

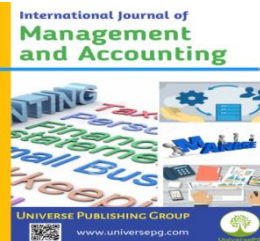


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Assessment of Budget Preparation, Utilization and Evaluation in the Case of Negelle Borena Town Municipality, Oromia Region, Ethiopia

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ABSTRACT

This study was conducted on the assessment of budget preparation, utilization, and evaluation in the case of Negelle Borena Town (NBT) Municipality. To the best of the researcher's knowledge, there is no document that reports a study on the probable causes that may hinder the preparation, and utilization of budgeting in the NBT Municipality. This is a major motivation to carry out this study. Thus, the general objective of the paper is to assess the budget preparation, utilization and evaluation of the NBT Municipality. Nine out of seventeen budget holders were taken and ten key informants were selected from each budget holder with a total of 94 respondents. In addition, five budget experts were included in collecting primary data through a structured questionnaire, and five more finance budget experts involved. More of the qualitative analyses demonstrate that there was no accountability in budget utilization, there is any market-oriented cost estimation practice. Lack of adequate and experienced budget experts is another issue that contributes to worsening the problems and also there is no evidence-based evaluation mechanism in the budget utilization at each level of the budget holder. Therefore, in order to improve budget preparation and utilization in NBT Municipality, it calls for taking any possible and remedial actions in the subsequent years.

Keywords: Budget preparation, Oromia, Evaluation, Negelle Borena Town, Municipality, and Utilization.

INTRODUCTION:

From the perspectives of public policy and budgetary process, the Municipality shares many of the characteristics of other sectors of government. This means that the citizens of any country were benefit from a Municipality that is subject to the same broad set of rule and procedures the tare applied to other sectors. For budgeting and utilization processes to be effective and Economic, they must be based on well-argued and elaborated plans and program. Contemporary restudies show that governments which have effective fiscal rules have stronger budget discipline. These rules focus

on formal and informal procedures for preparing and utilizing the budget (Bari *et al.*, 2021; Schick, 2007).

Poor performance is often to be found in the weak links between policymaking, planning and budgeting. At one level, policy making and planning are unconstrained by what a country will be able to afford over the medium term. At another level, policy making and planning are insufficiently informed by their budgetary implications and by their likely impacts in the wider community. The inadequacy of hard budget restraints on decision makers at the planning and budget formulation stage of the cycle leads to inadequate funding of operations, poor expenditure control and unpredictability in the

flow of budgeted resources to agencies responsible for service Deliver Malcolm, (1998). When we see the case of Ethiopian budget classification system, it is possible to see exactly which resources are assigned to which public bodies and to follow up that the money has been used in accordance with the intended priorities. Budgets are assigned to public bodies or sector Offices and their respective departments, divisions, programs or projects, in turn, assign responsibilities for their effective use. With devolution, it is crucial that the planning and budgeting cycles at each level are harmonized and coordinated. This is also why a basic understanding of the procedures and timelines in preparing the budget at federal level is important in order to understand the budget process at regional and Woreda level. Furthermore, budgets define “use” and “purpose”. The purpose or objective of a budget is related to the intended outputs. This means all budget items are related to the planned activities on which the Public funds are spent and the purpose of the spending; finding adequate resources to finance (Khalid *et al.*, 2021).

Each government wants to undertake several economic and uneconomic activities and pursue certain policies which have their financial counter parts in the form of revenues, borrowings, and expenditures. According, the government describes its intentions and policies which it would like to pursue during the form coming period (Usually a year) and draws up a financial plan corresponding to this scheme of things. Such a financial plan contains the details of estimates receipts as also proposes expenditures and other disbursement under various heads. Therefore, a budget enables the authorities to decide about each individual item of revenue and expenditure in the over-all context its policies. No government can afford to take taxation, borrowing, expenditure and other fiscal decisions out random. On account of their inter-connection, all decisions and policies must form a part of its over- all set of objectives. The whole approach has to be quit by systematic it chaos and wastage are to be avoid. In general, a budget shows financial accounts of the previous year, the budget and revised estimates of current year, and the budget estimates for the forth coming year. In addition, the estimates for the fourth coming year are spilt up in to two parts- those based upon the assumption that existing taxes and their rates would continue, and those

based upon the proposed changes there in. A budget, in this sense, becomes both a description of the fiscal policies of the government and financial plans corresponding to them.

Generally, budget is a vital role to improve the co-ordination among the various units of the organization. So, the organization overall performance depends on the budget with respect to financial plan for implementing the various decision. In addition to these budgets’ preparation, utilization and per prance will be key for budget. Budget is a statement of future expenditures and revenue that help managers plan and control the use of financial and other resources. Budget is a quantity of future plan of action and aid to the coordination and implementation of a plan. It is a systematic and formalized approach for stating and communicating a firm's expectations (Resis, 2011). A budgeting system builds on historical or actual performance. Budget is the most widely used method of its unique feature in controlling financial resources. Because of its unique feature in controlling financial resources preparation of an annual or otherwise budget is mandatory (Koris, 2013). In most of the organization budget quantify the planned financial effects of activities of continuous improvement and cost reduction. It serves as an important mechanism for achieving predetermined objectives of organization including private profit matching companies, governmental not for profit-unit and many others. The experience in several countries and in many organizations indicates that ninety percent of organizational activities depend on budget (Charles, 2012).

