aim and policies that it would like to accomplish in the coming period along with its cost factors (Abijime, 2008:55).

Budget has been defined in different ways by different scholars, as per Reeve and Warren 2008, budget is an accounting device used to plan and control resources of operational departments of governments and divisions. Budget can also be defined as a planned usage of the resources of an organization in financial terms. Organizational purpose of the budget process is to make optimal resource allocation decisions by increasing the capacity of the organizational management (Gerasimos and Clifford, 2002). It provides direction to the management about usage of resources and operations in a particular time period. According to Omosidi el. at (2019), for the completion of proposed plans and to accomplish objectives, budget guides the organization to make sure that resources are available at the right time and in the right amount. Budget has detailed costing then in the planning and both plan and budget provide detailed overview of what is intended and expected by which the objectives can be achieved. As per Lysons & Farrington (2006) and Owler & Brown (1999), budget is an estimate or informed guess, about what will be needed in monetary terms to do the work. It is important for an organization, project or department to have a budget to know how much money it needs to carry out its activities and also forces it to be thinking in detail the implications of its activity planning. As per Lucey 2003, Budget is used by the externals and

internals as a basis for deciding whether what you are asking for is reasonable and well-planned. Since budgeting involves costs, it is crucial to estimate and control the kind of costs to be valued when preparing a budget (Aslani, 2009). The costs an organization may need to estimate can be categorized into operational costs, organizational costs, staffing costs and capital costs. This makes budget a powerful tool which controls the implementation of the plans through programming of its cost.

2.1.2 Budgeting

Budgeting is a process of obtaining budget required to allocate resources to projects and programs in an organization. According to Peaver (2013) budgeting is a process of preparing a detailed statement of financial results that are expected for a given time period in future. In this definition two words expected and future have specific meaning, expected means it may or may not happen and future means time to come, so combining these two we can say budgeting is a financial statement which may happen in the time to come.

Budgeting system is an organization framework for controlling spending and revenue allocation for achieving their planned objectives which require effective budgetary control. According to Fadi Baker (2013) budgetary control is a system that uses budget as controlling and planning mechanism. Budgetary control system in an organization involves in budget preparation, reporting on tasks accomplished, variances between actual and budgeted performance and taking remedial measures so that budgeted performance and objectives can be achieved effectively. If variances occur reasons are ascertained and a recommendation of remedial action to match performance with the plan is done (Coates, 2005). Making of budgetary control statements and immediate investigation of revealed variances provide the best basis for bringing operations into line with the plan, or where there have been substantial changes in circumstances making agreed alterations to the plan (Lucey, 2003). The major objective of budgeting highlighted by Herath and Indriani (2007) are a means of forecasting and planning, channel of communication and co-ordination, motivational device, means of evaluation and control and source of information for decision-making by the managers.

2.1.3 Purpose of Budget

Budget purpose is to plan, coordinate, communicate, motivate and evaluate the manager's performance. During formation of an organization long term goals are planned at the time of incorporation but the annual budgets is the one the manager's form for detailing of these plans to put them to implementation. In a scenario when annual budgeting does not exist, day to day operation pressure mount which might discourage managers for conceiving plans for future operations. In such a situation budgeting process make sure that managers plan for

future operations in reference to the coming future and correspondingly plan steps to be incorporated to deal with those situations (Drury, 2012).

According to Horngren et al (2012) coordinating the activities of all units of the organization is essential because all the concerned managers might work to their best of the abilities but to achieve the organization objective their activities have to be coordinated towards one goal which can be done by following the planned budget.

According to Warren et al. (2009) the main aim of budget is to fix goals, formulating and implementing plans to achieve those goals and comparing from time to time the actual results with the goals established. To achieve this objective budgeting has impact on planning, directing and controlling activities of the managerial functions. Planning set goals for the managers to make decisions in line with the organization objectives. Budgeting supports the planning process by making all departments to fix their goals for the future. Budgeting process highlight the areas where operations can be improved and this also motive employees to achieve set targets in the efficient way. Directing is concerned with decisions and actions taken to achieve budgeted goals. A budgetary unit of an organization is known as responsibility center and each of them is managed by a manager who has authority and responsibility for achieving the center's planned goals. Controlling involves comparing actual performance of the budget users with the budgeted goals. Comparing performance with budgeted goals provide information about variation if any to managers and employees about their performance. The responsibility centers can use this information to adjust the activities of the departments in future.

2.1.4 Type of budget

Budget has been defined differently by different authors depending upon the nature of organization such as govern+ent entity, public sector, manufacturing, consultancy or NGO's. The types of budgets utilized in these organizations also differ depending upon the type of operations being done to achieve their objectives.

According to Abhijit (2016) there are five main kinds of budgets, namely functional budget, financial budget, cash budget, flexible budget and zero-base budgeting. Functional Budget is a budget related to the main functions of the organization activity. Financial budget is made up of all budgets which are important for the performance of the organization. Cash Budget is the summary of estimated cash receivables and estimated cash payments over the budget period. Some organizations because of uncontrollable external factors, it is difficult to accurately estimate future level of difficulties, so to handle such situations the planned budget is kept flexible meaning the budget can be altered depending upon the present circumstances.

In ZBB it is assumed that there was no previous year's budget and the current year budget proposals are independently evaluated on the basis of expected benefits and costs involved, making particular reference to the justification of the allocated resources.

2.1.4.1 A fixed Budget

Fixed budget is a type of budget which does not recognize the cost relation to the different operation levels, thus providing no place for changes in the planned budget. Pogue (1997) described fixed budgeting as being based on one level of activity to which the various costs are related like materials, labor and overhead costs in his article titled 'Budgeting as an aid to management performance'. In fixed budgeting control of cost is difficult because if actual activity is different from budgeted activity, then the budgeted costs which are measured by management information and action, becomes meaningless. Since fixed budgets fix the expense limit that cannot be exceeded, the researchers and analyst take this as a constraint, also this property of fixed budget limit the comparison between the actual performance and the budgeted result. Fixed budget is a single budget with no analysis of cost and the purpose of it is at the planning stage when it serves to define the objectives of the organization, when there is no requirement of cost analysis into fixed and variable. The fixed budget can't be used for control purposes; it's only by chance if the level of activity turns out to be exactly as planned (Kpedor 2012).

2.1.4.2 The flexible Budget

Consists of several levels of activity and recognizes how costs vary in relation to the various output levels. Harper (1999) defines flexible budget as a budget which defines what should have happened in regard to each budget fact. The flexible budget compensates for the rigidity of the fixed budget and it basically points out that forecast can be wrong. By understanding that different costs are necessary to meet different levels of activity in business, the flexible budget implement effective controls to affect this policy. It is particularly useful for control purpose with the actual output achieved. Flexible budget is a technique, according to Cherrington, Hubbard and Luthy (1988) that is used to adjust the budget for various level of business activity. In developing the flexible budget, expected or budget costs relationships are mentioned so that the budget can be easily adjusted to any level of business activity. Maher and Deakin (1994) agreed that a flexible budget indicate cost and profits for virtually all feasible levels of activities. The main requirement of a flexible budget is that expenses should be divided into three different categories one fixed expenses meaning expenses which will remain constant irrespective of levels of activity second variable expenses, the expenses

which will change in relation to levels of activity and lastly semi-variable expenses, which need to be analyzed into the fixed and variable expenses (Abhijit, 2016).

2.1.4.3 Zero-Base Budgeting (ZBB)

The conceptual frame work of ZBB was designed by Pyhrr (1970) who defined ZBB as an operating, planning and budgeting process which require each manager to justify his complete budget request in detail from scratch. According to Lucey (2002) zero based budgeting is also called priority-based budgeting, its main requirement is that all activities are justified and prioritized before decisions are taken relating to the amount of resources allocated to each activity. Appiah-Mensah (1993) also argued that ZBB are prepared without reference to the budget of the preceding period. A fresh look is made at the activities of the organization and based on the new circumstances and entirely new budget is prepared. It is applied in three stages such as the decision unit (where operations can be individually identified and evaluated), second the decision packages (each decision unit manager submits three budget packages first the lowest level of expenditure second the expenditure required to maintain levels of activities and lastly expenditure required to provide an additional level of service or activity) and in the end agreed package will be part of budget. This method is called Zero Base budgeting since the existing system is discontinued and the existing system is reviewed on the assumption of Zero-Base.

2.1.4.4 Traditional Budgeting System (TBS)

TBS is the application in the budgeting system which incorporates the preparation of the budget in line with the nature of income and expenditure. As this system mostly depends upon the method of considering materials and line-item, hence it is also called 'Line-Item-Budgeting system. As per Schick (1972) the importance of line itemizations and the level of expenditure play important role in the line-item- budgeting to estimate resources, are related to objects of expenditure. Since TBS ignores the evaluation of outputs, for what purposes the inputs are going to be used in the budget is not important (Shultz & Harris 1965). TBS is also known as incremental budgeting, as it considers the existing budget for decision-makers to make their estimations and calculations for the coming year's expenditure. The system takes only the previous year's budget items into account and then increases their spending levels as a requirement of next year budget, but as per Schultze (1966) this is the weakness of the system and states that "unless a new program is proposed, there is no examination of the basic program structure".

Wildavsky (1974) emphasizes that there are no disagreements on TBS, according to him, any possible disagreement between the participants would be likely be upon the level of spending

rather than programs. To resolve this matter, the most applicable way for them is to make some increase or decrease in the expenditure as policies and programs possible results are not considered at all important in TBS. It is one of the fundamental aspects of TBS that final approval body of the budget takes into account only list of categories included in the budget and their level of spending, based upon that the approval body decides whether to accept or need some increase/decrease in the level of spending.

TBS is not suitable to help decision-makers to consider long-term financial plans; its unsuitability is stressed by Carpson (1968) that through TBS, decision-makers tend to justify the decisions already taken rather than data that can be used to evaluate alternative possibilities.

Although TBS is the oldest budgeting system among the latest budgeting systems, it is still being used by a large number of authorities (Rubin, 1992). Hence the system should not be regarded as completely old, but rather it would be implemented and re-adopted to these days' budgetary requirements.

2.1.4.5 Performance Budgeting System (PBS)

Performance budgeting system is categorized in-between TBS and Planning, Programming, Budgeting System (PPBS). To establish administration and communications within and among other departments in the public sector led to the development of PBS. This budgeting system requires measurement of results, outcomes, and impacts (Melkers and Willoughby, 1998). PBS was first implemented in the USA in order to overcome the weaknesses of TBS. The main aim of PBS was not to focus on objectives, but rather on activities which means that identifying programs by PBS is not depended on expenditure required, but on activities. Another aim was to sustain efficiency and economy in the public sector (Babunakis, 1976).

2.1.4.6 Planning, Programming, Budgeting System (PPBS)

Implementation of PPBS was first done in the Department of Defense in the USA, after observing the results it was then implemented in the public sector. Its implementation was attributed to the weaknesses of TBS the existing budgeting system. The main objective of implementing PPBS was to enable departments to improve efficiency and effectiveness of their resource's utilization. PPBS linked program information to planning in budgetary decision-making and evaluated public services on output basis. The need for PPBS was mainly felt in the area that public sectors have limited resources against increasing public demand. To provide improved welfare to the individuals and optimize their demand in spite of scarce public resources, PPBS was proposed as an alternative system to public budgeting in 1960s.

2.1.5 The Budget Process

In a normal budget planning, the organization begins with a planning process where the problem that needs to be addressed is looked at and the specific role of the organization in addressing it is defined. This is related to what actual activities need to be undertaken to achieve the planned impact (Owler & Brown, 1989). There are four stages in the budget cycle namely budget preparation (drafting/design process), budget approval and appropriation (legislative process), budget execution (implementation process) and budget control (performance monitoring - audit and evaluation process) which help in attaining the planned activities of the organization. Several stakeholders are involved at each step of the budget cycle, with some contributing exceedingly more than others.

Budget process in Ministry of Education is followed as per the guidelines from MoF. Ethiopia's Ministry of Finance follows budgeting system in which recurrent and capital expenditure are considered separately (MoF, 2009). MoF is the main body for the preparation of the federal budget in Ethiopia, in consultation with the different ministries that are the users of the budget. Council of Ministers Financial Regulations No 17/1997 delegate the responsibility for detailed government financial policy directives formation and implementation in all areas of government finances, developing and maintaining standards of work and conduct for all public bodies, internal auditing functions and preparation of financial plan for the country are the main responsibilities of the Minister of Finance. Each ministry/public sector before receiving the budget call letter from Ministry of finance with their budget ceilings needs to start their internal budget preparations. Process of budgeting in Ethiopia involves numerous steps, the first step is the sending of budget calls and ceiling notifications to the ministries by the MoF and on receiving the budget call ministries submit their budget request as per the set regulations. Final budget is submitted to Parliament by the Prime Minister for approval after careful scrutiny of the budget request from the ministries by MoF. The budget that is approved by the Council of Peoples Representatives is a detailed budget. After the approval of the budget it becomes the responsibility of the civil service to implement that budget. Implementation of the approved budget is also known as budget execution MoF (2006). Disbursing funds already allocated is the implementation phase of the budgetary process, also monitoring that the funds are spent for the intended purposes only. It is the responsibility of Ministry of finance to inform all budget users their approved recurrent and capital budget (MoF, 2006). Every Ministry submit a monthly disbursement request to the MoF which has detailed report of the previous month expenditure and outline a request for the next month allocation of funds based upon a detailed work plan. The MoF, fund

disbursement department disburse the requested and approved funds for the ministries. The budget registrar in the disbursement authorization department keeps all the records of the original approved budget, transfers and any undisbursed allocations. Since it is difficult to plan the next year budget accurately as future circumstances can't be predicted precisely, so as the situation demands these variations can be legally adjusted to compensate for the unexpected circumstances. Approval of budget adjustments are hard to get because these can be avoided by proper planning and budgeting but these adjustments are permitted by law either through budget transfer or budget supplement. Public sector budget process involves preparation, utilization and control systems as main factors of budget. Based upon these factors different researchers have elaborated public sector budget process.

