



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**BUDGET IMPLEMENTATION AND PRACTICE IN NGO'S, THE CASE
OF HAMLIN FISTULA ETHIOPIA**

**BY LILY FEKADE
SGS/0302/2012A**

**JUNE, 2021
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO SAINT MARY'S UNIVERSITY, SCHOOL OF
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ADDIS ABABA, ETHIOPIA

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STATEMENT OF DECLARATION

I, Lily Fekade, declare that this thesis is my original work, prepared under the guidance of Simon Tareke (Asst. Professor) 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 earning any degree.

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St. Mary's University, Addis Ababa

June, 2021

STATEMENT OF CERTIFICATION

This is to certify that the thesis presented by Lily Fekade entitled: “Budget implementation and practice in NGO’s, the case of Hamlin Fistula Ethiopia” in Partial fulfillment of the requirement for degree of MBA in Accounting and Finance fulfills with the regulation of university and meets the accepted standards with respects to originality and quality.

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ACRONYMS & ABBREVIATIONS

HFE – Hamlin Fistula Ethiopia

NGO – Non Governmental Organization

MOA – Memorandum of Agreement

NBE – National Bank of Ethiopia

BPP – Budgetary Participation & Performance

ZBB – Zero Based Budgeting

ABB – Activity Based Budgeting

SMT – Senior Management Team

OC – Organizational Commitment

POI – Perception of Innovation

ABSTRACT

This research focuses on the practice of budget preparation monitoring and implementation in Hamlin Fistula Ethiopia, an international NGO operating in Ethiopia. The general objective of the research is to assess the practice of budget implementation and practice as a management tool for managing variances in NGOs. The research is a descriptive research type and used mixed research approach, combining questioner survey and interview. To achieve the objectives of the thesis, a census method was used to collect the required data. Research director of the case organization was communicated to identify the key staffs that are responsible in the budgeting process. The questionnaires were dispatched for all target population of 45 staffs who are directly involved in budgeting process in the organization. To get more understanding on the responses, a semi-structured interview was made with senior management staffs. Thirty-nine staff completed and returned the survey. The quantitative data were analyzed using descriptive statistical method including percentages, mean, standard deviation, and frequency using SPSS version 20. As the findings show, the overall budget preparation and utilization system in the organization missed the participation of concerned staffs. Grant review meeting is not conducted regularly with key staffs in different departments of the organizations who have the responsibility to implement the components of the project. Participation of staffs in budget development helps to achieve the purposes of budget such as coordination, communication and motivation in the process of achieving the expected performance level. Therefore, it is recommended that Hamlin Fistula Ethiopia should involve staffs who are responsible for budget monitoring and project implementation in preparing the budget. To ensure smooth communication and timely delivery of outputs as per planned activities in accordance with the requirements of the donor and management, the organization should conduct regular grant review meetings with different departments such as program, finance, logistics and human resource. The finance department of Hamlin Fistula Ethiopia should keep reporting budget versus actual expenditures to support the monitoring of revenue and expense levels in operating activities.

Key words: Budget implementation, Budget monitoring, Budget preparation, Hamlin Fistula Ethiopia, NGOs

CHAPTER ONE

INTRODUCTION

This chapter tries to cover the background of the study, statement of the problem, objectives of the study, research questions, significance, scope and limitation of the study.

1.1 Background of the study

Budget is one of the most widely used tools for planning and controlling organizations performance. Surveys show an almost universal use of budget by medium or large companies in many parts the world. Budgeting system turns managers prospective forward. A forward – looking prospective enabled managers to be in better position to exploit opportunities. It also enables them to anticipate problems and take steps to eliminate or reduce their severity (Richard, 2006).

Budget is a mathematical expression of management plan. It is a way through which one organization undertakes all its activities. Without budget there is no successful work to be done. Organizations use the budget to plan and coordinate the following:- to motivate employees, allocate resources and coordinate operations within an organization. Budgeting is aimed to facilitate responsibility distribution and is used to evaluate performance (Libby & Lindsay, 2003).

Miller and Earnest(1966:61) summarized the need to secure the actualization of the budget through participation by saying that ‘participation tends to increase the commitment, commitment tends to heighten motivation, motivation which is job oriented, tends to make managers work hard and more productive work by managers tends to enhance the company’s property, therefore participation is good’.

Budgeting and budget monitoring is a fundamental event of non-governmental organizations financial management framework. Effective budgeting significantly contributes to the

achievement of the goals and objectives. (Brookson, 2000:9). Budgeting should facilitate effective utilization of available funds, improve decision making, provide a bench mark to measure and control performance, increase general communication and analysis within the organization and establish understanding between managers about goals and objectives. Budgeting clarifies organizations competitive priorities, advantages and strategies in the future.

A good budgeting process incorporates a long term perspective, establishes linkages to organizational goals, focuses budget decision on results and outcomes and promotes effective communication with stakeholders. According to Drury (2012:365), ‘budgeting process creates an opportunity for subordinates to become involved in planning and performance measurement, process that is traditionally perceived to the role of top management. Usually the senior and experienced staffs of the organization are involved in developing the budget.’ They should be in a position to take responsibility for all the financial aspect of a project. In monitoring the budget during the period, managers compare budgets with actual results to identify favorable and unfavorable variances in order to take corrective actions. This helps managers to gain insight why the actual results differ from the planned performance and assist them in their planning and control decisions in the implementation of projects to deliver outputs and successful achievement of objectives (Meseret, 2016).

NGOs have been investing billions of dollars in wide range of sectors including food security, emergency, water development, health, education, agriculture, women and children development etc. It is too plain to see that projects are central to the existence and success of international NGOs. Consistent with this, (Meskendahl, 2010) equate projects as the central building block used in implementing organizational strategies, and further explain that organizational success is determined by the success of their projects. As a result, project success and its determinants are topics of great interest.

Non-government organizations in Ethiopia have goals or vision that they are established to achieve. An organization must ensure all its departments work towards achieving a common goal. The performance of the different parts will be interrelated. Each segment manager must know his role and how to interact with the other organization. To achieve the goals,

organizations develop strategies which could be short term or long term. Strategic plans need to include a financial plan or the budgets that will be needed to achieve the plans. The strategic plans are further broken to annual plans and hence annual budgets. The annual plans details all the activities that will be undertaken during the fiscal year. In NGOs set up, annual plans are broken in to activities, and the activities are grouped to make a project. Therefore various projects make up the annual plan of the organizations. The success of non-government organizations can be measured by the extent to which it implements its projects to impact the beneficiaries. To implement different projects, NGOs receive funds from different sources/donors that can be managed according to the rule and regulation of the donor as well as the government of Ethiopia to support the people in developmental priority sectors such as health, education, agriculture, capacity building and environmental protection (Yesuf, 2015).

The government of Ethiopia enacted Proclamation No. 6/2009 to provide for the registration and regulation of charities and societies. ‘The Proclamation recognizes three forms of charities and societies organizations which may be established as either charities or societies. These are “Ethiopian Charities or Societies,” “Ethiopian Resident Charities or Societies,” and “Foreign Charities or Societies” based on the place of their incorporation, their source of funding or the nationality or the place of residence of their founders’(Charities and Societies Proclamation, 2009). The Charities and Societies Agency is established as an institution of the federal government to enable Charities and Societies organizations to develop and achieve their purposes in accordance with the law and ensure accountability and transparency in the operations of charities and societies (Yesuf, 2015).

Owing to this fact, the focus of this research paper is assessment of budget implementation & practice in the case of Hamlin Fistula Ethiopia as a management tool for enhancing financial management in NGOs operating in Ethiopia according to the procedure of grant management and donor agreement stipulated in the contract to implement projects. Moreover, it identifies the problems that face in the process of budgeting and budget implementation & practice to give possible recommendations.

1.2 Background of the company

Hamlin Fistula Ethiopia is a registered charitable organization in Ethiopia dedicated to the treatment and prevention of childbirth injuries called obstetric fistulas. Drs Catherine and Reginald Hamlin founded this organization in 1974 after being confronted with the tragic situation of Ethiopian women suffering from obstetric fistulas.

Hamlin Fistula Ethiopia promotes reproductive health in Ethiopia by raising awareness and implementing treatment and preventive services for women affected by obstetric fistulas. It also aims to restore the lives of women affected with obstetric fistulas in Ethiopia and eventually to eradicate the condition. Hamlin Fistula Ethiopia is governed by a board of trustees which includes founding member Catherine Hamlin. By 2014, Hamlin Fistula Ethiopia supported the Addis Ababa Fistula Hospital & five treatment centers across Ethiopia, a midwife school, and a long-term rehabilitation center for women impacted by obstetric fistula. Over 500 Ethiopians are employed across Hamlin Fistula Ethiopia.

Hamlin Fistula Ethiopia relies on the kindness of donors to continue its work in treating and preventing obstetric fistulas, ensuring Ethiopian women have holistic and compassionate healthcare (Duby & Hailey, 2013).

1.3 Statement of the problem

Budget implementation is a challenge to many organizations because they are expected to make forecasts taking the unforeseen needs into account during budget proposals or costs estimate that is changed significantly over time. Budget holders who are responsible for the management of the grant do not practice regular budget monitoring to prevent possible over and under spending which is the key stage in the grant management cycle. Finance department is responsible to maintain updated records in the financial system to provide reliable data to support the budget holders in discharging their responsibilities. These activities need to be done on an ongoing basis to keep the organizations sustainable and ensure proper budget management (Yesuf, 2015).

NGOs are at times unable to undertake their activities as per the plan, resulting in funds being underspent or overspent. NGOs may be forced to request no cost extension in cases of underspent and cost extension in cases of overspent with possible budget amendment which can be considered as ineffective in implementing projects in accordance with the agreement stipulated with the donor. These results expose the good relationship between the NGOs and its donors. Underspent funds are returned to the donor and overspent funds are not refunded to the NGOs. It is therefore an area of concern why non-government organizations are unable to implement the budget they prepare through the implementation of consistent budget monitoring to control the burn rate comparable with the implementation of the planned activities .