Business and public organizations in Ethiopian use budgeting system which indicates that most of its activities depend on the predetermined budget. Though there are problems of efficient and effective accounting system, in many of the national business and public sectors the basic principles of budgeting are followed (Herse, 2010). The regional budgeting practices of Oromia Regional State, as indicated by a study conducted among the major sectors (Birassa, 2009) indicate that there are budgeting preparation and utilization gaps in the region. Much of the studied organizations have showed that there are ambitious budget preparation and lack of strict adherence to the predetermined budget beside the significant problems of lack of cost awareness, fewer professional accountants used

and negligence on the part of the auditors to assess the budgetary uses.

Statement of the problem

The budget plays a very important role in the flow of funds in the economy. It also has important effects on the working of economy not only through the flow effuse but also through various fiscal policies and measures. Accordingly, the “ability of government authorities to for a clear picture of the impact of their transaction on the economy policy decisions” A conventional formats of the budget showing its sources of receipts and expenditures by various ministries and departments does not reveal the impact of the budget up on the economy and way it can be used as an effective policy. However, there is effective policy of budget if there is no good preparation, utilization & Evaluation of budget the impact of the budget in the economy will be consequently. This is the main reason for a researcher to assess the preparation, utilization & Evaluation of budget. In addition to these Utilization of budget will be in doubt from years to year. The preparation of budget estimates based on the submission from public bodies would be under taken but the evaluations of preparation have a problem. The mechanism can be used to assist in controlling aggregate specially and the effective prioritization of scare resource leading to more efficient utilization Evaluation in addition to these a budget is a plan that outlines organizations financial goals. So a budget may be thought of as an action plan, planning a budget helps a business allocate resources, evaluate performance and formulate plans (Koris, 2013).

The budgeting process may be carried out by individuals or by companies to estimate whether the person or company can continue to operate with its projected in come expenses (Resis, 2011). The research concentrated on the assessment of the preparation, utilization and evaluation budget in NBT Municipality Little has been done to evaluate/determine the causes that probably affect the preparation and utilization of budget in Negelle Borana. This research thus bridges an evident research gap as there is no document to the best of researcher knowledge that reports any study on the probable causes that may hinder the preparation and utilization of budgeting in the NBT Municipality each budget center prepares its own budget by estimation.

Whereas budget should not be regarded as expression of wishful thinking but rather as a description of an attainable objective. This the real fact that motivate this study the problem that attach with budgeting control and evaluation activities that take place in the study are.

Research questions

Based on the above stated issues, the researcher raises the following five important research questions which are based on the study variables such as budget preparation, utilization, reporting, and challenges faced the administration to be evaluated by collection of relevant data for the study:

- 1) How is budget allocation practice to different activities in the NBT Municipality Office?
- 2) How does the organization prepare the budget for it activities?
- 3) How the allocated budget is going to be utilized in the organization?
- 4) How does the organization evaluate the allocated budget in different sections or activities?
- 5) How does the organization report its performance in relation to the utilization and distribution of budget?

Objective of the study

General objective: The overall objective of this study is to assess the budget preparation, utilization and evaluation practices of NBT Municipality Office.

Specific objectives: The following are the specific objectives of the study -

- a) To examine the budget allocation practices adopted by the organization for its various activities and to understand the budget preparation method by the organization.
- b) To assess how the organization utilizes the allocated budget and to analyze the budget evaluation practice in different activities of the organization.
- c) To discuss how the organization reports its performance in relation to the utilization and distribution of budget.

Research hypotheses

- 1) H_{01} : ether positive or negative relation between the budgeting allocation practice and preparation method in NBT Municipality.

- 2) H₀₂: either positive or negative relation between the budgeting utilizes and evaluation practice NBT Municipality Office.

Review of literature

In this chapter the concept of budgets, budget preparation and the budget utilization and some empirical literatures are discussed. This is achieved by gathering the available literature by scholars and academicians on the subject.

Budget and budgeting concept - Like many accounting terms, budgeting is used commonly in our daily language, as a result of which everyone virtually has heard the term budgeting and has concept of its meaning. For example every one might have heard that the mass media reports budgets of administrative regions, budget of Federal government, budget of private company and budget of different government units. This concept is raised for the purpose of introducing the basic frame work of the budget (Herse, 2010). More about budget can be defined by different scholars however most of them have come up with similar connotation of budget and budgeting. Some of the definitions selected represented below (Mansoon, 2012). To deal with, it is important to begin on the meanings of the essence and purpose of budget. The word budget is derived from the French word “boguette” meaning a small bag or pouch. The oxford dictionary defines a budget as “a statement of the probable revenue and expenditure for the ensuring year with functional proposal funded there on” it is also defined as a financial or quantitative statement prepared prior to define period of time. A budget is a plan showing the company’s objectives and how management is intend to acquire and use resources to attain objectives. Another scholar defines the word “budget” originally meant the most buy of the public purse (small bag) which served as a receptacle for the revenue and expenditure of the state (Jesse, 2010). Budget participation has been used successfully in many companies; it does not always work. The purpose of budget is earning a reasonable return one resources used is a primary company’s objective it is one of the measure purpose of the budget there are also some of purposes including showing management’s operating plan for the coming periods, formulating management’s plans in quantitative terms

and forcing all level of management to think a head and anticipate results (Sorensen, 2009).

