# A COMPARATIVE ANALYSIS OF THE ACTUAL AND BUDGETARY EXPENDITURE OF LOCAL GOVERNMENT ACCOUNTING INFORMATION ON HEALTH CARE SERVICE DELIVERY IN OGBOMOSO AREA OF OYO STATE NIGERIA.

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## ABSTRACT

*The study embarked on a comparative analysis of the actual and budgetary expenditure of Local Government accounting information on health care service delivery in Ogbomosho area of Oyo State Nigeria. This is to ascertain the level of compliance with the developmental budget developed for local government council. A simple random sampling technique was used to select the sampled local government council from the entire local council. Incidental sampling techniques was used in the course of administering the questionnaire. A total of 150 respondents were sampled for the study and the data were analyzed with the aid of inferential tools - Analysis of Covariance and t-test. The finding revealed that local governments in the study area do not comply with the developmental budget in their spending. The actual expenditure did not reflect on the services rendered to the community who are the beneficiary of the services rendered.*

**Keywords:** *Health care, Actual expenditure, Covariance, Inferential, Local Governments.*

## INTRODUCTION

The need to ensure performance through accounting information and resource allocation across all tiers of government has been the focus of academics and practitioners in recent time. Several goal oriented programmes and policies have been designed over the years with huge resources equally allocated towards such programs but all to no avail. The most disheartened of all is that poverty is on the increase in all aspect of the economy and the health sector is not in any way spared thus women and children are the greatest victim. The believe that politicians are looting the treasury of the nation at the expense of meaningful development  has been adduced as one reason for underdevelopment and poverty increase while lack of adequate accounting information that effectively  check and control fraud was fingered as the major causes of setback in an attempt at ensuring development. The most surprising aspect is that the country ought to have witnessed a shift to the next level considering the huge resources abound in the country coupled with the country's potential for growth. It is against this backdrop that the study seeks to embark on a comparative analysis of the actual and budgetary expenditure of local government accounting information on health care service delivery with a view to determining the existence of any significant difference between approved budgeted expenditure and actual expenditure. This is will aid in ascertaining the level of compliance or deviation from the approved developmental budget.

## REVIEW OF RELATED LITERATURE

Local Government was established in order bring development nearer to the people thus making  it a relevant third tier of government which impact is expected to stimulate and speed up development at the grass root. More recently, local government has come under serious criticism in terms of their ability to fulfill the mandate giving

to them as such they have attracted public criticism and this has generated national crisis as a result of the increasing rate of poverty among the people.

At local government level the importance of health care services for development provides a strong case for allocating public resources to the health sector (Bernard and Waly, 2007). Likewise, health care service delivery in public sector especially Local Government has shown that accounting and operations are interwoven and provision of adequate accounting information is essential for local government growth (Fermin, 2007). Accounting information of health care before 1990's was relatively underdeveloped because health care services were not perceived as economic phenomenon (Hopwood, 1990). Nevertheless, beyond the 1990's accounting information became major feature of health discourse (Preston, Cooper and Coomba, 1992). Hence, the need to look closely at the budget and actual spending on health care at the local Government level rather than closed door accounting information becomes imperative at all level of governments because their financial statements are regarded as confidential matter (Ayoade, 2003). However, budgetary process is not a passive process that simply records and reports neutral manner (Michael and Howard, 2008). Every organization has an accounting information system. The purpose is to provide operating and management personnel with information which can be used to effectively and efficiently execute the mission of the organization. Accounting information are data found in the annual financial statements. The annual financial statements are the reports of the financial activities of the local government for the year of reporting. The main aim is to account for all incomes voted for the operation of the council during the financial year in question. Accounting information as an internal control system is to enhance stewardship of reporting and accountability in the deployment of the resources made available in order to improve the economic, social and political life of the dwellers. (Glautier and Underdown, 1990).

Adeyemo (1997) stated that Local Government keeps all accounting record books so that the financial position of the organization could be seen at a given time when there is need for it by determining in orders of priority what facilities to provide for the tax and rate payers within its area of jurisdiction.

