

Budgeting in Budget Management Centres (BMCs) in Sekondi/Takoradi Metro Health Directorate

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Abstract

The study was to understand budgeting in all five BMCs in the Sekondi/Takoradi Metro Health Directorate. Issues covered in this study include, theories and evolution of budgeting, budgeting process of BMCs, types of budgets prepared by BMCs. The study further examined the preparation, implementation, monitoring and evaluation of budget and possible links between budget and objectives of BMCs. Purposive sampling technique was adopted for the study. The research instrument (questionnaires) was self-administered. The data obtained was analysed using the Statistical Package for the Social Sciences (Version 16.0) with both descriptive and inferential statistics. Results show that the average number of staff in any section responsible for budgeting was 5.2. With a test value of 4, degree of freedom of 4 and 95% confidence level, the following results were found to be statistically significant at 1%: Lack of collaboration from various sections (0.009***) and weak financial discipline (0.004***). The study recommended among others a linkage between budgets and objectives. Budget committees should prepare ensuing year's budgets in the last quarter of the current year. Finally, for the sake of uniformity in terms of assessing budget performance in BMCs, a common type of budget approved by an appellate body within the health sector should be recommended nationwide.

Keywords: budgeting, budget management centres, metro health directorate, link between budget and objectives.

1. Introduction

The importance of budgeting in the scheme of business activities cannot be over-emphasised. Besides being a tool for management planning and control, "a budget provides a focus for the organisation, aids the co-ordination of activities, and facilitates control" (Dyson, 1997, p. 367).

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This means that budgeting provides a sense of direction in financial management to an organisation. Therefore there is the need for every organisation that receives and spends funds to have a budget. Captains of business and industry advocate the use of budgeting and budgetary controls as effective managerial tools. Most health institutions in Ghana, especially public health centres are not expected to make profits; yet they are not categorised under non-for-profit institutions. Rather they are service providing institutions providing social services in the area of health delivery.

Nonetheless, they receive and spend funds hence the need to put in place a budget to guide management in the use of received funds. Moreover, if budget is believed to provide a sense of direction to managers in the area of financial management, then it would be economically prudent for health managers and administrators to have a planning mechanism that will co-ordinate and facilitate control of activities. In many jurisdictions especially in sub-Saharan Africa, central governments allocate a chunk of funds in the budget to the health sector, whilst in others health financing comes through health insurance. The source notwithstanding financial management prudence obliges health institutions to prepare and run a budget, once funds are received and spent.

The quality of health delivery in Ghana for some time has been a source of worry to many Ghanaians including government. Various factors have been adduced as contributing to the poor quality. Some blame government, others health professionals, and still others on inadequate health financing and poor infrastructure. Two questions yet to be answered in an attempt to improve health delivery is a question from within the BMCs; what role do they play in achieving quality health care? What is the linkage between their organisational objectives and their budgets? Health institutions especially BMCs through budgets and budgetary control could add some level of quality to health delivery in the sense that budgeting set the framework within which incomes and expenses are defined in terms of one's primary source of income and priority areas of expenditure.

Therefore with the guide of budgeting, BMCs can efficiently manage their incomes and avoid expenditures which may not address the core objective of quality health delivery. This is very important as budgets are supposed to be linked to objectives.

That is why one cannot agree more with Wood (1993) that “some budgets that are drawn up are even more harmful to a firm than if none were drawn up at all” (p.407). One basis for which a budget could be described as being harmful is when the budget is prepared in isolation, with no reference to the objectives of the organisation.

1.1 Problem Statement

In Ghana one area of the social service sector that requires huge resources is the health sector. Wherever funds are sent to be expended, budgeting should follow. But sometimes the presence of budgets in an organisation is as useless and as harmful as the absence of it would have caused (Wood, 1993, p. 407). As a result budgeting becomes paper work and is deemed to be prepared to satisfy the status quo, especially when it becomes like an annual routine where a budget must necessarily be put together for the organisation. In other words, the whole idea of budget preparation and implementation has no bearing on the organisation.

The health sector is the spinal cord of every nation for it is believed that the health of a nation's citizens determines the development and prosperity of that nation. Therefore budgeting in this important sector of national life should be done properly, adhering to best practice in its preparation and implementation, attaching some level of seriousness to the process, making sure the right type(s) of budgets suitable for health budgeting are applied and as much as possible identify and address challenges in the process so as to ensure that at the end of the day a well-defined budgeting process with less bottlenecks is put in place in health facilities in order to achieve financial and overall goals in BMCs.

Budget Management Centres (BMCs) of the Ghana Health Service (GHS) prepare budgets annually, 'BMCs as part of the budgeting processes are provided with specific budget guidelines for formulating the annual budget. The annual budget is split between the amount to be financed by government of Ghana (GOG), and that which will be provided by other sources'. (M.O.H, 2009, P.3). These guidelines appear to have taken the budgeting process from the hands of BMCs. As such, budgeting in BMCs appears to be annual routine just to satisfy the status quo.