Most of the studies on budget implementation that have been done so far are of the view that there are challenges in budgeting and implementation in many organizations. Yahya (2008) investigates the effect of budgetary participation and performance (BPP) relationship in a public sector organization in a developing country, Malaysia. The results suggest that budgetary participation has a direct relationship with managerial performance.

Koricho (2016) studied budget and budget performance evaluation of Save the Children International Ethiopian Country Office showing that budget is affected by matching plan, inadequate funds allocation to various units which leads over/ under utilization; deferent budgeting guidelines of donors; late start of projects, late signing of Memorandum of understanding with local government, non-participatory budget preparation, delay in recording of actual expenditure in the financial system, unrealistic program detail implementation plan and the major source of variance between budget and actual in Save The Children includes delay in recording the actual expenditure in the financial system, knowledge of project staffs in preparing the detail implementation plan which includes the budget, lack of appropriate match plan, over estimation of the budgeting figures. It is recommended that the Save The Children Ethiopia Country office champion the course of the budgeting information dissemination down to the project units, follow the existing standard in the organization during budget development and implementation, allocate sufficient funds to projects, provide training on the application of donors budgeting guidelines and on preparation of program detail implementation plan, increase

the number of budget unit, ensuring budget availability before any payment/ activity, and allocating adequate number of professionals on preparation of plan and budget for a new award.

Meseret (2016) studied budget preparation and utilization for Save the Children Ethiopia. The study focused on budget preparation, monitoring and utilization activities undertaken during the project cycle periods. The study showed that budget preparation and utilization system in the organization missed the participation of concerned staffs. Participation of staffs in budget development helps to achieve the purposes of budget such as coordination, communication and motivation in the process of achieving the expected performance level. The researcher recommended that the organization should participate the concerned staffs in budget preparation, budget monitoring and utilization.

In the case of budget management, Bogale (2010) studied budget management and control with special emphasis on Ethiopia Ministry of Defense. The aim of the study was to understand the process by which military budgets are developed, implemented, recorded and monitored. The researcher concluded that there are inefficiencies in budget implementation due to problems of lack of experienced man power, application of policy and procedures, and lack of monitoring budget timely.

As far as, the knowledge of the researcher is concerned there is no recorded study about budget implementation & practice in Hamlin Fistula Ethiopia. Therefore, this research is believed to contribute to the understanding of budget implementation & practice (budget preparation, constraints, implementation, controlling, variance & performance) in Hamlin Fistula Ethiopia.

1.4 Basic research questions

The research aims at addressing the following research questions:

1. What is the main problem in budget implementation & practice in Hamlin Fistula Ethiopia?
2. What is the base to forecast budget plan?

3. What are the constraints to understate/overstate the planned budget in Hamlin Fistula Ethiopia?
4. What are the criteria to manage budget variances of under/over spent budget?
5. Who is responsible for the preparation of performance report?

1.5 Objectives of the study

1.5.1 General objective

The general objective of the study is to assess the practice of budget implementation as a management tool for managing variances in NGOs. The research pursues to describe budgeting processes and budget monitoring practices in NGOs and the conditions that result good budget implementation.

1.5.2 Specific objectives

The specific objectives of the study are:

1. To assess the constraints in budget implementation & practice in Hamlin Fistula Ethiopia.
2. To identify the main problems faced by Hamlin Fistula Ethiopia during budget preparation.
3. To assess on what basis and what consideration are taken to forecast planned budget.
4. To identify the criteria to manage budget variances of under/over spent budget in Hamlin Fistula Ethiopia.
5. To identify responsible body for the preparation of performance report of Hamlin Fistula Ethiopia.

1.6 Significance of the study

This research is significant to Hamlin Fistula Ethiopia, budget holders, finance and other project staff to identify the major problems on budgeting implementation and practice as a management tool to manage variances. Therefore, the study has the following significances:

- It would enrich the knowledge of Hamlin Fistula Ethiopia on budget implementation & practice.
- The finding of this research is useful to provide inputs for Hamlin Fistula Ethiopia policy makers to improve budget implementation & practice.
- It also as an additional source for other NGO's budget implementation & practice in Ethiopia.
- The study will contribute idea for other researchers who want to conduct further studies in the area.

1.7 Scope and Limitation of the study

This paper addresses budget implementation & practice in Hamlin Fistula Ethiopia Addis Ababa office excluding regional offices. Therefore, it lacks covering all centers of regional offices because of time and financial constraints and due to the distant location of regional offices. The study assessed budget implementation & practice, and focused on budget preparation, constraints, implementation, controlling, variance & performance and experience of employees of the head office of Hamlin Fistula Ethiopia. However, similar study is needed to be conducted in the regional offices and further study on other variables as well.

1.8 Structure of the study

This master's thesis is organized in five chapters. The first chapter presents the general introduction of the study. The second chapter presents review of related literature. The third chapter outlines the research methodology and design. The fourth chapter contains data presentation and analysis. And the fifth and the last chapter deals with conclusion & recommendation for Hamlin Fistula Ethiopia.

CHAPTER TWO

LITERATURE REVIEW

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

2.1 Concepts of Budget

The word 'budget' comes from the French word: bougette which is a small leather bag or wallet containing spending money along with the spending purpose. Horngren (1997) defined a budget as a quantitative expression for period of time designed for future plan of action by management. A budget can cover both financial and non-financial aspect of these plans and act as a blue – print for the company to follow in the upcoming period. Thus a budget is also an itemized estimate of operating result of an enterprise for a future time period. According to Adams (2009), a budget could be defined as a future plan of action for the whole organization or a section thereof. Budget has been defined by Warren, Reeve & Fess (2008), as an accounting device used to plan and control resources of Operational Departments of Governments and Divisions. Budget also defined by Unegbu (2005), as a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective.

The legalistic view is that a budget is a plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing them. Budgets may be regarded as devices to aid management in operating an organization more effectively. Governments build budget to demonstrate compliance with laws and to communicate performance effectiveness (Wilson, 2010).

2.2 Budgeting and the budget process

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

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

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

The various activities within an organization require to be coordinated by preparation of plans of actions for future periods. Lucey (2002) emphasize the importance of budgeting to an organization and indicate that no goal of an organization can be achieved without planning. Top managers provide the strategic directions of the organization and select the strategic option that have the greatest potential of achieving the organization objectives. Long-term plans should be developed to implement the strategies and of course the financial implication is defined through projections.

“Generally, a budget translates the long term plans of an organization into annual operating plans. The budgeting process therefore involves reviewing the projections of the long term plans and revises them in the light of more recent information” (Drury, 2006). As such, Drury states that the budgeting process cannot be viewed as being purely concerned with the current year but must be considered as an integral part of the long-term planning process as it is influenced by decisions taken in the past and has implications on programs that will be undertaken in future. The budgeting practice comprises the whole budget cycle process which entails the philosophies adopted to guide preparation of a budget, the approval process and the mandate for implementation.

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

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

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

2.3 Budget forecasting

Forecasting is an essential part of budgeting process. Brookson (2000) states that considerable truth that the budgeting process of applying forecasting skill than anything else. To establish realistic budgets it is important to forecast a wide range of factors. Financial planning is both a strategic and operational process linked to the achievement of objectives. It involves building both longer term funding strategies and shorter-term budgets and forecasts. It lies at the heart of effective financial management. Financial planning does not start with budgets and numbers. Effective budgets can only be produced as a result of good underlying plans. It is impossible to start a financial forecast without a clear idea about what it is you want to do and how you intend to do it. The budget is a critical part of any negotiation with donors. The budget sets out in detail what the organization will do with a grant, including what the money will be spent on, and what results will be achieved. For good cash and financial management, cash reserves are essential as there will always be times when grants are delayed or unexpected expenses occur. The cash flow forecast helps managers identify those times when cash levels become critical. It predicts the flow of cash in and out of the organization throughout the year by breaking down the master budget into smaller time periods, usually one month.

The cash flow forecast indicates whether it has sufficient cash in the bank to meet all of its obligations needs as they arise according to the plan. The cash flow forecast is also useful where the organization maintains substantial cash reserves which need to be invested wisely to generate investment income. Once the budget has been agreed and the activity implemented, the process is completed by comparing the budget with the eventual outcome.

2.4 NGO's Budgeting techniques

According to Lewis (2012), there are two main methods to build budget in nongovernmental organizations that is incremental and zero-base budgeting in the process of proposal budget preparation. Also studies shows activity based approach and Rolling Forecasts/Rolling Budgets approach are also used on NGO's environment.

2.4.1 Zero-based budgeting (ZBB)

This approach is to start with a clean sheet with a zero base. Zero-base budgeting does not refer previous experience and starts with next year's targets and activities. ZBB requires satisfactory budget justification to all the resource requirements. This process may suit organizations going through a period of rapid change and those, like NGOs, whose income is activity-based that is going to implemented in the project periods. Zero-based budgets are more accurate to non-government organizations budgeting since they are based on the detail of planned activities. This approach imposes much greater workload on managers than incremental budgeting approach.

Zero-based budgeting is an approach to planning and decision-making which reverses the working process of traditional budgeting. In traditional incremental budgeting (Historic Budgeting), departmental managers justify only variances versus past years, based on the assumption that the "baseline" is automatically approved. By contrast, in zero-based budgeting, every line item of the budget must be approved, rather than only changes. During the review process, no reference is made to the previous level of expenditure. Zero-based budgeting requires the budget request be re-evaluated thoroughly, starting from the zero-base. This process is independent of whether the total budget or specific line items are increasing or decreasing (Drury, 2012).

The term "zero-based budgeting" is sometimes used in personal finance to describe, "zero-sum budgeting", the practice of budget every unit of income received, and then adjusting some part of the budget downward for every other part that needs to be adjusted upward. Zero based

budgeting also refers to the identification of a task or tasks and then funding resources to complete the task independent of current resourcing (Yesuf, 2015).

2.4.2 Incremental budgeting

This is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period. The allocation of resources is based upon allocations from the previous period. This approach is not recommended as it fails to take into account changing circumstances. Moreover it encourages "spending up to the budget" to ensure a reasonable allocation in the next period. It leads to a "spend it or lose" mentality.

