ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Budgeting and Budget Monitoring Practice on Government Hospitals in Addis Ababa City Administration

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE

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APROVED BY BOARD OF EXAMINERS

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Statement of Declaration

I, Betelhem Tolossa, have carried out independently a research work on "Budgeting and budget Monitoring practice in government hospitals in the case of Addis Ababa City Administration" in partial fulfillment of the requirement of the MSc program in Accounting and Finance with the guidance and support of the research advisor

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.

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List of Abbreviation

AACAFB	Addis Ababa city Administration Finance Bureau
AKDA	Afgya Kwabre District Assembly
ATS	All Train Service
CEO	Chief Executive Officer
GHAACA	Government Hospital Addis Ababa City Administration
HRM	Human Resource Management
MOF	Ministry of finance
MTEF	Medium Term Expenditure Framework
PPBS	Planning Program Budgetary System
SPSS	Static al Package of Social Science
ZBB	Zero Base Budgeting

ABSTRACT

Budgeting is the process of planning a budget, implementing those plans and budget monitoring is a continuous activity expectation and excitement about an activity towards achieving a goal. The purpose of this study is examining budgeting and budget monitoring practice in government hospitals in Addis Ababa City Administration to improve budget preparation process, implementation, budget system and budget monitoring In order to achieve the objectives of the thesis, the researcher used random sampling method to selected sample hospitals and take eight government hospitals out of eleven addition to this used purposive sampling method to selected respondents. 32 staffs are taken as respondent head of budget department, Finance head, chief executive officer and human resource for each government hospitals and communicated head of budget department from Addis Ababa city Administration finance bureau and ministry of finance to selected sample respondent responsible for hospital budgeting process and take 18 budget officer and expert out of 34 and distributed the questionnaire. The researcher used descriptive study. The SPSS version 24 was used to analyze primary data and Secondary data was also collected from budget performance reports, and budget guidelines prepared by ministry of finance and Addis Ababa city Administration finance bureau. From the findings results showed weak budgeting and budget monitoring practice in government hospital .So in order improve budgeting system it is recommended that the government hospitals should participate concerned staffs in budget process, change budget type, and form well organized budget department and budget committee.

Key words: Budget preparation, budget type, budget monitoring and Budget implementation.

CHAPTER ONE

1. INTRODUCTION

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

1.1 Background of the Study

According to American Hospital association (2014) government hospitals are owned by the government (by the budget from the government) and not for profit making but, provide medical care free of charge or for individual who may not have access to health care.

Aaron Wildavsky (1964) a budget is a forecast expense connection between monetary resources and individual activities in order to achieve government hospitals goals. Representation in monetary terms of hospitals activities ,evidence of results are great effort over supporting preference and tries to assign in short supply financial resource through supporting process in order to achieve the government hospitals goal.

Arthur Anderson (2000) budget is a logical way of allocating monetary, material, employees and other resources to get planned goal. Government hospitals build up a budget in order to control progress in the direction of their goal, help manage expenditure and predict cash flow and improve their activities. Mapping out the future is the central challenge that the budget developers face, something that can never be done with perfect precision. The fast rate of technological change and the complication of global competition build effective budget both more difficult and a very important. Important benefits of improving the budgeting process include better understanding of hospitals strategic goals, more coordinated support for those goals, and an improved ability to respond quickly to competition. The best practice to develop budget is to link budget development to corporate strategy. Budget development is more effective when linked to overall hospitals strategy, design procedure, incentive, reduced cycle time and accommodated to change.

Blocher, Stout, and Cokins (2000) budgeting is a common instrument that helps the organization for preparation and monitoring what they must do to their customer and succeed in their work

place. Budgeting is a comprehensive plan for gaining and use of monitory and other resource over a specific period of time. A budget includes both monetary and non-monetary aspect of planned operation and projection. The budget for a period is both a guide line for operation and projection of the operating result for the budgeted period .The process of planning a budget is called budgeting. Budget planning allows the management time to work out any evils in the government hospitals which might face in the next period. This additional time enable the organization to reduce unfavorable results that expected problem could have on the operation. A budget is also a means of communication tools through top management, other managers and employees. The top management explains its plan and goal for the period to other managers and employees who have the right to use this information. The working plan of a budget allows each division to be familiar with what it wants to, to satisfy the needs of the division. Budget fixes the organization expectation from all divisions and employees for the period. It also inspiring tool with the expected activities and working result clearly explained in the budget. Employees know their obligation to attain the budgeted goals. To increase the role of budget as inspiring tool many organization give chance to the members of staff who hold the budget as their own.

Charles(1997) budget is monetary plan of action and help managing and implementation .Budgets are prepared to do the basic element of result oriented budgetary system like planning, evaluating, coordinating different activities put into practice. According to Owler and Brown (1999) budgets are predictable out looked from personal approach. Individual aspects are more useful than the accounting method. The achievement of any budgetary scheme depends on its acceptance by those burdens with the responsibility of controlling the budget and the government hospitals member who are influenced by the budget. It is not enough to prepare budgets and give responsibility for them behavioral aspect must be considered .The structure will be ineffective if the people who in the government hospitals in the scheme have not been considered and not asked to participate in the structure.

According to Institution of Cost Management (1999) a budget is a fiscal and quantitative statement planned and approved before defined period of time for the purpose of achieving a set of objective. Budgets are very important for planning and a power management to imagine further on and look before they bound. The main reason for the use of budgets are to reduce uncertainty, increase coordination among different department, identify weakness, help managers

analyze expenditures and establishment performance standards for operational activities and adoption of standards and identify deviation from pre-planned course of action. Budgeting is a driven process of planning put in to action and manage budgets the process start with distribution of course of action approved by senior management and also an action plan that is necessary for controlling all portion of the operations for definite period of time. Budgetary control refers to the establishment of budget that relate duties of management to the requirement of a policy and continuous contrast of actual with budgeted results either protected individual the objectives of the policy or to give basis for its revision.

Mcalpine (2000) budgeting system is broad and successful and that all department of government hospitals know their duties what they want to be done, how it should be done and how performance will be measured under the system. According to him what budget is in the system, who is responsible for plan and direct it, what choice has to be arrange in the plan of each budget , what information will be needed to lead these decisions, what are the source of information and method of collected, analyses, and interpreted to set up the facts are some question that have to be considered in drafting procedure. These procedures should be based on the fact that all the information free from bias and falsified evidence. According to Onuorach (2005) budgeting means administration plan in monetary term and help to asses formulation of broad expectations plan of action and compare the actual result with programmed plan.

Pandey (2008) budgetary control as the establishment of sub-divisional budgets relating the duties of the management to the obligation of a policy and the permanent contrast of actual budgeted result and also secure desired action. The goal of that policy is to give a government hospitals basis for its revision. The budget plan showing how a resources will be required over a given period of time .It represent a plan for the next express in monetary term.

Robinson (2007) program budgeting (PB) is the performance budgeting mechanism which has had the most enduring influence. Program budgeting comprises the objective based program classification of expenditure and the systematic use of performance information to inform decisions about budgetary priorities between programs.

Council of ministry regulation No.190/2010 provide for the financial administration of federal government. This regulation is 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 shall 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 state budget estimates of recurrent expenditure shall 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 shall be signed by heads of public bodies. Furthermore the articles explains that the budget estimates of capital and recurrent expenditure of public bodies shall be presented to the ministry for evaluation any necessary revision and consolidation.

Regarding approval of budget estimates article 5 of regulation 190/2010 says that upon completion of evaluation and any necessary of public bodies, the minister shall present the compiled budgets estimation of recurrent and capital expenditure to the council of ministers shall be submitted to house of people representative. Sub articles 3 of this article state that the ministry shall notify the head of public bodies the budget approved by the house of people representative.

With regarding budget calendar setting it is the responsibility of the ministry pursuant to article 6 of regulation no.190/2010. Regarding discretion article 7 states that the ministries shall use its power to decide with shall be included in the budget.

On budget control article 9 regulation no.190/2010states that subject to directives of minister, the head of public bodies shall maintain register of appropriation authorized transfers and allotments for each budgetary head and sub head and for each capital project. In addition, subject to directives of ministers the head of public bodies shall provide information to enable the government to maintain necessary central controls over budgetary fund.

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, currently used budget type implementation and budget monitoring.

1.2 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.

Gabi and Yitzchak (2016) stated the main problem of historical budget (line item budgeting) in the existing mechanisms as lacking connection between the budget and different activities in the hospitals are missing the connection between budget and different activities combine in the hospital. This creates challenges for the future system as results in limited operational flexibility, lack of incentives to encourage operational efficiency or quality goals.

Anohen (2002) study on budgeting and budgetary control for enhancing financial management in local authorities Afigayakwaber District and he has found difference between planned and actual result, poor data base for planning and budgeting, lack of experienced personnel in various department are some problem in budget preparation and control.

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.

Tilahun (2010) in his studied on budget management and control in Ethiopia ministry of defense found that there were inefficiencies in budget implementation due to problems of experienced man power, application of policy and procedures, lack of monitoring budget timely.

Yesuf (2015) studied the practice of budgeting and budget monitoring as a management tool for managing variances in NGOs operating in Ethiopia. According to the result, the overall budgeting system in the sample organizations misses the important participation of concerned staffs.

Tefera (2015) studied budgeting system in Ethiopia, program budget system implementing on the federal level. There were a problem confusion program structure and organizational structure, lack of sufficient and continuous training the officials and poorly implemented the 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 to understand budgeting and budget monitoring practice of government hospitals in Addis Ababa city Administration and improve practice of budget process, implementation, budget system and budget monitoring.

1.3 Basic Research Questions

The study focused on the following basic research question on the evaluation budgeting and budget monitoring practice in the case of governmental hospital in the Addis Ababa city administration. This research tries to answer the following question.

i. What does government hospitals budgeting process look like?
ii. The budget allocated satisfies the need for government hospitals activities?
iii. What is the influence of current budget type (budget system) on government hospitals in Addis Ababa City Administration?
iv. Do government hospitals in Addis Ababa city Administration have good budget control and monitoring practice?

1.4 Objectives of the Study

These research objectives are general and specific. Each of them is explain separately in the following.

1.4.1 General Objective

The general objective of this study is examining budgeting and budget monitoring practice of governmental hospital in Addis Ababa city administration (GHAACA).

1.4.2 Specific Objectives

i. To evaluate process of budget preparation in GHAACA.
ii. To examine types of budget (budget system) on the GHAACA.
iii. To examine the implementation of budget GHAACA.
iv. To analyze the efficiency and effectiveness of the budget.

1.5 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, RasDesta memorial hospital, Tirunesh Beijing hospital, Amanuale specialized hospital, Alert hospital, S.t Palouse millennium medical college, Black lion specialized hospital, and S.t petrose hospital This study focusing budgeting and budget monitoring practice of government hospitals in Addis Ababa city Administration.

1.6 Significance of the Study

The significance of this study are to improves the system of government hospitals budgeting and budget monitoring practice and performance of government hospitals in Addis Ababa city administration, solve problems related with budgeting and budget monitoring practice, give additional Knowledge to government hospitals budget department and other participants on budgeting and budget monitoring practice, improve government hospitals service for users and give some information who want to study in the future budgeting and budget monitoring practice related with health area.