2.1.5.1 Budget Preparation

Public budget preparation is one of the difficult tasks that any country goes through, Falk (1994) states that budgets are financial outline of a country's plan for the financial year. Budget reveals the source of funding and the mode of expenditure for the planned activities, precisely budget sets the limit of public funds. Budget is not the only criteria for budgeting it needs base for preparation, but as per Andrews and Hill (2003), priorities of expenditure depending upon the urgent and less urgent needs of the country makes the basis for budget preparation. The less urgent needs are taken care when sufficient funds are available. One method is to set limit on budget requests, this has an advantage of making budget users prepare requests that include only financially feasible options (Lee, 1992). This is often known as fixed-ceiling budgeting. Limiting budget funds request make agencies to request next year budget based on their set of priorities.

Schiavo-Campo (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning, which involves the process of reviewing the proposed budget, debating with the staff who prepared it and bargaining on the priorities/expenses of the activities involved, which lead to the formation of efficient budget. Efficient budget can help narrow the range of option and improve the quality of decision making (Malcolm, 2003).

2.1.5.2 Budget Utilization

According to Allen and Tommasi (2001) it is possible to utilize inefficiently a well-prepared budget but it is not possible to utilize well badly prepared budget. Once the budget gets the approval of legislature, the government public sector start working towards the achievement of their targets set in the budget plan. Budget utilization is where resources are used to implement targets set in budget preparation. Spending public funds effectively, to meet

targets while ensuring value for money is challenging than planning how to utilize the funds. Budget utilization depends on various factors, such as the ability to deal with changes in the macroeconomic environment and the utilization ability of the organization concerned. Budget utilization system should have relevant budgetary/appropriation accounting system for effective expenditure control because it is necessary to track transactions at each stage of the expenditure cycle and movements between appropriations or budget items (Schiavo-Campo & Tommasi, 1999). There should be distribution of responsibilities for budget utilization, budget appropriation, budget revisions, other issues related to budget utilization and the monitoring of budget execution. Budget execution cover activities related to the implementation of policies and tasks related to the administration of the budget. The distribution of responsibilities in budget management should be done according to the agencies respective areas of responsibility and accountability.

2.1.6 Concepts of under and over utilization of Budget

According to Peters (1998) poor planning, no links between policy making, planning and budgeting, adequate expenditure control, inadequate funds for operations and maintenance, inadequate synchronizing between budget formulated and its actual utilization, lack of appropriate accounting systems, on time availability of budgeted funds and poor cash management, were the weakness in resource allocation and utilization of budget. These factors lead to the under or over utilization of budget in the organization.

According to Allen and Tommasi (2001) overutilization of the budget is caused by non-compliance of the spending limits defined in the budget. By defining the spending limits, cash allocated for specific expenditures are generally controlled, off budget spending results in overutilization of the budget. Payments made through irregular procedures in some countries, are not controlled against the planned payments and are therefore an important cause of overruns. Lack of compliance can be overcome by strengthening the audit system, reporting system and by making sure the effectiveness of the basic budget execution controls. Overruns can also be caused by deficiencies in budget preparation, budget utilization process and monitoring at each stage of expenditure. In a number of countries, the official budget is under spent. It does not mean that there is appropriate usage of budget as planned, in these countries this is because of poor governance by the management and not accomplishing some activities in the course of the financial year. Overestimated budget and irrelevant projections of the revenue required lead to budget revisions during budget utilization. In most cases underutilization and overutilization is the outcome of discrepancies in budget preparation on the bases of activities and targets planned for the financial year.

2.1.7 Characteristics of Budget

According to Einwiller (2002) budget is planning and control device which is prepared for fixed future period and it reflects planned income, expenditure and capital to be invested. Budget is prepared in financial and quantitative terms, these are the main characteristics of the budget for an organization.

2.1.8 Common problems/limitations of using budget

It's a universal truth that every positive side has a negative side associated with it, similarly budget forming and implementation have many advantages but at the same time it has some limitations associated with it because of some teething problems in its execution. According to Nwoye (2015) the problems faced are, that budget provide only estimated values so the results cannot be measured accurately, magnifying unimportant expenses and limiting important ones help in hiding inefficiencies of the budget and generally budgets are prepared on annual projections so this hampers the quick results.

2.1.9 Budgeting for public institutions

In the earlier times of kings and monarchies there is documentation regarding the existence of royal treasury and accountants (the head of treasury), auditors use to manage the royal treasury. Now in the modern democracies the legislatures are managing the public funds which are collected in form of taxes and revenues generated by government through several other projects/organizations. The upcoming of the people welfare, generated the need for managing these resources in efficient and effective way which gave way to budgeting of these resources for proper utilization of them. Budgeting is a means to carry out several objectives of the public organizations (Prachi Juneja, 2020). Budget is a financial procedure providing targets and directions, but for results and to help managers to achieve their objectives it must work efficiently and effectively. According to Matei and Dinu (2009) the public budget is a balance between revenues and expenditure. Public budgeting is planning operations of the public sector in the government for a specific period.

According to Amey (1979); Bremser (1988); Douglas (1994) and Yang (2010) budgeting in business helps to formulate the policies and systems for maximum profitability. Public budget is a complete and to the point document indicating what economic and non-economic activities government wants to undertake within a fiscal year with special emphasis on policies, strategies and corrective actions. In case negative variances occur and the policy achievements are maintained with public revenues and expenditures projections, this reveals budgetary control in the public sector. In every public or private organization it is important to prepare a budget and employ some controls for the purpose of transforming policies to

reality and coordinating financial controls in order to accomplish the objectives. Oshasami (1992) mentioned in “Government Accounting and Financial Control” that the resources available are not always sufficient to serve the needs and opportunities, which the Government would like to serve or restrict, in such scenario budgeting is the source of decision-making as well as allocation of resources. Awoyemi (1984) states that the budget is a tool of accountability, for management and economic policy purpose and associated features of public sector. According to Oshasami (1992) planning and programming budgeting is a process designed to make government and public cooperation and activities more effective and more efficient. Public sector activities involve planning, programming, budgeting, implementation, monitoring and evaluation, which guide the sector towards its planned goals.

2.1.10 Budgetary Controls

Budget control is important for management to keep track of actual performance and make sure that the objectives of budget are achieved (Kpedor, 2012). According to Okapanchi and Muhmmmed (2013) the budgetary control is incorporated to keep actual performance of the organization in line with the planed performance, so that the organization objective is achieved effectively, there by meaning that if budgetary control exist the budget objective of the organization are easily achieved.

Similarly, according to (Nwoye, 2015) controlling cost, preparation of budget, coordinating the departments and establishing responsibilities are the prime factors of budgetary control system. Budgetary control system incorporate comparing actual performance with that budgeted and acting upon results to achieve maximum efficiency. Budgetary control is mainly the use of budget as a control device whereby predetermined plans or standard output, income and expenditure are compared with actual attainment so that, if necessary, corrective action may be taken before it is too late.

Budgetary control is the formation of budgets connecting to the tasks of experts to the requirements of policy, and the nonstop comparison of the actual with the budgeted results, either to secure by individual action the objective of the policy or to provide a basis for its revision (Gopal,2009).

2.1.11 Budget Control Benefits

Margah (2005) budgetary controls allow for the planning of expenditure thus allowing for organizational spending, by doing so the finances are utilized fully which add to the benefits of the industry and the economy of the country. Budgetary controls also help in determining the weak points of the organization operations. According to Scarlett (2008) principles,

procedures and methods of achieving given objectives through budgets is known as budgeting controls which help in fixing the goals of the organization and efforts made for its achievements. To achieve budgetary targets coordination of various executives and subordinates is necessary as different departments in an organization are dependent on each other (Waren, 2011). Sufficient control is very important in every organization; this is because if there is no control of resources in the organization, it will be difficult to control budgets. Government owned industries is a basic principle of control on scarce resources they are meant to manage (Robinson, 2009). According to Stewart (1997) for the long-term future plans and achievements of the organization objectives, effective control is an important administration role which rewards the collective efforts of all departments.

2.1.12 Reason for Variations between Budgeted and Actual Expenditure

The main objective of Budgetary Control is to monitor variance. Variance analysis is unexpected, unplanned change from the budgeted figures and if no action is taken on time by the management the organization objective is difficult to achieve. The monthly performance report of the management highlights the shortfall in expenditure meaning the variance from the planned activities. Budget therefore must be monitored for variables, so that on time action can be taken to rectify it as each budget has a budget holder, so the variance can be traced to the right person (Palmer, 1984).

There are various factors that explain why actual expenditures deviate from the ones approved during budget planning and preparation at the beginning of the financial year, such as reallocation of fund during budget implementation, policy changes during the financial year, inability to implement budgeted policies, program and projects and lack of financial discipline contribute for variation in budgeted and actual expenditure (Omitoogun & Hutchful, 2006). Lack of day to day monitoring and controlling commitment, transparency, accountability also add to the variance in the budgeted expenditure.

2.1.13 Components of Budgetary Control

There are many components which affect budgetary control. For the purpose of assessment study of budgetary control systems budget planning process, management support, organizational commitment, effective internal audit, monitoring and evaluation of the budget are to be referred (Srinivasan, 2005).

Anwar (2007) recommended three preconditions for preparing proper budget. First, the budget preparation team has to be consultative and participatory so that there is ownership for the process and the approved budget. Second, based upon informed choices of operational plans by the budget users, priorities of programs and expenditures should be set. Lastly,

planned budget (that is outputs, activities, expenditure allocation and budget estimates) must be realistic and achievable. Management support, in terms of resources, finance, training and new technologies for budgetary control is essential which will encourage auditors of the organization (Mihret & Yismaw 2007).

According to Hancock 2009 the process of monitoring and evaluation of budgetary control processes and procedures will improve effectiveness and transparency of the organization with the active involvement of the management team. Basically, monitoring and evaluation emphasizes on accountability, management assistance and methods of monitoring and evaluation. The internal audit staff of the organization should be adequately qualified and experienced to audit the budget utilization by each department and prepare monthly audit reports which should highlight any variance at the utilization stage.

As per Aldridre and Colbert (1994), information and communication is a process of identifying, capturing and communicating of relevant information in the required way and within timeframe in order to fulfill the financial reporting objectives of the organization. Information and communication are one of the internal control system components, because they influence the working relationship within the organization at all levels (Yemer, 2016)

The management should adopt flexible and adaptable budgetary planning and control system which is capable of responding to changing environment and other prevailing issues. According to Margah (2005) since the budgeting controls are outlined at the start of the budget but in the world of constant change and uncertainty the main purpose of the budget may become obsolete thus needing change.

2.1.14 Budget Committee

According to Drury (2012) In the event that spending goes hay way as modifications are being made in budget or activities, the budgeters need a committee where they can discuss the expenditure being done out of budget or the planned activity need more funds. To fulfill the need of budgeters a budget committee is formed consisting of chief executive, budget officer, financial controller and managers from the different budget utilizing departments. Chief executive being the chairperson helps in making decision of the committee binding to all. The budget planning manager should be directly reporting to the chief executive and act as a secretary at the budget committee. The main functions of the budget committee are to approve the budget requested by the departments, approval for modification in activities, change in expenditure of a particular activity from as planned, review of monthly department budget utilization reports, variance in budget utilization and reviewing periodic audited budget reports (Source: different references on internet regarding budget committee).

2.2 Empirical literature review

2.2.1 Empirical literature review in other countries

Several researches, case studies and survey have been done in the area of budgetary control system with different outcomes, in this section few related researches has been discussed in relation with budgetary control system in governmental sector.

Lambe et al (2015) did systematic review of budgeting and budgetary control in government owned organizations with attention focused on the Nigerian national petroleum corporation (NNPC) researcher, because of the need to have comparative and in-depth assessment of the issue used survey research design and percentage statistics method to review the budgeting and budgetary control in government owned organizations. Non-probability type sampling technique was adopted. Having undertaken systematic review of budgeting and budgetary controls in government organizations for determining the organization objectives and profit making, it was concluded that budgeting and budgetary control is an indispensable tool to any organization. When budget and budgetary controls are carefully planned and implemented by government owned organizations, they can decrease cost and enhance the efficiency of the organization performance. From research findings it was revealed that NNPC is a well-planned organization because it utilizes most relevant management theories but still how efficient or effective system may be but there is always room for improvement because of ever changing circumstances in the world for which periodic reviews are necessary. Definitely on bases of periodic reviews there will be change in strategies for improvement which in return will require change in planned budget for this reason researchers recommended Zero-based budgeting framework for government organizations.