This approach bases any year's budget on the previous year's actual, or budgeted, figures with an allowance for inflation and known changes in activity levels. It has the advantage of being simple and quick to implement. It is most useful for organizations where activity and resource levels change little from year to year. This approach does not encourage fresh thinking and may perpetuate existing inefficiencies. It also makes it difficult to justify the figures to donors since the original calculations may be long forgotten.

The advantages of incremental budgeting:

- The budget is stable and change is gradual.
- Managers can operate their departments on a consistent basis.
- The system is relatively simple to operate and easy to understand.
- Conflicts should be avoided if departments can be seen to be treated similarly.
- Co-ordination between budgets is easier to achieve.
- The impact of change can be seen quickly.

The disadvantages of incremental budgeting:

- Assumes activities and methods of working will continue in the same way.
- No incentive for developing new ideas.
- No incentives to reduce costs.
- Encourages spending up to the budget so that the budget is maintained next year.

- The budget may become out of date and no longer relate to the level of activity or type of work being carried out.
- The priority for resources may have changed since the budgets were set originally. There may be budgetary slack built into the budget, which is never reviewed-managers might have overestimated their requirements in the past in order to obtain a budget which is easier to work to, and which will allow them to achieve favorable results.

Activity-based budgeting is a special form of ZBB and is frequently used in the NGO sector to create project budgets (Mango, 2009).

2.5 Budget preparation

Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget. In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data. Falk (1994) states that budgets are financial expressions of a country's plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses.

Budget preparation helps management focus on the next month or the entire coming year. The budgeting process forces managers to assess current operating conditions and aids in forecasting and implementing needed changes (Anderson, 1996). Budget preparation is also an excellent vehicle with which to work with all supervised personnel by requesting their managers and their staffs. At the end of a period the budget helps managers evaluate performance, locate problematic areas, bottlenecks and provide solutions to these problems (David, 1988).

The budget construction process will normally depend on the organization chart. Some entities follow a top-down or mandated approach others follow a bottom-up or participative approach. On Top-Down Budget approach begins with upper-level management establishing parameters

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

Participation in budgeting (Bottom-up Budget), responsibility accounting assumes that managers influence costs and that the best way of controlling these costs is to hold these managers responsible for the costs they influence (Garrison, Noreen & Seal, 2003). These means that bottom line or are required to develop their own budgets and are then held responsible for meeting their targets. Bottom-up budget is most useful when lower-level managers actively are involved or engaged in the budgeting process. Participation adds reliability to the budgeting process and creates greater commitment and accountability toward the budget, as budgets are set by management but the people to realize the budget standards are the staff.

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

As Schiavo-Campo (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning. The overall budget wrapping and organization spending ceilings are usually set by Finance Department and the Senior Management Teams (SMT). These are then communicated to the line Departments & Centers, which are responsible for preparing their respective sector budgets. Through an iterative process of review, debate and bargaining, a consolidated budget is hammered out. A budget proposal is then presented to the Hamlin Fistula

Ethiopia Board Trustee members, where it is discussed and negotiated with them and eventually passed into the potential Donors.

2.6 Budget utilization

For a realistic budget, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items. (Schiavo-Campo and Tommasi, 1999). According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget.

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

2.7 Factors for Variations between Budgeted and Actual Expenditure

According to Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are: deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, program and projects; and a lack of financial discipline contribute for variation in budgeted and actual expenditure.

Allen and Tommasi (2001) stated that over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget

spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns.

In general, underutilization as well as over utilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization and to a practice known as “repetitive budgeting”. Peters (1998) identified the following weaknesses in resource allocation and use: poor planning; no links between policy making, poor planning and budgeting; poor expenditure control; inadequate funding of operations and maintenance; little relationship between budget as formulated and budget as utilized; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management.

2.8 Empirical literature & research gap

The empirical study concerns on previous academic studies on the assessment of budget implementation and utilization practice. In this study there are some researches stated which are done by different researchers as follows.

Yahya (2008) explores on the effect of budgetary participation and performance (BPP) relationship in a public sector organization in a developing country, Malaysia. The study also attempts to examine whether organizational commitment and perception of innovation mediate the BPP relationship. The results suggest that budgetary participation has a direct relationship with managerial performance. Thus the public sector, even bureaucratic and mechanistic organizations should encourage budgetary participation as it is evidenced to have an effect on performance. The results also suggest that budgetary participation indirectly affects managerial

performance through the mediating variable of organizational commitment (OC). However, the results do not support managers' perception of innovation (POI) as a mediating variable in the budgetary participation and managerial performance relationship, although budgetary participation is positively related to POI.

Ooyi, (2012) studied on challenges of budget implementation among relief nongovernmental organization in Kenya. The study was done to determine the challenges of budget implementation among relief Non-governmental organizations. The study found that budgets were effective in the relief Non-governmental organizations as they served their purpose of forecasting the future, assisting in control, acting as a means by which management communicates to other levels of departments. The researcher also found that in the process of budgeting, the relief non-governmental organizations faces some challenges which were inability to achieve the required value of new businesses, management of acquisition and maintenance costs, time constraints, desire for comfort budgets, lack of continuity in the committee, competence levels of budgeting teams, non-adherence to the laid down budgets by departments, lack of adequate authority to spend despite allocation, non-achievement of the main top line income earners and cost fluctuations or inflation on costs.

Meseret (2016) studied on assessment of budget preparation and utilization for Save the Children Ethiopia. The study was focused on budget preparation, monitoring and utilization activities undertaken during the project cycle periods.

The study showed that budget preparation and utilization system in the organization missed the participation of concerned staffs. Participation of staffs in budget development helps to achieve the purposes of budget such as coordination, communication and motivation in the process of achieving the expected performance level. The researcher recommended that the organization should play a part the concerned staffs in budget preparation, budget monitoring and utilization.

In the case of budget management, Bogale (2010) studied on budget management and control with special emphasis on Ethiopia Ministry of Defense. The aim of the study was to understand the process by which military budgets are developed, implemented, recorded and monitored. The

researcher concluded that there are inefficiencies in budget implementation due to problems of lack of experienced man power, application of policy and procedures, and lack of monitoring budget timely.

Koricho (2016) studied budget and budget performance evaluation of Save the Children International Ethiopian Country Office showing that budget is affected by matching plan, inadequate funds allocation to various units which leads over/ under utilization; deferent budgeting guidelines of donors; late start of projects, late signing of Memorandum of understanding with local government, non-participatory budget preparation, delay in recording of actual expenditure in the financial system, unrealistic program detail implementation plan and the major source of variance between budget and actual in Save The Children includes delay in recording the actual expenditure in the financial system, knowledge of project staffs in preparing the detail implementation plan which includes the budget, lack of appropriate match plan, over estimation of the budgeting figures. It is recommended that the Save The Children Ethiopia Country office champion the course of the budgeting information dissemination down to the project units, follow the existing standard in the organization during budget development and implementation, allocate sufficient funds to projects, provide training on the application of donors budgeting guidelines and on preparation of program detail implementation plan, increase the number of budget unit, ensuring budget availability before any payment/ activity, and allocating adequate number of professionals on preparation of plan and budget for a new award.

2.9 Summary & research gap

Budgeting is the process of preparing, compiling and monitoring financial budgets which starts with forecasting. Organizations use different budgeting approaches and techniques to develop budgets. Budgeting has its own role purposes such as planning, coordination, communication, motivation, and control and performance evaluation. Budget monitoring is the next process in the grant management cycle and it is a continuous process by which we ensure the action plan is achieved.

Researches showed that a good budgetary implementation practice has a tendency to be serious for the achievement of objective in NGOs. Donors, direct beneficiaries and other stakeholders are demanding more accountability and better performance from management. Budget preparation, control and implementation are consequence to budget variance. Budgeting encourages managers to plan, consider the stakeholders to be involved, provides information for improved decision making, increases and enhances communication and coordination among stakeholders, and helps for evaluation of the work done.

Previous studies in NGO's shows that there is a direct relationship between budget preparation and implementation. It is also indicated that budget preparation, budgetary control and budget implementation significantly influence on budget variance.

Based on this, the main focus of this study is to understand the budget implementation and practice in NGO's: the case of Hamlin Fistula Ethiopia.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter outlines the methodology used in the collection of data and will describes the research design, data collection methods, sampling techniques, data analysis and interpretation.

3.1 Research Approaches & Methods

The main objectives of this study were to assess the budget implementation and practice in Hamlin Fistula Ethiopia. There are three common research approach mechanisms of managing research objectives. The approaches are adopted to achieve the best possible of the research objectives. Research approaches are adopted based on the feasibility of the selected methods. The most common research approaches are quantitative, qualitative and mixed research approaches (Williams, 2007).

Quantitative approach uses surveys of cross-sectional or longitudinal using self-administered semi structured questionnaires or structured interviews for data collection, with the intent of generalizing from a sample to a population (Babbie, 1990).

A qualitative research approach uses strategies inquiry including narratives, ethnographies, case studies, observations, interviews, and the results are communicated subjectively through descriptions using words rather than numbers (Creswell, 2003). Moreover Qualitative researchers tend to use open-ended questions so that participants can express their views. Under this method contact with the field of research may be based on interviews, observations, or analysis of documents and other artifacts. In addition, literature studies are performed to the extent required to develop sensitivity in observation and interpretation (Atkinson and Hammersley, 1994).

Qualitative approach is exploratory and flexible in nature to identify problems that may affect human behavior. Regardless of the above advantage, qualitative research design has its own

demerits: lack of standardized rules reduces the objectivity of the findings, the personal view and stand of the researcher may induce bias in the interpretation of the data, and the findings cannot be statistically generalized for broader population under investigation (Creswell, 2003).

Finally, a mixed methods approach is one in which the researcher tends to base knowledge claims on pragmatic grounds (e.g., consequence-oriented, problem-centered, and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problem (Creswell, 2009).

According to Creswell (2003) each approach has limitations which are possible to be minimized using the combined research approach. For example, quantitative approach may cause bias in reliability offending because of the nature of research problem, non-representativeness of sample or the nature of questionnaires that predicts clue. In addition it is difficult to minimize the impact of human behavior using quantitative approach. Maxwell (2006) justified that qualitative techniques can increase a research's depth of understanding of the phenomenon under investigation. Hence, the combined methods are aimed to complement one another and gather reliable Information to draw representative outcome and conclusion.