1.7 Limitation of the Study

This study focused on budgeting and budget monitoring practice on government hospitals in Addis Ababa city administration. Therefore the result and conclusion are not included other government hospitals in Ethiopia.

1.8 Organization of the Study

This research is organized in to five chapters. The first chapter deals with the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, and scope of the study. The second chapter consists of the review of literatures which is relevant to the topic under investigation. The third chapter is about the methodology uses in the study. The fourth chapter includes discussion and interpretation of data which was gathered from respondents and the last chapter is chapter five which is containing findings, conclusions, and recommendations.

CHAPTETR TWO

2. Literature Review

2.1 Introduction

This chapter two reviews the earlier studies and literature related to budgeting , budget control and monitoring, budget process on government hospitals in Addis Ababa city administration, hospital budget consideration, budget type, good practice in budgeting, budget process , importance of budgeting budget control and monitoring and controls, budget performance and organizational effectiveness, Empirical literature review and chapter summary and research gap.

A. **Theoretical and Conceptual Literature Review**

2.2 Budgeting, Budget Control and Monitoring

Many outers are writing about budgeting, budget control and monitoring some of explanation are the following.

2.2.1 Budgeting

According to Allen Schick (2002) budgeting is continues process. The process is never quite settled because those who manage it are never fully satisfied. To budget is to decide on the basis of inadequate information, often without secure knowledge of how past appropriations were used or what was accomplished, of the results that new allocations may produce. Most people involved in budgeting have experienced the frustration of having their preferences crowded out by the built-in cost of past actions. Budgeting is a deadline-driven process, in which sub-optimal decisions often are the norm because government does not have the option of making no decisions. When one cycle ends, the next begins, usually with little respite and along the same path that was trod the year before. The routines of budgeting dull conflict, but they also are a breeding ground for frustration.

Dobrovolsky. E (2006) consider budgeting to be an operational enterprise management system on financial responsibility centers through the budgets and it allows achieving effective results in case of effective use of resources. Kovalev V.V. (2007) considers budgeting to be a process of creation of a common budget as a set of interconnected functional (i.e. operational and financial) budgets that allow describing and structuring activities of the company firm in a forthcoming

period (year usually is meant) in the context of achieving financial goals. The budget is a quantitative picture of the plan characterizing incomes and expenses within a certain period, and equity which needs to be attracted to achieve planned goals. Budget items are used to plan future financial transactions, i.e. the budget is created before completing expected actions. It also determines a budget role as base for control and efficiency assessment of company's financial activities.

According to Ugoh and Ukpere (2009) a budget is a comprehensive document that contains what economic and non-economic activities a government wants to undertake with special focus on policies, objectives and strategies for accomplishments, which are substantiated with revenue and expenditure projections.

2.2.1 Budget Control and Monitoring

Scott, (2000) budgetary control is more than an administrative technique which aims to ensure that management functions are carried out in a well organize and co-ordinated fashion. According to him, budgetary control rather aims at straightening communication within an organization in other to ensure that budgetary provisions remain goal oriented.

The basic objective of budgetary control includes the following:

i. To bring together the ideas of all level of management in the preparation of the financial plan.
ii. To co-ordinate all the activities of the business.
iii. To centralize organizational control.
iv. To control each function so that the best possible results may be obtained.
v. To act as a guide for management decision when unforeseeable conditions arise.
vi. To plan and control income and expenditure so that maximum profitability is achieved.
vii. To direct all expenditure in the most profitable direction.
viii. To ensure that sufficient working capital is available for the efficient operation of the business.
ix. To provide a yardstick against which actual performance can be measured.
x. To show management what actual is needed to remedy a situation.
xi. To implement budgetary provisions in the most efficient manner.

Budget control can be determine through proper planning, adequate availability of financial resource, human resource capacity involving all stake holders and staff, evaluation and control of budget process not forget motivation. Srinivasan (2005) the purpose of budgetary control is to find out how the activities of an organization are progressing. To achieve budgetary control actual results are compared and measured with anticipated results as provided in the budget. If any differences are noticed the budget estimate can be reexamine and necessary correction can be taken.

According to Drury (2006) there are two main types of budgetary control which refers to the ex-ante control and feedback control type.

Ex-ante control is performed before authorizing operations allocation and consumption of resources and aims to anticipate errors or differences before they occur by taking measures to minimize them. Type feedback control system involves measuring the differences between planned and actual, so that further action can be modified to achieve the required results. It should be noted that budgetary control systems are dependent both internal factors and external factors affecting the organization, and changes in these factors have an impact on the budget. Characteristic health system health, external changes, political, social and economic tends to have a slow effect on health units. Often, these changes are unpredictable and health care facilities tend to act rather reactive than proactive.

Budgetary control can be achieved in different ways, through the implementation of internal control in the form of:

i. internal audits;
ii. internal checks in functions and activities;
iii. administrative controls in ensuring effective policies for staff, operating rules, regulations, procedures and methods;
iv. segregation of duties in the initiation, approval, authorization, execution and recording of transactions;
v. the chart of accounts showing the cost elements, cost centers, cost and level of expenditure limits;

Any forms of internal control is applied in one form or another, budgetary control is related to resource management to track that does not manifest phenomenon of abuse or improper request for additional budgetary allocation.

According to Scarlett, (2008), budgetary controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. A budgetary control could help in determination of organizational weaknesses. According to Merika, (2008), the deviations in budgeted and actual performance will enable the determination of weak spots. This enables an organization to concentrate on those aspects where performance is less than stipulated. The management moreover takes a corrective action measures whenever there is a discrepancy in performance. By fixing targets for the employees, they are made conscious of their responsibility. Everybody knows what he is expected to do and he continues with his work uninterrupted.

Budget control refers to how well finance officers utilize budget to check and manage costs and revenue of an organization in a given financial period. According to Davidson (2009) budgetary control entails preparing of budget, recording of actual performance, ascertaining of variance, evaluation of financial performance and taking suitable corrective action so that budgeted financial performance may be achieved.

The theory of budgetary control as explained by Howard and Brown (2015) now giving light on how this challenges revolving around in adequate resource to improve efficiency comes in stating that financial resource must be successfully and efficiently accomplished to anticipate results. Venkatasami (2015) stated budgetary control helps to achieve effective co-ordination to activities of varied government ministers and departments by setting financial goals and a way of attaining predetermined financial performance.

2.3 Budgeting Process

Bierman (2010) The process of budgeting involves setting strategic goals and objectives and developing forecasts for revenues, costs, production, cash flows and other important factors. The process usually includes the formation of budget department, budget committee; determination

of the budget period; Specification of budget guidelines; preparation of the initial budget proposal; budget negotiation, review, and approval; and budget revision.

2.3.1 Budget Department

The budget department disseminates the information during budget preparation.

The functions of the department include:

i. Publishing procedures and forms for the preparation of the budget.
ii. Ensuring that the information is communicated in the right way between the different organizational units.
iii. Analyzing the proposed budgets and making corrections and recommendations whenever necessary.
iv. Carrying out budget revision at regular time periods
v. Coordinating the work of the business units connected to the budget department

2.3.2 Budget Committee

The budget committee consists of the head of various departments within the organization and members of senior management and it tends to bring together all activates of management section or department in an effective manner.

Pandey (2002) identified some of the function of budget committee to include the following

i. Issuing instruction to various departments.
ii. Receiving and checking budget officers.
iii. Providing historical information to department managers as to help them in their forecasting.
iv. Suggesting possible revision.
v. Discussing difficulties with the manager.
vi. Ensuring that managers prepare budget in time.
vii. Preparing budget summaries.

Viii .Submitting budgets to the committee and finishing explanation on particular work.

2.3.3 Budget Period

Budget periods according to Lambe (2014) are the timeframe within which the contents and frameworks of budgetary provisions are brought into realities, considering that a budget itself is an action plan, structure into quantitative terms for efficient and effective implementation and to support long term strategic decision making. Budgetary periods can span over wide ranging periods of time, ranging from few hours to several years, depending on the nature of the budget.

Owler and Brown (1999) identified budget periods as the duration for which a budget is to be implemented, which could be short-term, medium-term or long-term. Consequently, a number of advantages or benefits are derived by an organization from the preparation of budget.

2.3.4 Budget Guideline

Issuance of guide line is the first step of budget preparation. The main source of this guideline is the strategic plan of the organization which modified time to time according to organization performance.

The budget guide line is developed by budget department and the guide line approved by senior management. After the approval of guide line the time table for budget preparation is disseminated through the organization.

2.3.5 Preparation of Initial Budget Proposal

Develop a budget request for facilities, personnel and other resources are management of different responsibility center within the organization .budget request modified according to guideline issued the responsibility center.

2.3.6 Budget Negotiation Review and Approval

i. Budget negotiation

The budget planner talk about the budget proposal with his superior .the superior judges the validity of each of the adjustment made in the budget proposal. The major consideration in this step of budget formulation is the performance in the budget year is an improvement over the performance in the previous year.

ii. Review and approval

The budget proposal developed by the budget departments are through successive levels of in the organization. If at one level the budget is not founded satisfactory it is sent back for reworking. The budget committees present the fully developed and reworking budget to the chief executive officer (CEO). The final approval is made by CEO. The CEO submit the approved budget to board of director

2.3.7 Budget Revision

Budgets are revised from time to time in order to check any difference. There are two procedure are followed reviewing budgets.

1. Procedure that provide for a systematic updating of budget.
2. Procedure that allow revision under special circumstance.

Systematic updating of budget requires extra work by budget department.

Budgets are revised only when they are no longer useful as control devices. Frequent revision of the budget indicates that the budget is not well prepared

2.4 Budget Process on Government Hospitals in Addis Ababa City Administration

According to YEM consultancy institute (2009) budget process on government hospitals in Addis Ababa city administration pass through four stages which include budget planning and preparation(drafting/design process), budget presentation and approval by the parliament(legislative process),budget execution (implementation process) and budget control (performance monitoring audit and evaluation process).

2.4.1 First Stage Budget Preparation (Drafting /Designing Process)

In first stage budget preparation has four phases:

Phase1. Government hospitals are required to perform all budget preparation activities including the mid-year program review for the current fiscal year, preparation of unit cost and work plan for the upcoming fiscal year.

Phase2. Budget preparation includes a budget call letter issued by MOF and AACAFB to all government hospitals. The budget call includes recurrent and capital budget ceiling, priority or

focal area to be considered in preparing the budget, submission date of the budget requested by government hospitals.

Phase3. Is conducting a budget hearing (government hospitals with MOF and AACAFB) based on this discussion and government policy and priorities the total expenditure ceiling and allocated ceiling for each government hospitals are the requested budget will be reviewed, adjusted and consolidated.

Phase 4. The last phase is summarization of the recommended budget by MOF and AACAFB to be presented executive body. The executive body will review and recommended the budget.

2.4.2 Second Stage Budget Approval

In the second stage the budget process /cycle is budget approval and appropriation. After the recommended budget is reviewed and adjusted by the respective executive body at all level, it is represented to the legislative bodies (house of people representative and city administration council bureau). These legislative bodies review, amend and approve the budget.