Budgeting may also be used to motivate individual so that they strive to achieve states goals. According to Mansoon, (2012), a well management and organization usually has the following budgeting cycle: Planning the performance of the organization as a whole as well as its subunit; Providing a form of references, uses of specific expectation again with which actual result can be compared; Investigating variation from plans .if necessary corrective action follows investigation and Planning against, considering feedback and changed condition. The most widely used method of budget is unique feature in controlling financial resources. Because of its unique feature in controlling financial resources preparation of an annual or otherwise budget is mandatory in most of the organization budget quantifying the planned financial effects of activities of continuous improvement and cost reduction. As noted by Herse, (2010) budgeting also serves as an important mechanism for achieving predetermined objectives of organization including private profit matching companies, governmental not for profit-unit and many others. The experience in several countries and in many organizations indicates that ninety percent of organizational activities depend on budget.

According to Charles, (2012), business and public organizations in Ethiopian use budgeting system which indicates that most of its activities depend on the predetermined budget. Though there are problems of efficient and effective accounting system, in many of the national business and public sectors the basic principles of budgeting are followed. The Oromia Regional State, regional budgeting practices as indicated by a study conducted among the major sectors indicate that there are budgeting preparation and utilization gaps in the region. The budgeting process may be carried out by individuals or by companies to estimate whether the person or company can continue to operate with its’ projected in come expenses (Birassa, 2009). A plan that outlines organizations financial goals may be thought of as an action plan, planning a budget helps a business allocate resources, evaluate performance and formulate plans.

Budget preparation – Maitland, (2001) mentions that the process of preparing and agreeing on a budget is a

means of translating the overall objectives of the organization into detailed, feasible plan of action. 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 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. He adds that budgets set limits. Besides setting limits, Andrews and Hill, (2003) say that budgets also provide the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation.

As per Shah, (2007) preparation of the budget usually takes many months and involves all public Institutions: the Ministry of Finance manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands. Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting Bunch and Straussman, (1993). One approach is to set specific dollar ceilings on budget requests. This approach has the distinct advantage of making agencies prepare requests. That includes only financially feasible options Lee, (1992). This method is often called fixed ceiling budgeting. Budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings. Another approach is for the governor to provide policy guidance in terms of overall priorities and/or guidance by major program. Accord-

ing to Schiavo-Campo and Tommasi, (1999) and Allen and Tommasi, (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities. As Schiavo-Campo, (2007) stated a successful budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive in accordance with Policy objectives. These are then communicated to the line ministries, 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 Legislature, where it is debated and negotiated with the executive and eventually passed into law.

Budget utilization - Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging than planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing. 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.

Concepts of under and over utilization of budget - 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. On the other hand, Allen and that Tommasi, (2001) expressed in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may co-exist with large amounts of budget spending. On the whole, in most cases, underutilization as well as over utilization is related to insufficiencies in budget preparation and program preparation (Mezgebe, 2020).

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.

Reason for variations between budgeted and actual expenditure- As per 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.

Budgeting: objective and obstacles - The superficial purpose of the budgeting process is to predict the result of the following year. In reality, however there are a number of valid objectives and the problem is that they differ from participant to participant. A single owner of business wants a budget that plans the best prefix realistically achievable; the main concern of the lowest level functional managers is to know what is expected to them and to give enough resources to accomplish it (Sorensen, 2009).

To be successful, the budgeting process is just responsive to the needs of all participants. Fortunately the goals of the different participants are similar enough that a realistic composite set of objectives can be formulated and used as a basis for budgeting requirements. Studies have shown that in many organizations budget participation failed to make employees more motivated to achieve budgeted goals. This means that the term budget has negative connotations for many employees who feel they are subjected to a budget. Often in post management has imposed a budget from top. Without considering the opinion and feeling of the personnel affected this problem can be minimized through administration of budget (Alsuliman & Elrayah, 2021).

Relationship of good administration to budget utilization - Budgeting takes a lot of management time top managements want lower level managers have valuable knowledge about the day to day aspects of running the business. Participation also creates greater commitment and responsibility toward the budget among lower level managers. The widespread prevalence of budgets indicates that the advantages of budgeting systems outweigh their costs. This can be observed from survey company practice. Budgeting management at all levels of the company should understand and support the budget and all aspects of the management control system. Top management support is critical for obtaining active line management participation in the formulation of budget and for successful administration of the budget (Charles, 2012).