Onho et al (2017) pursued a critical appraisal of budgeting and budgetary control in the public sector, a case study of ministry of finance, Makurdi, Benue state, using literature review as main source of data. Benue state budget for three years was compared to appraise the budgetary control in the public sector. Hypothesis testing concluded that there is no significant impact of budgeting on performance in the public sector also budgetary controls are not effective in this sector. Review of the previous year's budget performance reveal that revenue projections, performed very poorly also the project undertaken either did not start and others were not completed. This is not consistent with the evidence from developed countries that budget is strongly associated with performance. A survey carried out in North America indicated that budget was rated the highest cost management tool for cost reduction and control which establish the fact that definitely budgeting is effective for control in developing country but due to some environmental challenges is not fully justified. The

researchers found that budgeting and budgetary control in public sector failed because of local and state governments' dependence upon federal allocation, corruption, inflation and economic and political factors. The study highlighted that budgeting is done by the public sector only for getting funds from the government. There is lack of accounting and financial controls and lot many uncompleted projects which are the after effects of non-compliance of the budgeting exist. Stringent controls including legal action implementation can help enforce budget execution in Makurdi for effective use of governmental funds.

Chaudhary (2018) have studied the relationship between budgetary control and financial performance of Nepal Oil Corporation. The impact of budgetary control on financial performance was studied using descriptive survey design as a sample of the study was used to gather data through questionnaires distributed to respondents from account, finance, administration, engineering and project department. The researchers concluded the research with the findings that not only budgetary control lead to improved profitability but there are other factors which also effected the profitability of the organization such as price, marketing and employee's efficiency. For all these factors to improve profitability management commitment is essential. Financial objectives, allocation of funds as well as investment opportunities improved with the implementation of budgetary control process at Nepal Oil Corporation.

Nair (2017) studied the budget and budgetary control systems on selected Indian companies. According to the researcher for attaining the financial and other goals of the organization, budgetary control systems are essential. The budget control traces the variation between the actual and budgeted financial plans and identifies the causes so that corrective measures can be taken to avoid such situations of variance in future. The study data analysis revealed that most of the Indian companies implemented budgetary control systems but still it needed improvement. The study indicated that Indian companies imply BCS for different purposes such as some for cost reduction, maximizing profitability and to minimize the variances in planned and actual budgets. According to researcher, respondents agreed that there are some hurdles in fully implementing BCS and the prominent factor is the full commitment of the senior management. The researcher recommended in his conclusion that in order to improve organization efficiency, senior management should implement measures to solve the problems associated with BCS implementation procedures. Researcher recommended that more research is required on BCS since it has direct impact on organization efficiency and profitability.

Venkatasami (2015) conducted a study on budgetary control with special reference to Coimbatore District Co-operative Milk Producers Union Limited. Researcher adopted analytical research design in which what, when, why and how topics were used for analysis. The purpose of this study was to analyze how budgetary control helps the milk union to select best course of action to improve revenue, to provide detailed plan of action for the business over a period of time and also to revise the budget in reference to the changing circumstances. The main objective of the study was to find suggestions to reduce production cost and improve the financial position based on the BCS department efficiency. The final conclusion based on the data analysis by the researcher was that the BCS department works as a backbone of the top management and is the essential support for every management in their business operations. With the support of good budgetary control, the management of markets, finance, production and personnel become easier and more efficient. Thereby, concluding that it is important for every organization to effectively implement budgetary control systems in its operations.

Fadi (2013) in his investigation of the effect of tight budgetary control on management behavior at Swedish public sector using questionnaire with special attention on satisfaction, motivation, commitment and stress, found that generally managers working in public sector face TBC. The hypothesis concluded that there is negative relationship between TBC and motivation which didn't result in significant relationship hence the null hypothesis couldn't be rejected. Third hypothesis which investigated a negative relationship between TBC and organizational commitment found significant relationship between the variables which concluded that the above conclusion of TBC and motivation is true. The study results found a positive relationship between managerial stress and TBC, which concluded the fourth hypothesis which considered relationship between TBC and satisfaction was not supported meaning the managers facing TBC are not less satisfied than the managers not facing it.

Manoharan et al (2017) in his research of Budgeting and budgetary control system and organizational performance in the case of selected Indian companies examined relationship between budgetary control and effectiveness of the organization, using statistical method,. In spite of there being a strong relationship between budgetary control system and organizational operation efficiency, the researcher concluded that there is still gap in proper implementation of budgetary control system in the organization.

Badu (2011) studied the budgeting and budgetary control at Ernest Chemist Laurea with an aim of doing research on budgeting practice in this pharmaceutical company based in Ghana and assessing the capability of the budgeting experts and their view about the current position

of the company. The researcher did this study keeping in mind that it may help in solving any issues regarding the budgeting and budgetary control systems in the organization. The conclusion of the assessment study was based upon the questionnaire used for collecting data regarding budgeting and budgetary controls in the organization from the staff. The data collected highlighted that the right budgeting and budgetary control systems were incorporated but some ethical issues were indicated in reply to the questionnaire.

Mohamed et al. (2015) the research topic was to study the performance impact on budget control at Dar-Salam bank in Somaliland. The main emphasis was on the performance of the bank and accounting systems based on the cost and zero-based budgeting being implied in the bank operations. Data was collected from 70 members of the bank staff using questionnaire and it was analyzed using SPSS for obtaining analyzed results in the form of charts and tables to interpret the outcome of analysis. This research used both descriptive and retrospective research designs. The recommendation based on the research data analyzed was that to improve business decisions, efficiency and productivity, relevant training was required for the accounting staff in their professional field for improving the overall performance of the organization.

Gershon (2012) research objective was to study budgeting, budgetary control and performance evaluation, a case study of Alterrian Service Group. Data for the study was collected through personal interviews, questionnaire and secondary data source to achieve the study objective that budget has significant role in operations of the group and that the budget users utilize it in daily operation to achieve the planned objectives of the group. Qualitative and quantitative methods were implied to analyze the data. This research was mainly descriptive and explanatory in nature. The findings of the analysis revealed that the budget users couldn't justify the planned budget because of not having proper knowledge of budget utilization and the position they occupied in the organization. The managers from different fields were empowered with the budgeting and budgetary control department where they were not able to justify their position as department heads. The recommendation of the researcher was that all business managers should have adequate knowledge and experience of budgeting and budgeting controls so that they could impart through knowledge to the project managers about the budget utilization.

Chemweno (2009) studied the firm employment of an operational budget as a management tool. The study mainly focused on companies offering mortgage financing in Kenya, to find how operational budgeting is done, the basis of budget formation and to what limit the budgets are the basis of management and control tools. The data was collected using detailed

questionnaire and analyzed using descriptive statistics, tables and percentages. The findings of the study were that in all mortgage financing institutions, budget was prepared on annual basis and operational budget was the main operational guideline for the institutions based upon objectives, targets, responsibilities and means and cost of target achievements.

2.2.2 Empirical literature review in Ethiopia

Geletaw and Mesfin (2018) performed study on determinants of budget control in Ethiopian public organization (The Case of Benishangul Gumuz Regional State) employing methodology of descriptive research because the information, which concerns the present status of budget control in public organization was required. This pattern of research was chosen because the researcher would not control the variable but the phenomenon that existed had to be described. Thus, the descriptive research helped the researcher to identify the determinants that contribute to budgetary controls. The study has highlighted that budget control of public organization increase with effective flow of information and communication, cost reduction, competent internal audit, management support, budget monitoring and evaluation. Researchers concluded that since organizational commitment were not statistically enough to contribute for the budget control, it requires further research for obtaining the impact of these variables on the budget control.

Garedaw (2018) pursued the study on challenges and prospects of budget preparation and utilization in selected finance bureau of Kaffa zone. Qualitative and quantitative approach was employed by the researcher to collect data for study and data collected was analyzed using descriptive and empirical model. The analysis predicted that budget preparation was as required but utilization was not satisfactory. Researcher compared recurrent budget to capital budget and the study concluded that recurrent budget utilization was adequate but the capital budget utilization was not to the mark. The analysis outlined that budget utilization was mainly dependent upon contractor capacity of executing work, auditing system and diverting funds from planned to un-planned activities which created gap in utilization of capital budget. For short comings in utilization of capital budget highlighted by analysis of data, researcher recommended that more focus should be on capital budget utilization as compared to recurrent budget to avoid delays of capital projects and their quality by rigid rules and involvement of the society. The research was concluded on a note that focusing on planed program, adequate auditing system, re-structuring planning, and construction and design departments is important to overcome challenges in budget utilization as a solution in Kaffa zone.

Kassahun (2019) research on effect of budget and budgetary control on non-financial performance of Ethiopian banking industry to fulfill the bank objectives and maintain accountability of bank operating costs is referred. From this study researcher concluded that budgetary control systems played major role in saving the operational costs thus improving the non-financial performance of the bank but it was also observed by the researcher that the controls had no significant effect on the motivation of bank employees. Managerial commitment to budgetary control and complete acceptance had positive effect on the performance of the banks was observed. It was also analyzed that use of budgets to pressurize employees could lead to negative non-financial performance of bank and vice versa that meaningful involvement of employees could increase productivity which is one of the factors of non-financial performance. Analysis of data also highlighted that budgetary control of banks was a failure of budget controls as they did not focus on long term goals of the bank. Teamwork between management and finance function affected the bank non-financial performance of the bank. Finally, it was concluded by the researcher that budget and budgetary control had an effect on non-financial performance of the banks.

Haimanot (2016) conducted study on an assessment of budget practice and control system: A case study of Addis Ababa Gullele Woreda 10 in reference to find the best way to use public resources. Analysis base of quantitative and qualitative data collected was percentage research technique. Primary data collection was done using detailed questionnaire and interviews. The analysis of data was done using statistical methods by forming charts, tables and percentages presentation graphically. The findings highlighted by the researcher were lack of professionals and employee turnover, also improper use of budget allocated as it lacked budgetary control. Lack of professionals and employee turnover was attributed to low salaries being paid by the organization. The recommendations based upon the analysis of the data were to strengthen audit system so that the budgetary controls can be effective for efficient performance of Gullele Woreda 10. Researcher further recommended that to control performance of activities so that improper use of resources could be avoided.

Ketema (2015) performed assessment of budget preparation and utilization: case of Addis Ababa city administration health bureau. Primary data was collected using detailed questionnaire and secondary data using earlier year's reports. Qualitative and quantitative research approaches were used. The analysis highlighted that the budget utilization was not done as planned; also there was no accountability for improper use of the budget. At budget planning and preparation stage the prevailing market prices were not considered but were based on earlier estimations. Lack of on time purchases and consistency of the purchases and

improper budget utilization at each level were attributed to the lack of sufficient and experienced budget experts. Researcher recommended that at the time of budget planning and preparation current market prices should be considered and budget users should be held responsible and accountable for effective use of the budget allocated.

2.3 Summary of Literature Review

In the theoretical and empirical literature review above, researches by different researchers have been discussed to identify budgetary control systems in public sector of Ethiopia and overseas. In reference to all above researches mentioned it was observed that budgets are considered as vital control process for implementation of the operational plans of the organization. Researches have indicated that there is no single approach to the budgetary control system, but it varies according to the operations of the governmental and non-governmental organizations. The main characteristic of budgetary control system is the control of variance, which is influenced by budget preparation and budget implementation. The theoretical and research work indicate that budgetary control should not only be following the planned budget and keeping it on track as planned but at the same time financial accountability of the departments should also be controlled. Theoretical and empirical literature referred, does not give guideline on how to curb using BCS, the over/underutilization of budget.

In reference to study and researches done in Ethiopia in the area of budget and budgetary control system in public sector, Geletaw and Mesfin 2018 concluded that budgetary control of public organization increases with effective flow of information and communication which improve cost reduction, internal audit, management support, budget monitoring and evaluation. Similarly, Garedaw (2018) mention that auditing system and diverting funds from planned to un-planned activity will create gap in utilization of budget. Kassahun (2019) indicated that teamwork is important between management and financial functions to achieve organization objectives.

2.4 Research Gap

Ministry of Education is one of the public sectors in which researches pertaining to budgetary control system and the effectiveness of these systems were not studied enough. To accomplish this gap in literature, researcher undertook to do the assessment of existing budgetary control systems of MoE in reference to the above-mentioned research findings. The MoE was restructured and sub-divided into other ministries; this assessment research

work based upon above mentioned research findings would add value to improve the existing budgetary controls in the new setup of the ministry.

Chapter Three

Research Design and Methodology

Research methods are the tools used to conclude the data collected, sorted and analyzed pertaining to the research objective. If the research methods used is the right ones for the research, conclusions derived convince the people that they have validity and the recommendations given have positive affect on the research objective (Walliman, 2011). According to Kothari (2004) the systematic way to solve research problem is research methodology. Research methods are not only the tools to conclude the research but the methodology is which convince the people to accept the conclusions and recommendations of the research. Methodology gives the base to researcher to select which of the methods are relevant to the research objective. It is important for the researcher to design the methodology for the problem, based upon the criteria by which the research can be concluded.

3.1 Research Design

There are number of different research designs that are used for different researches and the design to be applied to a particular research depend on the research objective outlined. Since there is range of research methods in a research design which are used to collect data, analyze the collected data to reach the conclusion of the research, so it depends upon the researcher to decide the research design.

This research has been designed based on the objective of the study which is descriptive “assessment of budgetary control systems”. Descriptive research was designed to obtain information, which concerns the present status prevailing in the public organization (Sanders et al 2007). The most common descriptive research method is the survey and case study, which includes questionnaires, personal interviews. The MoE had been operative and budgetary controls being implied to monitor and control the utilization of budget for the planned activities of different departments, it was to assess the effectiveness of the existing budgetary controls for operational efficiency of MoE. Hence to achieve the objective of the assessment study descriptive research method was adopted which was based on the analysis of the questionnaires and interview questions, to conclude the assessment. The close and open-ended questionnaires were forwarded to budget users, planning and budget department and internal audit section, based on respondent’s response the conclusions were derived and appropriate recommendations done to fill the gap in existing budgetary control systems.