2.4.3 Third Stage Budget Execution (Implementation)

Once the budget is approved and appropriated by legislative bodies, MOF and AACAFB prepare the budget allocation guideline and notification to government hospitals and their institution and of the source of finance and line item to expenditure for the disbursement of the approved budget. The institutions then use the budget to carry out their activities for the year.

2.4.3 Fourth stage budget control

Budget control deals with performance review. This includes activities such as ensuring whether revenue utilization is according to laws and regulations, ensuring disbursement is made according to budget, ensuring whether hospitals property is kept safe and the recording and accounting procedure are up to standard. The office of general auditor charges of auditing government hospitals and present their finding before house of people representative.

2.5 Hospital Budgeting Consideration

According to Canadian health care service (2019) there are several elements in a hospital budget that administrator must closely consider during budgeting process.

1. Patients

Numbers of patients affect costs, expense and budget needs. Predicting patient numbers by taking a look at the local population and past patient number can help decide how many hospitals beds and medical services the hospital might need in the next year.

2. Operating Margins

During budgeting process determine margins by looking at past budgets and expenditures. Large margins can mean money is not actively being used to improve patient care and services. Too slim margins can mean a hospital struggles in the event of emergencies or sudden influx of patient numbers.

3. The Mission

A budget should align well with the mission statement and help the hospital meet it a mandate.

4. The business side of the hospitals

A budget needs to consider fund raising and revenues as well as the expenses per department, per service, and per bed. Hospitals consider money coming and going out just as all business look closely at cash flow.

5. History

Last year budget can be a good starting point for this year's but it is not the same. It is important to have that information in hand when designing this year's spending plan.

6. The cost of doing nothing

Cost of not doing means anything can have a huge impact on the budget. Hospital administrator will generally pay a lot of attention to big ticket items such as expanding a department or building new operating room.

7. Technology

Hospitals are always providing in new medical equipment and technology which can represent a significant expense on budget. When creating a budget for medical supplies and equipment it is important to consider total cost including maintenance, installation, training and related costs. Hospitals choose to buy new equipment but in many cases can save money by leasing medical equipment or buying used equipment**.**

8. Physician salaries and supports

Pension's benefits and salaries of hospital staff can represent one of the largest items of spending on any hospital budget. As physician are added to a hospital and as the hospital work attract specialists and retain medical professionals, physician reimbursement will likely continue to represent one of the largest segments of most hospital budget.

9. Changes

Changing a hospital mission or trying to add a new wing can unbalance budget. You might need to add a separate part of the budget if your hospital is transitioning to children's hospital, teaching hospital or adding a department.

10. Inflation

Health care costs are always increasing, as health care professionals and politicians often point out. When looking at fixed costs especially, it is important to keep rising expense in mind to ensure a spending plan reflects current price.

11. Services

Hospitals might need to cut services or options to meet budget targets.

12. outside sources

Many government hospitals are partners with non- profit organizations, government programs and communities to improve overall health in the community. In some cases, these programs are aimed at improving patient outcomes and the number of patient hospital admission, which in turn can affect hospital expenses. For example, a hospital may take part in HIV/ AIDS preventing

program in the community. This can mean an immediate expense but over a time can reduce the number of patients admitted due to HIV related condition. Outside participation needs to be considering in any budget, as it can add to cost today but potentially reduce cost in the future.

2.6 Types of Budgeting

Oduro (2006) on his part outlines budget types in the public sector as follows:

i. Line-item budget
ii. Performance budget
iii. Incremental budget
iv. Zero based budget
v. planning program budgetary system (PPBS)

2.6.1Line Item Budget

This is a type of budget where expenditure is expressed considerable details with less attention being paid to the activities to be undertaken. The object of expenditure is the key to classification. This may also be called an 'indicative budget' if it is in a preliminary stage (pre-approval stage).It shows the nature of spending rather than its purpose. In many countries hospitals have traditionally been financed on the basis of centrally directed line item budget. According to United Nation Children's Fund in Ethiopia (2017) at sub national level line item budgeting is currently in the place with plans being under taken to gradually shift to program base budgeting. Some government hospitals are found under Addis Ababa city Administration use line item budgeting system.

A simple line item input budget could include the following headings:-

Salaries
Salary Tax
Food
Drugs
Operating Expenses
Supplies
Repairs
Other expenses

==========

Hospital Total

Source Robert Dredge (2004)

The hospital will be required to account for its expenditure in accordance with this categorization. This approach has the benefit of assuring the funding agent that it can determine and control the input costs. It may also be a positive tool in that it can give some assurance about continuing employment. However it has many obvious drawbacks including:-

i. Inflexibility: it does not allow for in-year or inter-year changes in the relative costs of inputs.
ii. Incentives: It gives no incentives to clinicians or managers to refine their behavior or treatment patterns.
iii. Year-end a perverse incentive exists to ensure that the entire budget is spent up, as generally there is no ability to carry forward surplus or deficit into further years.

2.6.2 Performance Budget

This is a budgeting system which classifies items according to direct output of activity, intermediate product, activities, and purpose. It focuses on output or outcome rather than input and it is characterized by expenditure by work load or unit cost of activity primary features tasks, activities orientation management.

2.6.3 Incremental Budget

This is where the current budget is increased to allow for expected future conditions. Resources are allowed based on what was received in previous years rather than on any rational allocation based on the policy and planning process. Any changes in priority are accommodated at the margin rather than through a revision to the allocation of the available financial resources. This approach entails the use of the previous year's budget as a baseline and adds or subtracts amounts to form that budget to reflect assumption for the forthcoming budget year.

2.6.4 Zero Base Budgets

In zero-base budgeting (ZBB) all the activities are reevaluated each time the budget is prepared and each functional budget assumes that the function does not exist and that the costs are zero.

Koontz (2003) states that the idea behind this technique is to divide enterprise programs into activities and needed resources and then to calculate costs for each package by starting each program budget from base zero, costs as calculated afresh, thus avoiding the common tendency in budgeting to look only at change from a previous period.

In the opinion of Professor Pogue (1997), the zero base approach to budget primarily centers on:

i. Why the cost or activity is necessary in its present form.
ii. The possibilities of activity or cost alternatives.
iii. If these alternatives affect product quality or product services.
iv. Whether these alternatives affect the relationships and inter-relationship with other costs and activities.

2.6.5 Planning Program Budgetary System (PPBS)

PPBS are an instrument of budgeting designed to alter process, outcomes and impact of government budgeting in significant ways. At the label implies it was aimed at improving the planning process in advance of program development and before budgetary allocation was made. It was designed also to allow budget decisions to be made on the basis of previously formulated plan.

Planning program budgetary system is the process used to determine allocation and resource requirement for department of government hospitals

According to United Nation Children's Fund in Ethiopia (Ibid) the traditional budgeting structure of presenting on budget expenditure by line item has been officially replace by program based budgeting at the federal level during 2011/2012 fiscal year. Government hospitals under federal levels uses program base budgeting.

The final step is to determine the functional and departmental composition of the hospital in terms of the way future management lines of accountability are to operate. This could be as simple as determining a number of functional cost centers, for example:-

i. Clinical department: Surgery, Medicine, Therapies, Laboratories, Radiology
ii. Facilities support: Maintenance, Energy, Catering, Cleaning services, Transport
iii. Administration

These departments will be established as individual cost centers for future financial reporting and budgeting.

Feature	Line item	Program	performance
Contents	Expenditures by objects(inputs/resources)	Expenditures for a cluster of activities supporting a common objective	Presenting a results based chain to achieve a specific objective
Format	Operating and capital inputs purchased	Expenditures by program	Data on inputs, outputs, impacts and reach by each objective
Orientation	Input controls	Input controls	Focus on results
Associated management Paradigm	Hierarchical controls with little managerial discretion	Hierarchical controls, managerial flexibility over allocation to activities within the program	Managerial flexibility over inputs and program design but accountability for service delivery output performance

Source: Authors

Table 2.1 Feature of Alternate Budget Formats

Gregory (2005) identifies two main types of budget. These are traditional budget and MTEF budget.

2.7 Traditional Budget

The traditional budget is a tool used by money experts to get your financial situation on track. Examples of the traditional budget are the following:

Fixed budget

Fixed budget is a budget which is designated to remain unchanged irrespective of the output or turn over actually attained.

Fixed budget is do not vary over a given time period.

Flexible Budget

In the view of Joseph Baggot (1976) flexible budget is any type of budget which recognize the difference in behavior between fixed and variable cost relative to fluctuations. It changes according to the condition faced during the period.

Capital Budget

Pandy (1999) defines capital budgeting as the firm's decision to invest an entity's current funds most efficiently in long-term activities in anticipation of an expected flow of the future benefits over a series of years. It relates to the question of capacity and strategy direction of the firm and deals with the evaluation of alternate disposition of capital fund as well as the choice of the best capital structure.

Recurrent budget

A recurrent budget tracks ongoing revenues and expenses that occur on a regular basis, be they monthly, quarterly, semiannually, or annually. Also known as an operational budget, a recurrent budget includes line items such as wages, utilities, rent or lease payments, and taxes. It also includes purchases that are expected to last for less than a year, such as office supplies. A recurrent budget can help hospitals manage its money and come up with strategies for cutting day-to-day costs.

2.8 The Medium-Term Expenditure Framework (MTEF)

Gregory mentions that a medium-term expenditure framework budget consists of top-down estimates of aggregate resources available for public expenditure consistent with macro-economic stability; bottom-up estimate of the cost of carrying out policies, both existing and new; and a frame work that reconcile these cost with aggregate resources. An MTEF is an arrangement in which annual budget decisions are made in terms of aggregate or sect oral limits on expenditures for each of the next three to five years.

The implementation of Medium-Term Expenditure Framework approach budgetary control system requires institutional arrangements that provide correct incentives and assist in balancing priorities with affordability. It has however proved to be practically difficult to establish suitable

institutions and sustain them over time especially due to perceived low financial standing of the public sector (World Bank, 2004).

Stages of a Comprehensive MTEF

STAGE	CHARACTERISTICS
1. Development of Macroeconomic/Fiscal Framework	• Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)
2. Development of Sect oral Programs	• Agreement on sector objectives, outputs, and activities • Review and development of programs and sub-programs • Program cost estimation
3. Development of Sect oral Expenditure Frameworks	• Analysis of inter- and intra-sect oral trade-offs • Consensus-building on strategic resource allocation
4. Definition of Sector Resource Allocations	Setting medium term sector budget ceilings (cabinet approval)
5. Preparation of Sect oral Budgets	• Medium term sect oral programs based on budget ceilings
6. Final Political Approval	• Presentation of budget estimates to cabinet and parliament for approval

Table 2.2 The Six Stages of a Comprehensive MTEF
Source: PEM Handbook (World Bank, 1998: 47-51), adapted.

2.9 Characteristics of Budget

Gregory (2005) gives characteristics of a good budget. According to him, a good budget is characterizes by the following:

i. participation – involves many people as possible in drawing up a budget;
ii. comprehensiveness- embraces the whole organization;
iii. standards – base it on established standards of performance;
iv. flexibility – allows for changing circumstances;
v. feedback – constantly monitor performance;
vi. analysis of costs and revenues – this can be done on the basis of product line, departments or cost centers.

