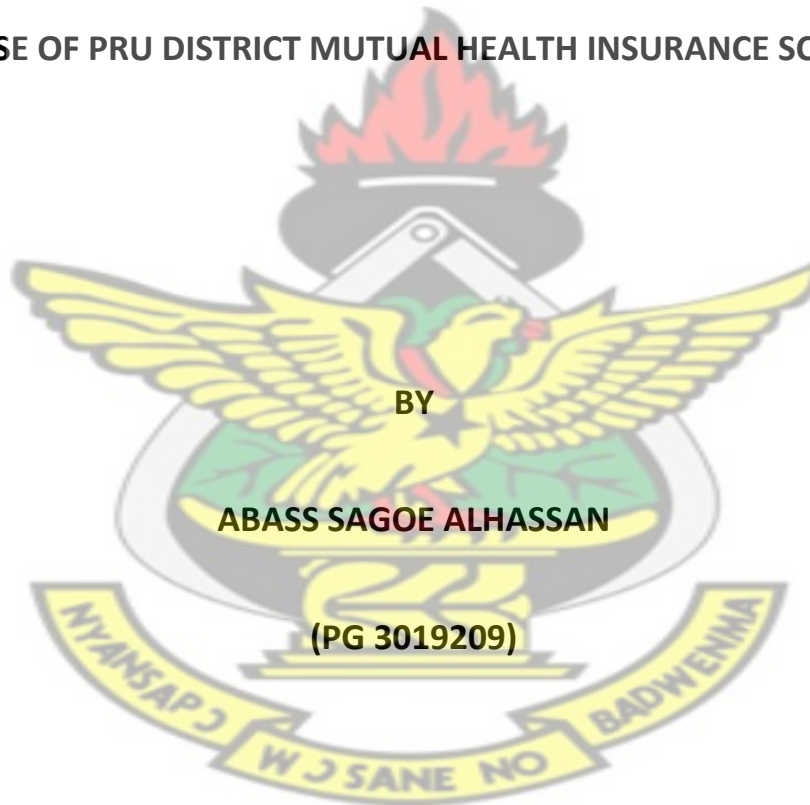


**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI**

**AN EVALUATION OF FINANCIAL CONTROL PRACTICES IN THE HEALTH  
INSURANCE**

**(A CASE OF PRU DISTRICT MUTUAL HEALTH INSURANCE SCHEME)**



**JULY, 2011**

**AN EVALUATION OF FINANCIAL CONTROL PRACTICES IN THE HEALTH  
INSURANCE SCHEME**

**[A CASE STUDY OF PRU DISTRICT MUTUAL HEALTH INSURANCE SCHEME]**

**KNUST**

**BY**

**ABASS SAGOE ALHASSAN**

**(PG 3019209)**

**A THESIS SUBMITTED TO THE INSTITUTE OF DISTANCE LEARNING, KWAME  
NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A COMMONWEALTH  
EXECUTIVE MASTERS DEGREE IN BUSINESS ADMINISTRATION**

**JULY, 2011**

## DECLARATION

I hereby declare that this submission is my work towards the Commonwealth Executive Masters in Business Administration and that, to the best of my knowledge , it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

ABASS SAGOE ALHASSAN

Student Name

Signature

Date

Certified by

.....

Supervisors Name

Signature

Date

Certified by

.....

Head of Dept. Name

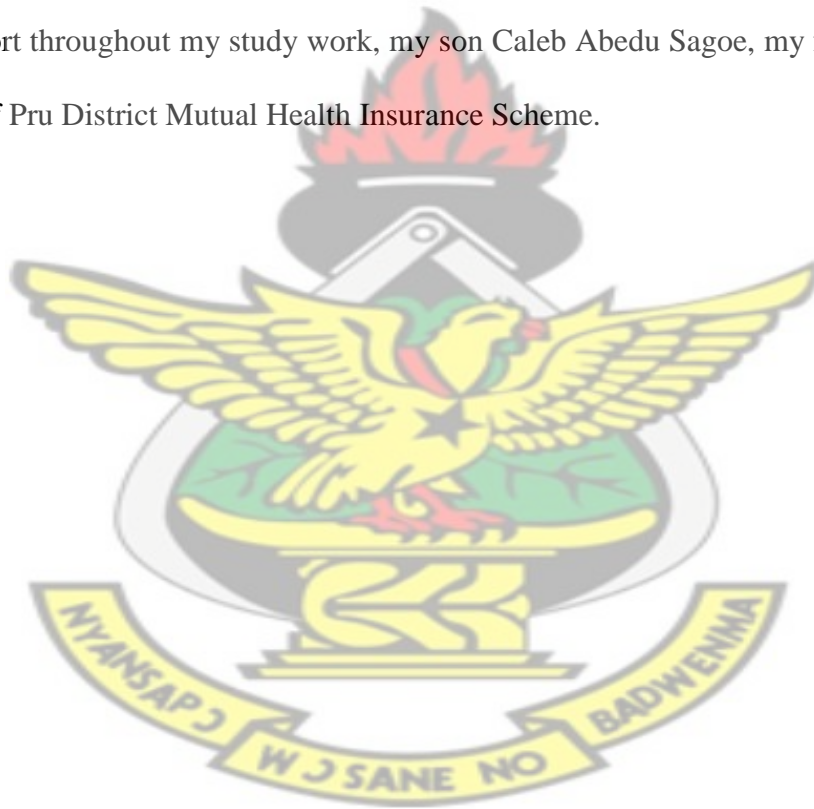
Signature

Date

## DEDICATION

This work is dedicated to the Glory of the Almighty God for His protection and guidance through my education.

Secondly, I wish to dedicate this work to my wife Leticia Kpaliba Sagoe, for her moral entireness support throughout my study work, my son Caleb Abedu Sagoe, my friends and loved ones and staff of Pru District Mutual Health Insurance Scheme.



## ACKNOWLEDGEMENT

In all fairness, I must admit that I have received support in various forms while undertaking this study.

I wish to express my profound gratitude to God. The next gratitude is to Mr. Aristotle Ayensu of Quality Assurance of KNUST for his time and patience in providing valuable criticisms, constructive suggestion and for their encouragement in the preparation of this write-up. Special mention should be made to my parent Mr. Abdulai Abass Sagoe and Madam Mariama Osman Bondzie for their support throughout my education.