Characteristics of a budget - Budget can be characterized in different ways in various organizations. From this some of the lists are the following according to Sorensen, (2009) Budget is quantitative; Budgets are stated in monetary terms, although the monetary terms may be backed by non-monetary amount; Budget is future oriented; Many financial figures are meaningless unless they are associated to specific time reference; Budget deals with a specific entity and Generally budget covers a period of one year.

Relationships of budget performance evaluation and control - The purpose that needs performance report performance reporting for internal management use is an important part of a comprehensive profit planning and control system. The performance reporting phase

of comprehensive significantly Influences the extent to which the organization's planned year and objectives are attained. Companies use monthly performance report covering all aspects of operations reports give favorable and unfavorable variances between actual and planned performance for the month just ended and cumulatively for the year to date. It takes different company according to their preferred other in written or by conferences to discuss the causes and corrective action to be taken follow-up procedures should begin at the top management level to discuss and analyze both unsatisfactory and satisfactory conditions (Donald, 2013). Performance report is in the comparison of the actual result with budget objectives and in the analysis of the resulting variances. Budget contains both revenue and expenditure. Revenue considerations will enter into budget making at numerous points. Revenues should be shown by source and funds. Accurate revenue estimates are dependent up on a source classification because factors which determine the amount of revenue do not affect each source uniformly. Annual forecast of revenue to be raised by government through taxation and other discretionary measures amount of revenues raised this way differ from country to country both in magnitude and structure. Some government made corrupt by misstated budget Governments were supposed to underestimate their revenue and overestimate their expenditures (Sakiosis, 2011). The following overview of financial reports indicates the extensive reporting requirements needed by business firm. Those are (Jesse, 2010):

Special external reports: These are reports to government agencies regulatory commission's creditors, investigative agencies, and other groups external to the active management. Such reports are costly and involve significant management attention.

Report to owner: These reports by and large are based on "GAAP" foot not and generally report data that have been subject to an audit by an independent CPA.

Relationship of performance report and communication- The extent to which the various managers use their performance reports depends on many factors some behavioral and some technical one important factor is the extent to which the performance reports serve the measurement and decision making a needs of

the users communication is a suitable management problem and it is facilitated by performance reports it the difference needs and experiences of the users are taken in to account. Different managerial levels have their own duty and responsibility like top management, middle management and lower-level management (Charles, 2012). In most business, management must rely to a great extent upon information contained in re-ports developed within the business. These internal reports serve as an important means of communication. Reports that communicate effectively to all levels of management stimulate action and influence decision (Olenson, 2013). It has been agreed that a business firm focus difficulties in making capital budgeting decision under uncertainty. Methods that employee with risk adjusted discount ration or dollar risk premium suffer from a large of normative theory. There has been none theoretically accepted method proposed for a business man to apply in determining the amount by which the time value of money should be adjusted for risk or the site of the dollar risk premium that should be deducted from the net present value of an investment that has been computed by using a default free discount rate as the time value of money (Sakiosis, 2011).

Relationship of budget preparation activities and its current status- There are two major group of independent variable in this study: budgeting preparation and utilization activities (including resource allocation, implementation, control of use, and reporting) are independent variables and administration of budget (including strengths, weaknesses and challenges) of the top and technical level management of the firm. These have complementary relationship with each other as effective budget preparation and utilization cannot be complete with management competence to do so. Therefore, these are directly proportionally related with each other.

METHODOLOGY:

Conceptual framework - The major study variables of the study and their relationships are displayed in the following diagrammatic representation (Temesgen, 2020). These are related to the budgeting activities, management and the status of the budget as a result of these activities. Other concepts and variables are also analyzed in detail.