Consequently challenges facing the budget process may be easily overlooked since the process is contained in a guideline provided by the ministry. This arrangement has the tendency of making the process ineffective at least for some BMCs. The study therefore intended to examine the budgeting process of BMCs in Sekondi/Takoradi health directorate, challenges inherent in the process, and made suggestions as to how the process could function properly.

2. Materials and Methods

All the five (5) BMCs in the Sekondi/Takoradi metropolis were selected for this study. The BMCs covered in this study are; Effia Nkwanta Regional hospital, Essikado hospital, Kwesimintsim hospital, Takoradi hospital, and the metro health directorate of Sekondi/Takoradi. All the five BMCs mentioned above are under the overall supervision and policy direction of the Western Regional Health Administration (WRHA). Information was gathered from Rules and Instruction manuals of M.O.H, Regional Director of Health Service (RDHS), Regional Health Accountant of Western Region, and the administrative heads of health facilities/BMCs were interviewed on a wide range of issues relating to health delivery and budgeting in the metropolis.

3. Theoretical and Conceptual Framework

The budgeting process has been an age long exercise accepted as one of the planning tools in the accounting profession. Over the years, a set of facts and principles have been devised to rationalize the concepts underlying the budgeting process.

3.1 Instrumentalism theory

'Instrumentalism is a style of policy-making based on small, marginal changes from existing policies' (Högye(n.d)). Wildavsky (1964) and Fenno (1966) further established one fact under instrumentalism theory which was that "budgeting processes were seen as stable, predictable, changing little from year to year and based on well-defined roles that could be represented by relatively simple decision rules'. Consequently, under this theory changes are seldom made to budget estimates as a result of extensive reviews.

This theory is appropriate for a type of budget called incremental budget. The approach under incremental budget is that a percentage is added to the previous year budget to cover inflation and make adjustment generally for any unforeseen factors.

That is not to say that changes are not made at all to budgets under instrumentalism, rather the changes or alterations are gradual and marginal. In contrast, instrumentalism is at variance with zero-based budgeting in that allocation of resources and funding is determined from a zero-sum accounting method.

3.2 Descriptive theory

Rubin (1990) observes that "Descriptive theory is based on close observation or participation in public sector activities. In other words, descriptive theory engenders involvement and is explicit because participants observe at first hand activities, events and causes that characterise the budgeting process. Typically, line item budgeting is descriptive in nature as they appear in the form of accounting documents that express information regarding purpose or an explicit object within the process.

3.3 Normative theory

Another theory of budgeting not so much isolated from descriptive theory is the normative theory. Comparatively, Rubin (1990) contends that "normative theory may be based on a much narrower range of observations than descriptive theory and its proposed solutions may be based on values rather than observations." This means normative theory comes from an overall understanding of events emerging from the budgeting process but not so much of the events itself. Normative theory is consistent with Programme budgeting in that allocating resources is determined by the funding of one programme instead of another based on what that programme offers.

3.4 Game theory

Generally, Game theory is the branch of decision theory concerned with interdependent decisions.

The theory describes competitive scenarios where problems are known as game and the participants are called players. In short, game theory deals with problems in which each player's strategy depends on what other players do. For example the budget committee's ability to deal with problems in the budgeting process will depend on strategies of other managers and what they actual do, as decisions in an organisation are interrelated.

4. Distinction between Budget and Budgeting

Definition of budgeting is sometimes confused with the definition of budget as if they were the same. It is important therefore to clearly bring out the distinction between the two.

4.1 Budget

According to Gyasi (2005) budget is a 'A plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective'.

Weetman (2006) also maintains that:

A budget is a detailed plan which sets out, in monetary terms, the plans for income and expenditure in respect of a future period of time. It is prepared in advance of that time period and is based on the agreed objectives for that period of time, together with the strategy planned to achieve those objectives. (p. 563).

"When a plan is expressed quantitatively (i.e. in numbers, monetary amounts or quantities) it is known as a budget". (Wood & Sangster, 2008, p.563).

This underscores a basic fact about budget that it is a demonstration of a financial plan which is necessarily quantified in monetary terms. Moreso a budget relates to a period of time, normally one year. Although the financial plan (budget) is prepared for an organisation, it must be prepared in relation to a specified time period usually one year. This explains a point that a budget is short-term phenomenon which technically expires with the expiration of the budget period.

Furthermore, a budget looks into the future. This simply means budget preparation always comes before the period in which it would be implemented. In other words, putting a budget into action comes after it had been prepared. For example, Ghana's budget according to article 179(1) of *Constitution of the Republic of Ghana, 1992* "shall be prepared and laid before parliament at least one month before the ensuing year in which the budget would be implemented". Hence a budget is an expectation of how to achieve a financial plan. Finally, it contains planned revenues and expenditures. Basically, a budget shows on one side the expected expenditures and on the other expected revenues to execute the expenditures.

