



## **BUDGETING AND BUDGET MONITORING PRACTICE IN THE CASE OF GOVERNMENT HOSPITALS ADDIS ABABA CITY ADMINISTRATION**

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### **Abstract**

*The purpose of this study is to analyze Budget Implementation and Budget Monitoring on government hospitals in Addis Ababa City Administration. In order to achieve the objectives of it, random sampling method was used and descriptive study used. The SPSS version 24 was used to analyze data. From the findings results showed weak budget implementation and Budget Monitoring practice in government hospital. So in order to improve it, study recommends that the government hospitals staff should participate in budget process.*

### **Introduction**

#### **Background of the Study**

Council of minister regulation No.190/2010 provide for the financial administration of federal government. This regulation was issued by the council of ministers pursuant to article 5 of the definition of power and duties of the executive organ of the federal democratic republic of Ethiopia proclamation no. 471/2005/ as amended /and article 75 of the federal government of Ethiopia financial administration proclamation no.64/2009. Part two of this regulation is about budget.

Based on article 4 of regulation no.190/2010 provide for preparation and submission of budget. According to the article budget estimate has to be prepared in accordance with the financial limits and formats prescribed by the ministry in the annual budget call letters on the base of macro-economic and fiscal frame work to be approved by the council of ministers. This articles also states budget estimates of recurrent expenditure needs to be included a report or preliminary result of the first half of current yare and previous year performance. In addition to this budget estimate of recurrent and capital expenditure has to be signed by heads of public bodies.

Generally based on the above evidence, the study focused budgeting and budget monitoring practice on the government hospitals in Addis Ababa city administration (GHAACA) and examining the problem in the process of budget preparation, budget type and budget monitoring.

#### **Statement of the Problem**

According to budget consideration for Canadian health care facilities (2019) a budget is crucial document which is a base for funding. Health authority do not consider number of patient or demand when preparing fund and make decision. In most case this year's budget which can have a big influence on funding the next time. It is important to presenting hospitals budgeting plan for departmental reason.

According to world health organization (2016) in many countries budget implementation and oversight capacity is weak, which exacerbates poor budgeting system and thus budget execution that is further away from the planned budget.

Darge (2018) studied the impact of budget and budget control system effectiveness of public organization in the case of west wollega zone finance and economics found there were problems the use of approved budget on the plan, low practice in budget control and less participation of staff at the time of budget planning.

In the above fact of empirical evidence the assessment of budgeting and budget monitoring practice of government hospitals affected by similar problems like different countries government hospitals and other sectors. So the reason for this study is to examine the practice of budget planning, implementation and budget monitoring of government hospitals in Addis Ababa city Administration.



**Objective of the Study:** Analysis of Budget Implementation and Budget Monitoring.

### **Scope of the Study**

There are eleven hospitals under Addis Ababa city Administration and federal government (ministry of finance). The list of hospitals are Yekatit 12 hospital medical colleges, Minllk II hospital, Ras Desta memorial hospital, Tirunesh Beijing hospital, Amanuale specialized hospital, Alert hospital, St Palouse millennium medical college, Blacklion specialized hospital, and St petrose hospital. This study is focusing budgeting and budget monitoring practice of government hospitals in Addis Ababa city Administration.

### **Research Design and Methodology**

#### **Research Design**

The main objective of this research is to examine budgeting and budget monitoring practice on Government hospitals in the case of Addis Ababa city Administration (GHAACA). In order to achieve this objective and the research questions the researchers used descriptive study.

According to Kothari (2004) a descriptive study is concerned with finding what, where and how of a phenomenon. Descriptive surveys are used to develop a snapshot of a particular phenomenon of interest since they usually involve large samples which are characteristic of this study.

The method attempted to collect primary data from members of population through questionnaire and referring secondary data resource such as five years annual budget performance report and budget guidelines to describe existing phenomenon.

#### **Study Population and Sampling Technique**

This section discusses about the population and sampling determination of the research selected relevant for the study to get meaningful outcome and to insure its representativeness and reliability of information obtained throughout the research.

According to ministry of finance (MOF) and Addis Ababa City Administration finance bureau (AACAFB) there are eleven (11) Government hospitals, six hospitals are under Addis Ababa City Administration finance bureau and others are under minister of finance. The researchers took sample size eight (8) government hospitals (72%). The researchers used random sampling method to select sample of hospitals.

The researchers believe that the selected government's hospitals are representing the total population. Due to this fact, the researchers selected the respondents from each hospital 4 head of budget department; finance head, chief executive officer and human resource management which represent total number of respondents from hospitals are 32. To determine sample of the respondents from ministry of finance and Addis Ababa city Administration finance bureau the researchers communicated head of budget department and selected 18 respondents with closely related hospital budgeting out of 34. Total numbers of respondents are 50.

#### **Method of Data Analysis**

The collected data were processed and analyzed through the use of a statistical software package called Statistical Package for Social Sciences (SPSS) 24 versions and Microsoft excel tables; charts, pie charts and percentage are used to analyze the data.