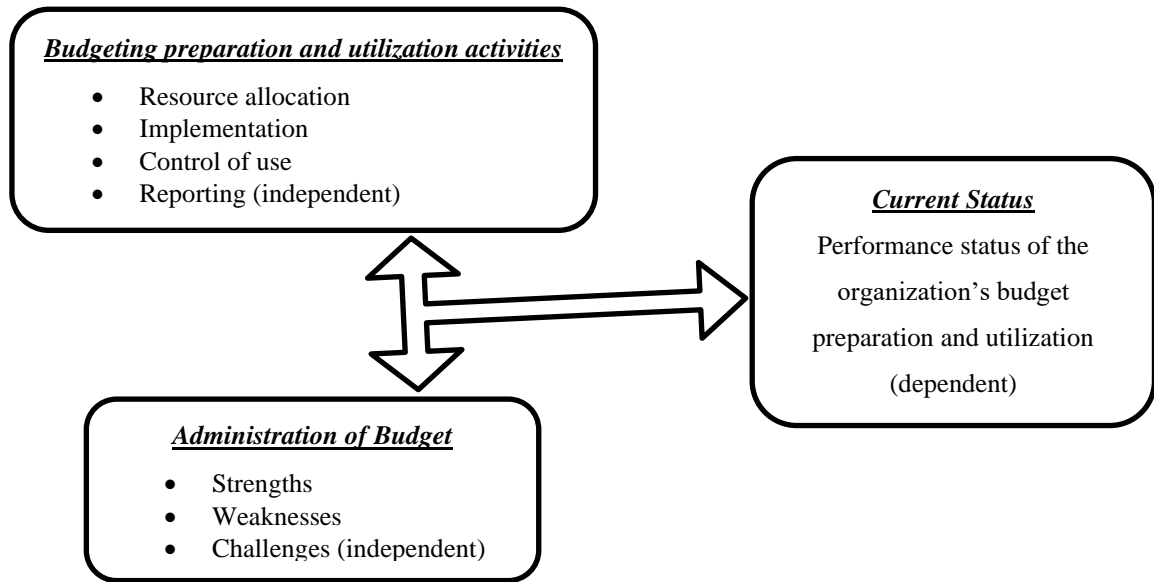


Fig 1: Conceptual Framework of the Study.

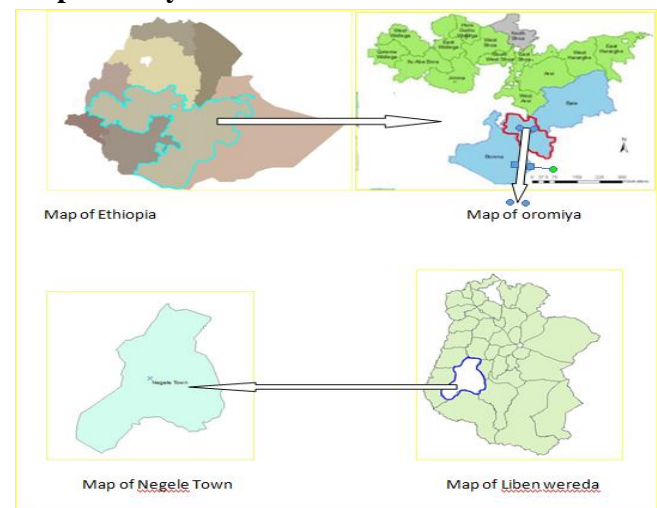
Description of the area - Negele Borena is one of the towns in Oromia regional state and the capital of Guji Zone. The town is one of the 16 districts found in Guji zone and serves as the capital city of zone administration. It is located in southern Ethiopia on the road connecting Addis Ababa to DoloOdo (Somalia). It is far from Addis Ababa at a distance of 610 km. astronomically, the town is located between 4°30'58"- 5°42'8" northern latitudes and 41°34'57"-39°9'34" eastern longitudes.

Research design - This is a survey method of research on the budget preparation and utilization of NBT Municipality, Guji Zone. As the research aims to assess the budget preparation and utilization, mainly quantitative approach is dominantly employed in the overall process. This approach gives advantage of collecting and analyzing figures and facts from the study area and minimizes biases from the researcher. An approach is also good for analyzing a longitudinal data such as collected at one time and spot.

Sources of the Data - The proposed study will use both primary and secondary data. The primary data would be gathered from the selected respondents for which a well prepared questionnaire will be prepared. The first hand information will also be collected by conducting the interviews with selected people. And the secondary data will be collected from different books, company records etc. for analyzing the data.

Method of data collection - The study will use both primary and secondary data. Primary data was collected by using close-ended survey questionnaire from the respondents. During the course of visits, the questionnaire will be filled by respondents. With three key groups in the municipality office and the secondary data will be collected from different books, company records etc. For this study, the researcher is going to collect the information from different levels of employees of the organization for that stratified sampling will be applied. And for conducting the interviews the researcher will select some key official in order to get the relevant data about budget allocation, utilization and evaluation for which the purposive sampling will be used.

Map of study area



The sample size will be determined using a simplified formula provided by Yamane formula. Sample employers will be selected using simple random sampling methods. Different authors use different formula to determine sample size of the study, however the formula set Yamane, (1967) as cited in (TanuGufu, 2017), used by considering the level of acceptable margin of error 5%, hence from the target population size employers (N=124) total number of population, sample size is required to draw, assuming 95% of confidence level and 5% margin error. Based on this the researcher decide to take upper population size the limit to get more valid sample size. If population size (N) of the study is known the sampling error (e) is fixed by researcher then total sampling size can be calculate in following formula.

$$n = \frac{N}{1 + N(e)^2} \dots \dots \dots \text{formula (1)}$$

Where, n is sample size, N is the population size, A 95% confidence level and e= 0.05, where assumed for the purpose of determining sample size for this study. Accordingly, the sample size for the study is calculated as follows -

$$N = 124 / 1 + 124(0.05)^2$$

$$= 124 / 1 + 124(0.0025) = 94$$

For this case from the total 124 workers was taken as samples. Hence, 94 workers were taken as samples and data was collected from them through a simple random sampling technique to access them.

Methods of data analysis - Questionnaires was first collected, edited, coded and entered into computer software called statistical package for social science (SPSS). Then, descriptive statistics such as percentage and frequency distributions was used to analyze data obtained through close-ended questionnaire regarding about budget allocation, utilization and Evaluation.