4.2 Budgeting

According to Gyasi (2005)

Budgeting deals with setting an objective, forecasting future courses of action which could affect the achievement of that objective, outlining the steps to achieve that objective in the light of the forecast of future events and providing a basis for performance evaluation, coordination and communication of management plans. This clearly confirms a point that budgeting as a comprehensive management process takes into consideration not just the plan (budget) but goes the extra mile to implement, communicate, evaluate and control the plan to success.

Seal, Garrison and Noreen (2009) describes budgeting as "the act of preparing a budget" (p.434). Wood and Sangster (2005) explain that, "the process of converting plans into budgets is known as budgeting" (p.573). It could be concluded from the above that, a budget is a financial plan, whilst budgeting is the process of not just setting up the plan but also monitoring it afterwards. It is logical therefore for the process to begin before the actual plan is put in place. In other words, before a budget is drawn, budgeting would have begun.

4.3 The Budgeting Process

Budgeting process refers to the processes and procedures a budget passes before, during and after the budget. Budgeting process would be understood by looking at how it fits into an overall framework of planning, decision-making and control (Drury, 2004, p. 590).

One tends to agree with Drury to the extent that the budgeting process should be put into stages the same way planning and decision-making processes are put into stages. This calls for the physical and mental involvement of all levels of personnel in the budgeting process (Gyasi, 2005, p. 101) because, a well thought out budget which is properly prepared and implemented has a far reaching implication on every aspect of the organisation and therefore requires everybody's involvement.

4.4 Stages in the budgeting process

4.4.1 Communicating objectives

The first stage is to communicate details of objectives and strategies to those responsible for preparing the budget. The long-term objective is the starting point of the annual budget. Therefore before a budget is prepared, details of long and short term objectives and strategy guidelines need to be communicated to those responsible for preparing and implementing the current budget. Here it is the duty of strategic managers to communicate overall objectives and its strategy underpinnings to the budget committee and all those responsible for preparing the budget.

4.4.2 Limiting Factors

In preparing the budget there are bound to be some factors that restrict overall budget flexibility and forms the focus of the budget cascade. Cordobo (2010) explains some limiting factors such as, approval from relevant authority and future economy prediction as some of the limiting factors in the budgeting process. Management therefore should identify those limiting factors and find strategies to deal with them in order to reduce its effect on the overall budget performance.

4.4.4 Initial Budget

Initial budgets preparation is one of the stages in the budgeting process where they're supposed to be ownership of budget. Rotondi (1997) argues that "if a department is to have responsibility for its budget, it must own that budget; no one knows the department better than the people who work in it".

As such the responsible departments need to be involved from the beginning of the budgeting process by allowing managers who are mandated to implement the budget in their area to prepare the budget for those areas for which they are responsible. "Preparation of the budget should be a 'bottom-up' process" (Drury, 2006, p.431). This means the budget should originate from junior managers through to top level managers where it would be coordinated into one budget statement.

4.4.5 Negotiation of budgets

This stage is the participating approach to the process. Boulding (2011) identifies two stages in budget negotiation process: "technical process and political process" (p.9). Technical stage of the negotiation process has two attributes: the content of the procedure which is based on an agreed procedure between central budget centre and other centres. Discussion here is about content of procedure i.e. what is to be discussed.

The other attribute is the process itself which is about how and who discusses the content. Political stage on the other hand involves budget committees and other stakeholders where outcomes of the technical stage provide the political stage with reasoned information upon which to prioritize new proposals. When discussions at the various stages are done lower level management prepare and submit budget for their area to their superior for approval, the superior then incorporates this and other budgets for which he/she is responsible into one budget and then submit it to his/her superior for approval and onward submission to a higher level until it is incorporated into the final budget.

4.4.6 Acceptance of budget

According to Uddin, Gumb & Kasumba (2010) the finalisation phase of a budget is the phase where the budget is first reviewed and consultations made, then the budget and work plan is read and approved, after which approved revenue and expenditure estimates are signed, and the budget published. A budget is said to be accepted when after approving it by authorities responsible it is passed down through the institution to the various centres where plans and estimates contained in the budget would be implemented.

4.4.7 Budget Review

Constant monitoring of the budget is required every step on the way as the budget is being implemented. Periodically, actual results should be compared with budgeted results to find out if budget is on track; else corrective action is taken to address any differences

4.4.8 Administration of the budget

Budget administration refers to the internal organisational procedure to be followed in preparing, approving and implementing the budget. To ensure effectiveness in the budgeting process, it is important to put in place appropriate administrative procedures needed to prepare, approve and implement budgets, and to ensure appropriate staff support is available in order to assist managers in the budgeting process.