2.10 Importance of Budgeting, Budget Control and Monitoring

2.10.1 Importance of Budgeting

Purposes budgeting According Romanian authors Achim (2009) are the following:

1. Planning

Planning that ensure the companies' strategic objectives realization. Budgeting process stimulates managers to predict all the problems before their appearance and thereby avoid making hasty decisions in the event of certain undesirable situations in the future. We can say that budgeting "guarantees" that they will plan future operations depending on how it was accomplished the previous budget, taking into account all the factors that have influenced changes regarding previous budget indicators.

2. Coordinating

Coordinate various activities of departments and each employee and groups of interests in the organization. Each departments of an entity has its own objectives and this can lead to situations in which these goals are contradictory in relation to other responsibility centers. So, the budget has the role to reconcile and regulate these contradictions in favor of the entity so that these situations can be prevent

3. Stimulation

Stimulation of managers from all business levels to achieve predetermined goals of each responsibility center. This budget feature strongly manifests in case of participative budgeting when responsibility center managers can propose various quantitative indicators. Therefore the budget indicators are indicators not forced to realize from the center but settled by mutual agreement with the management of each responsibility center.

4. Control

Control of current activity to make sure disciplines are according to the organization plan. Careful drafting of budgets ensures the optimum standard to compare undertaken activity achievements, to determine deviations and to take measures to eliminate them.

5. Evaluation

Evaluations of plans are fulfillment by each responsibility center and their managers. Management performance can be appreciated by comparing the results with those expected to be achieved.

6. Training

Training managers and other employees are from financial services of a company.

2.10.2 Importance of Budget Control and Monitoring

According to Scarlett, (2008), budgetary controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements.

Renu Deshpande (2016) budget monitoring ensures that resources are used for their planned purposes and are properly accounted for. This process ensures not only that economic resources are deployed effectively and efficiently, but also that the potential obstacles and opportunities are identified for timely mid-course corrections. This implies that administrative structures for managing the budget cycle are securely in place, that they are well resourced and adequately staffed, and that the responsible personnel are well trained, aware of their roles and responsibilities, and competent to undertake their assignments.

Budgetary control has a number of advantages. The following are some of the advantage

1. Presentation overall managerial view

Budgetary control offers an overall picture of the various functions in an organization. In other words, it presents a managerial view of all the activities within an organization structure. Such an overall perspective is essential for management success.

2. Narrow down the gap between Planning and performance

In many organizations there is usually a big gap between planning and performance. Budgetary control bridges the gap between planning and performance by anticipating the results of courses of action, by comparing the actual results with anticipated results, and setting up proper standards for performance.

3. Promote division work and specialization

Budgetary control helps in the allocation of responsibility and accountability for performance to each member of the organization. It thus promotes division of labor. Division of labor in turn promotes the process of specialization, which helps improve the overall efficiency of the organization.

4. Further coordination and integration

Budgetary control helps managers coordinate the activities of the organization. The interaction between the employees during the budget development process helps integrate the activities of the organization's members. The budget controller conducts meetings with the heads of various departments within the organization and thus fosters coordination and integration between various departments. Budgetary control thus brings about the integration of policy, plans, and actions of the different departments.

2.11 Budget Performance

According to Firescu Victoria (2002) to make budget is to be forward looking management, namely to control budgetary provisions. By budgeting is determined affecting resources and responsibilities each activity center. Budget is forecast figure of earmarked resources and insurance responsibilities to achieve the objectives of the institution in terms of efficiency and effectiveness.

Androniceanu Armenia, (2008) efficiency is getting the maximum possible results with a given level of resources or a smaller one. It is measured as a ratio between inputs and outputs, which was later completed with the final performance increase while maintaining the same level of inputs. But public managers are using the following formula: constant performance in terms of decreasing resources attracted. The concept of economic efficiency in general there are two ways: performance, as an extraordinary results of activity, and maximum effects of an activity in relation to resources allocated and consumed. Moreover, efficacy consists in achieving the objectives defined by public managers. It can be measured by results achieved against objectives, by impact of achieving objectives has on public services beneficiaries.

B. Empirical Literature Review

Tilahun Bogale (2010) studied on budget management and control special emphasis on minster of defense for his thesis in Addis Ababa University. The researchers concluded based on his thesis were the following.

i. There was a guideline issued by ministry of national defense but the concerned body did not move to enforce the practicability of the rule.
ii. The level of understanding between budget holder were various during budget preparation.
iii. Budgets were prepared without considering reasonable estimation and current market price.
iv. Planning and budget department did not arrange regular work shop and short term to improve the skills of budget personnel engaged in budget holder.
v. There was no incentive mechanism employed for good performance and punishment as well for poor achievement.
vi. Lack of understanding about the role of planned budget to the institution.
vii. Budget users were lack of understanding about the role of plan and budget to the institution.

Anohen Julia (2011) study budgeting and budgetary control as a management tools for enhancing financial management in local authority Afgya Kwabre District Assembly on the thesis of Kwame Nkrumah University the researcher concluded

i. AKDA experiences budget deficits because of revenue are less than budgeted expenditure; in some case this is attributable to poor budgetary controls.
ii. There is active participation of all departments in budget preparation as every department submits their inputs into the annual budget proposal.
iii. AkDA issue budget guidelines prior to budget preparation and follow financial lows.

Gershon kpedor (2012) study budgeting and budget control and performance evaluation a case study of Allterian service group (ATS) the researcher are concluded

i. Monthly performance reports do not get down to the project manager and most of the draft in the performance in respect of meal cost and the numbers of employees for the project are misplaced in the budget.

ii. Low communication flow on budget related issues between managers and project units.
iii. There is budget deficit in most case and that affect the performance level of the project.

Gebeyehu Tadesse (2013) study on assessment of budget preparation, utilization and budgetary performance in the case of Addis Ababa Mass Media Agency Ethiopia on his research st. Mary's university. The researcher concluded found various problems such as;

i. Proper utilization and administration of agency budget.
ii. Absence of articulated budget utilization and unplanned procurement are the main cause shortage of budget before the end of physical year.
iii. There was problem when fills the required information on the format.

Meilaq Joseph (2013) study budgeting, planning and budget control procedure adopted at Gozo general hospital in Malta University. The researcher use qualitative approach in order to achieve the objectives and concluded the importance of having a sound budgeting system built on accounting system in order to provide accurate and detailed plans and to keep hospital costs and resources. However, the analysis is indicates that the current budgeting systems at Gozo general hospitals are weak.

Marygoreth Lyarum (2014) study on assessment of the budget and budgetary control in enhancing financial performance of an organization special emphasis on Tanzania electric supply company limited for his thesis in Mzumbe University concluded based on his analysis in order to enhance the financial performance of the organizations there must be proper control and management of the organizations budget and recommended budgetary control need to be done from the beginning process until the end of budget implementation and formulation of the new budget..

Yesuf Ahemed (2015) study budgeting and budget monitoring as a management tools for managing budget variance in nongovernmental organization operation in Ethiopia for his thesis in Addis Ababa university .the researcher concluded the following based on his analysis

i. Effective budgeting significantly contributes to the achievement of goals and objectives.

ii. Budgeting crates a plan with which individual, departments and the whole organization can work together. Developing budgets and organizing it helps to coordinate and motivated employees.
iii. A time of budget implementation process budget monitoring is a continuous process to ensure the action plan is achieved in terms of expenditures and income.

Ketema Muluneh (2015) study on assessment of budget preparation and utilization in the case of Addis Ababa City Administration Health Bureau for his thesis in Addis Ababa university. The researcher concluded the following;

i. Inadequate and inexperienced man power that has been worsening results of plan and budget preparation disparities.
ii. Lack of awareness the budget users about the role of plan and budget for health bureau.
iii. Plan and budget department does not arrange short term training to improve the skill of budget personnel engaged in budget holder.

Gathecha Antony (2017) study the effect of budget control on operational performance of public hospitals in Kiambu Conpunty on the thesis of university of Nairobi from the finding of the respondent proper planning is a major determinant of the organizations ability to meet its objectives, as it allowed the hospital to have the most adequate human resource capacity to allow the employee and the stakeholder participation in budgeting thus improving the efficiency of the operation.

Godfrey Miraji (2017) study on the important of budgetary control on the organizational performance of public institution in Tanzania in the case of minister of home affairs under police force unit Dare selam and the researcher concluded some factor such as budget deficit ,disruption of normal operation, lack of capital, impact of inflation, poor budget execution, poor expenditure management and government bureaucracy were considered since they prove to be validity for the reasons of improving budgetary control in public organization and budgetary control system affect tools for financial planning in organization.

Elias H/meskle (2018) study on assessment of budget implementation and controlling in the case of Addis Ababa city administration finance and economic development bureau on his thesis in Addis Ababa University. The researcher concluded

i. All budgetary intuitions integration of plan and budget their activities base on their plan but planning and budget department does not arranged regular work shop and short term training to improve the skill of personnel engaged in budget holders and for the adequate understanding of budget preparation .
ii. The budget expenditure indicated decreasing and increasing trend all over the study period .The reason for such kind of variation for budget according to physical plan, there is lack of preparing annual plan based on strategic document and also lack of reliable and reasonable estimated cost to prepare the budget.
iii. There is high budget transfer requesting and there is no implement properly a control system because of this some budgetary institution fail to submit report timely and lack of complete recording.

Darge Deressa (2018) studied on the impact of budget and budgetary control system on effectiveness of public organization in the case of west wollega zone finance and economic development office using descriptive statics on his thesis in Addis Ababa University. The researcher concluded based on the response of the questioners obtained from the respondent concerning budget monitoring and control again there are no regular budget meeting to review performance in the organization. There is no good budget performance evaluation and budget holders give less attention for budget participation in the organization.

2.12 Chapter Summary and Research Gaps

Budgeting is a comprehensive plan for gaining and use of monetary and other resource over a specific period of time. Organization use different types of budget techniques to develop budget. Budgeting has its own importance such as planning, coordinating, stimulation, evaluation and training. Hospital budget must closely consider several elements during budgeting process like number of patient, operating margins, mission, business sides of the hospitals, history, the cost of noting doing, technology, physician's salary and support, changes, services and outside sources.

Budget monitoring ensures that resource are used for their planned purpose and properly accounted for. This process not only ensures that economic resources are deployed effectively and efficiently and also that the potential obstacles and opportunities are identified timely for mid-course corrections.

Generally as evidence above empirical studies were on the assessment of budgeting and budget monitoring practice, effects of budget control for operational performance of public, private and nonprofit organization. Empirical review the above shows Gershon K (2012) monthly budget performance report show there is misplaced in the budget and budget deficit. Darge deressa (2018) show there is no good budget performance evaluation and budget holder give less attention for budget participation in the organization.

The previous studies in different countries show there is relationship between budget preparations, budget control and implementation and also significantly performance of organization.

Based on the above theoretical and empirical evidence this study focuses on budgeting and budget monitoring practice on governmental hospitals in Addis Ababa city Administration.