I am also most grateful to Alhaji Othmans Adams, Nana D. K Atatriw, Mr. Albert Mordey and Abdulai Fatawu for their special contribution and encouragement in the preparation of this thesis.

Finally, I am indebted to Mr. Okle Rexford Nii Odai and Ayesha Mohammed for their financial support, and my brothers for their prayers and encouragement that has brought me this far.

## ABSTRACT

The study sought to evaluate the financial Control systems or practices of the National Health Insurance Scheme, with the Pru District Mutual Health Insurance and suggest ways of improving them.

The sources of materials for the study were both primary and secondary. Primary data was collected by the use of a structured questionnaire designed and administered to Pru District Mutual Health Insurance Scheme officials, Field Agents, Health Providers, External Auditors, Observation of the accounting records at the Accounts Department and other journals were also contacted.

Three (3) major financial control systems, namely, Preventive, Directive and Detective control systems are in existence with, the preventive control mostly used, followed by the directive and the detective; the Preventive is the most used system as indicated by the 45% representation, followed by the 30% for the detective and Directive represent 25%. The study also identified five (5) major executives as being responsible for the crafting of the controls system for the scheme, the Directors registered 10%, 15% for Administrators, 20% for Field Agents, 23% for External Auditors and NHIA recorded the modal frequency of 32% of the distribution.

In order to maintain uniformity in the monitoring and evaluation of the financial control system of the scheme, it is recommended that the NHIA should take that leadership role by formulating policies for effective control systems. Regular training programmes should be organized for workers on the financial management and control of the DMHIS activities for its sustainability

and growth at the district. There should be in-depth investigations into the accounting system to eliminate all identified weaknesses.

## TABLE OF CONTENTS

CONTENTS	PAGES
Declaration	iii
Dedication	iv
Acknowledgement	v
Abstract	vi
Table of contents	vii - xiii
CHAPTER ONE: INTRODUCTION	1
1.0 Introduction	1
1.1 Background to the study	1
1.2 Statement of the Problem	2
1.3 Objective of the study	3
1.4 Research Questions	4
1.5 Significance of the study	5
1.6 Scope of the study	6
1.6.0 Research Methodology	6



1.6.1 Data Collection	6 - 7
1.6.2 Sample Design	7
1.7 Limitation of the Study	7 - 8
1.8 Organization of the study	8

# KNUST

## CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction	9
2.1 Definition of Financial Controls	9 - 10
2.1.2 The Control Environment	10 - 14
2.1.3 Control Procedures	15
2.2 Internal Control System	15 - 16
2.3 Internal Audit as a Control Factor	16 - 18
2.4 Financial Controls in National Health Insurance Scheme	18 - 19
2.4.1 Simplicity of Financial Control in NHIS	19
2.4.2 Control of Assets in NHIS	19
2.4.3 Control of Field Agents	20
2.4.4 Control of Receivables	20



2.4.5 Stock Control	21
2.4.6 Control of Payroll	22 - 23
2.4.7 Records of Properties, Plant, Equipment	23
2.5 Control over Cash Receipt	24 - 25
2.6 National Health Insurance Scheme	25 - 26
2.6.1 History of National Health Insurance Scheme	26 - 27

### CHAPTER THREE: METHODOLOGY

3.1 Introduction	28
3.2 Research Design	28
3.3 Sources of Data	28 - 29
3.4 Target Population	29
3.5 Sampling Procedure	29 - 30
3.6 Data Collection Instrument	30
3.7 Data Analysis	31
3.8 Data and Information Processing	31
3.9 Profile of Pru District Mutual Health Insurance Scheme	32 – 36

## CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.0 Introduction	37
4.1 Demographic Background of Respondents	37 - 40
4.2 Financial Control Systems	41
4.2.1 Existence of Financial Control System	41 - 42
4.2.2 Types of Financial Control Systems	42 - 43
4.2.3 Responsibility for set up	43 - 45
4.2.4 Basic Accounting Procedures	46 - 47
4.3 Appraisal of Financial Control Systems	48
4.3.1 Revenue Collection	48
4.3.2 Bank Reconciliation	48 - 49
4.3.3 Fixed Assets Management	49 - 50
4.3.4 Accounting System	50 - 51
4.3.5 Internal Control	51 - 53
4.4 Measures to Enhance Controls	53 - 55
4.5 Challenges	55