The Local Government accounting records are of two sets of records: the main one, which is kept by the treasurer, and the subsidiary set kept by the treasury clerk, which acts as control to the treasurer (Oshinsanmi, 1983). Each of these records is included in the annual financial statement of the local government especially in expenditure reporting. The following financial statements must be produced for audit.

    i.    Statement of assets and liabilities
    ii.   Summary of revenue and expenditure
    iii.  Statement of actual revenue
    iv.  Statement of actual expenditure
    v.   Statement of advance account balances
    vi.  Statement of deposit account balances
    vii. Statement of revenues fund account balances
    viii. Statement of external loans outstanding

Local government expenditure responsibilities are financed largely through statutory allocations from the Federal Government, with Local Government Councils regularly receiving about 20 percent of total revenues in the divisible pool called the Federation Account. Since oil revenues are part of the Federation Account, Local Government Councils receive substantial revenues on account of this statutory allocation. Local Government Councils are also entitled to a share of federally collected Value Added Tax revenues (outside of the Federation Account). In addition, Local Government Councils are supposed to receive statutory allocations from state government revenues, but the rules related to this are less strict and not always enforced (Ekpo and Ndebbio, 1998). Local Government Councils also have recourse to significant own tax bases, although studies have shown that these have not been explored to full potential, and that internally generated revenues are a small proportion of total Local Government Councils revenues (Olowu and Erero, 1995; Khemani, 2001).

Local Governments provide services such as road construction/maintenance, health care service delivery, education and so on as provided in the Constitution (The Constitution of the Federal Republic of Nigeria, 1999). Poor relationship between accounting information for health care and health care services is feasible in improper economic outfit. Accounting is not a passive process, rather it shapes, and is itself shaping the environment in which it is located. This is linked to what operates in the local government as the third tier of government in Nigeria.

Funds voted to various budget centres in the yearly approved budget are a planning tool for performance at all level of government or management. This raises hope yearly at the beginning of each year. However, at the end of the year the issue that bothered the people at the grassroots has been what they have achieved considering the level of spending and the level of development that can be measured. When considering the actual expenditure recorded at the year end and approved budgeted expenditure. Evidence for the poor quality of service delivery is reflected in measurement of performance and outcome such as life expectancy or infant mortality (Nirvikar, 2008). Likewise is evidence based on inputs and processes of government, such as corruption, overall spending patterns, and employee absenteeism (Planning Commission, 2006).

Lack of managerial capacity at all levels of the health system is increasingly cited as a binding constraint to scaling up services and achieving the Millennium Development Goals set by the Federal Republic of Nigeria.

**METHODOLOGY**

The study made use of simple random sampling techniques for the selection of three local council, of the five councils in Ogbomoso city ( Ogbomoso south  Oriire and Ogo-oluwa Local Government Councils).This  is to ensure that all the councils have equal chances of being chosen. The study covered the health care delivery areas of health care centers, drug prescription, drug availability, consultations, medical staffs, medical staff services and payment for health services and location. Data for the study was sourced from the financial data available in the local government councils of the study areas between the periods of 1996-2011. The study also made do with Incidental sampling techniques to capture patients that attended the health care centre for service delivery with structured questionnaire administered on them. Incidental sampling technique was implored so as to avoid the choice of a control group which might introduce sampling bias. Health Care Centre's chosen were those who have high levels of health care needs; medical staffs posted; population concentration; health population needs and health care structures. The sample size of about 60% is fairly a representative one which was One Hundred and Fifty patients. Therefore a sample of One Hundred and fifty (150) was selected for the study.  Analysis of Covariance (ANCOVA) model was also employed to compare actual expenditure for health care service delivery in the study area.

**RESULT AND DISCUSSION**

The result revealed that in Ogo-Oluwa local government there exist a significant difference (P value<0.05 ) in the actual expenditure and approved budgeted expenditure over the years. When Comparing the actual expenditure on health care service delivery in the three local governments using  one-way analysis of covariance it was noted  that the degree of freedom was 1 with sum of squares of 53.291; mean squares of 53.291 and F of 8.896 with significant of 0.005. This shows that the effect of budgeted expenditure is significant (P value < 0.05). That is, it does have significant contribution to actual expenditure. The result shows that the local government councils in the study area do align their budgeted expenditure with actual expenditure. In other words, there is efficiency and effectiveness in the implementation of the budget in health care service delivery.

Considering the three local government actual expenditure, the result shows the sum of squares as 44.493; mean of square 22.247 and F of 3.713 with significant value of 0.033.

This result revealed that there exhibit significant difference in the mean actual expenditure of the three local governments (P-value < 0.05). The result of the actual expenditure of further test using budgeted expenditure as covariate revealed the mean of Ogo–Oluwa local government, Ogbomoso south local government and Oriire local government and It was observed that Oriire local government significantly differs from the other two local governments.