3.2 Methods and instruments of data collection

The population of the study is budget users and holders, planning and budget department, finance department and audit section staff of the Ministry of Education. Since all the activities of the ministry are controlled from head office in Arada Sub-City, Addis Ababa, the assessment study of budgetary control systems was focused to the population settled in head office.

The instruments or tools to be used would be customized questionnaire pertaining to the research objective, interviews were conducted with the concerned staff and document was analyzed to gather the necessary data for this study. The reliability and validity of the questionnaires is based upon the external pilot study done regarding the assessment of budgetary controls in ERA, A.A. The study of reliability and validity helped in reducing errors, if the sources of data are not accurate. Questions concerning planning, budget preparation, utilization, control and records were included in the questionnaire for budget users, planning and budget department. This questionnaire was closed ended based on Likert Scale. The scales used were “Strongly Agree”, “Agree”, “Neutral”, “Disagree” and “Strongly Disagree”. Open ended questionnaire was used to interview budget planning, management heads and internal audit section head to collect primary data for analysis. The questionnaires were in English and the format of the questionnaire was adopted from prior authors and literatures and modified in relation to the specific objectives of the study (Tilahun, 2010 & Ketema, 2015). Since the specific objectives of this study are five so for each specific objective separate section of statements were formed. The secondary data was collected from books, journals, annual audited financial reports, previous budget variance records and proclamations.

3.3 Target Population

The target population of the study is the staffs who do have direct and practical link with budget preparation and budget control activities in the organization. The total number of the target population for sampling was 68, which is the sum of 6 Budget and Planning Department Heads, 15 Support Program, General Education Program 40, Finance Department 4 and 3 from internal auditors of the ministry.

S.No.	JOB CATEGORY	TOTAL NUMBER OF TARGET POPULATION
1	Budget planning and controlling Department Head	6
2	Support program Heads	15
3	General Education Program	40
4	Internal Audit Department	3
5	Finance Department	4
Total Population		68

Table 1 - List of Target Population

3.4 Method of Data Analysis and Interpretation

After collection of relevant data using the data collection method of open and closed ended questionnaire and interviews with the concerned staff of the ministry, the task of analyzing primary and secondary data collected was done. All data collected was presented in tabular, bar chart, percentages and graphic form for assessment of the budgetary control systems in Ministry of Education, Addis Ababa. Final results were presented using descriptive statistical techniques including percentages and mean. Based on the major finding conclusions were drawn and feasible recommendations were listed.

3.5 Validity and Reliability of Data Collection Instruments

Validity is the study of determining if the findings are accurate from the perspective of the researcher, participant or the readers of the research paper (John, 2009). Validity of the data collection questionnaire was confirmed by collecting pilot data. It was observed that two questions were not answered by the respondents and as per consultation held with the advisor, those questions were modified.

Reliability indicates the degree to which the data collection tools or analysis procedures would produce consistent findings (Saunders & Thornhill, 2007). Cronbach's alpha coefficient is the most frequently used index of reliability as it is mainly common way to assess reliability. A value of Cronbach's alpha coefficient above 0.70 is regarded as acceptable (Saunders & Thornhill, 2009). According to George and Mallery (2003) a Cronbach's alpha coefficient greater than 0.9 implies excellent, greater than 0.8 is good, greater than 0.6 is acceptable, greater than 0.5 is poor, and less than 0.5 is unacceptable. As for the assessment of the existing budgetary control systems, descriptive research method was implied which is based upon the response of the respondents to the questionnaire and interview, so to check the reliability of the questionnaire was of utmost importance to have reliable data for analysis.

The reliability of the questionnaire was confirmed by comparing the Cronbach's Alpha calculated results against above mentioned parameters. Cronbach's Alpha was calculated for the five sections (based on the specific objectives) of the questionnaire separately, so that if there was any deviation of Cronbach's alpha result, the questionnaire of that section can be modified to have reliability confirmed of that section.

Cronbach's Alpha for section-1 dealing with budget planning was as follows.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.814	.814	5

Table 2 - Cronbach's Alpha for Section - 1

The Cronbach's Alpha for section-1 is 0.814, which implies that questionnaire regarding budget planning is reliable.

Section-2 regarding control systems used while budget preparation, Cronbach's Alpha is

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.833	.822	6

Table 3 - Cronbach's Alpha for Section – 2

Cronbach's Alpha for section-2 from the above table is 0.833 which is an acceptable result to prove that section-2 of the questionnaire is reliable.

Section-3 regarding budget utilization, Cronbach's Alpha is

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.695	.753	11

Table 4 - Cronbach's Alpha for Section – 3

The result of Cronbach's Alpha calculation for section-3 of the questionnaire is 0.695 which indicate that section-3 is reliable.

Section-4 involves variance for mismatching of budget targets to actuals; Cronbach's Alpha

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.741	.766	7

Table 5 - Cronbach's Alpha for Section – 4

Reliability of the questionnaire regarding variance for mismatching of budget target section is acceptable with Cronbach's Alpha value being 0.741.

Section-5 regarding control systems of budget realignment, Cronbach's Alpha is

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.726	.774	6

Table 6 - Cronbach's Alpha for Section – 5

Cronbach's Alpha value of 0.726 proves that section-5 of questionnaire is reliable.

3.6 Ethical Considerations

Ethics will be the prime essence of this assessment study of budgetary control at Ministry of Education. Since it is a governmental organization extreme precaution will be taken to ensure that this study does not jeopardize the present setup of the budget preparation, utilization and controls implemented. Confidentiality of the questionnaire respondents will be maintained by keeping the data provided by them with the researcher and the advisor, also it will not be revealed to any third party. The conclusion of the study will be taken as the views of the researcher not the faults identified in the present procedures being followed and the recommendations will be outlined as if they are based on the basis of prevailing theories regarding the budgetary control system in organizations.

The data will be analyzed based on the questionnaires response rather than using the researcher opinion and input. The researcher will be truthful to the responses of the respondents and free from any personal assessment. Results will be formulated only from outputs of truthful inputs.

The respondents and management will be taken in confidence and assured fully that any information provided by them will be kept confidential and their names will not be revealed at any cost.

Chapter Four

Data Analysis, Results and Interpretation

In this analytic chapter for assessment of budgetary control systems in Ministry of Education, primary and secondary data have been analyzed and results were interpreted. The study distributed questionnaire for 68 respondents, however the data analysis was conducted on basis of 60 questionnaires as there were 8 non-respondents. The data collected was analyzed using Microsoft Excel and SPSS V23 software's. The primary data used is derived from questionnaires and interviews held and the secondary data was collected from annual reports of the Ministry of Education.

4.1 Demographic characteristics of respondents

It was necessary, to know the general characteristics of the employees involved in budget preparation, utilization, reporting and controlling, for the primary data collected to be authentic and reliable. To gather information regarding age, educational qualifications and experience, a separate section was included in the questionnaire.

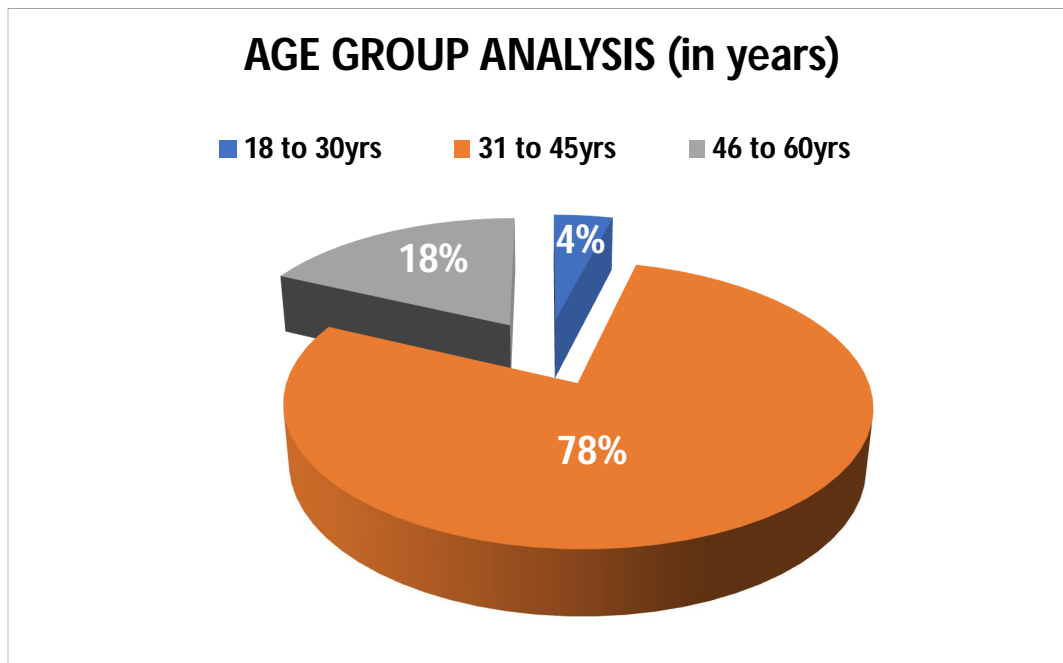


Figure 1 – Age Group Analysis (in years)

Source: Questionnaire Output 2020

According to the age mentioned by the respondents, it is clear from Pie chart figure 1 that in the age group of 18-30yrs 2respondents (4%), 31-45yrs 39respondents (78%), 46-60yrs 9respondents (18%) and above 60yrs no respondent is involved. Since all the respondents are experts meaning they are of management cadre, having practical experience and knowledge

of budgeting which can be used as a guiding force to the subordinate staff. Being young and energetic means more efficient working, more knowledge and determination to make their department work effectively. Thus the budgetary control system should be excellent. Respondents in the age group of 46-60yrs should be guiding these young experts to achieve targets of planned activities in line with the budget allocated to the department. From the above data according to age factor the staff is seemingly balanced.

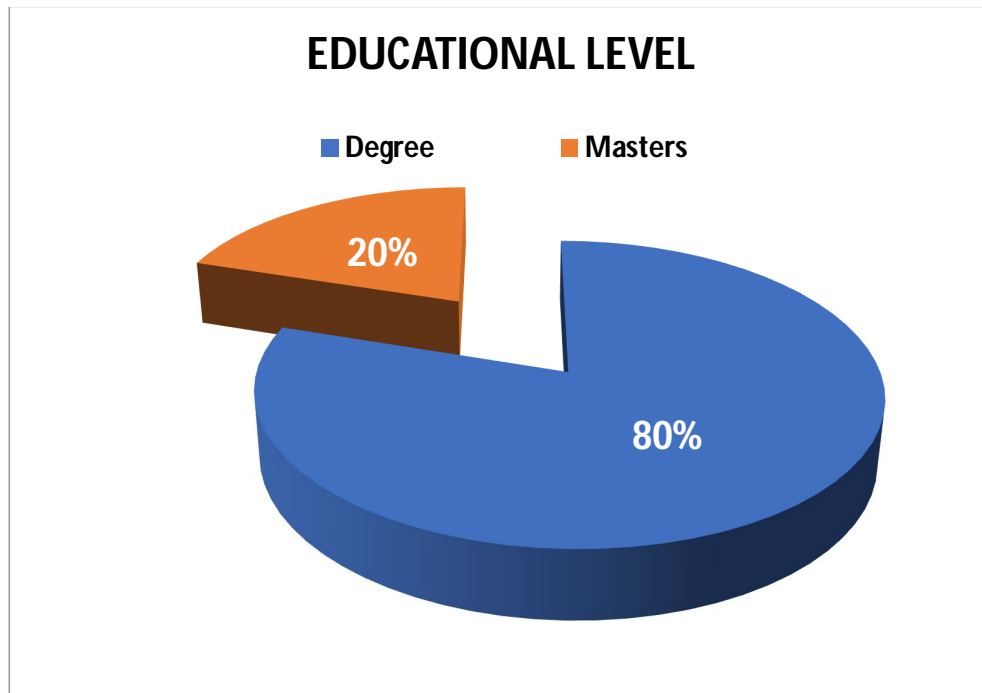


Figure 2 – Educational Level

Source: Questionnaire Output 2020

According to the data collected regarding educational qualifications of the respondents, there are no diploma holders in the departments, which make sense since budgetary control systems are the back bone of any organization for which it requires energetic managers with a vision for effective decision making. It is also observed from the questionnaire answered that 80% of respondents are degree holders, meaning who have knowledge even if it is not relevant to budget particularly, but they have vision because of their education which is required by the department from them. This give confidence to the researcher that the information provided for the statements in questionnaire should be authentic as they are answered by educated and responsible individuals. In addition to this 20% of respondents are in the age group of 46-60yrs, which means they have enough experience regarding BCS which can be the guiding parameters for the experts and team leaders in department. Data available reveal that the educational qualifications are balanced for controlling the budget and its utilization.