4.5.1 Challenges of the Scheme Staff	56
--------------------------------------	----

4.5.2 Challenges of Managers of Health Facilities	56
---	----

## CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction	57
------------------	----

5.1 Summary of Findings	57 - 61
-------------------------	---------

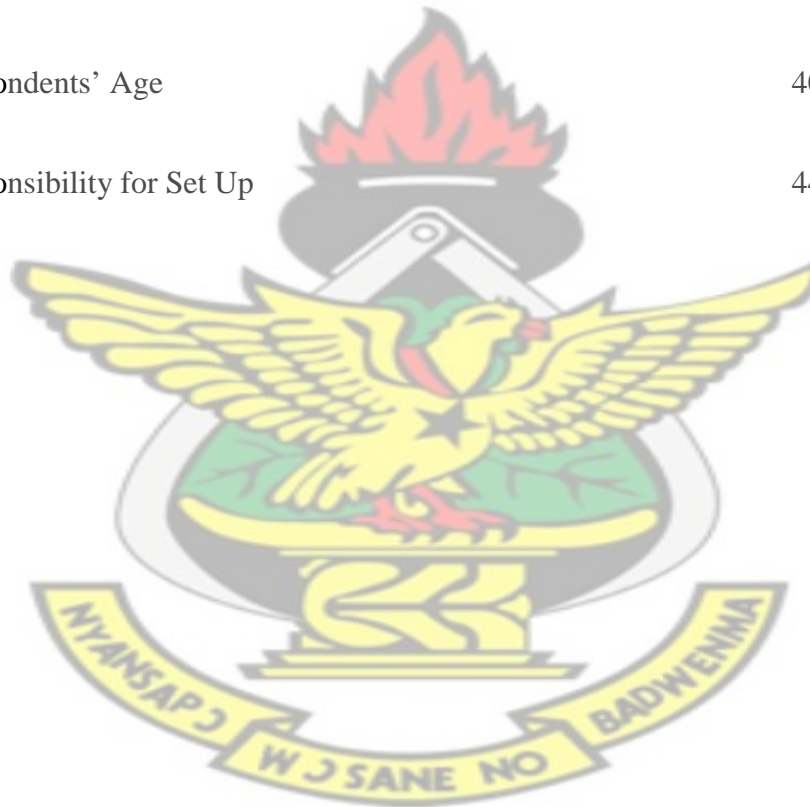
5.2 Conclusion	62
----------------	----

5.3 Recommendations	63 - 64
---------------------	---------



## LIST OF TABLES

Table 3.1: Occupational Status	33
Table 3.2: Population of Zones	33
Table 3.3: List of Modern Health Care Facilities in Pru District	35
Table 4.1: Respondents' Distribution	38
Table 4.2: Respondents' Age	40
Table 4.3: Responsibility for Set Up	44



## LIST OF FIGURES

Figure 3.1: Represents Health Insurance Zone	34
Figure 4.1.1: Respondents' Gender Ratio	39
Figure 4.1.2: Educational Level	41
Figure 4.2.1: Existence of Financial Control	42
Figure 4.2.2: Types of Financial Control Systems	43
Figure 4.2.3: Responsibility for set Up	45
Figure 4.2.4: Basic Accounting Procedures	47
Figure 4.3.1: Performance and Monitoring Process Rating	51
Figure 4.3.2: Internal Control	52
Figure 4.3.3: Types of Control	53
Figure 4.3.4: Types of Report	54

REFERENCES

65 - 68

Appendices

69 - 81

Appendix 1: Questionnaire to Staff of the Scheme and

Health Providers and Field Agents

69 - 81

KNUST



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Globalisation of business, technological advancements, increasing risk of business failures, and frauds that emerged in the United States of America and elsewhere in Europe have encouraged nations and corporations to place more emphasis on their financial control systems, internal auditing functions and risk management. Corporate entities, irrespective of their size maintain financial control systems if they wish to uphold the practice of good corporate governance. The purpose is to ensure effectiveness and efficiency of operations, reliability of financial information, and compliance with applicable rules and regulations. Risk management in general and financial controls specifically; have been considered as fundamental elements of organisational governance.

Financial Controls of every organization remains one of the strategic tools for improving corporate governance and financial management administration for public sector is not an exception, especially in the face of limited resources of a country which adopted the Economic Recovery Programme (ERP) in April 1983, followed by the Structural Adjustment Programme (SAP) in August 1986 and HIPIC Initiative in 2002 so as to salvage the ailing Ghanaian economy.

Sound financial management through prudent control systems have contributed to the maximization of resources, particularly, the profitability of firms. Financial Control assists in making economic decisions in times of stress or opportunity; and further helps in the intelligent use of all available resources to realise definite goals. The finances of every organization need to be carefully planned, realistic with a



strong control system for effective and dynamic communication, motivation and evaluation. This has a far reaching effect on goal realisation.

It is therefore important to ensure that all transactions are incorporated in the financial records and are organised into data, reports and statements. The use of such plan by management would enable it become accustomed to relating its decisions to their financial effect. It is to be stressed that though the basic financial accounting concept have been developed primarily for use by profit making enterprises, the Ministry of Health and for that matter the National Health Insurance Authority are no exceptions. It is worth noting that the principle of sound business management such as accrual concept and accounting conventions such as materiality, consistency, conservatism, etc are just as applicable to the National Health Insurance Scheme as they are to commercial enterprises.

## **1.2 Statement of the Problem**

Act (650) of the National Health Insurance Scheme stipulate that the schemes are semi-autonomous and as such their operations are not restricted under the controller and accountant Generals' Department which handles all financial matters concerning government activities and operations through the government treasury. After the introduction of health insurance schemes in the country, cases of mal-administration of the funds and delays in payment of the medical bills have been reported.

LI – 1809 of 2004 Part 1 R48 of the National Health Insurance Scheme insisted on every scheme keeping proper accounting systems sufficient enough to ensure financial position to be determined with reasonable accuracy at any time. Again, these systems must be sufficient to

enable financial statement to be prepared and audited in accordance with the health insurance regulation.

Unfortunately, the principles and regulations stated under the LI—1809 of 2004 Part 1 R48 are not been adhered to by the health insurance personnel, especially the revenue collectors at the community level as well as the financial managers. The problem of mismanagement, embezzlement and fraud with the premiums collected from the beneficiaries could also be due to unqualified staff who manages the Accounts Department as well as lack of training of field agents and accounts staff. The Deputy Director in charge of Corporate Affairs of National Health Insurance Authority (NHIA) reiterated that the scheme lost a whopping GH¢17million to fraudulent deals in the 2010 financial year Ametor-Quarmyne (2010).

The research therefore sought to evaluate the effectiveness or otherwise of established controls aimed at ensuring efficiency and effectiveness of the financial practices of the schemes through appropriate and approved mechanisms, to achieve the requisite financial sustainability of the schemes.

### **1.3 Objectives of the Study**

The general objective of the study is to evaluate the financial control systems in the National Health Insurance Scheme, with the Pru District Mutual Health insurance Scheme as a case study.

#### **1.3.1 Specific objectives**

This would be realised considering the following specific objectives:

1. To identify the various financial controls measures implemented by the Pru District Mutual Health Insurance Scheme.
2. To assess the effectiveness of the financial controls at the Pru District Mutual Health insurance Scheme.
3. To analyse measures adopted to enhance the efficiency and effectiveness of the financial controls.
4. To determine appropriate policy measures that would improve the effectiveness of the financial controls.

#### **1.4 Research Questions**

In order to attain the above objectives drawn from the problem statement, the research seeks to address four main questions outline below:

1. What kind of financial control systems exist at the Pru District Mutual Health Insurance Scheme?
2. How effective are the financial control systems in Pru District Mutual Health Insurance Scheme?
3. What measures need to be adopted to enhance the effectiveness of financial control systems in the Pru District Mutual Health Insurance Scheme?
4. What factors limit the effectiveness of the financial control systems in Pru District Mutual Health Insurance Scheme?