#### **Reliability analysis**

Reliability is the consistency of the measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. To carry out the reliability analysis, Cronbach's Alpha ( $\alpha$ ) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value ( $\alpha$ ) greater than 0.600 is also acceptable.



**Table 1: Measurement of Reliability (Cronbach's Alpha)**

No	Category of questionnaire	Cronbach's Alpha	No of Items
1	Budget process	0.758	9
2	Budget implementation	0.601	6
3	Budget type ( lineitem budgeting)	0.738	5
4	Budget type (program based budgeting)	0.726	5
5	Budget monitoring	0.891	9

Based on in table 1 measurement of reliability (Cronbach's Alpha) budget monitoring has the higher Cronbach's alpha value (0.891). This shows reasonably good reliability in internal consistency of the 9 questions. Budget process has the second higher Cronbach's alpha value (0.758) which means it is also good reliability internal consistency of the 8 questions. Budget type (line item budgeting) was the next very acceptable Cronbach's alpha value (0.738)and also very acceptable budget type (program based budgeting) Cronbach's alpha value (0.726) and finally Budget implementation which shows acceptable Cronbach's alpha value (0.601) that data is highly reliability in internal consistency.

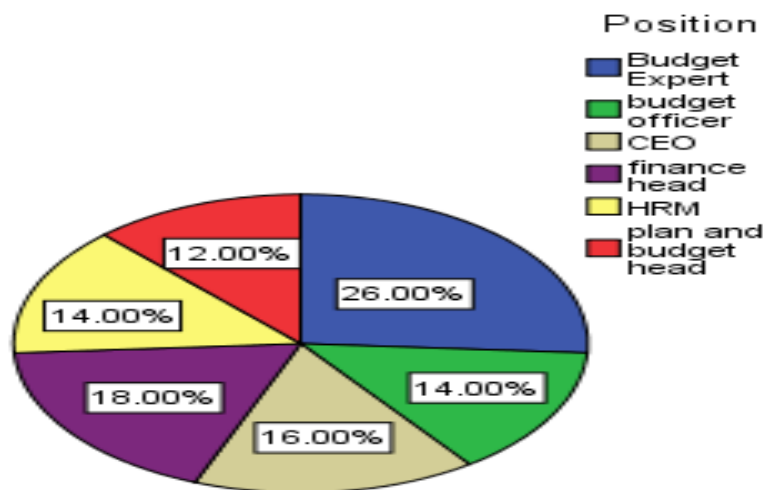
**Response Rate Analysis**

The study targeted eight government hospitals planning and budget department head, finance head, chief executive officer and human resource, budget experts and officers from ministry of finance, and Addis Ababa city Administration finance bureau to collect the research data. Therefore 32 questionnaires for government hospitals and 18 questionnaires for minster of finance and Addis Ababa city Administration finance bureau were distributed, collected and analyzed.

**Demographic Characteristics of Respondents**

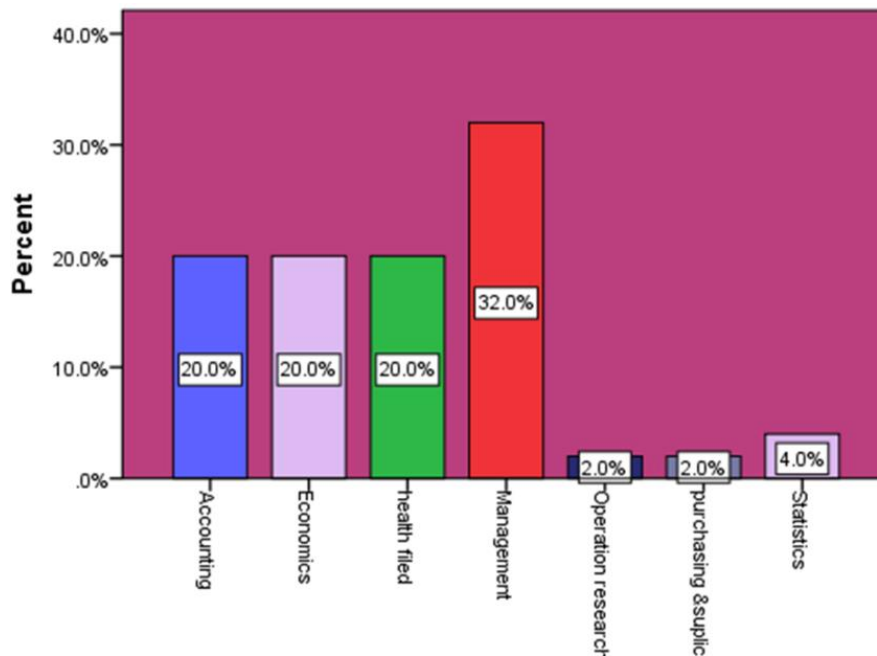
In order to have clear understanding about the result of the study, it is important to be familiar with demographic characteristics of the sample respondent. Then in this sub section, variables such as position, and filed of specialization are summarized as follows.