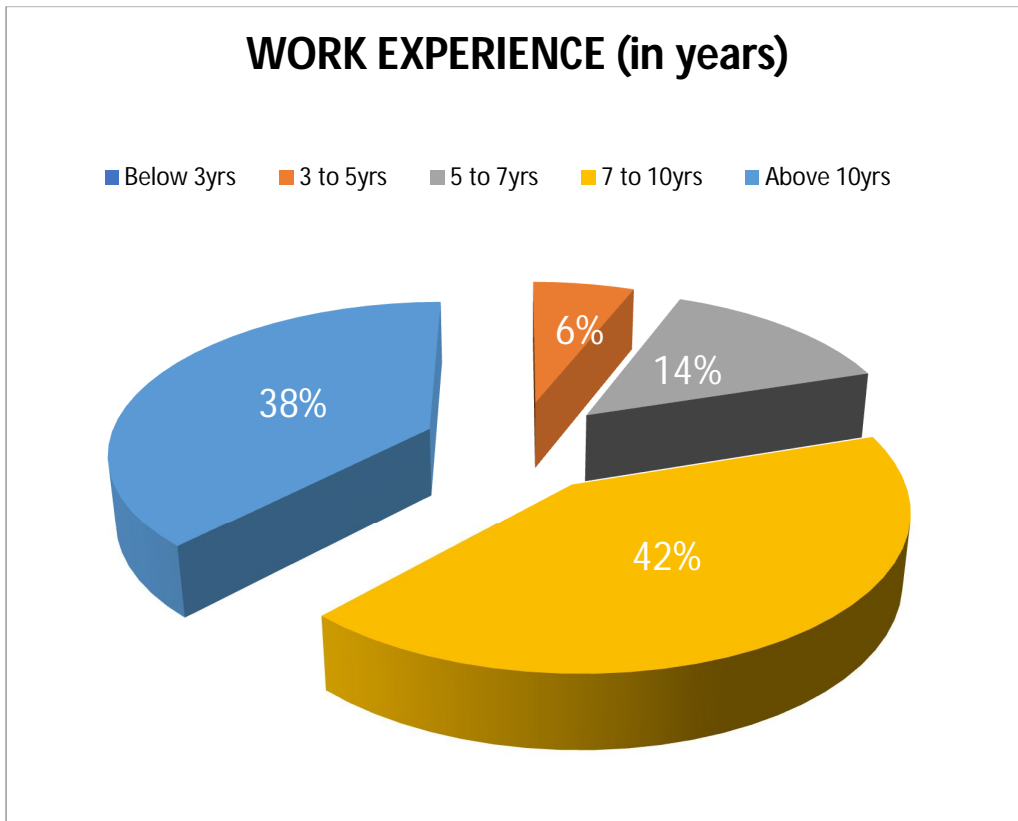


Figure 3 – Work Experience (in years)

Source: Questionnaire Output 2020

In relation to respondents work experience in budgeting there was no respondent below 3years of experience, with 3 to 5years experience there were 3respondents (6%), with 5 to 7years experience there were 7respondents (14%), with 7 to 10years 21respondents (42%) filled the questionnaire and above 10yrs experience only 19respondents (38%) took initiative to fill the questionnaire. As it is evident from the data that mainly respondents were from the 7 to 10years experience and also above 10years they were near to the same range. This implies that the respondents providing data for this assessment study are adequately experienced in budget management, so their response to the questionnaire can be considered as informative and helpful for this research. Experienced employees are always an asset to the organization.

4.2 Data Analysis and Results Interpretation

Assessment of budgetary control systems in Ministry of Education is based on five specific objectives formulated from research question. In this section data collected from respondents in reference to these five objectives was analyzed using Microsoft Excel and SPSS V23 software's. Since this is a descriptive study, graphs, percentages, mean and standard deviation were used to analyze the data.

The respondents were requested to answer the questionnaire statements in the following Likert scale measurement, (1) as strongly disagree, (2) as disagree, (3) as neutral, (4) as agree and (5) as strongly agree. The score of the range strongly disagree and disagree represent the variable which has a mean score of 0 to 2.5 on the continuous Likert scale ($0 \leq \text{strongly disagree} \leq 2.5$), similarly neutral represent the variable which have a mean score of 2.5 to 3.5 on continuous Likert scale ($2.5 \leq \text{neutral} \leq 3.5$) and score of the range agree and strongly agree represent the variable which has a mean score of 3.5 to 5 on continuous Likert scale ($3.5 \leq \text{strongly agree} \leq 5$). Mean is a measure of central tendency meaning tending towards the center of distribution. Variances are average errors between the mean and the observation, showing how well the items fit the actual data and the square root of the variance is standard deviation which measures how well mean represent data. Large standard deviation means that the points are far from the mean. Standard deviation of zero means that all the scores are same and standard deviation more than 0.7 indicate significant impact of the variable among respondents.

4.2.1 Examining the Budget Planning of Ministry of Education

The response was coded as per Likert scale and the percentage of each scale aggregate value for individual question was calculated for comparison purposes below is the tabulated aggregate values and percentages for each scale along with SD and mean.

S.No.	Statement for Likert Scale Analysis and Descriptive Statistics of Sectors-1	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree	Mean Avg. Mean-3.41	Standard Deviation
1.1	You have adequate understanding to prepare budget plan.	11 (22%)	28 (56%)	2 (4%)	3 (6%)	6 (12%)	3.70	1.233
1.2	Your office has adequate professionals who prepare plan and budget.	6 (12%)	27 (54%)	3 (6%)	13 (26%)	1 (2%)	3.48	1.074
1.3	Plans of your office are linked adequately to the annual budget.	7 (14%)	34 (68%)	8 (16%)	1 (2%)		3.94	0.62
1.4	Budget submission is usually made without workplan.	1 (2%)	2 (4%)	8 (16%)	29 (58%)	10 (20%)	2.10	0.839
1.5	Your office has strong coordination with Budget Department during planning.	10 (20%)	30 (60%)	4 (8%)	5 (10%)	1 (2%)	3.86	0.926

Table 7 - Analysis of Budget Planning data of MoE

Source: Questionnaire and SPSS V23 Output 2020

The above table highlights the view of the respondents regarding the budget planning in conjunction to having budget planning knowledge, professionals in the department, linking planning with annual budget, budget submission without work plan and coordinating with budget department at planning stage, the respondents' response was analyzed.

On basis of the above table, regarding the department staff having adequate understanding of budget planning, majority of respondents that is 78% agreed where as 18% disagreed and Standard Deviation of 1.233 which shows that the data is more scattered about the mean this imply that the respondent have different opinion about the statement, this indicate gap of understanding of budget planning. The 78% respondents having knowledge of budget planning was based upon their experience in this field and 18% who disagreed or strongly disagreed were the one who are not actively participating in budget planning, however mean of 3.70 which is near to agree score of Likert scale imply that the respondents agree that they have understanding of budget planning.

Regarding second statement of having enough professionals in the department 66% agreed in addition to 28% disagreed the statement. SD of 1.074 indicates that the respondents agree that there are professionals in the department for budget planning but 28% respondents disagree to this statement indicating that every department in MoE does not have experienced budget planners. Budget planning is related to professionals having previous experience in budget planning who can foresee the future implications on the budget utilization in relation to planned activities of the department. Hence the departments not having experienced professional add to the budget variance, which call for training of professionals to improve competence in budget planning. The neutral response of the respondents regarding planning professionals in the department indicates lack of adequate professionals for budget planning.

The budget plan of the department is adequately linked to the annual budget; 82% agreed and only 2% disagreed to this statement. The mean 3.94 of the data on Likert scale indicate that respondents agreed to this statement as each department plan their annual budget based upon the previous year budget. Budget resource planning depends upon the limit of funds indicated by the budget planning and resource mobilization department which depends upon the budget ceiling fixed by MoF, this link the department budget to the annual budget of MoE. Standard deviation of 0.620, meaning data is not much scattered about the mean because respondents had the same opinion about the budget plan being adequately linked to annual budget.

Submitting budget without work plan have mean of 2.10 which on Likert scale indicate that 6% agree but 78% respondents disagree to this statement. Standard deviation of submitting budget without work plan is 0.839; this is because the budget is planned as per the department work plan, so there are no chances of budget submission without work plan in the organization.

Similarly, strong coordination with budget and resource mobilization department during budget planning of the department have mean of 3.86 meaning that 80% agree and only 12%

disagreed to this statement. Coordination between department and BPRMD has SD of 0.926 which supports the Likert scale output. As mentioned, that work plan of each department is linked to the annual budget of MoE prepared by BPRMD, so strong coordination exists between the two departments.

The average mean of 3.41 indicates that the budget planning in the MoE is adequate but not sufficient and the respondents' response to the statement supports it. According to Lucey (2002) no goal of an organization can be achieved without budget planning hence it is the base for effective budget utilization; if planning is weak it will affect the BCS because any unplanned activity will be difficult to monitor and control according to BCS. Reason being, that at planning stage all parameters for the budget utilization of a particular activity are set and BCS monitor the activity as per those parameters.

4.2.2 Assessment of Control Systems Used for Budget Preparation

According to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001) the initial starting point for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities. Once the fiscal targets and strategic framework is set, it becomes mandatory to avoid bad practices in budget preparation for which control systems are required at the preparation stage.

S.No.	Statement for Likert Scale Analysis and Descriptive Statistics of Sectors-2	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree	Mean Avg. Mean-3.06	Standard Deviation
2.1	You have adequate understanding to prepare budget.	11 (22%)	24 (48%)	2 (8%)	6 (12%)	7 (14%)	3.52	1.344
2.2	Your office budget preparation is linked to the strategic plan of the department operations.	7 (14%)	32 (64%)	3 (6%)	5 (10%)	3 (6%)	3.70	1.035
2.3	Organization has a practice of budget allocation based on department activities.	10 (20%)	26 (52%)	9 (18%)	4 (8%)	1 (2%)	3.80	0.926
2.4	The budget preparation process of new financial year is based on previous year data.	8 (16%)	34 (68%)	4 (8%)	3 (6%)	1 (2%)	3.90	0.814
2.5	Budget is prepared for most programs of the department.	11 (22%)	25 (50%)	1 (2%)	11 (22%)	2 (4%)	3.64	1.174
2.6	Feedback from the budget users is usually collected before preparing the final budget.	3 (6%)	17 (34%)	10 (20%)	20 (40%)		3.06	0.998

Table 8 - Assessment of Control Systems Used for Budget Preparation of MoESource: Questionnaire and SPSS V23 Output 2020

The main control systems analyzed in this section required for budget preparation are adequate understanding of budget preparation, linking of budget preparation with strategic plan of the department operations, allocation of budget based upon department activities,

budget preparation is based upon previous year budget data, budget preparation is done for most of the department activities and whether feedback from budget users is obtained before preparation of final budget.

Maitland (2001) mentions that the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. So to prepare budget thorough understanding of budget preparation is required and for that professionals having knowledge and experience are essential in the organization. On basis of this, regarding the understanding of budget preparation was analyzed: from majority of respondents 70% agreed and 26% disagreed to this statement, indicating that 70% of the respondents had adequate knowledge of budget preparation for the department. The reason for effective preparation of budget is attributed to the respondents having adequate knowledge of budget planning and having professionals with experience in this field. Since budget is prepared in coordination with the budget planning and resource mobilization department any gap in preparation is covered by this coordination. Standard deviation of understanding budget preparation is 1.344 indicating that data is more scattered about the mean as some departments lack professionals having sufficient knowledge of budget preparation. On the statistical table the mean for having knowledge of budget preparation is 3.52 which on the Likert scale falls near to the score of agree, hence we accept that the respondents have adequate knowledge of budget preparation.

Andrews and Hill (2003) quote that budgets provide the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds which can take care of the payments. Thus the statement that office budget preparation is linked to the strategic plan of the department operations came up; 78% agreed, 16% disagreed this statement. The base of budget preparation is the work plan of the department, 78% respondents agreed that budget preparation is linked to the strategic plan of the department operations, reason being that first the annual operation plan is chartered out for the department and then according to the budget limit indicated by the budget planning and resource mobilization department the activities are prioritized depending upon the availability of resources. Standard deviation of office budget preparation linked to the strategic plan of the department operations is 1.035 meaning data is scattered about the mean, reason being that the operational plan is made by one section of the department and other section prepare budget, which created variance among the respondents. The mean of 3.70 which on the Likert scale falls near to the score of agree, make us accept that the office budget preparation is linked to the strategic plan of the department operations.

MoE has a practice of budget allocation based on department activities; 72% respondents agreed to it with 10% respondents disagreed to this statement. The budget planning and resource mobilization department fix the limit for each and every department depending upon limit of annual resources indicated for MoE by MoF. Standard deviation of 0.926 implies that data is normally scattered about the mean and variance is also not much among the respondents about budget allocation based on department activities. Reason being that the budget is prepared according to the operational plan of the concerned department and submitted to BPRMD for allocation. BPRMD then review the requested budgets by all departments and allocate with minor adjustments in the requested budgets so that the overall objectives of MoE are not compromised, also BPRMD stay in the limits of MoF. The mean of 3.80 which on the Likert scale falls very near to the score of agree, make us accept the statement.

Schultze (1966) states repetition as a weakness of the system and states that "unless a new program is proposed, there is no examination of the basic program structure or performance". On basis of this, the statement that budget for the next year is based upon previous year budget data; 84% respondents agreed with 8% disagreed to the statement. The reason being that all the departments have been formed depending upon the specific activities to be handled by specific department, so every year the same activities are to be done by the department with just minor changes in them, that's why only 8% respondents disagreed to the statement. Standard deviation of 0.814 indicate that data collected from the respondents did not scatter much about mean, reason being that the pattern of budgeting is being followed from the previous years. The mean of 3.90 which is near to score of agree on Likert scale authenticate the statement.

As discussed earlier the budget is based upon most programs of the department; 72% respondents agreed with 26% disagreeing the statement, reason being that MoE budget is always based upon the activities of each department which are planned as per the annual targets to be accomplished, also for any new project it is planned and incorporated in the activities of the concerned department and budget prepared accordingly. Disagreement of respondents to the statement is because sometimes some activities are cancelled by the BPRMD because of the limitation imposed by MoF on revenue allocation to MoE. Standard deviation of 1.174 indicates that there are different perceptions of the respondents about the programs, activities are the one which they are pursuing in routine but new programs to understand properly create variance in budget utilization. Mean of 3.64 on Likert scale is near to agree score; hence we accept that budget is based upon most programs of the department.