#### **1.5 Significance of the Study**

The research work is justified and significant because of the important role Pru District Mutual Health Insurance Scheme play in the provision of affordable health care to the residents and people in its environs. Academics, opinion leaders and other interested observers have thrown more light on the subject, and at certain occasions mounting up a working solution to arrest perpetually the problem.

**Academic purpose:** The output of the study will contribute to knowledge and literature in the subject area under investigation; and serve as a base for further research for students, teachers, researchers and consultants interested in the topic who want to conduct similar studies into other related fields.

**Management of NHIA:** It will also provide a framework for handling and offering the appropriate financial control strategies to the citizenry of Pru Constituency. Thus, the significance of the study is to draw the attention of all players, management of Departments and agencies under the Ministry of Health settings to the importance of internal control systems.

**Policy makers:** It is expected to draw attention of policy makers to the need to pursue policies that would promote improvement in financial control system in the National and Mutual Schemes. The study will further help the government especially the Ministry of Health in regulating the activities of the Departments and Agencies in the area of financial control. The study could also inform national and corporate policies.

Though this research is to partially fulfil an academic requirement for the award of a master's degree, it is expected that the recommendations provided would be a complement to regulatory bodies and government's efforts in addressing problems of corruption, embezzlement and misappropriation of funds needed for development.

## **1.6 Scope of the Study**

The study will cover the various communities under the supervision of the Pru District Mutual Insurance Health Scheme within the Pru Constituency and its environs, with a heap of several functions and responsibilities designed to achieve the development objectives of probity, accountability and good corporate governance. It was possible to examine all the areas making the Scheme functional in the constituency. The emphasis of the study was to the review the financial control systems in the constituency with the objective of identifying potential areas and mapping up appropriate strategies to ensure value for money. The study has therefore limited to the procedures and controls put in place to ensure efficiency, effectiveness as well as the economic use of resources in the Pru District Mutual Health Insurance Scheme's jurisdiction.

### **1.6.0 Research Methodology**

#### **1.6.1 Data Collection**

The sources of materials for the study were both primary and secondary. Primary data was collected by the use of a structured questionnaire designed and administered to Pru District Mutual Health Insurance Scheme officials, revenue collectors at the community level as well as Health Providers, for information on the general perception of NHIS financial control systems by the players within the Pru coverage area. The study being a case study, stakeholders like Pru officials in the Pru office, management executives and other players of the scheme were contacted for input. Secondary materials were extracted from relevant textbooks, newspapers, reports/articles, journals, bulletins and documents presented by corporate financial analysts and policy planners.



### 1.6.2 Sample Design

The purposive simple random sampling method was used in attaining the sample size, by basically concentrating on community collectors of the scheme and Pru Insurance Health offices at the Pru district for the study. Due to limited time and resources, officials the Scheme, the Health Providers and other players were sampled for inputs.

KNUST

### 1.7 Limitations of the Study

The study is limited to the financial control systems of the Pru District Mutual Insurance Health Scheme.

The research identified the following limitations:

1. The unwillingness of management of Pru District Mutual Insurance Health Scheme to release information to enrich the study and also establish a strong validity and reliability.
2. Even though Health Insurance Scheme nationwide study would have been more appropriate, there were constraints of financial resources and unavailability of data as well as materials which will not make such venture possible.
3. Moreover, costs in terms of printing, photocopying, binding as well as opportunity cost would be incurred without the requisite bursary from government which would be provided at a much later date.

### 1.8 Organization of the Study

The research work is divided into five (5) chapters.

Chapter one, is dedicated to the introduction and background of the study. Further relevant sections addresses the statement of the problem, research questions, the objectives of the study, significance of the study, scope and limitation of the study and finally the organisation of the study. Chapter two, is devoted to literature review, various views from different authors were reviewed as regards the nature of financial management in the public sector and definition of variables. Chapter three concentrates on the methodology of the research and the profile of the Pru Insurance Health Scheme. Chapter four focuses on the Findings, Analysis and Discussions of Results. Chapter five covers the summary, recommendations and conclusion.





## CHAPTER TWO

### REVIEW OF LITERATURE

#### 2.0 Introduction

This chapter focused on a review of relevant literature on financial controls that might establish the rationale behind the existence of controls. An attempt was made to examine some tested controls and the conditions under which they were being implemented.

#### 2.1 Definition of Financial Controls

According to Woolf (1994), financial controls are the monetary policies established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of records.

The Committee on Terminology of the American Institute of Certified Public Accountant (CPA) defines financial controls as, the plan of an organisation and the procedures and records that are concerned with the safeguarding of assets and reliability of financial records consequently designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorisation.
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with general accepted accounting principles and to maintain accountability for assets.

- Access to assets, for example, cash is permitted only in accordance with management's authorisation.

According to SAS (300) Accounting and internal controls systems and audit risk assessments (1997), financial controls are the monetary policies and procedures adopted by the directors and management of an entity to assist in their objective of achieving as far as practicable, the orderly and efficient conduct of the business (entity) including the adherence to policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the financial records and the timely preparation of reliable financial information. The standard indicated that the control comprises control environment and control procedures.

### 2.1.1 The Control Environment

The control environment is the overall attitude, awareness and actions of management regarding internal controls and their importance in the entity. It involves management style, corporate culture, values philosophy and operating style, organisation structure, personnel policies and procedures. The standard emphasises that control procedures provides a background to detailed control procedures. The control environment in itself does not ensure the effectiveness of the internal control system as a whole (Woolf, 1994).

Whittington and Pany (2004), asserted that the control environment sets the tone of the organisation by influencing the control consciousness of people. They viewed it as the foundation for the other components of internal control. They recognised that control environment factors include integrity and

ethical values, commitment to competence, board of directors or audit committee, management's philosophy and operating style, organisational structure, assignment of authority and responsibility, and human resource policies and practices. According to Messier (2000), states that the control environment is the foundation for all other components of internal controls, providing discipline and structure.

Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1994 publication stated that Control environment is an intangible factor and the first of the five components, is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment.