Quantitative data analysis - The quantitative data was analyzed by using questionnaires those are first collected, edited, coded and entered into computer Software called Statistical Package for Social Science

(SPSS) with version 21. Then, descriptive statistics such as percentage, frequency table, mean and strand deviation was used to analyze data obtained through close-ended questionnaire regarding allocation, utilization and Evaluation. In addition, statistical tools such as Pearson moment production correlation coefficient and regression are employing to describe the opinion differences between groups of respondents on identified that between high lively of management lower lively management with using allocation, utilization and Evaluation budget.

ANALYSIS AND FINDINGS:

In this chapter the data collected from various sources related with budget preparation and utilization of NBT Municipality offices has been discussed. The data were presented and analyzed according to the flow of budgetary process starting from budget preparation, followed by budget utilization and evaluation. As indicated in the introductory part of the paper, statistical package for social science (SPSS) application has been applied to analyze the data. The descriptive analyses were also supported by the open-ended responses given during the collection of data, interview responses, reports, and literature reviews.

Characteristics of the respondents - The respondents used in this research paper are classified into three types namely: budget users selected from samples of all the budget holders, budget experts of Planning and Budget Department and Budget experts from NBT Municipality Finance and Economic offices. Structured questionnaires sent to 94 respondents in samples of 9 Budget holders. Eaten sex (86 of the respondents (92%) have filled and returned the questionnaires properly. The questionnaires were distributed to and filled by budget experts, budget heads, and finance experts, in each budget holders. The characteristics of the respondents are presented below as follows in terms of gender, education level, and service year.

Table 1: Level of Education Vs Service Year - respondents from budget users

Educational Level	Gender		Service year			
	Male	Female	<5 years	6-10 years	11-15 years	Above 16 years
Diploma	16	13	11	6	6	6

Bachelor Degree	34	12	18	21	9	8
Master degree	9	2	2	4	3	2
Total	59	37	31	31	18	16

Table 2: Budget Preparation by Budget users' and their response rate

Question	Measurement					
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
You have adequate understanding to prepare and evaluation of budget. Plan	12 (23%)	16 (18%)	10 (11%)	34 (39%)	16 (18%)	86 (100%)
Your office has An Adequate number of professionals (budget officers) who pre pare preparation, utilization evaluation	10 (12%)	14 (18%)	23 (26%)	34 (39%)	5 (5%)	86 (100%)
Your office prepares its annual plan based on the strategic document of municipality	24 (28%)	31 (35%)	8(9%)	12 (13%)	11 (12%)	86 (100%)
Your office revises its budge preparation and utilization frequently.	14 (17%)	20 (22%)	7 (8%)	38 (43%)	10 (11%)	86 (100%)
Your office prepare the budget in relation to plan	11(13%)	16(18%)	13(14%)	26(29%)	20(22%)	86(100%)
The budget demand prepared by your office is based on approved by programs.	10 (12%)	16 (18%)	6 (6%)	37 (42%)	17 (16%)	86 (100%)
Budget is prepared based on reliable data and estimates.	9(11%)	15(17%)	9(10%)	41(47%)	12(13%)	86(100%)
The amount of budget prepared for each program is over estimated	10 (26%)	12 (12%)	8 (9%)	30 (34%)	25 (28%)	86 (100%)

As it is depicted on the **Table 2** above key informants were asked about the preparation of plan; whether it is related with budget or not. As we have seen on the above table from the total of 86 informants 21 of them strongly agreed and also 20 agreed on the existence of plan prepared in relation to budget. As it is displayed in the response near to 66(21 of them strongly agreed and 20 of them agreed) i.e. (41%) of respondents agreed upon on the existence of a relation between the plan prepared with budget requested except in some situations. On the contrary when we see the question of budget revision, 72 percent of the respondents (64 of 87) agreed that they revise their plan frequently in relation to annual budget. From the responses the two ideas contradict with each other because the responses of the two questionnaires have almost near to equal rate of percentage.

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 budgets 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 Likert scales of questionnaire, there were answers provided by the respondents for open-ended questions indicated there were mismatch between plan prepared and annual budget requested. As the respondents stated, because of the mismatch between plan and budget, the departments are obligated to revise plan to include new activities. In most of the case low attention is given to the preparations of plan and budget. The cause for the revision of budget was mainly contributed by failing to consider the amount of budget needed for the fiscal year at the beginning of the budget year. On the other hand, other departments are considered that plan is always prepared by the planning department only and they left out for themselves. Such situation has resulted in preparing budget without the exact basis of reasonable estimates and base line data. The plan and budget was prepared without the participation, discussion, and approval of concerned units and persons, prepared budget did not include the relevant issues and the NBT

Municipality's strategic plan fully, there is a tendency of presentation of budget demand without work plan. In addition to this, majority of the respondents confirmed that budget users have limitations in: budget preparations, timely submissions of budget requests, and on the validity of assumptions taken in preparing the annual budget. In addition to this, there was questions forwarded to budget experts and some of them are depicted as follows:

- Do you agree that there is a wide mismatch between plan and budget in your organization?
- Do you think that the department has adequate number of skilled professionals?
- Are the plans and budgets of budget user's realistic, based on valid assumptions, and developed by knowledgeable individuals?
- Do you believe that budget holders give serious attention when they prepare their budget request?