Regarding collecting feedback from budget users before finalizing the budget; 40% agreed with 40% respondents disagreeing, hence respondents are neutral toward this statement. It is evident from the data collected that 40% of respondents agree that feedback from the budget users is collected but 40% disagree to it, reason being that respondents who disagree are of the opinion that they do not observe any significant change in budget preparation. As observed in earlier question regarding budget preparation set pattern of budget preparation is followed. Standard deviation of 0.998 indicates that data is normally scattered to mean but variance is more reason being that 40% of respondents are of the opinion that feedback is required to improve budget preparation but at the same time 40% agree that feedback is collected but not implemented in budget preparation, which lead to variance among respondents.

The average mean of 3.06 explain that respondents are neutral towards control systems being used while preparing budget. Feedback regarding the problems faced in previous financial year budget is essential for improving control systems during budget preparation.

4.2.3 Assessment of Budget Utilization

S.No.	Statement for Likert Scale Analysis and Descriptive Statistics of Sectors-3	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree	Mean Avg. Mean-3.29	Standard Deviation
3.1	The organization utilizes the approved budget based on its plan.	9 (18%)	23 (46%)	4 (8%)	7 (14%)	7 (14%)	3.40	1.325
3.2	Budget underutilization is common in your office.	12 (24%)	25 (50%)	4 (8%)	8 (16%)	1 (2%)	3.78	1.055
3.3	Budget overutilization is common in your office.		7 (14%)	8 (16%)	29 (58%)	6 (12%)	2.32	0.868
3.4	Management provides attention on budget utilization.	6 (12%)	18 (36%)	10 (20%)	12 (24%)	4 (8%)	3.20	1.178
3.5	Approved budget revision process is common. .	10 (20%)	29 (58%)	6 (12%)	5 (10%)		3.88	0.849
3.6	Monthly cash flow demand is based on budget plan.	12 (24%)	30 (60%)	3 (6%)	3 (6%)	2 (4%)	3.94	0.956
3.7	Budget utilization reports are made timely.	10 (20%)	13 (26%)	7 (14%)	18 (36%)	2 (4%)	3.22	1.25
3.8	Regular follow up on department balance budget is common in the organization.	4 (8%)	31 (62%)	6 (12%)	9 (18%)		3.60	0.881
3.9	The organization usually accumulates idle cash in the bank.	2 (4%)	24 (48%)	16 (32%)	6 (12%)	2 (4%)	3.36	0.898
3.10	Timely payment is common practice in the organization.	4 (8%)	18 (36%)	15 (30%)	11 (22%)	2 (4%)	3.22	1.016
3.11	Timely purchasing is done as per planned in budget.	4 (8%)	9 (18%)	7 (14%)	10 (20%)	20 (40%)	2.34	1.379

Table 9 - Implementation of Budget Assessment

Source; Questionnaire and SPSS V23 Output 2020

Budget utilization is the measure of resources utilization as planned during budget preparation based on the activities and objectives of the organization. It involves the budgetary control systems to make sure that the resources allocated are utilized as planned.

According to Allen et al (2001), budget utilization system should ensure not only appropriate expenditure control, but also effective and efficient uses of resource in accordance with budget planned based on activities on basis of this organization utilizes the approved budget as planned; 64% respondents agreed with 28% disagreeing to the statement. Standard deviation of 1.325 indicates that data is scattered more about the mean, meaning that the budget utilization as planned is not fully implemented. The reason is that there are some unplanned activities which are carried out along with the planned and some planned activities are not done which leads to higher SD among budget users.

Regarding the statement that budget underutilization is common; majority of respondent's response indicating that underutilization of budget exist in MoE, 74% of them agreed to it as only 18% disagree that there is underutilization, meaning some departments do utilize the budget as planned. Standard deviation of 1.055 indicates that the data provided is more scattered about the mean. Reason being, that some departments utilize the budget to accomplish the planned activities of the department whereas other departments are unable to fully execute planned activities and the budget for these are carried forward to the next year, which lead to underutilization. The reason for not accomplishing the planned activities on time was attributed to delay in purchasing of the required items or acquiring the required services in addition to that at planning stage the market prices are not considered but just estimated, which lead to underutilization of the allocated budget. Based upon these factors the researcher formulated the below table from MoE 2018-19 annual report, indicating that ministry is underutilizing budget.

MoE Annual Report 2018-19						
S.No.	Program		Approved Budget	Used Budget	Over (-) or Under (+) Utilized Budget	Usage Percentage
1	Support Program	Capital	18,000,000.00	7,582,496.63	10,417,503.37	42%
		Current	130,710,505.92	101,817,343.89	28,893,162.03	78%
2	General Education Program	Capital	587,444,622.58	230,791,746.22	356,652,876.36	39%
		Current	93,790,300.00	59,480,109.90	34,310,190.10	63%
Total			829,945,428.50	399,671,696.64	430,273,731.86	48%

Table 10 - Budget Over/Under Utilization Annual Report of MoE 2018-19

Source: Annual Report of MoE 2018-19 output2020

The table above supports the respondents' response that the underutilization of the budget prevails in the ministry; it implies that MoE did not use the estimated budget properly. As per Allen and Tommasi (2001), underutilization of the approved budget does not mean that there is optimum utilization of the revenues allocated to the organization but it is the effective budget preparation process which should avoid these discrepancies. Under spending seen from annual report of MoE from the above table and the analysis done; ensure that there is low performance in the approved budget. The capital budget average utilization was around 40% indicating that the support programs and general education programs projects were either not monitored properly by the management for timely completion or the project managers were unable to execute and accomplish them on time because of which the allocated budget was carried forward to the next financial year. Similarly, the current budget for both the programs was also underutilized, meaning that the daily activities of the departments at the head office were not to the mark. If the budget system has to be successful, it must be fully supported by every member of management and direction must come from the top management. As per Allen 2009, no control system can be effective unless the top management considers the system important and the top management must be convinced to the budget idea as well as committed to the principle, policies and philosophy underlying the system. The above results indicate that top management involvement in monitoring the budget utilization at each and every stage of activity tasks within the scope of the approved budget is essential, while the lower level management main focus should be on completing the activity plans regardless of how much amount is utilized.

Regarding timely purchasing being done; 26% respondents agreed but 60% of the respondents disagreed meaning that MoE lack timely purchasing being done. Standard deviation of 1.379 means that the response of the respondents regarding this statement is more scattered and varying more about the mean of 2.34 on the Likert Scale. The mean of 2.34 on Likert Scale reveal that the respondents on average disagree to that the purchasing is timely done which leads to budget underutilization. The reason for not doing the purchasing on time is that the cost of items considered while planning budget varies because of various factors such as availability of goods in the market, variation of prices due to exchange rates changes and lack of experienced staff in logistics and purchasing departments.

Overutilization of budget was agreed by only 14% respondents and 70% disagreed to it. Reason being that along with budget allocated by MoF, there are donations from NGO's to the ministry and the practice prevailing in MoE is to utilize these donations first and then the allocated budget which let budget to be underutilized. Standard deviation of 0.868,

implement that all the respondents are of the opinion that there is no overutilization of the budget and the mean of 2.32 on Likert scale also confirm that respondents disagree to the statement.

When variance is observed between actual financial results and budgeted amounts, corrective measure based upon the budget vs utilization analysis report has to be taken by the managers, officers, and chief executive officers in the respective operating units after determining the cause and evaluating the activity (Cheratomy, 2004) based upon this management attention to budget utilization was agreed by 48% respondents meaning that management does monitor budget utilization. Whereas, 32% disagreed the statement, indicating that the management is not fully but partially monitoring the budget utilization. Standard deviation of 1.178 indicates that the respondents' opinion about the management monitoring the budget utilization is varying as data points are more scattered about the mean. The reason for management not fully giving attention to budget utilization was attributed to the fact that they only concentrate on the variance report of the budget utilization and explanation for the same by the concerned department. Mean of 3.2 is near to the score of neutral on the Likert scale confirming that respondents are neutral towards the statement.

As per Peter (1998), when there is poor planning and budgeting, insignificant relationship between budget prepared and as utilized, also above all if there is no linkage between plan and budget prepared it will lead to frequent budget revisions. On basis of this statement, revision of approved budget is common in department was analyzed. Response of the respondents indicated that the budget revisions exist in MoE was agreed by 78% respondents and only 10% disagreed to the statement confirming it. Reason being that at the initial stage of planning, some of the activities were overlooked because of lack of experience in visualizing the complete set of activities involved for executing objective of the department. Hence, while accomplishing the department objective, the budget has to be revised for executing the activity which was overlooked. Mean of 3.88 which is near to score of agree on the Likert scale confirms that the statement hold true.

Monthly cash flow demand is based upon the planned budget, was agreed by 84% respondents and only disagreed by 10% indicating that the statement is true. Since the MoF release the resources on monthly basis based upon the plan submitted at the start of financial year, hence BPRMD forward the cash flow demand to MoF accordingly. On receiving funds from MoF it disburses funds to each department as per their activity plan. Standard deviation of 0.956 being below 1 indicates that the data is not much scattered about mean. The mean of 3.94 is very near to agree on the Likert scale support the authenticity of the statement.

Regarding budget utilization reports are made timely; 46% respondents agree but 40% disagree to it. Standard deviation of 1.25 indicates that data is much scattered about mean and there is more disagreement between the respondents pertaining to the statement. The reason for 50:50 ratios of respondents agreeing to the statement and disagreeing is that revision of the budget is common, lack of management involvement in budget utilization monitoring and underutilization of the budget proves that the budget utilization reports are not made timely because of which information required for budgetary control systems implementation is not adequate. Mean of 3.22 being near to neutral score on Likert Scale proves that the respondents are neutral to the statement.

The response for the statement that there is regular follow up on departments balance budget is common was agreed by 70% but only disagreed by 18% of respondents implying that balance budget of the departments are monitored on regular basis. Reason for 70% of respondents agreeing to the statement is, because the funds from MoF are allocated on annual basis but released on monthly basis for which MoE has to submit the budget balance report with the request for release of funds for the month. Mean of 3.6 being on agree score of Likert Scale authenticate the statement.

Similarly, accumulating idle cash in the bank was agreed by 52% but 16% respondents disagreed to it indicating that there is accumulation of idle cash in the bank. Accumulation of idle cash in the bank is mainly because of purchasing being not done on time, frequent revision of budget and lack of budget utilization monitoring by the management. Standard deviation of 0.898 supports the statement that there is accumulation of idle cash as data provided by the respondents' lye near to the mean of 3.22.

Timely payment is common practice in the organization; 44% respondents agreed with 30% neutral and 26% disagreeing to the statement. The reason for timely payment of purchases and services is that there is liquidity of funds available from the MoF, donations from NGO's and loans from institutions like UNESCO and UNICEF. Mean of 3.22 is near to neutral score on the Likert Scale indicating that the budget users have neutral tendency towards timely payments because their aim is to accomplish the planned activities.

The average mean of 3.29 indicate that budget users are 80/20 about the control of budget utilization meaning 80% agree and 20% are neutral. According to the responses of the respondents they completely disagree that there is budget overutilization and timely purchasing being done in MoE. Based upon the response of respondents there is underutilization of the budget as it is evident from the budget utilization annual report of MoE.

4.2.4 Variance for Mismatching of the Budget Targets to the Actuals

Variance for mismatching of the budget targets to the actuals was analyzed by collecting the responses to the questionnaire statements from the respondents.

S.No.	Statement for Likert Scale Analysis and Descriptive Statistics of Sectors-4	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree	Mean Avg. Mean-3.28	Standard Deviation
4.1	There is a tendency of mismatch between plan and budget by budget users.	11 (22%)	24 (48%)	9 (18%)	3 (6%)	3 (6%)	3.74	1.065
4.2	Periodic performance report is complete.	4 (8%)	10 (20%)	6 (12%)	25 (50%)	5 (10%)	2.66	1.154
4.3	Your office has procedure of comparing budget and actual utilization	5 (10%)	21 (42%)	9 (18%)	15 (30%)		3.32	1.019
4.4	There is timely feedback from top management to correct budget under/overutilization.		20 (40%)	12 (24%)	11 (22%)	7 (14)	2.90	1.093
4.5	Unplanned activity affects the allocated budget of the organization	14 (28%)	31 (62%)	3 (6%)	2 (4%)		4.14	0.7
4.6	There is frequent revision of plan according to the allocated budget.	6 (12%)	27 (54%)	7 (14%)	8 (16%)	2 (4%)	3.54	1.034
4.7	Budget monitoring practice is effective in the organization.	1 (2%)	14 (28%)	17 (34%)	6 (12%)	12 (24%)	2.72	1.179

Table 11 - Variance for Mismatching of the Budget Targets to the Actual

Source; Questionnaire and SPSS V23 Output 2020

Tendency of mismatch between plan and budget by budget users; 78% respondents agree. The respondents who disagree to the statement are only 12% meaning that they agree that there is mismatch between plan and the actual budget utilization. Further standard deviation of 1.065 indicates that the response of respondents is fairly scattered about the mean as SD is more than 1. As per Omitoogun and Hutchful (2006) there are many factors which can explain why there is variation in actual expenditure from the one planned at the start of the financial year. As per the response of the respondents to the questionnaire, in MoE mismatching is attributed to the unplanned activities, which lead to frequent revision of the budget during the financial year and ineffective monitoring of budget utilization.