Managers must evaluate the internal control environment in their own unit and departments as the first step in the process of analyzing internal controls. Many factors determine the control environment and are listed below for consideration. This list is not all-inclusive, nor will every item apply to a particular unit.

#### *Integrity and Ethical Values*

- Existence and implementation of codes of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards of ethical and moral behaviour.
- Dealings with employees, suppliers, customers, investors, creditors, insurers, competitors, and auditors, etc. (e.g., whether management conducts business on a high ethical plane, and insist that others do so, or pay little attention to ethical issues.)
- Pressure to meet unrealistic performance targets-particularly for short term results-and extent to which compensation is based on achieving those performance targets.

### *Commitment to Competence*

- Formal or informal job descriptions or other means of defining tasks that comprise particular jobs.
- Analyses of the knowledge and skills needed to perform jobs adequately.

### *Board of Directors or Audit Committee*

# KNUST

- Independence from management, such that necessary, even if difficult and probing, questions are raised.
- Frequency and timeliness with which meetings are held with chief financial and/or accounting officers, internal auditors and external auditors.
- Sufficiency and timeliness with which information is provided to board or committee members, to allow monitoring of management's objectives and strategies, the entity's financial position and operating results, and terms of significant agreements.
- Sufficiency and timeliness with which the board or audit committee is apprised of sensitive information, investigations and improper acts (e.g., travel expenses of senior officers, significant litigation, investigations of regulatory agencies, defalcations, embezzlement or misuse of corporate assets, violations of insider trading rules, political payments, illegal payments (COSO, 1994).

### *Management's Philosophy and Operating Style*

- Nature of business risks accepted, e.g., whether management often enters into particularly high-risk ventures, or is extremely conservative in accepting risks.
- Frequency of interaction between senior management and operating management, particularly when operating from geographically removed locations.
- Attitudes and actions toward financial reporting, including disputes over application of accounting treatments (e.g., selection of conservative versus liberal accounting policies; whether accounting principles have been misapplied, important financial information not disclosed, or records manipulated or falsified).

### *Organization Structure*

- Appropriateness of the entity's organizational structure, and its ability to provide the necessary information flow to manage its activities.
- Adequacy of definition of key manager's responsibilities, and their understanding of these responsibilities.
- Adequacy of knowledge and experience of key managers in light of responsibilities.

### *Assignment of Authority and Responsibility*

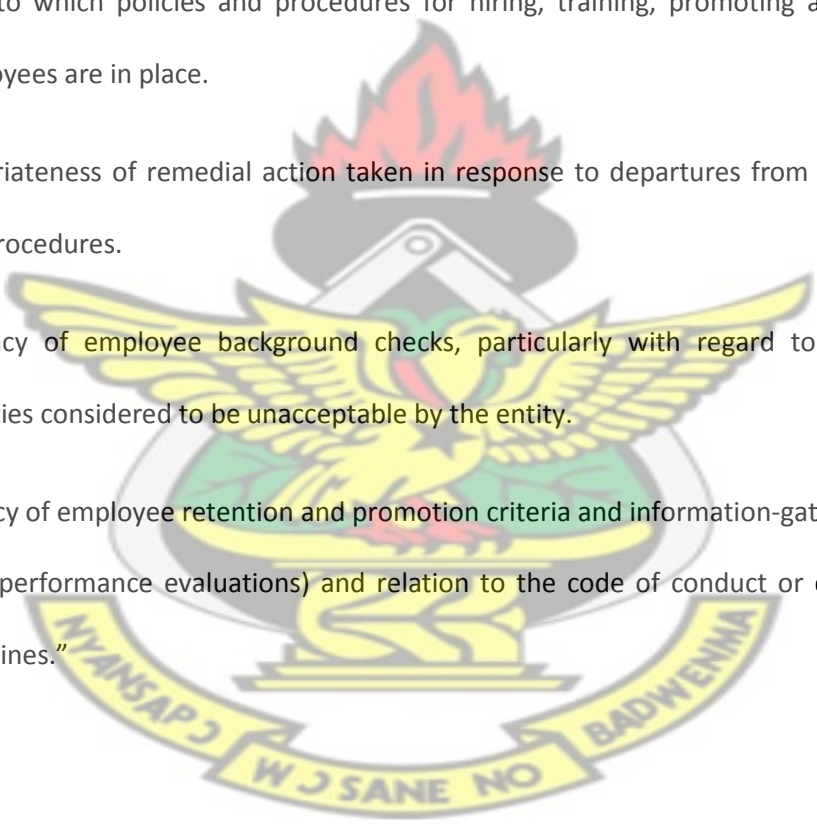
- Assignment of responsibility and delegation of authority to deal with organizational goals and objectives, operating functions and regulatory requirements, including responsibility for information systems and authorizations for changes.

- Appropriateness of control-related standards and procedures, including employee job descriptions.
- Appropriate numbers of people, particularly with respect to data processing and accounting functions, with the requisite skill levels relative to the size of the entity and nature and complexity of activities and systems.

#### *Human Resource Policies and Practices*

KNUST

- Extent to which policies and procedures for hiring, training, promoting and compensating employees are in place.
- Appropriateness of remedial action taken in response to departures from approved policies and procedures.
- Adequacy of employee background checks, particularly with regard to prior actions or activities considered to be unacceptable by the entity.
- Adequacy of employee retention and promotion criteria and information-gathering techniques (e.g., performance evaluations) and relation to the code of conduct or other behavioural guidelines.”





### 2.1.2 Control Procedures

Controls procedures are those procedures established to achieve the entity's specific objectives. These objectives in financial context include the proper authorisation, the correct period of the safeguarding of assets and ensuring the existence of asset recorded. They include particular procedures to prevent, detect and correct errors. According to Statement of Auditing Standards (SAS) (300), the operation and internal controls ensure the completeness and accuracy of the financial records. The following are some of the specific controls:

- Approval and control of documents
- Control over computerised applications and the information technology environment.
- Checking the arithmetical accuracy of the records.
- The maintenance of control accounts and trial balances.
- Reconciliations
- Comparing the results of cash, security and inventory with accounting records.
- Comparison with external source of information.
- Comparison of results with budget.
- Limiting direct physical access to assets and records.