Moreover, most of the time the amount of budget requested for each item is purposely exaggerated. The main reason is they considered as the office responsible 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 of the five budget experts, all of them stated that Plan and Budget Department NBT Municipality has no adequate number of skilled persons to conduct budget analysis. Moreover, for the question on the budget preparation majority do not agree that budget users prepare their financial plan based on realistic, valid assumptions, and by knowledgeable individuals.

For instance, according to Schiavo-Campo and Tommasi, (1999) and Allen and Tommasi, (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities NBT Municipality Budget Utilization 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. Every budget user department has the obligation to register transaction of budget movement and maintain the balance on the ledger prepared for this purpose. In principle Budget users

under NBT Municipality has the responsibility to submit monthly report NBT Municipality to planning and budget department. Further, the budget user is required to utilize the allocated budget for the specified period.

As it is shown on the **Table 3** above, on the utilization of budget whether it is according to the plan or not we can see from the result that 69 percent of the respondents are agreed up on the utilization of approved budget based on the annual plan. On the other hand, 31 percent considered as they do not agree up on it. On the other hand, 40 percent of the respondents' have disagreed on the opinion with the underutilization of budget during the period, where as more than 26 percent of respondents are neutral for the situation and they have not the information. Apart from this, about 37 percent of the respondents agreed on the contrary to underutilization instead they indicated the existence of overspending. Accordingly, Allen and Tommaso, (2001) expressed in most cases, underutilization, 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. As it is explained from the open-ended questions, majority of the respondents admit occurrence of unutilized budget. Peter, (1998) identified that the main weaknesses in resource allocation and use are: poor planning; deficient links between policy making, 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.

Moreover, the respondents stated that in open ended question on there is some reason for under-utilization of budget i.e. shortage of skilled manpower or expert exacerbated the problem, lack of co-ordination between budget and finance sections, un-timely expenditure (such as towards the end of the period), and nonexistence of strict accountability were other reasons for the occurrence of budget utilization weaknesses. Some literatures show that it is possible to utilize badly a well-prepared budget; but it is not possible to utilize well a badly prepared budget.

Table 3: Utilization of budget based on the annual plan in different areas

Question	Measurement					
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Your office utilizes the approved budget based on its plan	11 (12%)	13 (14%)	7 (8%)	36 (41%)	19 (22%)	86 (100%)
Your office has the practice of regular follow up on its budget utilization and evaluation	14 (16%)	18 (20%)	9 (9%)	30 (34%)	15 (18%)	86 (100%)
Your office has adequate capacity to evaluate budget with its main activities.	14 (16%)	17 (19%)	4 (5%)	31 (34%)	20 (23%)	86 (100%)
Your office faces budget shortage during the budget year.	43 (49%)	27 (31%)	2 (3%)	10 (11%)	4 (6%)	86 (100%)
Your office has strong budget control Mechanism.	15(16%)	18(21%)	8(9%)	28(32%)	16(18%)	86(100%)
There is underutilization of budget in your office.	12(13%)	12(14%)	10(11%)	32(35%)	19(22%)	86(100%)
The current budget utilization and control of your office is sufficient.	12 (14%)	13 (15%)	12 (13%)	26 (29%)	23 (27%)	86 (100%)
All expenditures are sufficiently documented.	40(45%)	27(31%)	2(3%)	12(14%)	5(7%)	86(100%)

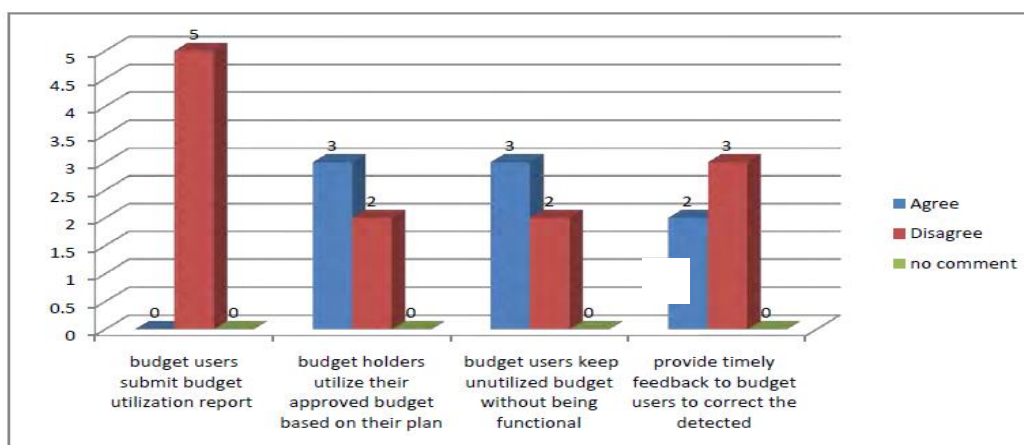


Fig 2: The main responsibilities of Town Municipality.