5. Budgets and organisational objectives

Objectives according to Thompson and Martin (2005) are “short-term targets or milestones with defined measurable achievements” (p. 859). It is a financial budget that translates these short term targets into quantifiable plans with the intention of realising the objectives. Five key steps in developing plans are identified:

Firstly, establish mission and objectives. An organisation would have to set the overall direction through its mission and objectives. “The mission statement is a statement of broad intent; objectives are then developed to translate this broad intent into more specific and, often, quantifiable goals” (Atrill and Maclaney, 2008, p.304).

Secondly, undertake position analysis. The next thing to do after establishing mission and objectives is to assess the present position of the organisation in relation to its defined objectives.

Thirdly, assess strategic options. Here, objectives are broken down into short-term achievable targets and then assessment of the various options available to help achieve those targets made.

Afterwards, select strategic options. This is where the linkage between objectives and budgets begins. According to Atrill and Maclaney (2008) "it involves selecting what seems to be the best of the courses of action or strategies and formulating a strategic plan" (p.304). Various plans needed to be formulated to cut across all sections of the organisation. One of such plans is the budget which though expressed in financial terms, is aimed at making the objectives operational.

Finally, review and control. For the objectives to be achieved successfully, the organisation as a matter of necessity would have to put in place mechanisms to monitor and review the performance of the budget by comparing actual results with budgeted results, control deviations that may recur in the course of implementing the budget so as to ensure achievement of objectives.

Therefore, if a budget is not linked to organisational objectives, then that budget is deemed to lack substance. Conversely, if organisational objectives are not supported by realistic and achievable budget, then those objectives would be heading for a crash. A budget needs objectives as its basis as much as an objective needs a budget for support.

6. Budget implementation and evaluation

A budget like any other plan needs to be put into action. Budget implementation occurs where a budget moves from being a paper work to real action, or is put 'on wheels'.

Budget evaluation on the other hand, involves monitoring and reviewing the budget by comparing actual outcomes with budgeted results, putting in place control mechanisms or enough checks to minimise deviations as much as possible, and to put in corrective measures to correct and control deviations. Evaluation in this context is not only about evaluating the budget, but as Hilton (2008) argues "it also helps managers to evaluate the performance of individuals, departments, divisions or entire companies" (p.348). This will afford managers a better chance to decide whether or not to assign or reassign responsibilities to personalities, departments or divisions, or align some duties in the company.

7. Overview of BMCs in Ghana Health Service (G.H.S)

According to Lucey (2002) a budget centre is “a section of an entity for which control may be exercised and budgets prepared” (p. 388). To a large extent BMCs in health institutions draw their autonomy from this definition, because in the health service, BMC status is granted to an institution or a department in the service so that managers at that level would have the authority to plan and manage resources allocated to their departments (Ministry of health [MOH], 2002).

For any hospital, polyclinic or metro/district health administration to be granted a BMC status, its accounts section would be assessed in terms of capacity to handle resources allocated to it from various sources, such as donor funds, government of Ghana (GOG) funds and programme funds. In other words, head and supporting staff at the accounts section are supposed to possess certain financial and accounting capabilities to handle transactions befitting a BMC.

Financial duties of head of BMC are stipulated in MOH (2009) rules and instruction manual as:

- i. Manage and operate the BMC's accounting systems to ensure the accountability of all officers transacting such business and facilitate the efficient discharge of such business;
- ii. Secure the effective use of resources under their control within the ambit of government policy and in compliance with any enactment, regulations or instructions issued under the authority of any enactment;
- iii. Secure the due and proper collection of government revenue collected by the BMC within the terms of any enactment or instruction contained in these rules and instructions;
- iv. Receive and order the disbursement of any trust monies for which he has been appointed as administering authority by or under any enactment or agreement;
- v. Transact any other financial business for which he is made responsible for, by or under any enactment in accordance with the requirement of these rules and instructions;
- vi. Appear before the Public Account Committee to give explanations required by the Committee in respect of the BMC's annual accounts (p.vii).

Even though BMCs are autonomous in their own right; they are under the broad authority of the regional health directorate because it is the regional health administration which implements the broad policies of Ghana Health Service in the region. It must be pointed out that, in the regions, the health directorates serve as departments in the coordinating councils. Of course all the major groupings in the health sector are represented at the health directorate headed by a regional director of health services who should necessarily be a medical practitioner.

Therefore all the five BMCs in Sekondi/Takoradi are under the supervision of the Western Regional Health Directorate. Nonetheless, they are independent of each other in terms of budget preparation and implementation.

8. Methods

The study design is a Cross-sectional survey where data collection took place at one BMC at a time addressing questions relating to the key issues under investigation. The population comprised all the five BMCs in Sekondi/Takoradi Health Directorate. In this study because the population was relatively small (only five), all the five BMCs were sampled so as to make the estimate more accurate as stated by McClave and Sincich (2009) "the larger the sample, the more accurate the estimate will tend to be" (p.52). Purposive sampling was adopted because budgeting is a specialised area, and a preserve for individuals well vexed in that area hence the need to reach out to individuals directly involved in the preparation of budgets.