## 2.2 Internal Control System

According to the Auditing Practice Committee, the whole system of financial controls and otherwise was established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguarding the assets and secure as far as possible the completeness and accuracy of the records.



Messier (2000), defines internal controls as a process effected by an entity's board of directors, management and other personnel, that is design to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

# KNUST

Woolf (1994) noted that all commercial transactions in practice entail three fundamental elements:

- i. Authorisation – the initiation of contractual obligations on behalf of the company.
- ii. Custody – the handling of assets involved in the transaction.
- iii. Recording – the creation of documentary evidence of the transaction and its entry in the accounting records.

## 2.3 Internal Audit as a Control Factor

The Institute of Internal Auditors (IIA) defines internal auditing as; an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic discipline approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

By Whittington and Pany (2004), internal auditors assist members of an organisation in performing their responsibilities by furnishing them with analyses, appraisals, recommendations, and counsel. In performing these functions internal auditors can be taught of as part of the organisation's internal

control. They represent a high level control that functions by measuring and evaluating the effectiveness of other controls. Internal auditing are not merely concerned with organisation's financial controls. It evaluates and test the effectiveness of controls designed to help the organisation meet all its objectives.

The auditor is a watchdog and not a bloodhound. This comment from the Kingston Cotton Mill case is as relevant to the internal auditor as it is to the external auditing. The internal auditor is not a bloodhound, guard dog or sheepdog; the internal auditor works on the same side as management. However, many fellow employees feel that the internal auditor takes a very negative attitude towards the company – that everyone must be treated with suspicion and that all employees are guilty until proven otherwise (FTMS Online).

Some commentators have compared the internal auditor's role with that of a guide dog. The main problem with this metaphor is that it presupposes that management is blind and that the internal auditors lead the way. Management must always direct the company – the internal auditors simply provide the information to improve management decision process.

Internal auditing is a profession and activity involved in helping organizations achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Professionals called internal auditors are employed by organizations to perform the internal auditing activity.

## 2.4 Financial Controls in the Health Insurance Scheme

The Health Insurance Schemes as a matter of no compromise has to operate on a sound financial footing so as to ensure probity and accountability in all community and mutual schemes. The existing responsibility and delegation of authority are important for an efficient system. Financial controls must be tied with the organisation of the NHIS and the financial data must flow from level to level in the same manner as authority is passed down from level to level in an organisational charts.

Appropriate action should be taken at cash level in accordance with the responsibility delegation to that particular level. In situations whereby very sensitive information is hidden by management from their subordinates, it is a foregone conclusion that lapses in the financial management cannot be gotten rid of unless the trend is reversed.

According to Reinke (1972), finance is a vital tool for financial control system because it is a source of information, a device for increasing the efficiency of resource allocation and a mechanism for controlling productive operations. Inefficiency or competency in the public sector accounting therefore explore all avenues and channels that are as efficient as possible to put them to use. Corruption in public sector and for that matter; the public local government is a major cause of social unrest, which often stands in the way of development process. Though an effective financial management cannot stamp out all corruption associated with lapses within the financial controls, thoughtfully conceived and good administration can be a strong deterrent against it.

#### **2.4.1 Simplicity of Financial Control in NHIS**

Efficient NHIS financial control system should be simple, workable and practicable and should be well integrated in order that data could flow from a sector of the hospital to another in an unbroken fashion with no chance for manipulation.

KNUST

For the Pru District Mutual Insurance Health Scheme to be able to provide the needs of the populace, it behoves the financial system of the communities to ensure that bills and other expenses are used judiciously to accomplish the objectives for which they were set instituted. One of the essential qualities of a financial control system is that maximum internal control can be achieved.

#### **2.4.2 Control of Assets in NHIS**

One of the duties of the NHIS inspectorate division is to safeguard its assets. It is only through the efficient use of a financial control system can the authorities at the ministry be assured that the resources are being safeguarded. There is therefore the need for effective measurement of resources (Lokko, 1978). The financial system should divide the duties among individuals so that no one person has complete control over financial transactions.

#### **2.4.3 Control of Field Agents**

The health insurance personnel, particularly revenue collectors at the community level as well as the claim managers need to adhere to controls. There have been several issues on delay in

payment of claims to health providers, misapplication of funds on the part of the management staff of the schemes, cheating on the part of management of both providers and schemes could be minimized or in other instances totally eliminated by insisting on strict adherence to accounting policies and procedures and procurement procedures. The problem of mismanagement, embezzlement and fraud with the premiums collected from the beneficiaries could also be checked at Pru Health Insurance Scheme.

KNUST

#### **2.4.4 Control of Receivables**

Messier (2000), indicates that segregation of duties in the revenue cycle is particularly important because of the potential for theft and fraud. He is of the view that functions within the revenue cycle should be segregated as follows:

- i. The credit function should be segregated from the billing function.
- ii. The shipping function should be segregated from the billing function.
- iii. The Accounts receivable function should be segregated from the general ledger function.
- iv. The cash receipt function should be segregated from the Accounts receivable function.

#### **2.4.5 Stock Control**

Writing on the key duties in the purchasing cycle, Messier (2000), indicates that because of the potential for theft and fraud in the purchasing cycle, individuals responsible for requisitioning, purchasing, and receiving should be segregated from the invoice processing, accounts payable, and general ledger functions. For him, functions within the purchasing cycle should be segregated as follows:



- i. The purchasing function should be segregated from the requisitioning and receiving functions.
- ii. The invoicing processing function should be segregated from the Accounts payable function.
- iii. The disbursement function should be segregated from the Accounts payable function.
- iv. The Account payable function should be segregated from the general ledger function.

The segregation of duties is particularly an important control in the inventory cycle because of the potential for theft and fraud. Therefore, individuals involved in the inventory management and inventory stores functions should not have access to the inventory records, the cost accounting records, or the general ledger (Messier 2000).

#### **2.4.6 Effective Payroll Control**

Whittington and Pany (2004), indicate that most important of all controls over payroll is the division of payroll work among several departments of the company. Payroll activities they said include the functions of (1) employment (human resources), (2) timekeeping, (3) payroll preparation and recordkeeping, and (4) distribution of pay to employees. They contend that, for effective internal control, a separate department of the company should handle each of these functions.