3.2 Research Design

This study used descriptive study design to answer the research questions. Yin (2012) states that case study method is amongst the most flexible of research designs and is particularly useful in researching issues related to sustainability and institutional systems. The use of descriptive research enables to describe the existing features of budget preparation, implementation and practice so as to better understand the factors that contribute to the success or limitation of the budgeting process.

3.3 Study population

In the context of Hamlin Fistula Ethiopia the population of this study is professional employees of Hamlin Fistula Ethiopia involved in budget preparation at the head office and around Addis

Ababa. Accordingly, this study considered all the 45 staffs involved in budget preparation for the questionnaire survey from the Head Office and around Addis Ababa offices.

To determine the population of the respondents the researcher communicated the research director of the Hamlin Fistula Ethiopia to identify the departments and key staffs who are responsible and can provide information based on their experience in budget preparation, monitoring and utilization.

3.4 Survey Instrument, Source of Data and Collection Methods

Data were gathered through primary data collection methods. The types of instruments used to collect primary data are:

(1) Questionnaire: questionnaire which contains both open and closed ended questions. The format of the questionnaire was adopted from prior authors and literatures. There were four open ended questions that provided the respondent the freedom to indicate other points were not mentioned in the close ended questionnaire. The close ended questionnaires had three sections.

The first section focuses on the general aspect of the respondents. The second section is on standard of budget preparation and utilization to evaluate whether the status and experience of the respondents has the challenge of integration of budget and plan, and assess the effect on budget variation from actual performance. The third section is budget implementation and control of Hamlin Fistula Ethiopia. The questionnaire uses a 5 scale ranging from strongly agree to strongly disagree. Finally this method of data collection is considered appropriate because the information sought is not publicly available and the employees in Hamlin Fistula Ethiopia are in a good position to know the answers to the questions will be asked.

(2) Interview: The researcher used semi-structured interview with Finance Head, CEO, and Program Coordinator of the organization to get more explanation on some of the questions which is directly related to the budget of the organization in the close ended questions.

3.5 Data Analysis

The quantitative data were analyzed using descriptive statistical method including percentages, mean, standard deviation, and frequency using SPSS version 20. The analyzed data were presented using tables and graphs in Microsoft Excel. The qualitative data obtained through semi-structured interview were used to get more in-depth understanding of the quantitative data obtained through questionnaire survey.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

This chapter presents main section of the study, the analysis, presentation and interpretation of the results obtained from the collected data. To address the research question(s) and objective(s) data was collected by questionnaires which are developed based on the literature review of budget implementation and practice.

These results were presented by using of tables & figures by guidance of the study objective and each presentation explained using a narrative. I have tried to supplement and relate the findings and analysis with theoretical and empirical studies reviewed and presented under the literature review part in the earlier chapter. The study findings presented are believed to be helpful in enhancing the existing budget planning and implementation system and practice as it is a key management tool for Hamlin Fistula Ethiopia.

4.1 Reliability Testing

For this research Cronbach's alpha is used to test the consistency or reliability of the responses. Cronbach's alpha is a measure of internal consistency. A reliability coefficient test of 0.70 or higher is considered "acceptable" in most social science research situations Cronbach (1951).

Accordingly reliability testing in order to check the consistency of the responses was made using the data collected in SPSS and the following table provides the result of the test.

Table 4.1A Scale: All variable Case Processing Summary

| | | N | % |
|-------|-----------------------|----|-------|
| Cases | Valid | 39 | 100.0 |
| | Excluded ^a | 0 | .0 |
| | Total | 39 | 100.0 |

a. List wise deletion based on all variables in the procedure.

Table 4.1B Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .916 | 34 |

Source: data collection 2021

According to Wells (2003), it is recommended that if a measurement scale having a Cronbach's coefficient above 0.70 is acceptable as an internally consistent scale so that further analysis can be possible. Since alpha value is above 0.7, the study instruments yielded fairly reliable data for this research. Thus measuring the data on budgeting and budget monitoring as a management tool for enhancing financial management is reliable and valid. As specified above a minimum result of reliability coefficient test of .70 was set as an acceptable range for this research and result shows a .916 reliability test result as shown in table 4.1B. This assessment is concluded with this high rate consistency rate is accepted as 91.6% or 39 responses out of 39 collected questionnaires of the all variable case assessment are valid.

4.2 General organizational and Respondents' information

The researcher distributed 45 questionnaires to staffs of Hamlin Fistula Ethiopia who are responsible for budget process, and response is received from 39 of them. The rest 6 staffs did not complete the questionnaire for various reasons. The response rate is 87% which meet Mugenda (2003) the statistical response rate for analysis at least 50%.

Table 4.2 Response Rate

| | No. of Questionnaire | Percent |
|---------------|-----------------------------|----------------|
| Completed | 39 | 87% |
| Not-Completed | 6 | 13% |
| Total | 45 | 100% |

Source: data collection 2021

The profile of the respondents is analyzed from several perspectives next as it is related one way or another with the main topic of my study and hence will be useful to make an in-depth analysis latter.

4.2.1 Gender Composition of Respondents' and Organizational Profile

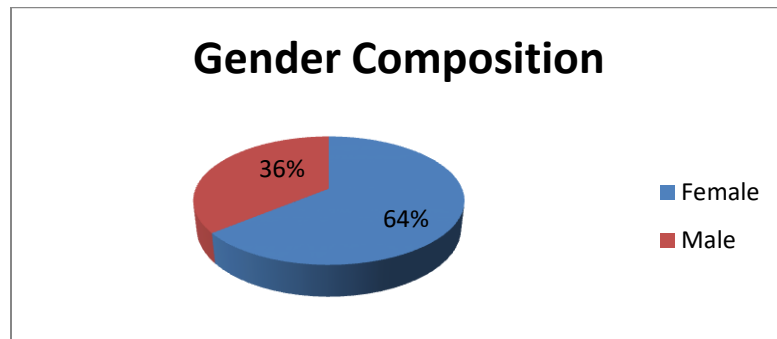
The gender compositions of the respondents are presented below.

Table 4.3 Gender Composition

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| Female | 25 | 64.1 | 64.1 | 64.1 |
| Valid Male | 14 | 35.9 | 35.9 | 100.0 |
| Total | 39 | 100.0 | 100.0 | |

Source: data collection 2021

Figure 1: Gender Composition of Respondents



Source: data collection 2021

From 39 staffs involved in the questionnaire 25(64%) are female respondents and 14 (36%) are male respondents.

4.2.2 Educational Level of Respondents

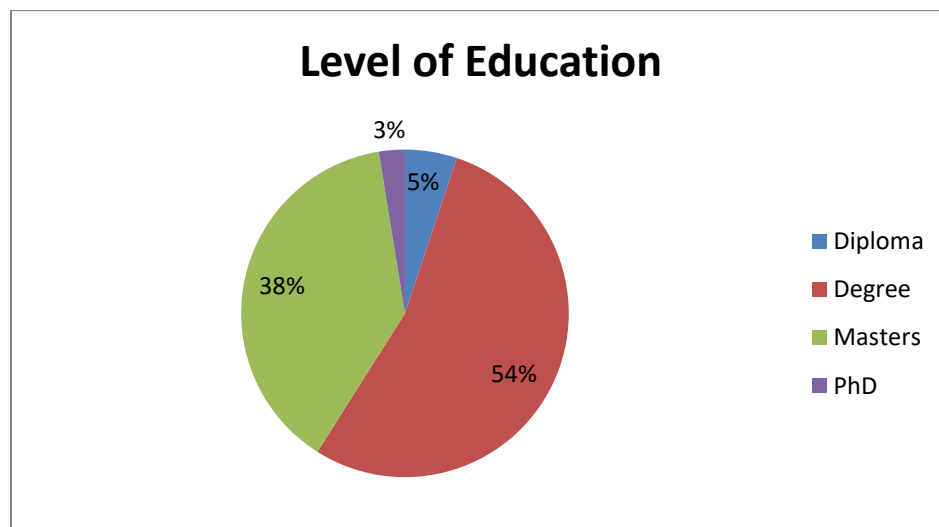
The education level of respondents, presented in table 4.4 and figure 2 below, except the 2 respondents the rest of them are first degree holders and above. Therefore, since the education level relates to the profession and, we can assume that the information provided by the respondents was valid and reliable.

Table 4.4 Level of Education

| | Frequenc y | Percent | Valid Percent | Cumulative Percent |
|---------------|---------------|---------|------------------|-----------------------|
| Diploma | 2 | 5.1 | 5.1 | 5.1 |
| Degree | 21 | 53.8 | 53.8 | 59.0 |
| Valid Masters | 15 | 38.5 | 38.5 | 97.4 |
| PhD | 1 | 2.6 | 2.6 | 100.0 |
| Total | 39 | 100.0 | 100.0 | |

Source: data collection 2021

Figure 2: Level of Education



Source: data collection 2021

As this information has enabled the researcher to proceed with the respondents have the best educational background and qualification to address the questions on the questionnaire which needed in-depth knowledge of the financial system.

4.2.3 Department & Years of service in the organization

Table 4.5 Department in the organization

| | Frequency | Percent |
|----------------------------------|-----------|---------|
| Program management | 4 | 10.3 |
| Finance or Grant management | 12 | 30.8 |
| Valid Support Service Department | 16 | 41.0 |
| Technical Department | 7 | 17.9 |
| Total | 39 | 100.0 |

Source: data collection 2021

As indicated on the above table 4.5 (10.3%) of the respondents were from program management, 12(30.8%) from finance and grant management, 16(41%) from support service department and 7(17.9%) from technical departments are responded to the questionnaire.

Table 4.6 Years of service in the organization

| | Frequency | Percent |
|--------------------|-----------|---------|
| 1 - 2 year | 1 | 2.6 |
| 2-5 Years | 4 | 10.3 |
| Valid over 5 years | 34 | 87.2 |
| Total | 39 | 100.0 |

Source: data collection 2021

Table 4.6 shows that data from the total 39 respondents 34(87.2%) have more than 5 years of experience. This helps to get relevant response to answer the research questions. The researcher

believes this will give credible assessment result for review of financial management practices given their total experience in local context.