CHAPTER THREE

3. Research Design and Methodology

3.1 Introduction

This chapter describes about the methodology used in the collection of data and describes the research design, study population and Sampling technique, data collection methods, data analysis and interpretation.

3.2 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 achieve this objective and the research questions the researcher 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 to 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 describing existing phenomenon.

3.3 Study Population and Sampling Technique

In this section discuss about the population and sampling determination of the research selected relevant for the study to get meaningful result 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.

Table 3.1 Shows list of government hospitals under Addis Ababa city administration finance bureau and minister of finance and budget type currently used.

N.o	Names of hospitals	Budget received from	Types of budget
1	Amanuale mental specialized hospital	MOF	Program based
2	Alert hospital	MOF	Program based
3	Gandi memorial hospital	AACAFB	Line item
4	St paulose millennium medical collage	MOF	Program based
5	St petrose specialized hospital	MOF	Program based
6	Minilk II hospital	AACAFB	Line item
7	Rase Desta Damtew memorial hospital	AACAFB	Line item
8	Tikure Ambesa specialized hospital	MOF	Program based
9	Tirunesh Bejing hospital	AACAFB	Line item
10	Yekatit 12 medical collage	AACAFB	Line item
11	Zewditu memorial hospital	AACAFB	Line item

Source MOF and A.A.C.A.F.B

According to Kothari (2004) suggested that 10 to 30 percent sample size (participants) of the population were sufficient to represent the population for a research. The researcher take sample size eight (8) government hospitals (72%) and that is above 30% of the population. According to Yogesh. K (2006) a large sample was much more likely to be representative of the population. Furthermore with a large sample the data are likely to be more accurate, precise and smaller the standard error.

The researcher used random sampling method to select sample hospitals and purposive sampling to select respondents. According to Ranjit (2011) random sampling or probability sampling, it is very important that each element in the population has an equal and independent chance of selection in the sample. Equal implies that the probability of selection of each element in the population is the same; that is, the choice of a probability of selection of each element in the population is the same; that is, the choice of an element in the sample is not influenced by other considerations such as personal preference. The concept of independence means that the choice of one element is not dependent upon the choice of another Element in the sampling; that is, the selection or rejection of one element does not affect the inclusion or exclusion of another. Lists of selected hospitals are the following:

Table 3.2 Lists of selected hospitals

N.o	Names of selected hospitals	Budget receives from	Types of budget
1	Amanuale mental specialized hospital	MOF	Program base
2	Alert hospital	MOF	Program base
3	Gandi memorial hospital	AACAFB	Line item
4	Minilk II hospital	AACAFB	Line item
5	St paulose millennium medical collage	MOF	Program base
6	Rase Desta Damtew memorial hospital	AACAFB	Line item
7	Yekatit 12 medical collage	AACAFB	Line item
8	Zewditu memorial hospital	AACAFB	Line item

The researcher believes the selected governments hospitals are represent the total population. Due to this fact, the researcher selected the respondents from each hospital 4 head of budget department; finance head, chief executive officers and human resource management which represent total number of respondents from hospitals are 32. These selected four departments are more participants during budget preparation process in the hospitals than others departments. To determine sample of the respondents from ministry of finance and Addis Ababa city Administration finance bureau the researcher communicated head of budget department and selected 18 respondents with closely related hospital budgeting out of 34. Total numbers of respondents are 50.

3.4 Data Collection Method

The researcher used both primary and secondary data in the study and prepared two types of questionnaires that one for hospitals budget department, finance head, chief executive officer and human resource management and other for budget department for Addis Ababa City Administration finance bureau and ministry of finance. The questionnaires which comprise both close ended and yes or no questions is prepared in English language that respondents easily understand the question and give appropriate answer. Secondary data source such as five years annual budget performance report from 2013/2014-2017/2018 and budget guidelines prepared by ministry finance and Addis Ababa city Administration finance bureau to describing the existing phenomenon. The researcher select the recent consecutive years budget performance report as a secondary data in order to show the current budget performance of government hospitals in Addis Ababa City administration.

The closed ended questionnaire was developed based on Summated Scales (or Likert-type Scales) with 5 choices; “strongly agree”, “agree”, “neutral”, “disagree” and “strongly disagree” and cumulative scales or Louis Guttman’ sscalogram analysis, consisting of a series of statements to which a respondent expresses his agreement or disagreement. The reason for choosing to use a Likert scale is because it is suitable for measuring attitudes which is helpful for the purposes of this study.

3.5. 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.

CHAPTER FOUR

Data Analysis and Discussion

4.1. Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented to budgeting and budget monitoring practice in the case of government hospitals in Addis Ababa city Administration. The data was gathered from sample hospital, ministry of finance and Addis Ababa city Administration finance bureau. To get the relevant information the researcher used questionnaires as a data collection instrument and five years annual budget performance report and budget guidelines as a secondary data. Furthermore tables, graphs and charts are used to present the facts of the study analysis.

4.2 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 (α) 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 (α) greater than 0.600 is also acceptable.

Table 4.1: 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

Source: Own Survey, 2019

Based on in table 4.1 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.

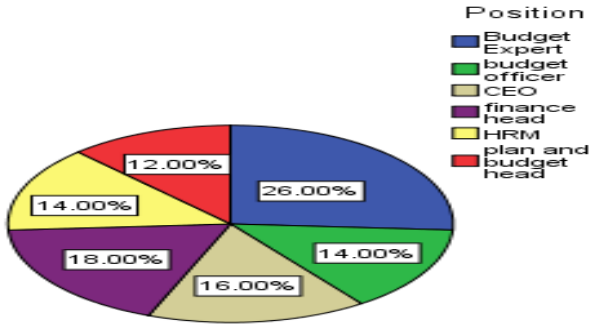
4.3 Response Rate Analysis

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 and18 questionnaires for minster of finance and Addis Ababa city Administration finance bureau were distributed, collected and analyzed.

4.4 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, gender, educational level, filed of specialization and work experience of the respondents in the organization were analyzed and the information processed is summarized as follows.

Figure 4.1 Position of respondents in the organization



Source: SPSS output from survey data

As indicated on the above figure 13(26%) from budget expert, 7 (14%) from budget officer and HRM responded each of them, 8 (16%) of the respondent is from CEO while 9 (18%) of the respondent is from finance head. Moreover 6(12%) of the respondent is from plan and budget head.

Table 4.2 Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	9	18.0	18.0	18.0
	Male	41	82.0	82.0	100.0
	Total	50	100.0	100.0	

Source: SPSS output from survey data, 2019

As shown on the above table 4.2 (82%) of respondents were male, whereas 9(18%) of them were female.

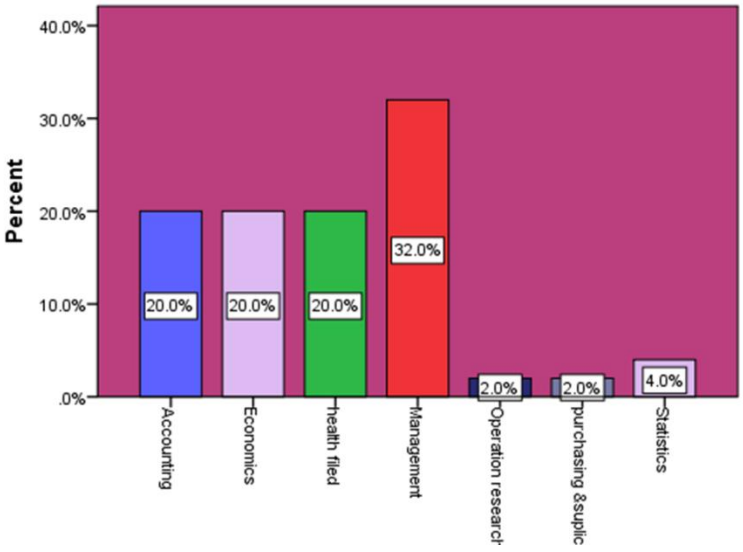
Table 4.3 Education Level of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	1	2.0	2.0	2.0
	Degree	27	54.0	54.0	56.0
	Masters	17	34.0	34.0	90.0
	Above	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Source: SPSS output from survey data, 2019

In the above table most of the respondents 27(54%) have the first degree but 17(34%) of them have got master. Moreover 5 (10%) of the respondent have got PhD where as1 (2%) of them have got diploma.

Figure 4.2 Field of specialization



In the above figure 4.2 gives a summary of field of specialization .About 60% of the respondent were in three different fields such as accounting 10(20%), economics 10(20%) and health fields 10(20%). Furthermore 2(4%) of the respondents have from statistics but, both operational research and purchasing and surplice have responded 1 (2%) for each. In addition most of the respondents 16(32%) specialized with management.

Table: 4.4 Respondents work experience in the organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than one year	2	4.0	4.0	4.0
	1-5 years	20	40.0	40.0	44.0
	Above 5 years	28	56.0	56.0	100.0
	Total	50	100.0	100.0	

Source: SPSS output from survey data, 2019

As indicated in table 4.4 2(4%) of the respondents are less than one year work experience, 20 (40%) of the respondents have got 1-5 years work experience. moreover majority of the respondents 28(56%) have got above five years work experience.

4.5 Yes or No question analysis for hospitals

Table: 4.5 Hospitals get maximum possible result

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	43.8	43.8	43.8
	No	18	56.3	56.3	100.0
	Total	32	100.0	100.0	

Source: SPSS output from survey data, 2019

From findings of the above table 14(43.8%) of the respondents have agreed with hospitals get maximum possible results with a given level of financial and human resource. But, 18(56.3%) of the respondents have disagreed with hospitals get maximum possible result with a given level of financial and human resource. Those who disagreed with the idea rose as a reason that the budget is not sufficient enough for what the hospitals planned, and also, the budget was not performed efficiently and effectively because of limited or few of skilled man power.

Table 4.6 all medical services are listed on the budget format

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	56.3	56.3	56.3
	No	14	43.8	43.8	100.0
	Total	32	100.0	100.0	

Source: SPSS output from survey data, 2019

According to table 4.6 18(56.3%) of the respondents have agreed with all medical services are listed on the budget format. Only 14(43.8) of the respondents have disagreed that all medical services are not included on the budget format because some of the service are not budgeted, some of the departments are not concerned about the budget and, the procurement process is not a lined with hospital activity.

4.6 Ministry of Finance and Addis Ababa City Administration Finance Bureau Respondents Analysis

The researcher communicated different budget officers and experts in ministry of finance and Addis Ababa city administration finance bureau that are more responsible or closely related with hospitals budgeting process and get the following results.

Table 4.7 Preparation of budget based on budget calendar

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	83.3	83.3	83.3
	No	3	16.7	16.7	100.0
	Total	18	100.0	100.0	

Source: SPSS output from survey data, 2019

As indicated in above table 4.7 most of the respondents 15(83%) have agreed government hospitals prepared annual budget based on budget calendar prepared by ministry of finance and Addis Ababa city administration finance bureau, 3 (16.7%) respondents have not agreed with government hospitals are prepare annual budget based on budget calendar.