Respondents strongly disagree to the statement that periodic performance report is complete 60% respondents disagree to it; only 28% respondents agree to the statement. Standard deviation of 1.154 means that data is more scattered around the mean, this indicates that there is difference of opinion between the respondents regarding the statement. Mean of 3.74 is near to the acceptable score on Likert scale, meaning that the respondents' response of disagreeing with this statement is acceptable. The monthly budget performance report highlights the variance in budget utilization. As per Palmer 1984 budget must be monitored for variance, so that timely action can be taken by determining the cause, evaluating the

activity based on the planned budget and the utilization analysis report. As observed in the above statement that there is mismatch in planned and actual budget utilization, which is the impact of the incomplete periodic performance report, this hampers the proper monitoring of budget utilization by the management.

Comparison of budget with actual utilization; procedure was mainly not agreed by 30% respondents but it was agreed by 52% respondents. Drury (2001) described control as the continuous comparison of actual performance with budgets, as agreed by the respondents in the first statement that mismatch exists in budget and actual utilization, is the outcome of lack of control. Standard deviation of 1.019 indicates that the response data of the respondents to the statement is fairly scattered. Mean of 3.32 indicate that the respondent's response is neutral towards the comparison procedure.

Walther (2010) stated that working hardly go exactly as planned; management must make full effort to monitor and adjust for deviations in reference to this, response of respondents to the statement was that there is feedback from top management to correct under/over utilization of budget from planning by 40% but the respondents who disagree to this are 36%. From percentage analysis of the response data 24% respondents are neutral implying that the feedback from top management regarding variance of budget is inadequate as it is revealed in statement 2 and 3 of this section of questionnaire that periodic performance reports are not complete and comparison of budget with actual utilization is not adequate which is the result of lack in feedback from the top management. Mean of 2.90 is near to the score of neutral on the Likert Scale indicating that respondents don't want to response the statement.

Unplanned activities affect the allocated budget; the response by the respondents was 90% agreeing and only 4% disagreeing to the statement. The reason being that there is mismatching between plan and budget by the budget users as responded in the first statement for which one of the reason is the execution of unplanned activities. Standard deviation of 0.700 imply that the response data is not much scattered about the mean, also nearly all respondents are of the same opinion as SD is less than 1. Mean of 3.54 falls near to agree score on Likert Scale thus indicating that respondents agree that unplanned activities create variance in budget utilization.

Similarly; frequent revision of plan according to the allocated budget was agreed by 66% of the respondents only 20% disagreed to it. The reason being that the budget submitted by the department is revised by BPRMD on basis of budget guideline provided by MoF and second might be some other department need more budget for some important activity. To adjust this they cut down the budget for department to compensate the important activity, hence the

department whose budget has been cut down has to revise its budget. Also; some amounts of resources were planned for a specific activity but due to price change or change in time taken to accomplish the activity force the department to revise its budget. Standard deviation of 1.094, indicates that response data is scattered slightly more about the mean. Mean of 3.54 indicate that respondents accept that there is frequent revision of plan, as the mean value is near to “Agree” on Likert Scale.

Effectiveness of the budget monitoring was agreed by 30% of the respondents and disagreed by 36% overall. The reason being; the mismatching of budget and actual utilization, periodic performance reports not being complete, lack of comparison between budget and actual utilization and unplanned activities resulting in revision of the budget are the causes of ineffectiveness of budget monitoring. Standard deviation of 1.179, indicate that there is difference of opinion among the respondents, reason being that 36% respondents might be not aware what effective budget monitoring system is. Mean of 2.72 is near to the score of disagreement of the statement on Likert Scale meaning that the respondents are not in agreement that budget monitoring systems are effective.

Average mean of 3.28 imply that there is overall acceptance by the respondents that MoE lack efficient budgetary control systems, which according to Okapnachi and Muhammed (2013) can lead to disregard for planned budget and coordination of activities and these are capable of crippling an organization. In other words, if actual performance is not controlled consistently and it differs from planned performance the organization will not achieve its objectives.

4.2.4.1 Variance analysis

According to Omitoogun and Hutchful (2006) the more common causes of expenditure variations are deviation in aggregate expenditure, reallocation of fund during budget implementation, policy changes, inability to implement policies, programs and projects and lack of financial discipline.

In addition to monitoring and reporting actual to budget results, it is also important to evaluate and explain reasons for variance. This involves considering what has changed since the budget was prepared. It is important to evaluate whether the variance is temporary or whether it will be there for coming years also. If the variance is going to be there for long, assessing the impact on the current year budget and future years will assist the organization to decide whether remedial action is required or not. For such situations forecasting is useful means of projecting revised outcome without changing the current budget.

To identify the occurrence of variance in MoE the previous year budget data was observed from the annual budget report of 2018-19. Figure-4; show graphically the approved budget, budget utilized and variance for the year 2018-19 in MoE.

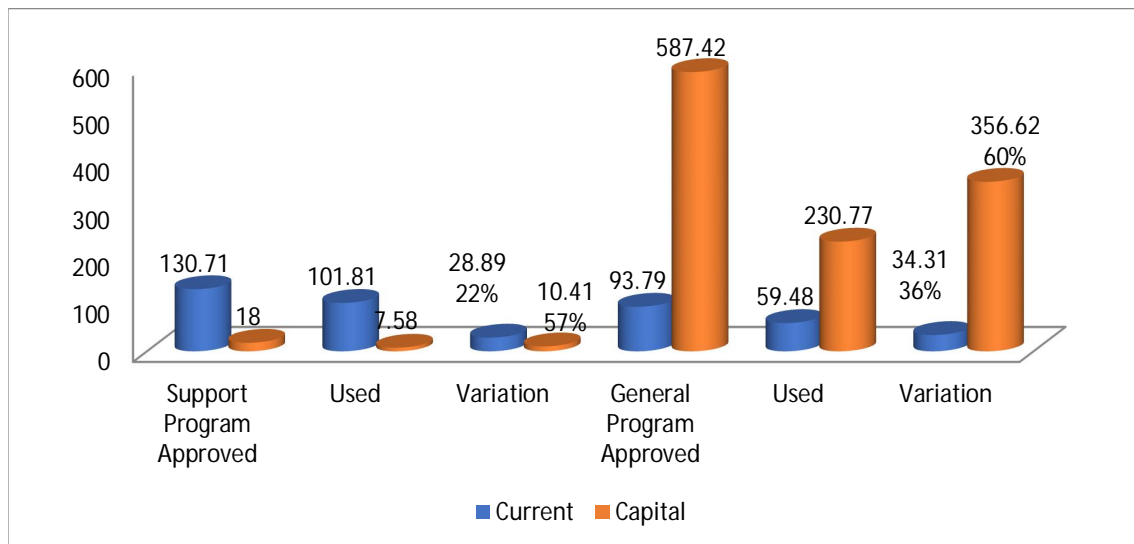


Figure 4 – Variance Analysis of MoE Budget for the Year 2018-19

Source: Annual Budget Report for the Year 2018-19 Output 2020

From the data available regarding the budget utilization in MoE and from the above figure it is clear that there is variance in budget utilization to actual planned budget which indicate that there exist inadequate budgetary control systems in the ministry to curb variance.

The annual budget report of the ministry indicates that total current approved budget to support program was ETB 130.71million from which only ETB101.81million was utilized and un-utilized budget was ETB28.89million, indicating that budget was 22% underutilized. Similarly, for the same program capital budget approved was ETB18million from which only ETB7.58million was utilized indicating variance of 57%.

For general education program budget approved for current budget was ETB93.79million from which utilization was only ETB59.48million indicating variance of 36%. Capital budget for the same program budget approved was ETB587.42million but utilization was only ETB230.77million and variance was 60%.

The reasons for occurrence of variance are mainly change in conditions meaning cost variation, quality of management imply that special care to reduce costs can result in favorable variance and irresponsible budgeting meaning over ambitious budget is likely to cause negative variance. To overcome these causes of variance management, have to implement accountability for variances, management of variances, continuous improvement

in budgeting and continuous improvement in output and program delivery (Australian National Audit Office, better practice guide).

Budget variance analysis is most useful when it undertakes, specific variances and trend variances. Specific variances involve actual vs budget and actual v forecast comparisons whereas trend variance is comparing this month vs last month and last year vs this year both actual and budgets. The budget variance is classified in two categories, one favorable/positive variance implying that budget utilization is as planned and another unfavorable/negative variance when there is underutilization of budget. From the graph in Figure-4, budget for Education Support Program and General Education Program have unfavorable variance for current and capital budget. Reason being lack of budgetary control systems delay in projects, purchasing not done timely, market price not being considered while planning budget and the usage of donations from NGO's on priority basis than the approved budget.

To convert the existing unfavorable variance to favorable variance management, have to take call to improve accountability for variance, management of variance and improvement in budget planning along with improvement in programs implementation.

4.2.6 Control Systems of Budget Realignment

To study the control systems of budget realignment, questionnaire containing statements pertaining to the subject matter was distributed to respondents of budgetary control systems, budget preparation and budget users. The responses are tabulated below for analysis.

S.No.	Statement for Likert Scale Analysis and Descriptive Statistics of Sectar-5	Strongly Agree	Agree	Neutral	Dis-Agree	Strongly Dis-Agree	Mean Avg. Mean-2.96	Standard Deviation
5.1	The organization has strong budget control system.	5 (10%)	15 (30%)	5 (10%)	13 (26%)	12 (24%)	2.76	1.379
5.2	There is explanatory budget utilization report created periodically.	1 (2%)	15 (30%)	12 (24%)	17 (34%)	5 (10%)	2.80	1.05
5.3	There is regular control practice of budget activities by department head.	3 (6%)	12 (24%)	10 (20%)	21 (42%)	4 (8%)	2.78	1.093
5.4	Managers usually take immediate corrective action if difference is detected in actual and planned budget.	2 (4%)	14 (28%)	8 (16%)	21 (42%)	5 (10%)	2.74	1.103
5.5	Accountability is considered as important factor of budgeting process.	10 (20%)	26 (52%)	4 (8%)	5 (10%)	5 (10%)	3.62	1.21
5.6	Department keep reliable budgetary records.	5 (10%)	22 (44%)	4 (8%)	10 (20%)	9 (18%)	3.08	1.338

Table 12 - To Identify the Control Systems of Budget Realignment

Source; Questionnaire and SPSS V23 Output 2020

The statement that organization has strong budget control systems was agreed by 40% of respondents with 50% disagreeing. Monitoring and control of budget process is a determinant

of effectiveness, once the budgets have been implemented, they need to be monitored and controlled to ensure effectiveness in aligning budgets over a defined period of time (Horngren *et al.*, 1997). Control systems being the essence to avoid budget re-alignment, only 40% agreed to it and 50% of the respondents disagreed with the statement that strong control systems exist, reason being that the parameters required such as proper monitoring of budget utilization, feedback from top management regarding under/over utilization of budget and lack of periodic performance reports hinder control systems of budget realignment. Standard deviation of 1.379 indicates that response data is much scattered about the mean because the respondent neutral to this statement are 10% indicating that they do not want to respond to this statement which make data to be more scattered about mean. Mean of 2.72 being near to disagree on Likert Scale score imply that respondents disagree to the statement that strong budget control systems exist.

Similarly; the existence of self-explanatory budget utilization report was agreed by 32% respondents and disagreed by 34% respondents. 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 under spending, timely and take corrective actions (Yesuf A., 2015).The reason of non-existence of self-explanatory budget utilization report is because of budgetary control systems lacking in MoE and the respondents are of the opinion that explanatory budget utilization report will be used to evaluate their performance hence they generally avoid preparing report. The response of respondents was neutral as is clear from the mean value of 2.80, which is near to neutral score on Likert Scale. Standard deviation of 1.050, indicate that response data is scattered about the mean.

Statement that there is regular control practice of budget activities by department heads was disagreed by 50% of respondents and only 30% agreed to it. Reason being that there is lack of feedback from top management regarding variance in budget utilization as agreed by the respondents in study objective of variation in mismatching of budget targets to the actuals. Standard deviation of 1.093, indicate that the response data is more scattered about mean. Mean of 2.78 indicate that respondents are neutral to this statement.

Again; the statement that managers take immediate corrective action if variance in budget utilization is observed; 52% respondents disagree to it with only 32% agreeing. As per Otley and Van der Stede 2003, managers can take immediate corrective action by ensuring that the estimated budget does not deviate from the actual outcome. Mismatching of the budget

planned and actual utilization exist as responded by the respondents earlier and as underutilization is common in the organization it indicates that managers do not take immediate corrective action on detection of variance. Standard deviation of 1.103 indicate that response data is more scattered about mean implying that no immediate corrective action is taken by the managers to rectify the variance. Mean of 2.74 indicate that respondents are neutral to the statement regarding corrective action being taken on detection of variance.

Accountability is considered as important factor of budgeting process was agreed by 72% respondents and disagreed by only 20%. The reason being; that BPRMD have to submit budget utilization report to MoF at the month end while requesting for funds. It becomes necessary for each department to prepare budget utilization report to be submitted to BPRMD for consolidation and forwarding to MoF. For this accountability of budget utilization becomes important, hence each department emphasis on accountability while utilizing budget. The response data for this statement is also more scattered about mean as standard deviation is 1.210. Mean of 3.62 is near to “Agree” score on Likert Scale meaning that respondents accept that accountability is considered as important factor of budgeting process. Department keep reliable budgetary record was agreed by 54% respondents where as 38% disagreed to this. Reason that 54% respondents agree to it is that since accountability for budget utilization is required so for that budgetary records are essential. Standard deviation of 1.338, indicate that response data is more scattered about mean. Mean of 3.08 indicate that respondents are neutral to this statement.