4.2.4 Level of engagement in the organization

As showed on table 4.7, 67% of the respondents participate occasionally as necessary. Only 4 respondents representing 10% fully and solely engaged on budget preparation.

Table 4.7 Level of engagement in the organization

| | Frequency | Percent |
|---|-----------|---------|
| I am fully and solely engaged on it | 4 | 10.3 |
| It is my primary responsibility and takes over 75% of my work time | 3 | 7.7 |
| Valid It is my additional assignment and takes 25 – 50% of my work time | 5 | 12.8 |
| I participate occasionally as necessary | 26 | 66.7 |
| Never has been my area of engagement | 1 | 2.6 |
| Total | 39 | 100.0 |

Source: data collection 2021

That indicate the organization do not participate responsible staffs in budget development that they are responsible for implementation.

4.2.5 Capacity building training on budgeting, budget preparation & implementation

Table 4.8 Capacity building training

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Yes | 1 | 2.6 | 2.6 | 2.6 |
| Valid No | 38 | 97.4 | 97.4 | 100.0 |
| Total | 39 | 100.0 | 100.0 | |

Source: data collection 2021

Table 4.8 shown that only 1 respondent indicate that the organization give the capacity building training. On the other hand from 39 respondents 38 (97%) respondents indicates that the organization do not give capacity building training on budget preparation, implementation and practice. These indicate there is a gap to upgrade their capacity of budget preparation and implementation process.

4.2.6 Challenges face in the organization

From the findings of Table 4.9 key challenges face in budget process 25 (64%) of respondents of the organization stated frequent and unmanageable budget transfer request/approval among cost items or across cost centers.

Table 4.9 Key challenges face in budget process in the organization

| | Frequency | Percent |
|--|-----------|---------|
| Frequent and unmanageable budget transfer requests/approval among cost items or across cost centers | 25 | 64.1 |
| Significant budget deviation in plan and execution (exceeding 30% variation) by activity and cost item | 3 | 7.7 |
| Overall budget shortage for planned expenditures in a given period | 2 | 5.1 |
| Overall budget excess for planned expenditures in a given period | 1 | 2.6 |
| Delay or cut in budget release from financiers complaining on budget management | 5 | 12.8 |
| Other | 3 | 7.7 |
| Total | 39 | 100.0 |

Source: data collection 2021

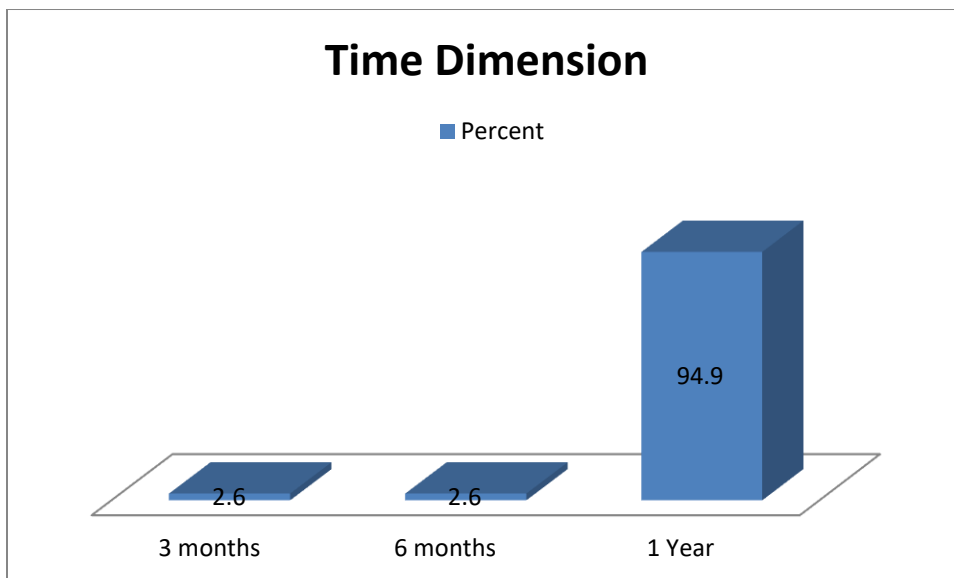
During the interview sessions held with the Finance Head & concerned bodies, they also confirm this as most of the time centers requests without cross reference of their budget plan which can be unmanageable the budget line.

4.3 Budget planning and approval procedure and process

4.3.1 Time dimension of budget cover in the organization

Concerning the time dimension of the budget cover of the respondent shows that, 95% of the respondents are 1 year 2.6 percent each respondent 3 months and 6 months respectively. Further discussion was through interview if different time dimension use in the organization, there may be temporary budget preparation according to its urgency for the organization.

Figure 3: Budget time dimension



Source: data collection 2021

4.3.2 Budget preparation in Hamlin Fistula

Questions containing issues related to budget planning and approval procedures were distributed to the selected respondents to assess the budget preparation process in Hamlin Fistula Ethiopia.

The responses of experts were shown as follows in relation to budget preparation and summary of the responses were presented in table 4.10 below.

Table 4.10 Response rate on budget preparation

| Part II: Questions on Budget Preparation | Answer | Frequency | Percent |
|---|-------------------|------------------|----------------|
| Your organization prepares its plan based on the strategic plan of the organization? | Strongly Disagree | 1 | 3 |
| | Disagree | 21 | 54 |
| | Neutral | 5 | 13 |
| | Agree | 7 | 18 |
| | Strongly Agree | 5 | 13 |
| | Total | 39 | 100 |
| Your department has enough number of budget and plan officers who prepare plan and budget effectively | Strongly Disagree | 4 | 10 |
| | Disagree | 20 | 51 |
| | Neutral | 8 | 21 |
| | Agree | 4 | 10 |
| | Strongly Agree | 3 | 8 |
| | Total | 39 | 100 |
| You have adequate knowledge and skill to prepare plan and Budget | Strongly Disagree | 5 | 13 |
| | Disagree | 18 | 46 |
| | Neutral | 10 | 26 |
| | Agree | 5 | 13 |
| | Strongly Agree | 1 | 3 |
| | Total | 39 | 100 |
| Your department budget plan is prepared based on reliable market information, data and estimates | Strongly Disagree | 1 | 3 |
| | Disagree | 21 | 54 |
| | Neutral | 9 | 23 |
| | Agree | 6 | 15 |
| | Strongly Agree | 2 | 5 |
| | Total | 39 | 100 |

| | | | |
|---|-------------------|-----------|------------|
| Concerned employees of the various departments participate on budget preparation of the organization (Bottom-up estimating procedure is followed) | Strongly Disagree | 4 | 10 |
| | Disagree | 13 | 33 |
| | Neutral | 17 | 44 |
| | Agree | 3 | 8 |
| | Strongly Agree | 2 | 5 |
| | Total | 39 | 100 |
| There is a tendency of submitting budget request without clearly defined plan | Strongly Disagree | 3 | 8 |
| | Disagree | 14 | 36 |
| | Neutral | 18 | 46 |
| | Agree | 3 | 8 |
| | Strongly Agree | 1 | 3 |
| | Total | 39 | 100 |
| The organization has a practice of holding budget hearing session where departments clarify and defend their annual plan and budget | Strongly Disagree | 2 | 5 |
| | Disagree | 13 | 33 |
| | Neutral | 17 | 44 |
| | Agree | 6 | 15 |
| | Strongly Agree | 1 | 3 |
| | Total | 39 | 100 |
| Your office has a system to revise its plan in an agreed interval in relation to realistically adjust budget | Strongly Disagree | 3 | 8 |
| | Disagree | 14 | 36 |
| | Neutral | 13 | 33 |
| | Agree | 8 | 21 |
| | Strongly Agree | 1 | 3 |
| | Total | 39 | 100 |

Source: data collection 2021

As shown on the above table from the total of 39 respondents only 5(13%) respondent strongly agree on the existence of budget prepared in relation to strategic plan 21(54%) of them are disagree. i.e. respondents disagree upon on the existence of a relation between plan with budget. When the researcher figured the question of if Hamlin Fistula have enough number of budget

and plan officers who prepare plan and budget officers, only 3 (8%) of the respondents strongly agreed but 20(51%)of the respondents disagree. Also the question on if your department has enough number of budget and plan officers who prepare plan and budget effectively 3(8%) of the respondents strongly agree but most 20(51%) of the respondents disagree, related to this the question of if they have adequate knowledge and skill to prepare plan and budget only 1(3%) respondent strongly agree and on this also 18(46%) disagree and 4(10%) strongly disagree.

According to Peters (1998) identified the following weaknesses in planning the budget and utilization he stated that when there is poor planning; poor planning and budgeting; little relationship between budget as formulated and budget as utilized and moreover if there is no strong linkage between plan and budget preparation the result will become revision of budget repeatedly. Therefore, if there is a strong relationship between plan and budget we do not expect revision of budget repeatedly.

Besides to this questionnaire, there were answers provided by the respondent's for open-ended questions shown that there were limitations to integrate plan and budget request. As the respondents stated, because of the capacity problem sometime there were some difficulties to assignee the needed amount of budget for the plan. the On the other hand, there is a big problem of understanding the concept of program budget; even if program budget has an advantage to evaluate what outputs are gained on the given amount of budget there is still a problem to bring those ideas on the ground to prepare their budget.

The other problem that is found from the interview discussion with the top management, the organization didn't give attention for it only one person of the department prepares the plan and budget without the participation of the other members. There is also no opportunity to participate the concerned staffs of the department to prepare their own plan and budget. This will lead to preparing budget without the exact basis of reasonable estimates and baseline data. As recognized from their written response, some departments prepare their annual budget by coping from the previous year budget request.