**Figure 1 Position of respondents in the organization**





**Figure 2 Field of specialization**



**Analysis of Budget Implementation and Budget Monitoring**

**Analysis of Budget Implementation**

The respondents are invited to indicate their level of agreement on the following statements in relation to budget implementation. The responses are rated on a five point Likert scale where: 1 indicate strongly disagree; 2 disagree; 3 undecided (neutral); 4 agree and 5 strongly agree

**Table 2 Shows Budget Implementation in Government Hospitals**

	N	Mini mum	Maxim um	Mean	Std. Deviation
Budget holders utilize their approved budget based on their plan.	32	1	5	3.13	1.212
Budget implementation reports are consistent with plan.	32	2	5	3.72	1.143
Hospitals face budget shortage during the budget year.	32	1	5	3.53	1.270
Shortage of budget affects budget implementation.	32	1	5	3.66	1.310
Hospitals have enough budgets for renewal equipment and maintenance of building.	32	1	5	3.56	1.268
Budget allocated each activity is sufficient to address essential needs.	32	1	5	2.91	1.228
Valid N (listwise)	32				

Source: SPSS output from survey data, 2019

As the above result shows the respondent agreed undecided (neutral) for budget holder utilize their approved budget based on plan (3.13), budget implementation report are consistent with plan (3.72), hospitals faces budget shortage during the budget year (3.53), shortage of budget affect budget implementation (3.66), hospitals have enough budget for renewal equipments and maintenance of building (3.56). On the other hand most of the respondents were disagreed with budget allocated each activity sufficient to address essential needs (2.91). The figures that are put in the bracket show the Mean value.



### Analysis of Budget Monitoring

The respondents are invited to indicate their level of agreement on the following statements in relation to budget monitoring. The responses are rated on a five point Likert scale where: 1 indicate strongly disagree; 2 disagree; 3 undecided (neutral); 4 agree and 5 strongly agree.

**Table 3 Budget Monitoring**

	N	Minimum	Maximum	Mean	Std. Deviation
Hospitals have budget policy that monitoring budget spending.	32	1	5	3.63	1.070
Cost of activities and functions are constantly reviewed.	32	2	5	3.53	1.077
Budget performance evaluation reports are prepared frequently.	32	2	5	3.94	.801
There is regular follow up on budget plan by budget department.	32	2	5	3.44	1.105
Management, budget committee and budget department discuss the results of audit report for taking corrective action.	32	1	5	3.22	1.070
Budgets are a means of communication between different hospitals department.	32	2	5	3.31	.896
Management hold budget meeting regularly to review performance.	32	2	5	3.41	1.043
All expenditures are charges to proper accounting period.	32	1	5	3.19	1.401
Approved budgets are shared with all departments.	32	1	5	2.75	1.016
Valid N (listwise)	32				

Source: SPSS output from survey data, 2019

From the findings most respondents agreed with undecided (neutral) with hospitals have budget policy that monitoring budget spending (3.63), cost of activities and function are constantly reviewed (3.53), there was regular follow up on budget plan by budget department (3.44), management, budget committee and budget department discuss the result of audit report for taking corrective action (3.22), budgets are a means of communication between different hospitals department (3.31), management hold budget meeting regularly to review performance (3.41) and all expenditures are charges to proper accounting period (3.19). Moreover most respondents were agreed budget performance reports are prepared frequently (3.94) but disagreed with approved budgets are shared with all departments (2.75). The figures that are put in the bracket show the Mean value.

### Conclusions and Recommendations

#### Conclusions

Budgeting and budget monitoring is an important instrument for government hospitals which are very useful and mandatory inputs to perform operational activities to achieve goals and objectives. The general objective of the study is to examine budgeting and budget monitoring practice on government hospitals in the case of Addis Ababa City Administration. In order to achieve this objective the researchers sampled eight government hospitals and budget department from ministry of finance and Addis Ababa City Administration finance bureau. Based on the findings the researchers concluded the following.

1. Budget allocated each activity is not sufficient and to address essential needs and shortage of budget is the main problem of government hospitals budget implementation, due to lack of linkage planned budget with activities..



2. Budget guidelines prepared by ministry of finance and Addis Ababa City Administration are the same for all sector organization. Therefore it reduces the efficiency and effectiveness of the planned budget.
3. Base on the response to questionnaires and comments from the respondent there is ineffective utilization of allocated budget by government hospitals. In the result of used planned budget for unplanned activity (misuse of planned budget) and lack of skilled man power. This shows there is a weak budget monitoring practice in government hospitals.

### Recommendations

The following are the main suggestions based on the result of the study,

1. Ministry of finance and Addis Ababa City Administration finance bureau develop hospitals guidelines based on hospitals strategy plan to reduce the gap between hospitals activities to planned budget.
2. In order to make sound or good budgeting, government hospitals must formulate well organized budget department and budget committee.

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