The average mean of 2.96 reveal that the control systems of budget realignment fall under neutral range on Likert scale. Since average mean value is tending towards neutral scale it indicates the control systems for budget re-alignment do not exist.

The main purpose of having interview with the department director, four sections heads who are reporting directly to director of BPRMD was to have information regarding budgetary control systems which might exist but have been overlooked in the questionnaire.

The budget planning and resource mobilization department was mainly asked about the variance in budget utilization and the controls being implemented to minimize it. The discussion was held regarding the factors for this variance and how the measures such as evaluation of the performance of departments regarding budget utilization, performance of the budget users, year-end budget utilization analysis was used by the department to overcome this variance. Individual departments are managing to control this variance because as per BPRMD each department is making monthly budget utilization report which is submitted to MoF for release of funds for the coming month, so the department knows if

variance is there. If there is any variance that department has to justify it, BPRMD only discuss the reasons given by the department for it and give advice how to avoid it in the next financial year or month by planning the budget in the preparation stage so that variances do not occur. It was pointed out by BPRMD that there is lack of knowledge among the department staff for budget preparation and plan for budget utilization as MoE lack experienced personals for it.

Chapter Five

Findings, Conclusion and Recommendations

In this chapter the findings of the data analyzed in chapter-4 is followed by conclusion of the assessment of budgetary control systems of MoE. Recommendations based upon this research are given for improving budgetary control systems of MoE .

5.1 Summary of Findings

The findings from the analysis of the data collected for five specific objectives of the study are as below.

- Study of demographic characteristics of the staff involved in budgeting and the budget users, reveal that majority of the staff is in the age segment of 31 to 45years and 80% of the respondents are degree holders with balance 20% having masters. Mostly respondents are having experience between 7-10years and 38% more than 10years.

5.1.1 Finding of budget planning in MoE

- Finding revealed by data analysis indicated that budget planning in the ministry is moderate, supported by average mean of 3.41 which on the Likert scale range of $2.5 \leq$ Neutral ≤ 3.5 indicate that the respondents are neutral.
- The gap identified is the lack of adequate professionals in some departments of the ministry.

5.1.2 Findings of control systems used for budget preparation

- Finding revealed by data analysis indicated that control systems used for budget preparation in the ministry has neutral tendency, supported by average mean of 3.06 which on the Likert scale range of $2.5 \leq$ Neutral ≤ 3.5 indicate that the respondents are neutral towards the existence of control systems in budget preparation.
- The gap has been identified that feedback from the budget users are not collected while preparing final budget.

5.1.3 Findings of budget utilization

- Finding revealed by data analysis indicated that budget utilization in the ministry has neutral tendency, supported by average mean of 3.29 which on the Likert scale range of $2.5 \leq$ Neutral ≤ 3.5 indicate that the respondents are neutral towards the budget utilization.
- Gap identified show that there is underutilization of budget because of purchasing not done on time, which delays the activities and the same activity has to be carried forward to the next financial year, hence the underutilization of allocated budget prevails.

- It was indicated by the respondents that one additional factor for underutilization of budget is incomplete planned activities and projects, because of which the budget allocated for them has to be carried forward to next financial year.
- Since there is donation from different NGO's to the ministry, which is used to complete the planned activities without using the government allocated budget, hence underutilization of the budget prevails.
- Organization does not utilize the budget as planned.
- Lack of attention for budget utilization by management exists.
- Budget utilization reports are not made timely.

5.1.4 Findings of variance for mismatching of the budget targets to actuals

- Finding revealed by data analysis indicated that variance for mismatching of the budget targets to actuals has neutral tendency, supported by average mean of 3.28 which on the Likert scale range of $2.5 \leq \text{Neutral} \leq 3.5$ indicate that the respondents are neutral towards the variance of the budget mismatching.
- Mean of 3.74 indicate that the respondents agree that there is always mismatching between planned budget and the actual utilization by budget user.
- There exist unplanned activities which are not included in the budget preparation, as per respondents' response (Mean of 4.14), these activities affect the budget utilization.
- There exists lack of feedback from top management to correct the occurrence of variance.
- Performance report of budget utilization is inadequate.

5.1.5 Findings of control systems of budget realignment

- Finding revealed by data analysis indicated that control systems of budget realignment has neutral tendency, supported by average mean of 2.96 which on the Likert scale range of $2.5 \leq \text{Neutral} \leq 3.5$ indicate that the respondents are neutral towards the control systems of budget realignment.
- Lack of strong budgetary control systems in the organization.
- Self-explanatory budget utilization report does not exist.
- Regular control practice of budget activities by department heads is lacking.
- Managers taking immediate corrective action if variance in budget utilization is observed do not prevail in the ministry.

5.2 Conclusions

Regarding budget planning the respondents are neutral with no critical issues, which mean they are satisfied with the present planning process of budget preparation. Respondents are neutral towards the control systems used while preparing budget but they highlighted only

one gap that feedback from budget users regarding previous year is not incorporated while planning budget. The impact of this gap is that, because of this practice the new budget will have the same discrepancies which were in the previous year. This affects the effectiveness of the budget and performance efficiency of MoE. The general view of the respondents pertaining to budget utilization was also neutral but they revealed a gap that there is underutilization of the approved budget. Reason being, that purchasing for the activities to be done is not executed on time in spite of timely payment by the finance department and secondly the tendency is to use donated funds by NGO's first as compared to the budget allocated. The response regarding some characteristics of mismatching of the budget targets to actuals respondents were neutral, but they strongly agreed that there is mismatching in actual budget utilization and planned budget, except, accountability being considered as important factor of budgeting process and department keeping reliable budgetary records. Having strong budgetary control systems, explanatory budget utilization report being created periodically, regular control practice of budget activities by department head and managers taking immediate corrective action if difference is detected in actual and planned budget are not as required and efficient usage of budget have gap.

In short the conclusion is that MoE lacks adequate budgetary control systems for monitoring budget utilization which is affecting the overall performance efficiency of MoE.

5.3 Recommendations

The purpose of this assessment study was to assess budgetary control system of MoE, based upon analyzed data. The researcher recommends for the identified gaps to improve the budgetary control systems, for which the following recommendations are suggested.

1. Regarding planning of budget in MoE.

- As there is lack of budget planning professionals in some departments, researcher recommend this gap to be minimized by imparting adequate training to these professionals specifically in regard to MoE budget planning process.

2. Assessment of control systems used for budget preparation

- During budget preparation the feedback of the budget users has to be collected so that the flaws in the previous budget are not repeated. This will help the budget user departments to achieve their objectives efficiently minimize variance in budget utilization.

3. Assessment of budget utilization

- Top management instead of waiting for the month end budget performance report by the department, should formulate method of monitoring budget while it is being implemented and utilized so that variance can be taken care of as it is happening.

- Periodically comprehensive and self-explanatory audit reports have to be generated so that utilization of the budget can be done as planned during budget preparation.
- Strong planning of budget, links between policy makers and budget planners is required for effective budget planning which will ease operations of MoE and reduce variance.

4. Variance for mismatching of the budget targets to the actuals.

- To improve authenticity of the current budget, department should analyze the expenditure pattern of the past year budget supported by its planning done and variance which occurred to prepare the current budget.
- The top management and department heads have to have complete insight of the activities of their department so that the budget can be prepared in line with MoE objectives.

5. Control systems of budget realignment

- Budget control system at every stage of budget utilization is to be based upon the monitoring and reporting system of the audit department.
- Self-explanatory budget report of each department is to be made which will reduce the variance.
- Regular control practice of budget activities by department heads is the essential component of budgetary control system which has to be implemented by every department head.
- It is mandatory that immediate corrective action to be taken by the managers on detection of even slight variance in budget utilization.

Finally the researcher would like to suggest that further research regarding budgetary control systems appropriate to MoE operations and impact of incorporating budget committee for budget preparation and implementation in MoE, is required to be carried out. BPRMD is the final authority for budget approval for submission to MoF, any realignment of budget or out of planning activity approval. There should be budget committee with a chairperson and members to take these critical decisions collectively so that there is transparency in budget approval, implementation and any out of plan activity, this will improve the effectiveness of the budget and efficiency of the organization

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ANNEXURE
ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA IN ACCOUNTING AND FINANCE

Questionnaire for Research Data Collection on Budgetary Control Systems in
Ministry of Education, Addis Ababa.

Dear Respondent,

The objective of this questionnaire is to gather first-hand information regarding the budgetary control systems.

Be assured that the information provided will be kept strictly confidential and will only be used for academic curriculum research purposes. The information which will be compiled from all the data collected for analysis purposes will not identify individual respondent in the study.

Therefore, you are kindly requested to respond to the questions freely and openly to the best of your knowledge, because that will be strong base for assessment of budgetary control systems.

Thanking you in advance for providing appropriate and complete information required.

If any clarification regarding the questions in the questionnaire is required, feel free to call on 0923209179 or email on redietdaniel24@gmail.com. I assure you that you query will be answered promptly.

Rediet Daniel

Student of MBA (Finance and Accounting)

General Instructions

1. There is no need of mentioning your name, anywhere in the questionnaire.
2. In all cases where answer options are available please tick (✓) in the appropriate box.
3. For open ended questions if any, please enter your response on the space provided.

Questionnaire for Department Wise Budget Preparation Team

PART-1

Demographic Information:

Age: 18 To 30 31 To 45 46 To 60 Above 60

Education: Diploma Degree Masters

Total years of work experience: Below 3 3 To 5 5 To 7 7 To 10 Above 10

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

Department: _____

Work position: Management Expert Others Specify _____

PART – 2

A. Statements related to planning

S. No.	STATEMENTS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
1.1	You have adequate understanding to prepare budget plan.					
1.2	Your office has adequate professionals who prepare plan and budget.					
1.3	Plans of your office are linked adequately to the annual budget.					
1.4	Budget submission is usually made without work plan.					
1.5	Your office has strong coordination with Budget Department during planning.					

Kindly mention your opinions & comments if any in relation to planning:

B. Statements related to control systems used while budget preparation

S. No.	STATEMENTS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
2.1	You have adequate understanding to prepare budget.					
2.2	Your office budget preparation is linked to the strategic plan of the department operations.					
2.3	Organization has a practice of budget allocation based on department activities.					
2.4	The budget preparation process of new financial year is based on pervious year data					
2.5	Budget is prepared for most programs of the department.					
2.6	Feedback from the budget users is usually collected before preparing the final budget.					

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

C. Statements related to budget utilization:

S.No.	STATEMENTS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
3.1	The organization utilizes the approved budget based on its plan.					
3.2	Budget underutilization is common in your office.					
3.3	Budget overutilization is common in your office.					
3.4	Management provides attention on budget utilization.					
3.5	Approved budget revision process is common. .					
3.6	Monthly cash flow demand is based on budget plan.					
3.7	Budget utilization reports are made timely.					
3.8	Regular follow up on department balance budget is common in the organization.					
3.9	The organization usually accumulates idle cash in the bank.					
3.10	Timely payment is common practice in the organization.					
3.11	Timely purchasing is done as per planned in budget.					

Please provide any additional information which you think might help in the research:

D. Statements related to variance for mismatching of the budget targets to actuals.

S.No.	STATEMENTS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
4.1	There is a tendency of mismatch between plan and budget by budget users.					
4.2	Periodic performance report is complete.					
4.3	Your office has procedure of comparing budget and actual utilization					
4.4	There is timely feedback from top management to correct budget under/overutilization.					
4.5	Unplanned activity affects the allocated budget of the organization					
4.6	There is frequent revision of plan according to the allocated budget.					
4.7	Budget monitoring practice is effective in the organization.					

Please provide any additional information pertaining to the study of variance:

E. Statements related to control systems of budget realignment.

S.No.	STATEMENTS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
5.1	The organization has strong budget control system.					
5.2	There is explanatory budget utilization report created periodically.					
5.3	There is regular control practice of budget activities by department head.					
5.4	Managers usually take immediate corrective action if difference is detected in actual and planned budget.					
5.5	Accountability is considered as important factor of budgeting process.					
5.6	Department keep reliable budgetary records.					

Please provide any additional information which can be useful for evaluating control systems:

THANK YOU FOR YOUR TIME

**Interview questions for Budget Planning and Management Department Regarding
Budgetary Control Systems and Performance**

1. How the variance in budget utilization of a particular department in the ministry is monitored by your department and what measures are taken to rectify it?
2. What procedure is followed to evaluate the performance of the budget utilization by the concerned department and at what time intervals?
3. What are the main problems which delay the budget approval and allocation by the Ministry of Finance?
4. Does your department have sufficient and trained staff to manage the budget planning and implementation?
5. Is there any guiding manual for preparing budget and monitoring, who prepare it?
6. Is there lack of coordination between the budget plan and implementation, if so, what measures are taken by your department.
7. What delays the release of funds on timely bases after budget approval?
8. What measures are taken by your department, if at the year-end budget is underutilized?
9. Any other comments regarding planning and management of budget which might have been overlooked above.

Interview questions for Internal Audit Department Regarding Budgetary Control:

1. Can you specify the kind of audit done to take care of budgetary control in the ministry?
2. Does each department budget auditing is done and at what time interval?
3. Budget audit report is forwarded to which department for taking action?
4. Does the audit report prepared by your department help in solving implementation problems, if yes how?
5. In your opinion, what are the main weaknesses observed in your office in relation to plan and budget preparation process?
6. What are the major challenges faced by your department regarding the budgetary control audit procedures?
7. Any other comments regarding internal audit which might have been overlooked above.