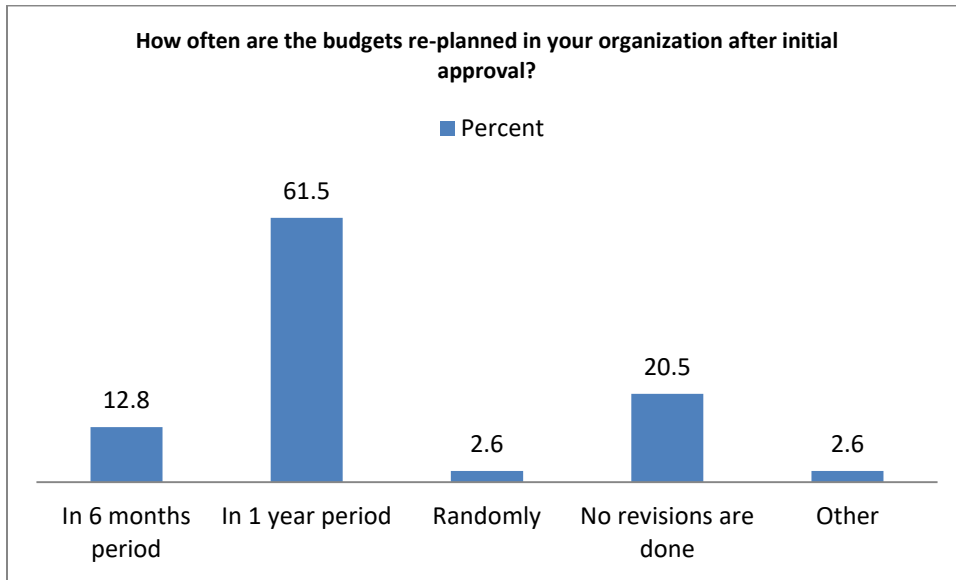
Most of the respondents agreed on the existence of weaknesses in budget preparation even though there are others who do not agree. Some of the respondents explained that there is over estimation of annual budget and they do not give priority of activities while preparing their plan. Moreover, most of the time the amount of budget requested for each item is purposely exaggerated. The main reason is they considered as the responsible office for budget approval allocates budget by reducing some percentage from the initial request. So that, according to their intention, if they submitted actual demand without overestimation, the amount approved for that budget year would become less than what is expected. The respondents stated that Hamlin Fistula Ethiopia Budget department has no adequate number of experienced persons to conduct budget analysis.

Additionally, majority do not agree that the organization prepare their plan by knowledgeable individuals general, the practice of the organization is not on the right truck with the budget preparation principles.

4.3.3 Budget re-plan in Hamlin Fistula

Figure 4 reveal that 62% of the total respondents work on/review budget annually. 20.5% state that they review budget documents no revisions are done and 12.8% indicate that they review budget documents in 6 months basis. 2.6% of each respondents state that review is made on randomly basis and respond on other respectively. As the target of respondents were all the respondents of the organization as well as budget holders, the above data shows the level of due attention being paid to the financial tasks. Further discussion was made during the interview if budget reviews extended beyond annual basis and most respondents stated finance staff review and analysis is usually daily for daily posting and review of correctness of bank transactions as well as monthly review of financial statements. They have a system of reviewing their achievements at least on monthly basis with quarter or semiannual overall review system, result shows a very close follow up mechanism in place.

Figure 4: Budget re-plan in Hamlin Fistula Ethiopia



Source: data collection 2021

4.4 Budget utilization in Hamlin Fistula Ethiopia

As it is shown on the table 4.11 below, on the utilization of budget we can see from the response that 44 percent of the respondents disagree up on the accumulation of unutilized budget, whereas 21 percent considered as they agreed up on it. On the other hand 10 percent of the respondents' have equally strongly disagreed and strongly agree on the opinion with the utilization of budget. The answer for this question also related with the question of do donor funds are utilized for the purpose it was meant according to their objectives and compliance, as we see on the table 44 percent of the total respondents disagree that there is no consistent budget utilization in the organization. This shows that there is poor budget planning in the organization.

33% of the respondents agreed on the organization utilize its fund through continuous utilization control, even though there are 23% of respondents who do not agree. The respondents on utilizes its fund based on its project schedule 31% of the respondents agreed and also 26 % of disagree which is mostly equal percent.

When the researcher interviewed the management staff it was revealed that what is planned is not implemented properly. This is because of complicated procedure in procurement of items i.e. long procedure hinders the purchasing process at the same time leads to underutilization of budget (finance).

Table 4.11 Response rate on budget utilization

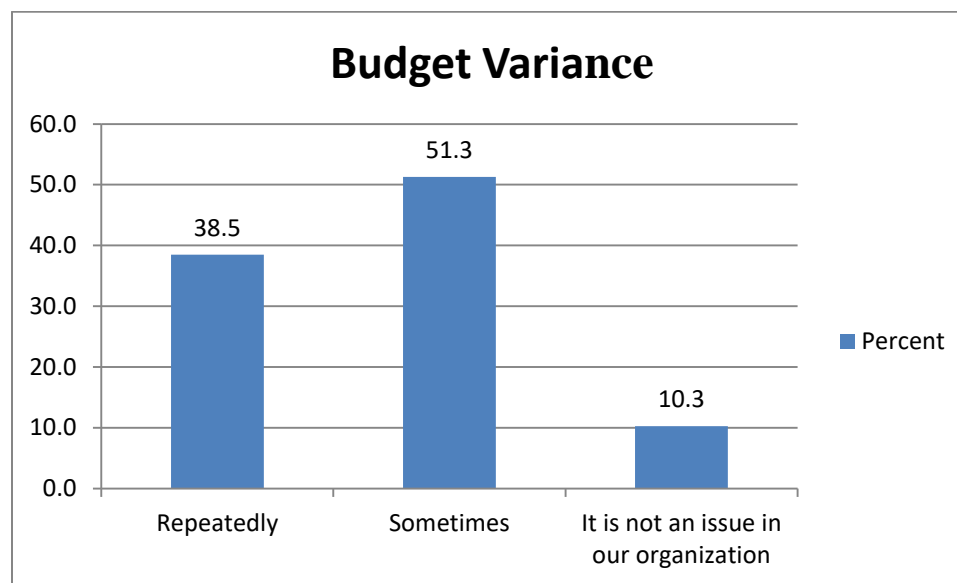
| Part III: Questions on Budget Utilization | Answer | Frequency | Percent |
|--|-------------------|------------------|----------------|
| Hamlin Fistula Ethiopia utilize its budget according to the plan with little variation and no budget shifting from one code to another | Strongly Disagree | 4 | 10.3 |
| | Disagree | 17 | 43.6 |
| | Neutral | 6 | 15.4 |
| | Agree | 8 | 20.5 |
| | Strongly Agree | 4 | 10.3 |
| | Total | 39 | 100.0 |
| Donor funds are utilized for the purpose it was meant according to their objectives and compliance. | Strongly Disagree | | |
| | Disagree | 17 | 43.6 |
| | Neutral | 5 | 12.8 |
| | Agree | 12 | 30.8 |
| | Strongly Agree | 5 | 12.8 |
| | Total | 39 | 100.0 |
| The organization utilizes its fund through continuous utilization control. | Strongly Disagree | 5 | 12.8 |
| | Disagree | 9 | 23.1 |
| | Neutral | 8 | 20.5 |
| | Agree | 13 | 33.3 |
| | Strongly Agree | 4 | 10.3 |
| | Total | 39 | 100.0 |
| Hamlin Fistula Ethiopia utilizes its fund based on its project schedule | Strongly Disagree | 7 | 17.9 |
| | Disagree | 10 | 25.6 |
| | Neutral | 8 | 20.5 |
| | Agree | 12 | 30.8 |

| | | | |
|--|-------------------|-----------|--------------|
| | Strongly Agree | 2 | 5.1 |
| | Total | 39 | 100.0 |
| Hamlin Fistula Ethiopia utilizes its fund based on continuous monitoring & evaluation system | Strongly Disagree | 5 | 12.8 |
| | Disagree | 8 | 20.5 |
| | Neutral | 12 | 30.8 |
| | Agree | 13 | 33.3 |
| | Strongly Agree | 1 | 2.6 |
| | Total | 39 | 100.0 |

Source: data collection 2021

According to data collected from respondents frequent budget transfer and accumulation of unutilized budget were observed in Hamlin Fistula Ethiopia. According to Allen and Tommasi (2001), to utilize budget successfully it depends on various factors, such as the executing capability of the agencies or institution concerned. As per the research result, majority of the respondents in the sample have justified that the presence of under/over budget utilization as indicated in Figure 5.

Figure 5: Budget variance in Hamlin Fistula Ethiopia



Source: data collection 2021

4.5 Budget implementation & control in Hamlin Fistula Ethiopia

The respondents were required to point out their level of agreement on the following statements in relation to budget control in Hamlin Fistula Ethiopia. The responses are rated on a five point Likert scale where: 1 indicated Strongly Disagree; 2 Disagree; 3 Neutral; 4 Agree and 5 Strongly Agree. The data were analyzed using mean and standard deviation using SPSS.

Mean values were selected as the mean is considered as a better tool to describe an entire set of observations with a single value representing the center of the data and many statisticians use the mean as a standard reference point. Also the use of Standard Deviation (SD) is selected as it is used frequently to measure how responses spread out. It provides an indication of how far the individual responses to a question deviate from the mean. The distribution of responses is important to consider and the SD provides a valuable descriptive measure as compared with evaluation using mean alone. The responses of respondents were shown as follows in relation to budget implementation and controls of the responses were presented in table 4.12 below.