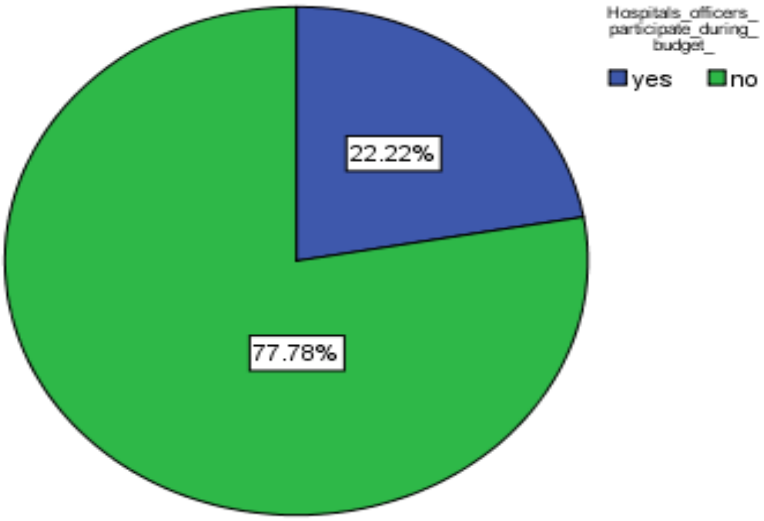
Table 4.8 Adjustments of budget according to medium term frame work (MTEF)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	83.3	83.3	83.3
	No	3	16.7	16.7	100.0
	Total	18	100.0	100.0	

Source: SPSS output from survey data, 2019

According to table 4.8 15(83.3%) of the respondent agreed with hospitals budget departments adjust budget requests according to medium term frame work (MTEF), but 3(16.7%) of respondents have agreed that hospitals budget departments were not adjust according to medium term frame work.

Figure 4.3 Participation of hospitals officers during budget guideline process



Source: SPSS output from survey data, 2019

From the findings of figure 4.3 most of the respondents 14(77.8%) have agreed hospitals officers did not participated during budget guideline preparation process to set out hospitals priorities, but 4(22.2%) of the respondents have agreed for hospitals officers participate during budget preparation process to set out hospitals priorities. Majority of the respondents have disagreed with the participation of hospitals officers during preparation of budget guideline process to set out hospital priorities because the budget guide lines are prepared by budget experts at ministry level and finance bureau (ministry of finance and Addis Ababa city administration finance bureau).

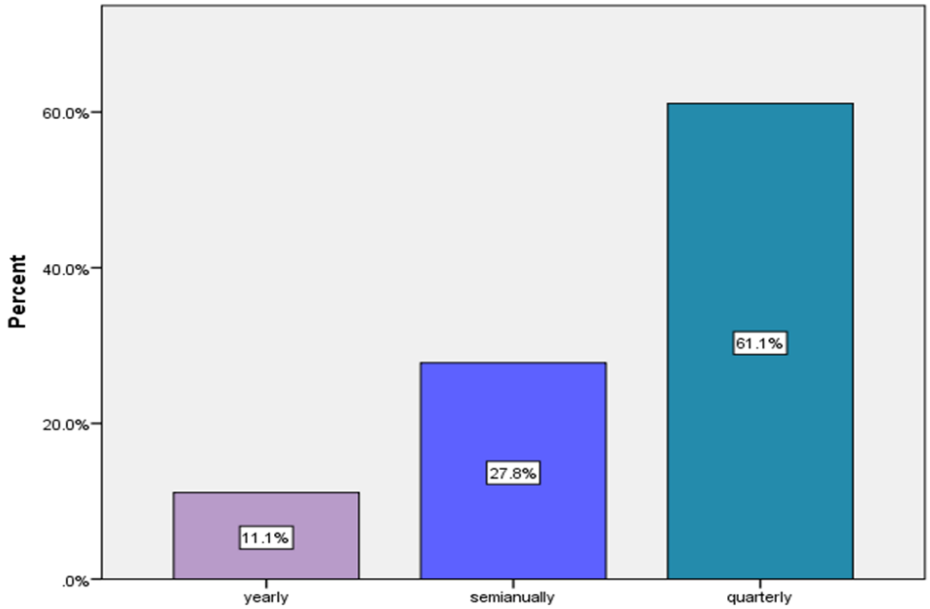
Table4.9 Modification of budget guideline

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	72.2	72.2	72.2
	No	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Source: SPSS output from survey data, 2019

Table 4.9 shows13 (72.2%) of the respondents replied that hospitals budget guidelines are modified from time to time but, 5(27.8%) of respondents replied that budget guide lines are not modified from time to time. Those who replied that the budget guidelines are not modified time to time refers that budget guideline in Addis Ababa city administration updated only two times from 1999 up to 2011 G.C.

Figure 4.4 Frequency of budget implementation follow up



Source: SPSS output from survey data, 2019

From the findings of the above indicated figure that 2(11.1%) of the respondents have said to me that budget implementation report follow up is made yearly. But 5(27%) the respondents have said semiannually, still the rest of the respondents 11(61.1%) of the respondents to have quarterly. This results show there is no regular follow up on budget implementation of government hospitals.

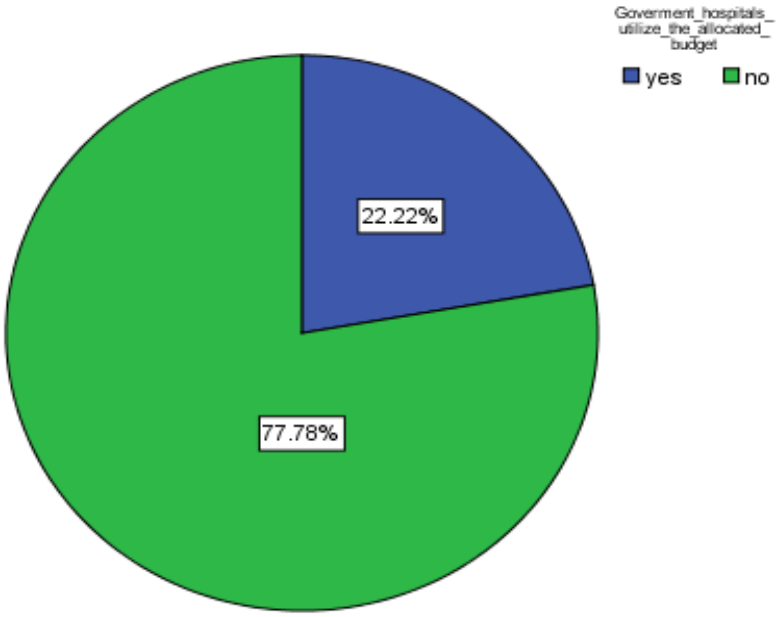
Table4.10 Timely feedback of budget implementation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	94.4	94.4	94.4
	No	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Source: SPSS output from survey data, 2019

According to table 4.10 most of the respondents 17(94.4%) have agreed minister of finance and Addis Ababa city Administration finance bureau give timely feedback about budget implementation to government hospitals to correct detect weakness whereas, (5.6%) of respondent indicate there is no timely feedback for budget implementation government hospitals.

Figure4.5 Effective utilization of the allocated budget



Source: SPSS output from survey data, 2019

As indicated in the above figure 14(77.8%) of the respondents agreed government hospitals does not utilize the allocated budget effectively but 4(22.2%) of the respondents have agreed government hospitals utilize the allocated budget effectively. The result show that there is no effective utilization of the allocated budget by government hospitals because, they are used their budget for unplanned activity (misuses of budget), the problem of skilled man power, and lack of procurement process personal administration.

4.7 Budget Preparation Process Analysis

Mean result was used to analyze the extent at which the sample group in average agreed or disagree with the raised statements. Low mean implied that majority of the respondents disagree while, higher mean value indicates their agreement. Accordingly, the perceptions of the

respondents were captured using a five-point Likert scale (1- Strongly Disagree, 2– Disagree, 3 – undecided (neutral), 4 – Agree and 5 - Strongly Agree) and interpreted in accordance with the below detailed Zaidatol et. al., (2012), Mean scores degree.

i. Mean = 1.00 – 2.33 → Low,
ii. Mean= 2.34 – 3.67 → Moderate and
iii. Mean = 3.68 – 5 → High

Table 4. 11 Budget preparation Process in government hospitals

	N	Minimum	Maximum	Mean	Std. Deviation
Budget committees contain the head of various departments with the hospital.	32	1	5	2.69	1.306
Budget request modified according to budget guideline.	32	2	5	3.75	1.218
All departments are participating during budget process.	32	2	5	3.56	1.045
Budget guidelines are linked with hospitals strategy plan, mission, visions and objectives.	32	1	5	3.53	1.244
Budgets are prepared based on hospitals demand.	32	1	5	3.56	1.318
Hospitals priorities are outline during budget preparation process.	32	2	5	3.97	.933
Budgets are prepared based on reliable data and estimate.	32	1	5	3.25	1.107
Members of budget departments are qualified.	32	1	5	3.28	1.198
All departments prepare budget plan prior to the budget year.	32	1	5	3.53	1.077
Valid N (list wise)	32				

Source: SPSS output from survey data, 2019

Based on the findings of budget preparation process the respondents agreed with hospitals priorities are outline during budget preparation process (3.97) and budget requests are modified according to budget guidelines (3.75). Moreover most of the respondents responses were undecided (neutral) for all departments prepared budget plan prior to the budget year (3.58), budgets are prepared based on hospitals demand (3.56), all departments that are participating during budget preparation process (3.56), budget guidelines are linked with hospitals strategy plan, mission, vision and objectives (3.53), budgets are prepared based on reliable data and estimate (3.25), and members of budget department are qualified (3.28). However budget committees are not containing the head of various departments with the hospitals (2.69). In

general government hospitals have moderate budget preparation process the overall mean of (3.46). The figures that are put in the bracket show the Mean value.

From the above summary we observe that there is moderate effort in budget preparation process in government hospitals, as a result of weak efforts in structuring budget department, absence of budget committee in most government hospital and lack of involvement some medical service department. In short budget preparation process is not that much participatory.

4.8 Budget Implementation Analysis

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; 3undecided (neutral); 4 agree and 5 strongly agree

Table 4. 12 Shows Budget Implementation in government hospitals

	N	Minimum	Maximum	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 equipment's 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.

In the Likert scale budget implementation average mean is (3.42) which shows moderate category for budget implementation. In addition to this budget allocated to each activity is not

sufficient to address essential needs and shortage of budget is the main problem government hospitals for budget implementation due to lack of linkage planned budget with activities.

4.9 Budget Type (Line Item Budgeting) Analysis

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

Table 4. 13 Budget type (line item budgeting)

	N	Minimum	Maximum	Mean	Std. Deviation
The listed item on the budget format linked with all hospital activities.	20	1	5	3.25	1.293
Budgets are flexible to functionalize and manage hospital funds.	20	1	5	3.60	1.142
Budgets are used to motivate (incentive to clinicians or manager).	20	1	5	3.15	1.309
Activities are revaluated each time for the period of budget process.	20	1	5	3.90	1.071
Budgets are considered number of patient, technology, inflation and hospital margin.	20	1	5	3.40	1.273
Valid N (listwise)	20				

Source: SPSS output from survey data, 2019

The above table 4.13 shows all of the respondents agreed undecided (neutral) with the listed item on the budget format linked with all hospitals activity (3.25), budgets are flexible to functionalize and manage hospital funds (3.60), budgets are used to motivate (incentive to clinicians or manager) (3.15), activities are revaluated each time for the period of budget process (3.90) and budgets are consider number of patient, technology, inflation and hospitals margin (3.40). The figures that are put in the bracket show the Mean value.