The main instrument used in collecting data for this study was the questionnaires. questions in the questionnaire were developed based on the four research objectives namely; budgeting process of BMCs, types of budgets prepared by BMCs, challenges in the budgeting process and how budgets affects the running of BMCs. The questionnaires were self-designed and administered by the researcher. Furthermore, the questionnaires were made up of both closed and open-ended questions. Some of the questions were structured on a likert rating scale ranging from 1 to 5 where "1" stood for 'strongly disagree' till "5" which meant 'strongly agree'. Questionnaires were analysed using the Statistical Package for Social Sciences (S.P.S.S. version 16.0).

9. Results

9.1 Participating Health Facilities

Health facilities which according to Ministry of Health (M.O.H) manual are qualified to be Budget Management Centres (BMCs) in the metropolis were all interviewed. Participating facilities include four (4) hospitals and the Metro Health Directorate as indicated in Table 1 below:

Table 1: Hospitals interviewed

Name of hospital	Frequency	Percent
Takoradi Hospital	1	20.0
EffiaNkwanta Regional Hospital	1	20.0
Kwesimintsim Hospital	1	20.0
Essikado Hospital	1	20.0
Metro Health Directorate	1	20.0
Total	5	100.0

All four hospitals; EffiaNkwanta, Takoradi, Kwesimintsim and Essikado hospitals and the Metro Health Directorate were interviewed.

9.2 Number of Staff

In all the five facilities, every member of staff at the Accounting department especially those directly involved with the preparation and implementation of budget were covered. The number of in each facility is indicated in Table 2:

Table 2: Number of Staff

Facility	Number of Staff	Percent
Takoradi Hospital	6	20.00
Effia Nkwanta Hospital	8	26.67
Kwesimintsim Hospital	4	13.33
Essikado Hospital	4	13.33
Metro Health Directorate	8	26.67
Total	30	100.00

In all thirty staffs in the Accounting department from all five health facilities were covered for the study. This is in addition to other non-accounting staffs like the medical superintendent, hospital administrator, pharmacist and director of nursing service in each of the facilities.

9.3 Preparation of Budget in BMCs

Response indicated in Table 3 below shows that all BMCs in Sekondi/Takoradi Health Directorate prepare budget.

Table 3: Preparation of a budget in BMCs

Response	Frequency	Percent
Yes	5	100.00

It is a very good situation to have all the hospitals involved in budgeting because as rightly intimated by Lucey (2003), it provides a focus for the organisation, aids co-ordination of activities and facilitates control.

9.4 Type(s) of Budget

Table 4 below solicit information about the type(s) of budget prepared by BMCs.

Table 4: Types of budgets

Types of budgets	Frequency	Percent
Zero-based budget	2	40.0
Incremental budget	2	40.0
MTEF	1	20.0
Total	5	100.0

The table above show that two (2) representing 40% prepare Zero-based budget, another two (2) representing 40% prepare incremental budget while only one (1) representing 20% prepares MTEF.

9.5 Budget implementation and review

There is enough indication that, budget implementation is only done after the budget has been approved. This is done so as to erase situations where there will not be enough funds to put the budget into implementation. In addition to this, normally it is the Head of the BMC or the Budget Committee that is responsible for the implementation of the budget.

9.5.1 Review of Budget

Every budget needs to be reviewed once implementation has begun so that the necessary amendments can be made so that its implementation can be done effectively and efficiently. Constant monitoring of the budget is required at every step on the way as the budget is being implemented. Periodically, actual results should be compared with budgeted results to find out if budget is on track; else corrective action is taken to address any differences (Uddinet *al.*, 2010). Table 5 finds out whether budgets are reviewed by BMCs.

Table 5: Review of budget

Review of budget	Frequency	Percent
Yes	4	80.0
No	1	20.0
Total	5	100.0

From Table 5 above majority of BMCs (80%) review their budgets while only 20% do not review their budgets. Review process is accordingly done mainly by the Budget Committee or budget Review Committee set aside for that purpose.

9.6 Challenges in the Budget Implementation Process

Challenges in the budget implementation process as well as factors considered as challenges in the implementation process are discussed in table 6.