Table 4.12 Response rate on budget implementation and control

| | N | Minimum | Maximum | Mean | SD |
|--|----|---------|---------|------|-------|
| The approved budgets are shared with all departments and budget holders and ensure they are understood. | 39 | 1 | 5 | 2.51 | 1.121 |
| Leadership and support provided by managers to the subordinate throughout budget execution is effective | 39 | 1 | 5 | 2.59 | 0.88 |
| While striving to implement project the budget holder consider how their action affect achievement of the set target of the organization as a whole. | 39 | 1 | 5 | 2.9 | 0.94 |
| There is always reference to budget before any request to undertake an activity is approved to ensure that there are adequate funds. | 39 | 1 | 5 | 3.03 | 1.063 |
| Recording of actual result is accurate and timely | 39 | 1 | 5 | 3.08 | 1.01 |

| | | | | | |
|--|----|---|---|-------------|--------------|
| Budget vs. actual comparison and identification of variances is done regularly | 39 | 1 | 5 | 2.95 | 1.075 |
| Budgets are reviewed as need arises to capture the reality during implementation. | 39 | 1 | 5 | 3 | 1.17 |
| Reports on budget variance are shared with budget holders and senior management. | 39 | 2 | 5 | 3.15 | 1.04 |
| Variances are investigated and justified to take timely corrective actions. | 39 | 1 | 5 | 2.74 | 0.91 |
| Budget control data and information are utilized for next planning process to develop a better and realistic budget. | 39 | 2 | 5 | 3 | 0.889 |
| The organization develops solutions to problems revealed by budgetary control. | 39 | 1 | 5 | 2.77 | 1.087 |
| Financial control framework overall Mean and SD | | | | 2.88 | 1.017 |

Source: data collection 2021

Based on the findings on Table 4.12, the respondents disagree on the following statements; the approved budgets are shared with all departments and budget holders and ensure they are understood ($M=2.51$, $SD=1.21$), the question on leadership and support provided by managers to the subordinate throughout budget execution is effective ($M=2.59$, $SD=0.88$), While striving to implement project the budget holder consider how their action affect achievement of the set target of the organization as a whole ($M=2.9$, $SD=0.94$), There is always reference to budget before any request to undertake an activity is approved to ensure that there are adequate funds ($M=3.03$, $SD=1.063$), Recording of actual result is accurate and timely ($M=3.08$, $SD=1.01$), Budget vs. actual comparison and identification of variances is done regularly ($M=2.95$; $SD=1.075$), Budgets are reviewed as need arises to capture the reality during implementation ($M=3$; $SD=1.17$), Reports on budget variance are shared with budget holders and senior management ($M=3.15$; $SD=1.04$), Variances are investigated and justified to take timely corrective actions ($M=2.74$; $SD=0.91$), Budget control data and information are utilized for next planning process to develop a better and realistic budget ($M=3$; $SD=0.89$), and The organization develops solutions to problems revealed by budgetary control ($M=2.77$; $SD=1.09$), since their

response shows a mean scores greater than 2.5. However, the respondents the overall respondents on budget control of Hamlin Fistula Ethiopia shows (M=2.88; SD=1.02).

The study revealed that the possible solutions to the major challenges in budget implementation facing the organizations were proper mechanism in monitoring budget implementation, following budget recommendations, involving all the departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation, constant review of budgets, having budget controls, early planning, transparency and accountability, staff involvement, sticking to the proposed budget, proper feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy.

4.6 Summary

This researcher paper has tried to review the budget implementation and practice in NGO's, the case of Hamlin Fistula Ethiopia, via assess what type of financial management practices they have in place by reviewing against tested financial management measuring frameworks.

It has been found that Hamlin Fistula Ethiopia have their own policies and procedures in place in for budget preparation, budget monitoring and implementation to identify the role and responsibility of staffs from different departments in reference to the organization annual plans, strategic plan and overall goals. Budgets are prepared and approved by top management or board of trustees as per the structure of the organizations. Based on the nature of the project, the organization's budget dimension covers one year or more periods which are reviewed at different times in accordance with the project period that covers short term or multiyear.

In regard to the specific objectives of my study, the findings have led me to summarize that:

- Hamlin Fistula Ethiopia staffs that are responsible for the management of the budget do not participate on overall project budget preparation as indicated on the open-ended questions organizations do not participate their staffs because of urgent call for proposal information from donors, the top management develop the budget to submit with in the

deadline to the donor. This indicates that most of concerned staffs responsible for budget implementation are not participated in the budget development process to raise funds. According to Gregory (2005) the first good characteristics of a good budget is participation. Participation of staffs in budget development helps to achieve the purpose of budget such as coordination, communication and motivation in the process of achieving the expected performance level. The preparation of project budget is based on call for proposal and direction of donors to compete for funding from different donors. This hinders the planning of activities and fund raising process to make up the budget in a sustainable manner and for decisions on the type of intervention sectors

- Regular grant review meeting is not conducted with key staffs from different departments who have the responsibility to implement the components of the project to ensure integrity and timely delivery of outputs as per planned activities and budget. This shows that the timing to conduct grant review meeting is not uniform in the organizations. This indicates that there is poor coordination, communication, to solve the problems on time in the process of budget implementations.
- Majority of the respondents and interview with senior management staffs indicated that their organizations have requested no cost extension from donors. This implies that the organizations face underspends during budget implementation process and the project activities are not implemented in accordance with the agreement with the donor. So that organizations are forced to request no cost extension for additional periods with the same budget to accomplish the project activities. This is the result of ineffective implementation of budget which jeopardizes the smooth relationship between the donor and the NGO.
- Most of the respondents indicated that budget versus actual is provided by the finance/system regularly for budget monitoring and variance analysis. However, there are cases where committed costs are not included in the financial reports to do variance analysis. Poor quality information misleads decision making to take corrective actions.

- The result shows that the organization has no standardized time for monitoring budget and doing variance analysis regularly. Some of the organizations monitor their budget and variance analysis monthly and some do quarterly, during interim reporting time and end of the project periods. This leads to make passive decisions that limit the managers to take corrective actions to prevent unfavorable variances. The finance department is responsible to maintain updated records in the financial system to provide reliable data to support the budget holders in discharging their responsibilities. Recording of actual results should be accurate and timely.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusions

As has been presented in chapter four, this research paper focused on budget implementation and practice in an international NGO's taking Hamlin Fistula Ethiopia as a case. For this, relevant literatures have been reviewed; primary data collected using questionnaire survey and interview of senior management teams. Therefore, based on the findings of this study, the following concluding remark is given.

- Budgeting and budget implementation is a fundamental event of non-governmental organizations financial management framework. Effective budgeting significantly contributes to the achievement of the goals and objectives of companies. Financial management in non-governmental organizations is characterized by proper financial planning and monitoring systems. NGOs operate in a rapidly changing and competitive environment. To survive in this challenging environment, managers need to develop the necessary understanding and confidence to make full use of budget management tools during the grant management cycle.
- Budgeting creates a plan within which individuals, departments, and the whole organizations can work together. Developing budgets and organizing it helps to coordinate and motivate employees. A budget includes several related financial management issues such as costs for activities, staff members, a plan of action for making expenditures, the number and kinds of human resources required to implement the program and the amount of money needed to achieve the organization goals and objectives. According to the result, however, the overall budgeting system in the organization misses the important participation of concerned staffs. Since budgetary participation has a direct relationship with managerial performance the management of Hamlin Fistula Ethiopia should encourage budgetary participation as it is evidenced to have an effect on performance.
- At the time of budget implementation process budget monitoring is the continuous process by which we ensure the action plan is achieved in terms of expenditure and

income. This is to ensure the economic, effective and efficient use of resources and the identification of potential opportunities, problems and taking of corrective action. Responsible staffs should monitor the budget at a frequency in which they are comfortable to ensure they are confident that they are in control of the budget and are on right track to achieve the planned position. Effective managers who are responsible for budget management must do regular budget monitoring to ensure that assumptions on which the budget was based is reasonable and the resources needed are available. The process of variance analysis with justification is key task to control underspent or overspent with clarification. Then the manager is able to decide on the best course of action such as budget revision, request prior approval from donor, raise more funds or reschedule the detail implementation plan that results smooth communication with donors, government and the community at ground level. From the study it is clear that organizations have no standardized time for monitoring budget and doing variance analysis regularly. Some of the organizations monitor their budget and variance analysis monthly and some do quarterly, during interim reporting time and end of the project periods. This leads to make passive decisions that limit the managers to take corrective actions to prevent unfavorable variances. The organization operates in a rapidly changing and competitive environment. To survive in this challenging environment, managers need to develop the necessary understanding and confidence to make full use of budget management tools to manage variances on time.

- The other very important issue in the budget management process is conducting budget review meetings with different parts of the organization. This helps to evaluate the status of budget in line with the detail implementation plan. According to the findings, grant review meeting is not conducted regularly with key staffs in different departments of the organizations who have the responsibility to implement the components of the project. Budget monitoring meeting gives the opportunity to assign tasks to different departments, staffs, evaluate the status of assigned tasks and accomplished one, identify related problems and give possible solutions. Regular review of actual results against budget estimates on a regular basis, monthly for most organizations, using a process that is understood across the organization is critical to effective monitoring and reporting of

budget performance. Taking formal reviews of consolidated variance information on a regular basis enables to challenge underlying budget assumptions, estimation techniques and put coordinated efforts for the achievements of objectives. Priority and emerging situations at ground level which hinders the implementation of budget according to the detail implementation plan.

Finally it is good to understand that effective budget processes, which support the efficient allocation of resources, enable organizations to identify and respond to changes in environmental conditions and organizational priorities. Budget shows also an organization's expected financial performance, financial position and cash flows allocated by area of responsibility. Developing a budget involves making decisions on the allocation, use and administration of resources to achieve the organization's objectives.

5.2 Recommendation

Based on the study findings on budget implementation and practice in NGO's, the case of Hamlin Fistula Ethiopia the following recommendations are made.

1. Budgets inspire individuals and departments to look and plan forward using a determined timetable that can enhance effective communication of their objectives and provide a bench mark to measure performance. The organization should involve those staffs who will be responsible for budget monitoring and project implementation in preparing the budget. This helps to increase the accuracy of budget and motivate the staff to spend within budget in the process of implementation to control variances or reach fund raising targets.
2. Budget monitoring and variance analysis should be made on regular bases in line with the monthly close of financial system to compare budget versus expenditure by budget holders and finance experts who are responsible for managing the projects budget and activities with clear justification and action points. These enable managers to control over or under-spending and take corrective actions timely.
3. To ensure smooth communication and timely delivery of outputs as per planned activities in accordance with the requirements of the donor and management, the organization

should conduct regular grant review meetings with different departments such as program, finance, logistics and human resource. Measuring budget accuracy and timeliness on continuous basis and conducting more formal reviews are two ways to identify areas for continuous improvement.