From the result it was noted that analysis of co-variance of actual expenditure on health care service delivery in the study areas with the estimated mean of actual expenditure after the effect of the budgeted expenditure has been removed. The table revealed the mean value of the three local governments as Ogo-Oluwa local government 1.584; Ogbomoso South local government 2.100 and Oriire local government as 4.171. The highest mean value of expenditure on health care delivery was in Oriire local government. This however shows that the whole essence of budgetary control that takes the targets of desired performance as standards and then systematically collates information relating to actual performance on a periodic basis and identifies the variances between target and actual performance was not in place in the local government. Each sectional heads could not account what the set target was on monthly basis talk less of comparing such with actual spending.

## CONCLUSION

Following the findings, the study concluded that inadequate accounting information that effectively check and control fraud was fingered as major cause of setback at ensuring development. Approved budgeted expenditure and actual expenditure on health care service delivery differs significantly in Ogo-Oluwa Local Government Council. The actual expenditure in Oriire local government differs significantly from the two other local governments.

## RECOMMENDATIONS

From the findings and conclusion of the study the following recommendations were made: budget was not fully followed which ended on unsatisfactory actual expenditure on health care service delivery, due process must be enforced as well as effective monitoring exercise. Task force needs to be engaged to monitor the health care centre's performances so that actual budgeted expenditure agrees with the real performances.

Reporting of performance should be made known to the law makers who are representatives of the public where the local government resides and operate. This will enhance better stewardship reporting thereby providing public private partnership and healthy competition between the privately owned establishment and public owned.

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**APPENDIX 1**

**Table 1.1** Local Government Councils in Ogbomoso Land

| S/NO | LOCAL GOVERNMENT COUNCIL | LOCAL GOVERNMENT HEADQUARTER | CLASSIFICATION |
|---|---|---|---|
| 1 | OGBOMOSO SOUTH LOCAL GOVERNMENT | AROWOMOLE * | URBAN  * |
| 2 | OGBOMOSO NORTH  LOCAL GOVERNMENT | KINNIRA | URBAN |
| 3 | ORIIRE LOCAL GOVERNMENT | IKOYI  * | SEMI-URBAN * |
| 4 | SURULERE LOCAL GOVERNMENT | IRESA-ADU | SEMI-URBAN |
| 5 | OGO-OLUWA LOCAL GOVERNMENT | AJA-AWA * | RURAL * |

**Source**: Field study, 2012
The marked asterisk (*) are the selected local governments.

**Table 1.2** The results of the paired t-statistic to compare the actual expenditure with the approved budgeted expenditure in the three local governments.

| Local Government | Mean difference | Std. Error of Mean | P value | 95% Confidence Interval | |
|---|---|---|---|---|---|
| | | | | Lower Bound | Upper Bound |
| OGO OLUWA | 0 .73800 | 0.20911 | 0.003 | 0.28950 | 1.18650 |
| OGB. SOUTH | 0 .89077 | 0.50264 | 0.102 | -0.20438 | 1.98592 |
| ORIRE | 0.24933 | 1.23299 | 0.843 | -2.39518 | 2.89384 |

**Source:** Field survey, 2012

**Table 1.3**  Analysis of Co-Variance table of actual expenditure of health care service delivery on the three local governments.

| Source of Variable | Degree of freedom | Sum of Squares | Mean square | F | Sig. |
|---|---|---|---|---|---|
| Budget | 1 | 53.291 | 53.291 | 8.896 | 0.005 |
| L.G. | 2 | 44.493 | 22.247 | 3.713 | 0.033 |
| Error | 39 | 233.639 | 5.991 | | |
| Total | 42 | 258.568 | | | |

**Source:** Field survey 2012

**Table 1.4:** Analysis of covariance of Actual Expenditure of health care service delivery in the study areas.

| Local Government | Mean | Std. Error | 95% Confidence Interval | |
| --- | --- | --- | --- | --- |
| | | | Lower Bound | Upper Bound |
| OGO OLUWA | 1 .584 | 0.662 | 0.245 | 2.923 |
| OGB. SOUTH | 2 .100 | 0.681 | 0.722 | 3.478 |
| ORIRE | 4.171 | 0.678 | 2.799 | 5.542 |

Evaluated at covariates appeared in the model: BUDGET = 3.2560

**Source:** Field survey 2012