Table 6: Challenges in the budget implementation process

Response	Test Value = 2						
	Mean	T	Df	Sig. (2-tailed)	Mean Diff.	95% Confidence Interval of the Difference	
						Lower	Upper
Effective monitoring and control mechanism	1.40	-2.449	4	0.070*	-0.600	-1.28	0.08
Strong commitment from GHS, RHA and other apex bodies	1.60	-1.000	4	0.374	-0.400	-1.51	0.71
Budgeting needs to be linked to objectives	1.60	-1.633	4	0.178	-0.400	-1.08	0.28
Active involvement of all sections in the design, introduction and implementation of the process	1.80	-0.535	4	0.621	-0.200	-1.24	0.84
Commitment from committee members	1.80	-0.535	4	0.621	-0.200	-1.24	0.84
	2.20	0.535	4	0.621	0.200	-0.84	1.24
Lack of appropriate skills of personnel	3.20	2.058	4	0.109	1.200	-0.42	2.82
Lack of quality and timely financial information	3.40	2.746	4	0.052*	1.400	-0.02	2.82
Lack of logistics and motivation	3.60	4.000	4	0.016**	1.600	0.49	2.71
Inadequate time for preparing the budget	3.60	4.000	4	0.016**	1.600	0.49	2.71
Lack of collaboration from various sections	3.80	4.811	4	0.009***	1.800	0.76	2.84
Unrealistic budget estimates	3.80	3.087	4	0.037**	1.800	0.18	3.42
Weak financial discipline	4.20	5.880	4	0.004***	2.200	1.16	3.24

Technical-know-how of committee members

*** Significance at 1%, ** significance at 5%, * significance at 10%.

Respondents were made to rank the challenges faced by the BMCs in the budgeting process. From the responses gathered on the challenges faced by BMCs in the budgeting process, it was realised that the least ranked challenge was effective monitoring and control mechanism (1.40), followed by Strong commitment from GHS, RHA and other apex bodies (1.60), then budgeting needs to be linked to objectives (1.60), active involvement of all sections in the design, introduction and implementation of the process (1.80), commitment from committee members (1.80), technical-know-how of committee members (2.20), lack of appropriate skills of personnel (3.20), lack of quality and timely financial information (3.40), lack of logistics and motivation (3.60), inadequate time for preparing the budget (3.60), lack of collaboration from various sections (3.80), unrealistic budget estimates (3.80) and weak financial discipline (4.20).

In order to statistically analyse the challenges faced by BMCs in the budgeting process, a one sample *t test* was conducted for various variables. With a test value of 4, degree of freedom of 4 and 95% confidence level, the following results were obtained. Effective monitoring and control mechanism (0.070*) and lack of quality and timely financial information (0.052*) were found to be significant at 10%. These were also found to be significant at 5%: Lack of logistics and motivation (0.016**), inadequate time for preparing the budget (0.016**) and unrealistic budget estimates (0.037**) while the following challenges were found to be statistically significant at 1%: Lack of collaboration from various sections (0.009***) and weak financial discipline (0.004***).

Cordobo (2010) explains some limiting factors such as, approval from relevant authority and future economy prediction and makes suggestions as to how to deal with them. He contends that if approval from relevant authority is a limiting factor, then one must spread out the timing of the budget carefully to allow sufficient time for the approval from relevant authority to come in and take in any delay in the timing. Furthermore, if future economy prediction was identified as one of the limiting factors, then a research must be conducted on how the economy will be in the future and how the budget has taken it into consideration.

Table 7: Factors considered as challenges in the implementation of the budget

Factors	Frequency	Percent
Difficult to estimate the exact quantity of resources required to perform activities thereby resulting in shortages	3	60.0
Expenditure based on the base level activity is fixed, it is difficult to estimate patient attendance accurately	1	20.0
Inadequate resources to implement the budget	1	20.0
Total	5	100.0

The respondents were asked about the factors that they consider as challenges in the implementation of the budget. Majority of the respondents (60%) indicated that it is difficult to estimate the exact quantity of resources required to perform activities thereby resulting in shortages. About 20% each of the respondents indicated that expenditure based on the base level activity is fixed and it is difficult to estimate patient attendance accurately and inadequate resources to implement the budget respectively.

9.6 Effect of Budget on BMCS

The table below is to ascertain whether or not budgets do have effects on the running of BMCs?

Table 8: Effect of budget on the running of BMCs

Effect	Frequency	Percent
Yes	5	100.0

All the respondents asserted to the fact that the budget used by the hospitals goes a long way to affect the running of BMCs. If this is the case, they were further asked to state how this happens. From the responses, it could be gathered that it acts as a control mechanism, helps to ensure proper utilisation and generation of funds, helps in planning annual operations of an organisation, co-ordinates activities of various units, and evaluates the performance of managers, it encourages BMCs to try to collect more revenue, helps planning to be more effective and realistic.

Objective setting was viewed as a priority in terms of the effect of budget on the running of BMCs. This is because establishing objectives enables employees have a good understanding of what the organisation is trying to achieve, without objectives there could not be any budget and finally it helps to follow Ghana Health Service action plan. Thompson and Martin (2005) added that the first action to take in the preparation of budget is to establish objectives. The objectives translate the broad intent into more specific and often, quantifiable goals. Therefore, if a budget is not linked to objectives, then that budget is deemed to lack substance. Conversely, if objectives are not supported by realistic and achievable budget, then those objectives would be heading for a crash. A budget needs objectives as its basis as much as an objective needs a budget for support (Atrill and Maclaney, 2008).