4. Enhances its capacity in the dissemination of budgeting information down to the project units, follows the existing standard in the organization during budget development and implementation, allocates sufficient funds to projects, provides training on the application of donor's budgeting guidelines and preparation of program detail implementation plan, ensures budget availability before any payment/ activity, and allocates adequate number of professionals during preparation of plan and budget for a new award.
5. The finance department is responsible to maintain updated records in the financial system to provide reliable and timely report to support the budget holders in discharging their responsibilities. In Hamlin fistula Ethiopia, the finance department does not provide budget versus actual reports in regular bases to support budget holders in monitoring their budget. The study recommends that the organization finance department should keep reporting budget versus actual expenditures to support the monitoring of revenue and expense levels in operating activities. It also ensures that cash outflows and inflows remain at adequate levels.
6. Budget planning, implementation and monitoring are fundamental process of non-governmental organizations financial management framework. As NGOs operate in a rapidly changing and competitive environment, managers need to develop the necessary understanding and confidence for their staffs to make full use of budget management tools throughout their grant management cycle. In this regard capacity development of staffs is crucial on top of establishing transparent and good working process.

Finally, the researcher would like to recommend that further study should be carried out to practices and challenges faced in managing and disbursing approved project budgets from donors for operational plans and budgets at centers. On top of this, further study is needed to investigate the specific causes for the current budgeting practices along with their potential impacts in securing further funding as well as the continuity of available financing from donors.

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Appendix

*St. Mary's University
School of Graduate Studies
Department of Accounting and Finance
Questionnaire*

Questionnaire to key staff

Dear, Sir/Madam

The enclosed questionnaire aims at exploring information primarily regarding budget implementation and also partially on planning processes and practice in NGO's, focusing on the case of Hamlin Fistula Ethiopia. This information are sought to write a graduation thesis as part of the requirement to fulfill my study of MA in Accounting and Finance at St. Marry University. Therefore; I assure you from the onset that information provided by you is only for academic purposes and will be treated as private and confidential. Moreover, the information that will be obtained from the questionnaire will not identify individual respondents by name and the data would be compiled and summarized under various budget concepts at analysis and report writing stage.

As the questions are self-explanatory and have clear directions where necessary, I am confident that each interviewee can provide the responses without assistance. Since the success of this study depends on the cooperation of all targeted respondents, I kindly ask you to spare few minutes of your time and respond to the questionnaires below as honestly as you can.

Kindly answer the questions by ticking the appropriate box and give short answer or suggestion as appropriate

Your honest and thoughtful response is highly valuable.

Kind regards,

Telephone mobile 0911232584/0935022345

Email lilyfekade2@gmail.com

Addis Ababa

PART I: Respondents General Information

1. Level of Education
 - a) Secondary school []
 - b) Diploma []
 - c) Degree []
 - d) Masters []
 - e) PhD []

2. What is your field of study?
 - a) Accounting or financial management []
 - b) Business management or administration []
 - c) Health science []
 - d) Economics
 - e) Management []
 - f) Sociology or Statistics []
 - g) If other, please specify -----

3. Gender
 - a) Female [] b) Male []

4. Would you please specify your department in the organization?
 - a) Program management []
 - b) Finance or Grant management []
 - c) Support Service Department []
 - d) Technical Department []

5. Your years of service in the organization?
 - a) less than 1 year []
 - b) 1 - 2 year []
 - c) 2-5 Years []
 - d) over 5 years []

6. How do you rate your level of engagement on the organization's budget planning, implementation and control process in your current responsibilities?
 - a) I am fully and solely engaged on it []
 - b) It is my primary responsibility and takes over 75% of my work time []
 - c) It is my additional assignment and takes 25 – 50% of my work time []
 - d) I participate occasionally as necessary []
 - e) Never has been my area of engagement []

7. Are there any approved policies and procedures in place in budget preparation, budget control and implementation to identify the role and responsibility of staffs in different departments?
 - a) Yes [] b) No []

8. If yes to the above question, how far are you familiar with organizational policies and procedures in place in budget preparation, budget control and implementation to identify the role and responsibility of staffs in different departments?
- a) My superiors gave me sufficient orientation on it and apply it very well []
 - b) I did not get any orientation and try to apply it by referring it now & then []
 - c) I seek assistance from other experienced staffs or superiors whenever needed []
 - d) Other, please specify -----
9. Have you ever attended any capacity building training on budgeting, budget preparation and implementation and budget monitoring for enhancing financial management to budget holders, finance and others offered by external or internal staffs with the support of your organization?
- a) Yes []
 - b) No []
10. If you say yes to the above question, when was it given?
- a) Within the past one year []
 - b) Two years back []
 - c) 3 – 4 years back []
 - d) 5 years back []
11. If you say no to the above question, what do you think is the main reason?
- a) Not requested by the staffs []
 - b) Management does not see it important or does not give it attention []
 - c) Budget shortage []
 - d) Staffs are busy with their work load []
 - e) Other reasons, specify -----
12. What key challenges do you commonly face in budget planning, implementation and control process?
- a) Frequent and unmanageable budget transfer requests/approval among cost items or across cost centers []
 - b) Significant budget deviation in plan and execution (exceeding 30% variation) by activity and cost item []
 - c) Overall budget shortage for planned expenditures in a given period []
 - d) Overall budget excess for planned expenditures in a given period []
 - e) Delay or cut in budget release from financiers complaining on budget management []
 - f) *If others*, specify -----

PART II: Budget planning and approval procedure and process

1. What is the time dimension that your organization budget covers? (Multiple answer is possible if various time duration applies for different projects)

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

2. Using a rate of 1 to 5 please indicate your view of the following statement on the budget preparation. Where 5= Strongly Agree; 4= Agree; 3 = Neutral; 2= Disagree; 1=Strongly Disagree.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Your organization prepares its plan based on the strategic plan of the organization? | | | | | |
| Your department has enough number of budget and plan officers who prepare plan and budget effectively | | | | | |
| You have adequate knowledge and skill to prepare plan and Budget | | | | | |
| Your department budget plan is prepared based on reliable market information, data and estimates | | | | | |
| Concerned employees of the various departments participate on budget preparation of the organization (Bottom-up estimating procedure is followed) | | | | | |
| There is a tendency of submitting budget request without clearly defined plan | | | | | |
| The organization has a practice of holding budget hearing session where departments clarify and defend their annual plan and budget | | | | | |
| Your office has a system to revise its plan in an agreed interval in relation to realistically adjust budget | | | | | |

3. How often are the budgets re-planned in your organization after initial approval?

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

4. Who approves or makes the final decision on planned budget proposals?

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

- Budget Committee []
- Finance Manager/ Finance Department []
- Others specify -----

Part III -QUESTIONS ON BUDGET UTILIZATION

1. Using a rate of 1 to 5 please indicate your view of the following statement on the budgeting process and its effect on variance. Where 5= Strongly Agree; 4= Agree; 3 = Neutral; 2= Disagree; 1=Strongly Disagree.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| Hamlin Fistula Ethiopia utilize its budget according to the plan with little variation and no budget shifting from one code to another | | | | | |
| Donor funds are utilized for the purpose it was meant according to their objectives and compliance. | | | | | |
| Donor has a system of regularly reviewing expenditures against approved budgets - | | | | | |
| The organization utilizes its fund through continuous utilization control. | | | | | |
| Hamlin Fistula Ethiopia utilizes its fund based on its project schedule | | | | | |
| Hamlin Fistula Ethiopia utilizes its fund based on continuous monitoring & evaluation system | | | | | |

2. In what frequency do grant meeting conducted with staffs to evaluate the status of budget implementation in line with the detail implementation plan?

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

3. How often has your organization made request for no cost extension from a donor for projects that it has implemented during the past five or more years?

- 5 and more times []
- 2 - 4 times []
- only once []
- None at all []
- I do not know []

4. How often do you observe over or under spending more than the allowable range of the donor for a specific project that your organization has implemented?

- repeatedly []
- sometimes []
- It is not an issue in our organization []

5. Is budget versus actual report is provided by the finance department/system regularly to budget holders to do budget monitoring and variance analysis?
 - Yes []
 - No []
 - Could you specify if you have different view? -----
6. When do budget holders monitor their budget and do variance analysis to control over and underspends?
 - Monthly []
 - Quarterly []
 - During reporting period []
 - At the end of the project period []
 - Do you have different view, please specify-----
7. Do budget holders and finance rephrase the budget based on identified gaps and variance analysis for future improvement?
 - Yes []
 - No []

Part IV -QUESTIONS ON BUDGET IMPLEMENTAION & CONTROL

Using a rate of 1 to 5 please indicate your view on the following statements on budgeting control. Where 5= Strongly Agree; 4= Agree; 3 = Neutral; 2= Disagree; 1=Strongly Disagree.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| The approved budgets are shared with all departments and budget holders and ensure they are understood. | | | | | |
| Leadership and support provided by managers to the subordinate throughout budget execution is effective | | | | | |
| While striving to implement project the budget holder consider how their action affect achievement of the set target of the organization as a whole. | | | | | |
| There is always reference to budget before any request to undertake an activity is approved to ensure that there are adequate funds. | | | | | |
| Recording of actual result is accurate and timely | | | | | |
| Budget vs. actual comparison and identification of variances is done regularly | | | | | |
| Budgets are reviewed as need arises to capture the reality during implementation. | | | | | |
| Reports on budget variance are shared with budget holders and senior management. | | | | | |
| Variances are investigated and justified to take timely corrective actions. | | | | | |
| Budget control data and information are utilized for next planning process to develop a better and realistic budget. | | | | | |
| The organization develops solutions to problems revealed by budgetary control. | | | | | |

Thank you for your time and cooperation.

INTERVIEW QUESTION

1. What are the key considerations in preparing budget in Hamlin Fistula Ethiopia?
2. What are the bases to forecast budget plan?
3. What are the main problems faced by Hamlin Fistula Ethiopia in the preparation of Budget?
4. What are the constraints to understate/overstate the planed budget in Hamlin Fistula Ethiopia?
5. What are the main problem in budget implementation & practice in Hamlin Fistula Ethiopia?
6. What are the criteria to manage budget variances of under/over spent budget?
7. Who is responsible for the preparation of performance report?