According to Messier (2000), functions within the payroll cycle should be segregated as follows:

- i. The supervision function should be segregated from the personnel records and payroll-processing functions
- ii. The disbursement function should be segregated from the personnel records, supervision and payroll processing functions.
- iii. The payroll-processing function should be segregated from the general ledger function.

Messier (2000), observed that functions for cash and investment should be segregated as follows:

- i. The initiation function should be segregated from the financial approval functions.
- ii. The valuation-monitoring function should be segregated from the acquisition function.
- iii. Responsibility for custody of the securities should be separated from that of accounting for the securities.

KNUST

#### **2.4.7 Records of Properties, Plant and Equipment**

He further observed that segregation of duties for Property, Plant and Equipment should be as follows:

- i. The initiation function should be segregated from the final approval function.
- ii. The property, plant, and equipment records function should be segregated from the general ledger function.
- iii. The property, plant, and equipment records function should be segregated from the custodial function.
- iv. If a periodic physical inventory of property, plant, and equipment is taken, the individual responsible for the inventory should be independent of the custodial and record-keeping functions.

Woolf (1994), observed that internal control have been neglected by most business organizations. He observed that controls for purchases, sales, cash, fixed assets, debtors, creditors must be well monitored and controlled. He is of the view that, financial controls which seek to utilize transactions to express the various aspects of the business organization and the administrative control whose specific



purpose is to check the accuracy of the clerical work must be given an eagle eye at the top level of management.

## 2.5 Controls over Cash Receipt

To ensure that there is proper control over cash receipts, management must see to it that no one person has control over a complete cash transaction. The person who receives cash should not have access to the patients' ledger cards: the one entrusted with the ledger cards should not have access to cash. A satisfactory procedure is to have all cash receipts processed by the cashier and should prepare duplicate deposit slip for each day's receipts and the daily receipts banked intact. (*NHIS Accounting Manuel, 2008*)

Pre-numbered receipts should be used and this should be reviewed periodically by responsible official. A notice should be posted near the cashier's office to advise all persons making payments to collect receipts. A responsible officer should reconcile the accounts receivable control accounts appearing in the general ledger with the total of all the patients' receivable accounts at the end of the month. Balances outstanding on patients' account should be confirmed with the patients' concerned. Better control procedures should be employed for cash payment and cash receipts. (*NHIS Accounting Manuel, 2008*)

The management team should review the cash paying system to guarantee that cash is going where it is supposed. It is advisable to make all cash payment by cheque. It is also important to ensure that before

any payment is made, the responsible officer must be satisfied that the particular item being paid for is a legitimate claim against the assembly and that the payment is being made to discharged that claim.

On presenting a cheque for signing, objective evidence should be attached to the payment voucher to explain the nature of the payment, the account to be debited and who has approved the payment. In a large assembly, it may not be possible for the administrator or treasurer to physically verify the existence of the claim but this is possible in a small assembly. This presents an argument for use of the voucher system to handle disbursement. In order to meet small expenditures during the routine operations of a assembly, it is advisable to use an imprest petty cash system. The petty cash fund is reimbursed periodically to make payment out of the fund. The bank balance on the bank statement should be reconciled to the cash balance appearing in the books of the assembly. It is advisable to ensure that the bank reconciliation is not prepared by the individual who handles cash. The importance of accounts receivable in an assembly should not be minimised as the accounts may make up a substantial portion of hospital assets. Every assembly administrator knows that there are some patients who for some reasons cannot or do not meet their financial obligations to the assemblies.

## **2.6 National Health Insurance**

National health insurance (sometimes called statutory health insurance is [health insurance](#) that insures a national population for the costs of [health care](#) and usually is instituted as a program of [healthcare reform](#). It is enforced by law. It may be administered by the public sector, the private sector, or a combination of both. Funding mechanisms vary with the particular program and country. National or Statutory health insurance does not equate to government run or government financed health care, but

is usually established by national legislation. In some countries, such as Australia's Medicare system or the UK's NHS, contributions to the NHI or SHI system are made via taxation and therefore are not optional even though membership of the health scheme finances it. In practice, most people paying for NHI join the insurance scheme. Where the NHI scheme involves a choice of multiple insurance funds, the rates of contributions may vary and the person has to choose which insurance fund to belong to. In the United States, the requirement to contribute to NHI or SHI is termed a "[health insurance mandate](#)", though that term is little used in other countries (Wikipedia, 2011).

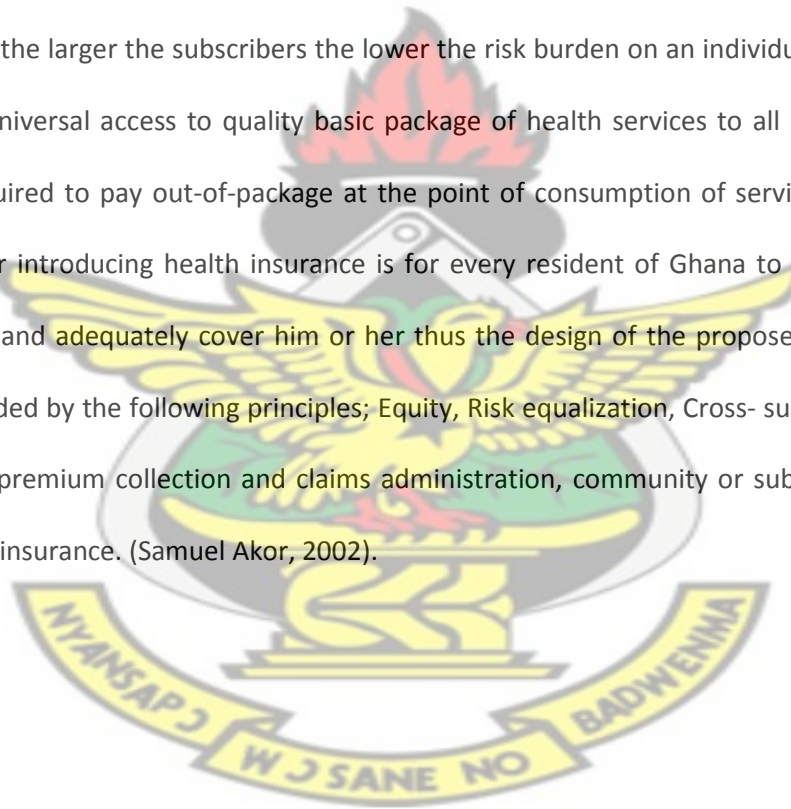
### **2.6.1 History of National Health Insurance Scheme**