Budget type (line item budgeting) average mean is (2.88) which shows moderate category for line item budgeting. On the other hand the budget type does not consider number of patients, technology, inflation and hospitals operating margin and lack of budget flexibility to functionalize and manage funds. According to world health organization line item budgeting is a way manage budget information according to the expense or cost categories however this

budgeting system does not provide the required flexibility to functionalize health plan. In addition According to Gregory flexibility is one of good characteristics of budget.

4.10 Budget Type (Program based Budgeting) Analysis

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

Table 4. 14 Budget type (program based budgeting)

	N	Minimum	Maximum	Mean	Std. Deviation
During planning outcomes, goals, and objectives are linked to hospitals program.	12	1	5	3.42	1.379
Activities are revaluated each time during the budget process.	12	2	5	3.67	1.073
Hospitals give continuous and consistent training program for officials about program based budgeting.	12	1	5	3.92	1.165
The manual (budget guideline) prepared by minister of finance clear and easily understandable.	12	2	5	4.08	1.084
Budgets are considered number of patient, technology, inflation and operating margin.	12	1	5	3.25	1.357
Valid N (listwise)	12				

Source: SPSS output from survey data, 2019

Based on the above table the respondents were agreed with the manual (budget guidelines) prepared by minister of finance clear and easily understandable (4.08) and hospitals give continuous and consistent training program for officials about program based budgeting (3.92). In addition to this most respondents were moderately agreed with in the time of planning outcomes, goals and objectives are linked to hospitals program (3.42), activities are revaluated each time during the budget process (3.67) and budgets are consider number of patient, technology, inflation and operating margin (3.25).

Budget type program based budgeting average mean is (3.67) which shows moderate category for program based budgeting on the other hand budgets are not consider number of patient,

technology, inflation and operating margin and also most of the respondent comments line item budgeting are not totally changed into program based budgeting in government hospitals.

4.11 Budget Monitoring Analysis

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; 3undecided (neutral); 4 agree and 5 strongly agree.

Table 4. 15 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 is 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.

In Likert scale budget monitoring overall mean is (3.38) which shows moderate category for budget monitoring. In addition to this approved budget are not shared with all departments according to Blocher, Stout and cokins) to increase the role of budget as inspiring tools many organization give chance to members of staff who hold the budget as their own. In addition to this there is a problem to charge all expenditure to proper accounting period.

4.12 Comparison of Budget versus Expenditure

The comparison of budget and expenditures (planned budget and actual) both recurrent and capital budget presenting and analyzing used for successively improvement for government hospitals budget utilization performance according to government hospitals monitoring and evaluation criteria. According to Merika, (2008), the deviations in budgeted and actual performance will enable the determination of weak spots. This enables an organization to concentrate on those aspects where performance is less than stipulated.

4.12.1 Recurrent Budget Analysis

A recurrent budget tracks ongoing revenues and expenses that occur on a regular basis. That means monthly, quarterly, semiannually, or annually. Also known as an operational budget, a recurrent budget includes line items such as wages, utilities, rent or lease payments, and taxes. It also includes purchases that are expected to last for less than a year, such as office supplies. A recurrent budget can help hospitals to manage its money and come up with strategies for cutting day-to-day costs.

Table 4.16 Comparison of Planned and actual budgets of hospitals for recurrent budget

N.o	Name of hospitals	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure
1	Amanuale	37,582,008	37,153,959	45,219,847	45,219,762	66,929,771	65,280,888	149,909,000	148,837,532	193,532,815	192,496,997
2	Alert	42,992,511	42,989,251	68,612,900	68,612,900	87,468,389	87,450,854	113,954,570	113,951,843	148,749,515	148,390,122
3	Gandi	29,283,776	26,472,715	42,119,929	37,619,909	41,789,005	39,552,977	62,477,267	58,944,025	81,730,184	76,174,496
4	Minlik	54,603,905	45,192,524	82,765,221	67,104,643	102,689,520	86,090,825	123,607,839	110,300,342	158,901,460	145,710,591
5	Paulose	93,163,467	93,348,028	181,360,410	181,254,870	82,354,411	81,221,192	115,736,932	116,106,409	140,813,805	140,838,798
6	Rasedesta	31,076,715	29,185,873	65,846,914	52,121,460	80,611,941	71,611,365	86,762,007	81,718,695	116,143,026	111,627,856
7	Yekatit	58,838,629	53,989,463	112,351,310	97,163,019	151,029,429	136,855,333	192,847,597	172,309,243	249,319,876	222,859,519
8	Zewditu	42,064,493	39,783,531	66,226,169	63,886,976	80,302,084	78,828,569	110,966,864	109,676,262	136,925,644	130,373,398

Source: MOF and A.A.C.F.B

Number figure in the above table is in million

In the above table shows five years from 2013/2014-2017/2018 total planned budget for recurrent budget for eight government hospitals and actual yearly expenditure from it's planned. As a result the total planned budget for recurrent budget of hospitals increase from year to year except Gandi memorial hospitals in 2014/2015 adjusted budget was 42,119,929 decrease to 41,789,005 in 2015/2016 the difference was (330,924) and at the same year S.t paulose millennium medical collage adjusted budget was 181,360,410 decrease to 82,354,411 to the next year the difference amount was (99,005,999).Based on article 4 of regulation no.190/2010 provide for preparation and submission of budget .According to the article budget estimate shall 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 state budget estimates of recurrent expenditure shall included a report or preliminary result of the first half of current yare and previous year performance. So there is a

huge amount of difference in st paulose millennium medical college. This deference shows the budget preparation process does not consider previous year performance report or preliminary result so; this violates article 4 regulation no.190/210. In addition to this the total amount of expenditure also increase year to year in the questioners comment results because of inflation rate (most medicines are imported), incremental of number of patient, salary increment, changing (adding new department) and increment of price service and goods.

Table 4.17 recurrent budget difference by number and Percent

N.o	Name of hospitals	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Difference (unused) amount In Number	Difference (unused) In %	Difference (unused) amount In Number	Difference (unused) In %	Di Difference (unused) amount In Number	Difference (unused) In %	Difference (unused) amount In Number	Difference (unused) In %	Difference (unused) amount In Number	Difference (unused) In %
1	Amanuale	428,049.42	1.14	85.41	0.00	1,648,882.73	2.46	1,071,467.02	0.71	1,035,818.20	0.54
2	Alert	3,259.97	0.01	0.14	0.00	17,535.05	0.02	2,727.36	0.00	359,393.19	0.24
3	Gandi	2,811,061.19	9.60	4,500,019.14	10.68	2,236,027.62	5.35	3,533,241.09	5.66	5,555,687.74	6.80
4	Minlik	9,411,381.40	17.24	15,660,577.08	18.92	16,598,694.47	16.16	13,307,496.21	10.77	13,190,869.71	8.30
5	Paulose	(184,561.10)	(0.20)	105,539.874	0.06	1,133,218.56	0.02	(369,477.48)	(0.32)	(24,992.64)	(0.02)
6	Rasedesta	1,890,41.79	6.08	13,725,453.66	20.84	9,000,575.39	11.17	5,043,311.07	5.81	4,515,170.00	3.89
7	Yekatit	4,849,166.16	8.24	15,188,291.1 9	13.52	14,174,095.66	9.38	20,538,353.77	10.65	26,460,357.30	10.61
8	Zewditu	2,280,962.33.	5.42	2,339,192.52	3.53	1,473,514.88	1.3	1,290,602.15	1.16	6,552,246.08	4.79

Source: MOF and A.A.C.F.B

In the result of the above table there is no significance difference between planned budget and actual expenditure in Alert, Amanuale specialized hospitals and Zewditu memorial hospital the differences were between (0.00 to 5.42) percent for each year. However in the case of Minilik II , Yekatit 12 Medical college, Gandi memorial hospital and Rasedesta Damtew memorial hospitals there is a significance difference between planned budget and actual expenditures(6.8-20.84) percent. For example in the case of Minlik II hospital the total expenditure for each year was less than the approved budget. The difference in 2013/2014 was birr 9,411,381.40 which is about 17.24%, in 2014/2015 was birr 15,660,577.08 (18.92%), in 2015/2016 was birr 16, 598,694.47(16.16%), in 2016/2017 was birr 13,307,496.21 (10.77%) and in 2017/2018 was birr 13,190,869.71 (8.36%) with the total planned budget. This shows there is variation between planned budget and actual. On the other hand as shown the table there was shortage of budget in S.t paulose millennium medical college for three years in 2014/2015,2016/2017 and 2017/2018.

4.12.2 Capital Budget Analysis

Capital budgets are budgets that reveal the need for capital expenditure relating to new facilities and equipment. These longer term expenditure decisions must be evaluated logically to determine whether an investment can be justified and what rate and duration of payback is likely to occur.

Table 4.18 Comparison of Planned and actual budgets of hospitals for capital budget

N.o	Name of hospitals	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure	Adjusted budget	Expenditure
1	Amanuale	7,637,384	7,637,384	38,989,322	38,989,322	86,166,150	64,636,145	152,100,000	22,185,957	105,000,000	51,615,320
2	Alert	38,040,497	34,989,377	23,401,026	17978216	37,253,897	18,186,994	26,366,191	9,435,166	100,503,900	9,456,775.
3	Gandi	16,258,624	10,941,619.	13,580,000	10,505,865	21,900,000	1,507,685	45,901,000	0	31,718,71	30,011,942
4	Minlik	72,429,640	46,163,467	101,27,265	93,777,561	64,826,532	46,375,638	55,854,000	9,762,068	49,500,000	11,797,325
5	Paulose	63,946,554	34,138,836	263,029,554	159,506,565	311,481,622	256,047,509	106,229,609	56,533,902	614,723,189	558,393,507
6	Rasedesta	22,611,474	17,859,046	16,700,000	9,856,773	10,022,140	2,778,600	14,932,155	8,861,098	18,644,125	14,696,482
7	Yekatit	125,092,280	99,946,327	55,336,352	17,500,000	17,500,000	10,424,726	34,400,000	26,644,267	69,905,630	1 2,773,170
8	Zewditu	10,409,583.11	3,840,828.65	11,466,300.00	8,066,630	15,955,592	378,701	14,956,592	7,067,611	24,426,772	15,923,898

Source: MOF and A.A.C.F.B

Number figure in the above table is in million

In the above table shows five years from 2013/2014-2017/2018 total planned budget for capital budget for eight government hospitals and actual yearly expenditure from its planned. As a result the total planned budget for capital budget of hospitals varies from year to year unlike recurrent budget. For example in Yekatit 12 medical college planned budget decrees 125m to55m in 2014/2015 55m to 17m 2015/2016 and increases 17m to34m in 2016/2017 and 34m to 69m 2017/2018. In addition to this the amount of expenditure as shown in the above table are also differ from year to year.