Budget Issues

In the following table below, the discussion is on other related issues that have to do with budgets.

Table 9: Budget issues

Questions	Responses	Frequency	Percent
Does the budget preparation cycle (budget calendar) have a logical sequence and adequate timing	Yes	5	100.0
	No	0	0.0
Is the budget circular sent out with enough time for section to prepare their budget submissions and does it approve clear guidelines for budget submissions and for the budget process	Yes	3	60.0
	No	2	40.0
Do budget allocations across sections reflect overall objectives of the BMCs	Yes	4	80.0
	No	1	20.0
Are the budget format conducive to analysis and oversight	Yes	3	60.0
	No	2	40.0
Are there frequent supplementary budgets	Yes	0	0.0
	No	5	100.0
Are expenditure commitments recorded and monitored on a monthly basis so as to be able to adequately monitor and control expenditure	Yes	4	80.0
	No	1	20.0

Finally, various questions were posed to the respondent on general budgeting issues. The first question was whether the budget preparation cycle has a logical sequence and adequate timing. The response from all the respondents was Yes. The second question was "Is the budget circular sent out with enough time for section to prepare their budget submissions and does it approve clear guidelines for budget submissions and for the budget process" and 60% responded Yes while 40% responded No.

The third question was, "Do budget allocations across sections reflect overall objectives of the BMCs" and 80% responded Yes while 20% responded No. The fourth question was, "Are the budget format conducive to analysis and oversight" and 60% responded Yes while 40% responded No. The fifth question was "Are there frequent supplementary budgets". The response from all the respondents was No. The final question was "Are expenditure commitments recorded and monitored on a monthly basis so as to be able to adequately monitor and control expenditure" and 80% responded Yes while 20% responded No.

10. Findings and Recommendations

10.1. Findings

It is inevitable to put in place a budget to run institutions that have source(s) of income and areas of expenditure. Although the existence of budget may not be the panacea for all the negatives in financial administration, it is nonetheless a good control tool to instill some level of financial discipline in financial administration. However, if the processes of budgeting are not set right, especially where the process does not take into account the linkage between overall objectives of the organisation and budgets, then objectives of budgeting is defeated ab initio because then, budgets no matter how well it was drawn would not translate into achieving overall organisational plans because the two are not correlated. This phenomenon of not putting in place a well-defined budgeting process is a problem in many governmental organisations.

The study examined the budgeting process of BMCs in Sekondi/Takoradi Ghana Health Service using mainly questionnaires across the five BMCs in Sekondi/Takoradi to solicit information to undertake the research.

This research intended to examine the budgeting process of BMCs in Sekondi/Takoradi Health Directorate, challenges inherent in the process and make suggestions as to how to make the process function properly. The research objectives were to examine the budgeting process of BMCs, ascertain the type(s) of budgets prepared by BMCs, examine the challenges BMCs face in the budgeting process and examine the extent to which budget affects the running of BMCs. The case study approach was used for this study employing both a descriptive and explanatory approach.

The study population was made up of BMCs in Sekondi/Takoradi Health Directorate with a sample size made up of five (5) hospitals. Simple random sampling technique was adopted for this study. Questionnaires with open-ended, closed-ended and likert scale type of questions were the research instrument used for the study. The research instrument (questionnaires) was self-administered.

The statistical analysis conducted included both descriptive (frequencies, percentages, means, standard deviations) and inferential statistics (one sample student *t test*). There were five main respondents used for this study: one each for the following hospitals; Takoradi Hospital, Effia Nkwanta Regional Hospital, Kwesimintsim Hospital, Essikado Hospital and Metro Health Directorate. Out of the five respondents who were interviewed, three (3) representing 60% were Heads of the Hospital's Finance Department and two (2) representing 40% were Accountants in their Hospitals. Majority of the respondents (40%) had working experience of 14 years, 20% each had been in active service for thirteen (13) and eight (8) years respectively. Finally another 20% had been in active service for three (3) years. The hospital with the highest number of staff had eight (8) people. This was followed by seven (7), five (5), four (4) and two (2). All the hospitals (100%) prepare budgets for running their Institution. It was evidenced from the study that Zero-based and incremental budgets are the main type of budgets used by BMCs, while 20% uses MTEF. Majority of the respondents (60%) responded that they do change their budgets "not often" while two (2) representing 40% change their budgets "very often". It is instructive to note that all the BMCs had committees that prepare their annual budgets. The work of the committee is guided by budget manuals which spell out the timetable and dates for preparing and submitting the budget and format in which the budget should be prepared and presented.

They always have the Medical Superintendent who is the head of the facility (Hospital) to be involved in their activities. Majority of the respondents (80%) indicated that their committees are not changed while 20% responded otherwise. The findings further indicated that, budget committees in the various BMCs meet at least more than once every year. Budget preparation in most BMCs takes more than one month; while in some few cases it takes one week or more.