On top of this, successful budget utilization depends on the utilizing capability of the agencies concerned and it involves a great number of players than budget preparation, and calls both for assuring that the signs given in the budget are correctly transmitted, and for taking into account feedback from actual experience in implementing the budget.

The above **Fig 2** show us clearly there is existence of discrepancies on budget utilization, especially budget users keep unutilized budget without being functional, and almost all of the ten respondents disagree on provision of budget utilization report of budget not provided. Mechanism, the budget utilization status is not known. To sum up, the professionals mentioned on the open ended question there is lack of skilled Manpower

and experience among the driving forces that fetch discrepancies in budget utilization, the experts clued that the department does not arrange regular short-term training to improve the skill of budget personnel engaged in budget holders, the structure of budget professionals to stay in the department i.e. there is low benefit package as they explained. The research started with survey, followed by unstructured interviews and which in turn followed by revision of documents and reports. In this case weakness of one approach of data collection method is offset by the strength of other. This method would strengthen the validity of the results. Therefore, the audited budget utilization report provided by Town Municipality administration level at different period is presented in **Table 4** below.

Table 4: Audited budgetary revenue and expenditure reports of NBT Municipality finance office.

Ethiopian Fiscal Year	Adjusted Budget	Actual Expenditure	Over(-)or under utilization of budget (+)
2006	23 460 000	23 7000 000	(+) 240 000
2007	26 334 000	26 589 000	(+) 255 000
2008	31 483 000	31 483 000	(+) 273 000
2009	37 300 000	40300 000	(+) 3000 000
2010	42 827 000	43 177 000	(+) 350 000

As prevailed on **Table 4**, the whole approved budget of Municipality is set for both capital and recurrent budget expenditures. Under spent budget has huge amount in each year from the report. Relevant reports explained that such underutilization arose from low capacity to utilize approved budget. On the other hand, although respondents said to be appreciative for utilization of its budget in the previous question they filled, under spending seen from audited report of finance office budget department on the above table that ensure as there is low performance in the approved budget in each year.

As per some scholar stated that official budget may coexist with large amounts of off budget spending. In general, the respondents forwarded some recommendation on the overall utilization of budget in i.e. during budget preparation; it is better to identify projects under construction, identify projects completed and which needs retention budget and new projects planned to be constructed, it is advisable to relate budget with the plan which already targeted and doing accordingly. Moreover, it is preferable to fulfill human resources and avoid under budget utilization. In general, as it is observed in the analysis part composed of various approach in budget preparation and utilization practices.

CONCLUSION AND RECOMMENDATIONS:

It is known that the study concentrates on budget preparation and utilization of the budget users. For this reason, it has been seen relevant literatures review and documents, and gathered primary data from seventeen budget holders on their budget preparation and utilization tendencies in the health bureau and the researcher concluded the following points based on the analysis. There is inadequate and inexperienced manpower that has been worsening results of plan and budget preparations disparities; there is also lack of awareness of budget users about the role of plan and budget to the

health bureau; it is possible that to infer budget users have various levels of understandings during budget preparations and on top of these, plan and Budget Department does not arrange short-term training to improve the skill of budget personnel engaged in budget holders. To sum up, the researcher concluded that the causes for underutilization of budget are mainly due to lack of coordinated effort in purchasing, lack of consistency and delay in purchase processes, incapacitated budget staffs in terms of skill and knowledge in each respective budget offices and lack of information by management at each level of the health sector to evaluate the budget utilization status which lead towards underutilization of budget.

The major interest of this research paper is to assess the NBT Municipality budget preparation and utilization of finance office weaknesses observed by budget holders, and suggests possible recommendations to overcome such problems (Hoque *et al.*, 2020). Therefore, the following recommendations are suggested NBT Municipality in budget preparation –

- The NBT Municipality should assign skilled professionals who have adequate knowledge on budget at each level of respective budget office's i.e. the right person should be assigned to the right position and it is better to create conducive environment for budget expert to minimize high staff turnover.
- Trainings should be arranged and delivered to develop uniform skills among budget workers.
- The budget workers found at each level in should NBT Municipality participate during budget preparation period.
- The annual budget should be prepared according to the plan that has been already targeted and the

current market price of items should be considered. In budget utilization.

- Responsibility and accountability should be given to each level unit's for effective utilization of their budgets.
- Purchase procedure should be shortened and there should be coordinated effort with other departments.
- There should be strong supervision and control by the budget holder leaders and their successive subordinates; on budget utilization in order to correct the observed problems.
- The NBT Municipality should use opinions suggested on the feedback given Finance and Economic Development office and should be considered thoroughly. In general, NBT Municipality should take all possible actions to correct the observed weaknesses, and to avoid repetition of the problems in subsequent years.

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CONFLICTS OF INTEREST:

The authors declare there is no conflict of interest.

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