Table 4.19 Capital budget difference by number and Percent

N.o	Name of hospitals	2013/2014		2014/2015		2015/2016		2016/2017		2017/2018	
		Difference (unused) In Number	Difference (unused) In %	Difference (unused) In Number	Difference (unused) In %	Difference (unused) In Number	Difference (unused) In %	Difference (unused) In Number	Difference (unused) In %	Difference (unused) In Number	Difference (unused) In %
1	Amanuale	-	0	-	0	21,530,004.93	24.99	129,914,042.78	85.41	53,384,679.88	50.84
2	Alert	3,051,119.90	8.02	5,422,809.82	23	19,066,902.92	51.18	16,931,024.44	64.21	91,047,124.93	90.59
3	Gandi	5,317,005.47	32.70	3,074,134.83	22.64	20,392,314.14	93.12	45,901,000.00	100	1,706,775.62	5.38
4	Minlik	26,266,172.62	36.26	8,049,703.27	7.91	18,450,893.31	28.46	46,091,931.31	82.52	37,702,674.99	81.73
5	Paulose	29,807,718	46.61	103,522,988.21	39.36	55,434,113.08	17.80	49,695,706.27	46.78	56,329,682.29	9.16
6	Rasedesta	4,752,427.17	21.20	6,843,266.49	40.90	7,243,539.68	72.28	6,071,056.67	40.66	37,702,674.99	76.17
7	Yekatit	25,145,952.49	20.10	4,853,394.91	8.06	7,075,273.49	40.43	7,755,732.78	22.55	57,132,459.56	81.73
8	Zewditu	6,568,754.35	63.10	3,399,699.10	29.65.	15,576,890.98	97.63	7,888,980.63	52.75	8,502,873.81	34.1

Source: MOF and A.A.C.F.B

Table 4.19 shows there is significance difference between planned budget and expenditure of capital budget on government hospitals in Addis Ababa City Administration. As clearly marked on the above table utilized amount of capital budget different hospitals from 2013/2014 to2017/2018.This result shows there is a huge amount variation of planned capital budget and expenditure for example un utilization amount of capital budget in alert hospitals was 8.02% in 2013/2014 this amount increase 23% in 2014/20145 it also increase 51.8% in 2015/2016 and also increase to64.21%in 2016/2017 and continue to increase 90.59% in 2017/2018 fiscal year this shows up and down un utilization amount of amount of budget year to year as a result of weak integration planned budget and actual of capital budget. This problems happens other government hospitals like alert hospital as the results shown the above table.

CHAPTER FIVE

5. Summary of Major Findings, Conclusions and Recommendations

5.1 Introduction

This chapter presents conclusions and recommendations of the study based on the findings, research questions and objectives of the study.

5.2 Summary of Major Findings

i. Government hospitals in Addis Ababa city administration follow budget guidelines and budget calendar for preparation of budget and adjust the budget request the ceiling amount or based on medium term expenditure frame work. As indicated the yes or no questions budget guidelines are modified time to time but hospitals officers were not participate during budget guidelines process.

ii. In the Likert scale average Mean of budget process, budget implementation, budget type (line item and program based budgeting) and budget monitoring are shows moderate category.

iii. Based on table 4.16 result the planned budget for recurrent budget all hospitals except S.t paulose millennium medical collage the planned budget always higher than the actual expenditure this shows there was poor forecasting abilities for planning and budgeting, lack of flexibility in budgeting system, budget execution further away from the planned budget, low linkage of activities with planned budget and poor performance of personals to implementing the budget.

Vi. Table 4. 18 Shows the result of planned budget for capital budget in all government hospitals are higher than the actual because of poor forecasting ability particularly in construction contract, delaying of foreign procurement (purchasing of medical equipment) and lack of linkage hospitals activities with planned budget.

iv. The first step for budget preparation process is issuance of guidelines and the main source of budget guidelines are strategy plan of the organization. Strategy plan of one organizations is deferent from another organization for example hospital strategy plan

is deferent from schools or other sectors because it links activities of the organization; on the other hand budget guidelines developed by budget department of ministry of finance and Addis Ababa city Administration finance bureau are the same for all sector organization this makes to low linkage of government hospitals activities to budget guidelines.

5.3 Conclusion

Budgeting and budget monitoring is an important instrument for government hospitals which are very useful and mandatory inputs to perform operational activities for 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 researcher sampled eight government hospitals and budget department from ministry of finance and Addis Ababa City Administration finance bureau. Based on the findings the researcher concluded the following.

i. 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 (budget execution further away from planned budget.

ii. 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.

iii. The absence of budget committee and unorganized budget department in government hospitals and lack of participation some medical service department are the main problem during budget preparation process.

iv. 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 weak budget monitoring practice in government hospitals.

v. The nature of currently used budget type (line item) budgeting used by government hospitals are make low linkage of hospitals Activity with planned budget (budget execution further away from planned budget).

5.3 Recommendation

This research examined budgeting budget monitoring practice in the case of government hospitals in Adds Ababa City Administration. Based on the result of the study, to provide with the assumption that this will help to improve budgeting and budget monitoring practice of government hospitals in Addis Ababa city Administration for Budget process, currently used budget type, implementation and budget Monitoring and control .

i. Change line item budgeting with other type budget (Zero based budgeting) to hospital budgeting system. Because every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period regardless of whether the budget is higher or lower than the previous one.

ii. Ministry of finance and Addis Ababa City Administration finance bureau develop hospitals guidelines based on hospitals strategy plan and Identify hospitals guidelines from others organizations.

iii. Formulate well organized budget department and budget committee and increase participation some medical service department.

iv. Increase linkage of hospitals activities with the plan, assigned skilled man power for budget implementation, make reasonable estimation especially in construction contract, examine the deference and take corrective action on time and improve budget monitoring practice.

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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
QUESTIONNAIRE

Questionnaire to Key Staff

A post-graduate student of Addis Ababa University masters in accounting and finance program. As part of academic work the survey is on budgeting and budget monitoring practice on government hospitals in Addis Ababa city Administration. Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. Information provided by you is for academic purposes only and will be treated as private and confidential.

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

PART I: General Information

1. Name of the hospital

_____

2. Position_____

3. Gender Female ☐ Male☐

4. Your educational level

Certificate ☐ Diploma[t] ☐ Degree ☐ Masters☐ above☐

5. Field of Specialization

_____

6. Work experience in the Hospital?

Less than 1 year ☐

1-5 Years ☐

Above 5years ☐

Part II: Question under research topic

7. Hospitals get maximum possible result with a given level of financial and human resource

Yes ☐ No ☐

If your answer is no write you're reason_____

_____

_____

8. All medical service are listed on the budget

Yes ☐ No ☐

If your answer is no write you're reason_____

_____

PART III: SPECIFIC QUESTION TO RESEARCH

No	**Budget Process**	Measurement				
		Strongly disagree	disagree	Undecided (neutral)	agree	Strongly agree
9	Budget committee consists the head of various department with the hospital					
10	The budget request modified according to budget guidelines					
11	All departments are participate during budget process					
12	Budget guidelines are linked with hospitals mission and visions					
13	Budgets are prepare based on hospital demand					
14	Hospitals priorities are outline during budget process					
15	Budgets are prepare based on reliable data and estimates					
16	Members of budget departments are qualified					
17	All departments prepare budget plans prior to the budget year					

No	**Budget implementation**	Measurement				
		Strongly disagree	disagree	Undecided (neutral)	agree	Strongly agree
18	Budget holders utilize their approved budget based on their plan					
19	Budget implementation report are consistent with plan					
20	Hospital faces budget shortage during the budget year					
21	Shortage of budget affect budget implementation					
22	Hospitals have enough budget for renewal equipment and maintenance of building					
23	Budget allocated each activity is sufficient to address essential needs					

No	**Budget type (line item budgeting)**	Measurement				
		Strongly disagree	disagree	Undecided (neutral)	agree	Strongly agree
24	The lists item on the budget format linked with all hospitals activity					
25	Budgets are flexible to functionalize and manage hospital funds					
26	Budgets are used to motivate (incentive to clinicians or managers)					
27	Activities are revaluated each time during the budget process					
28	Budgets are consider no of patient, technology operating margin e.t.c					

No	**Budget type (program based budgeting)**	Measurement				
		Strongly disagree	disagree	Undecided (neutral)	agree	Strongly agree
29	During planning, out comes, goals and objectives are linked to hospitals programs					
30	Activities are revaluated each time during the budget process					
31	Hospitals give continuous and consistent training program for officials about program based budgeting					
32	The manual prepared by minster of finance clear and easily understandable					
33	Budgets are consider no of patient, technology operatig margin e.t.c					

No	**Budget monitoring**	Measurement				
		Strongly disagree	disagree	Undecided (neutral)	agree	Strongly agree
34	Hospitals has budget policy that monitoring budget spending					
35	Cost of activities and functions are constantly reviewed					
36	Budget performance evaluation report are prepared frequently					
37	There is regular follow up on budget plan by budget department					
38	Management, budget committee, and budget department discuss the result of audit report for taking corrective action					
39	Budgets are a means of communication between different hospitals department					
40	Management hold budget meetings regularly to review performance					
41	All expenditures are charges to proper accounting period					
42	Approved budgets are shared with all department					

Any comment or suggestion if you have about

Budget process _____

_____

Budget type _____

_____

Budget monitoring _____

_____

Budget implementation _____

_____

Thank you for your time!

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
QUESTIONNAIRE

Questionnaire to ministry of finance and Addis Ababa city administration finance and economic development bureau

A post-graduate student of Addis Ababa University masters in accounting and finance program. As part of academic work the survey is on budgeting and budget monitoring practice on government hospitals in Addis Ababa city Administration. Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. Information provided by you is for academic purposes only and will be treated as private and confidential.

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

PART I: General Information

1. Position_____
2. Gender: Female ☐ Male ☐
3. Your educational level

Certificate ☐ Diploma ☐ 1st Degree ☐ Masters ☐ above ☐

4. Field of Specialization

_____

5. Work experience in the organization?
   - Less than 1 year ☐
   - 1-5 Years ☐
   - Above 5years ☐
6. Government hospitals prepare annual budget based on budget calendar

   Yes ☐ No ☐
7. Hospitals budget department adjust budget requests according to medium tern expenditure frame work (MTEF)

   Yes ☐ No ☐
8. Hospital officers participate during budget guide line preparation process to set out hospitals priorities

   Yes ☐ No ☐
9. Budget guide lines modified time to time

   Yes ☐ No ☐

If your answer is no writes the reason _____

_____

_____

10. In what frequency does your organization follow budget implementation of government hospitals?

Yearly ☐ semi annually ☐ Quarterly ☐ Arbitrary ☐

11. Does your department provide timely feedback for government hospitals to correct detect weakness on budget implementation?

Yes ☐ No ☐

If your answer is no writes the reason _____

_____

_____

12. Government hospitals utilize the allocated budget effectively

Yes ☐ No ☐

If your answer is no writes the reason _____

_____

_____

13. Any comment or suggestion if you have about

Budget process _____

_____

Budget type _____

_____

Budget monitoring _____

_____

Budget implementation _____

_____

Thank you for your time!