Furthermore, responses gathered from the data collection shows that the majority of the BMCs (80%) review their budgets while only 20% do not review their budgets. From the responses gathered, it was indicated by majority of the respondents (50%) that the review process is done more than twice within a year, 25% indicated that it is done twice within the year while another 25% indicated that it is done once within the year. All the respondents indicated that variances do occur in the implementation of budgets and these are investigated.

The least ranked challenge was effective monitoring and control mechanism (1.40). This was followed by the following: Strong commitment from GHS, RHA and other apex bodies (1.60), budgeting needs to be linked to objectives (1.60), active involvement of all sections in the design, introduction and implementation of the process (1.80), commitment from committee members (1.80), competence and technical-know-how of committee members (2.20), lack of appropriate skills of personnel (3.20), lack of quality and timely financial information (3.40), lack of logistics and motivation (3.60), inadequate time for preparing the budget (3.60), lack of collaboration from various sections (3.80), unrealistic budget estimates (3.80) and weak financial discipline (4.20). With a test value of 4, degree of freedom of 4 and 95% confidence level, the following results were obtained.

Effective monitoring and control mechanism (0.070*) and lack of quality and timely financial information (0.052*) were found to be significant at 10%. These were also found to be significant at 5%: Lack of logistics and motivation (0.016**), inadequate time for preparing the budget (0.016**) and unrealistic budget estimates (0.037**) while the following challenges were found to be statistically significant at 1%: Lack of collaboration from various sections (0.009***) and weak financial discipline (0.004***).

It was also found out that budget preparation cycle has a logical sequence and adequate timing in all BMCs. In many of the BMCs, budget circulars are sent out with enough time for sections to prepare and submit their budget estimates to the committee for approval. The study further revealed in most BMCs that, budget allocations across sections reflect overall objectives of the BMCs. Again budget format according to majority of the BMCs is conducive to analysis and oversight; meanwhile once budgets are prepared, frequent supplementary budgets are rarely prepared. This was collaborated by all BMCs. Expenditure commitments are recorded and monitored on a monthly basis as indicated by most respondents so as to be able to adequately monitor and control expenditure.

Finally, it was revealed that some of the control measures to correct variances are to limit expenditures and increase revenues, and to control personnel and output. To increase revenue is to ask for an increase in government subvention. Moreso, as a control measure personnel are moved around to curtail wastage and improve efficiency. It also came to light that it is difficult to increase revenues through fees and charges because that is done by ministry of health (M.O.H) through G.H.S.

10.2. Recommendations

Based on the results of the study, the following recommendations have been made:

- i. Ghana Health Service (G.H.S) is commended for posting personnel who have requisite academic and/or professional accountancy background with considerable work experience to head Accounts sections of BMCs. This would bring competence and professionalism to bear on the finances of BMCs.
- ii. Again the composition of the budget committee cutting across all sections is appropriate, just that periodic seminars and workshops should be organised for them may be at national level so as to sharpen their budgeting skills.
- iii. It is further recommended that budget committees should start preparing the budget in the last quarter of the year prior to the ensuing year in which the budget would be implemented in order to have ample time to do a thorough work.

More so various sections whose inputs are needed in the preparation of budgets even though are sent budget circulars early enough, they still need to be prompted to submit their budget proposals early so that they do not cause delays in the preparation of budgets for the budget to be comprehensive and assume an all-embracing outlook.

- iv. Once again BMCs are commended for being consistent with their budget type. However, for the sake of uniformity and better appraisal of budgets performance in all BMCs, it would be better if G.H.S come out with one type for all of them to adopt.
- v. Furthermore, G.H.S in collaboration with management of BMCs should take steps to address some of the challenges in the budgeting process as much as they could so that, the budget would not be mere paper work satisfying the status quo but one worth referring to because it has all the ingredients of a good and reliable budget.
- vi. The budget should be drawn with recourse to the overall objectives of BMCs. It is believed that, if the budget is rightly linked to objectives this challenge of unrealistic budget estimates would be removed because then estimates will be based on what is intended to be achieved.
- vii. It is heartwarming to note that BMCs use budgets as one of the planning tools to run their institutions. However, it is recommended that some bottlenecks or challenges in the budgeting process should be addressed so that BMCs will no more be run on 'defective budgets', rather budgeting would give meaning to the achievement of overall objective.
- viii. Finally, it is recommended to government to have an average percentage around which subventions to BMCs and other health facilities would be increased on yearly basis, and released on time. Besides, BMCs themselves should look for innovative ways to boost and protect their internally generated funds (I.G.F) and not to resort to always limiting expenditures as a way of controlling variances. This will help in resource planning because incomes would be forecasted well, correct budget estimates would be made and expenditures would be marched against revenues to ensure financial discipline in BMCs.

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