Germany has the world's oldest national health insurance, through the world's oldest [universal health care](#) system, with origins dating back to [Otto von Bismarck](#)'s social legislation, which included the Health Insurance Bill of 1883, Accident Insurance Bill of 1884, and Old Age and Disability Insurance Bill of 1889. In Britain, the [National Insurance Act 1911](#) marked the first steps there towards national health insurance, covering most employed persons and their financial dependents and all persons who had been continuous contributors to the scheme for at least five years whether they were working or not. This system of health insurance continued in force until the creation of the [National Health Service](#) in 1948 which extended health care security to all legal residents (Wikipedia, 2011). Most countries national health insurance systems were implemented after the Second World War as a process of deliberate [healthcare reform](#), intended to make health care affordable to all, in the spirit of Article 25 of the [Universal Declaration of Human Rights](#) of 1948 by nations which had adopted the declaration as signatories. The US did not ratify the [social and economic rights](#) sections, including Article 25's [right to health](#) (Amnesty International, 2008).

Health insurance is one of several methods that the government is adapting to finance health care in the country. Currently 80% of health financing is through tax revenue and donor funds. The 20% is from internally generated funds (IGF) through the “Cash and Carry system. Health insurance is to replace the “Cash and Carry” system of payment of health services consumed. This means that tax revenue would continue to form part of the overall health financing strategy for a long time to come.

# KNUST

The aim of health insurance is to spread the risk of incurring health care cost over a group of subscribers. Thus, the larger the subscribers the lower the risk burden on an individual. The vision is to assure equitable universal access to quality basic package of health services to all residents in Ghana without being required to pay out-of-package at the point of consumption of service. The long term policy objective for introducing health insurance is for every resident of Ghana to belong to a health insurance Scheme and adequately cover him or her thus the design of the proposed health insurance scheme will be guided by the following principles; Equity, Risk equalization, Cross- subsidization, Quality care, Efficiency in premium collection and claims administration, community or subscriber ownership, Partnership and Reinsurance. (Samuel Akor, 2002).



## CHAPTER THREE

### THE RESEARCH METHODOLOGY

#### 3.1 Introduction

In this section an attempt is made to look at the research design, target population, data sources, sampling procedures (size and technique), data collection instruments, fieldwork/ data collection and data analysis and limitations to data collection.

#### 3.2 Research Design

The research design includes an outline of what the researcher is writing on including the hypotheses and their operational implications to the final analyses of the data. This research adopted the case study strategy approach. Among the various research designs, case studies are frequently regarded as using both quantitative and qualitative research and a combination of both approaches (Bryman, 2004). The researcher used both primary and secondary data sources, which were considered to be more appropriate for this study.

#### 3.3 Sources of Data

The study made an extensive use of both primary and secondary sources of information from the Prudential District Mutual Health Insurance Schemes. The primary sources of data include information that was



gathered from the questionnaires that were administered to the respondents. The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study. The secondary sources of data included annual reports, brochures and manuals. A number of both published and unpublished materials on NHIS in general from journals and articles as much as possible were used.

# KNUST

## 3.4 Target Population

The total population of the study was based on the number of officers and claim managers within the entire Pru District Mutual Health Insurance Scheme jurisdiction. Primary data was collected from NHIS officials, Heads of Departments of the hospitals and pharmacies. Since such a study could cover all the staff and other players within NHIS, the actual target population was based on a sample.

## 3.5 Sampling Procedure

Since all the officers of the service were scattered all over the district and could be covered in the study, sampling techniques were mainly used to determine the sample size. According to Punch (1998), one cannot study everyone, everywhere, doing everything and so sampling decisions are required not only about which people to interview or which events to observe, but also about settings and processes. In view of this, randomly selected stations within the Pru District/Constituency were opted for the study.



Purposive sampling was adopted since the intention was to gain an insight into the phenomena hence, the need to choose personnel who were well versed with the history and development of health insurance scheme sector for that matter.

Again, Purposive sampling was used to select the DMHIS and community schemes within the targeted area for the study. This was guided by the fact that even though stations in Pru area had been chosen for the study all of them could not be used for the study. Again the numbers of schemes in the municipality were chosen by the use of the quota sampling technique. At the schemes, stratified random sampling technique was used to select staffs for the study. This method of sampling therefore ensured that staffs in the in the Pru District Mutual Health Insurance Scheme, supervisory and managerial categories were equally represented and interviewed.

Prior to the administration of the questionnaire, heads of the schemes who were chosen for the study were contacted for permission and staff and agents list of their respective scheme were obtained. Names of staff were randomly selected from the various levels.

### **3.6 Data Collection Instrument**

The main instruments that were used to collect information for the study were the questionnaire and interview schedule (both structured and unstructured). The questionnaire was structured to consist mainly of closed ended type of questions in order to elicit feedback from officers. Other information collected included how long respondents had worked with the service among others. These were the main areas around which data gathered from clients were analyzed. Questionnaires were administered

to staffs at the selected schemes. A total of one hundred (100) respondents were given questionnaires. Responses categories mainly ranged from strongly disagree, disagree, neutral, agree to strongly agree. Personal observations were also made throughout the data collection period.

### **3.7 Data Analysis**

The raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making (Emery and Couper, 2003). The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study. The data was edited to detect and correct, possible errors and omissions that were likely to occur, to ensure consistency across respondents.

The data was then coded to enable the respondents to be grouped into limited number of categories. The Microsoft Excel software was used for this analysis. Data was presented in tabular form, graphical and narrative forms. In analyzing the data, descriptive statistical tools such as bar graph and pie charts were used.

### **3.8 Data and Information Processing**

#### **Quantitative Data Analysis**

Data collected (via interviews and interactions with other officials), statistical records on teachers level of productivity vis-à-vis the level of adherence to performance appraisal pointers were collated and analyzed using the appropriate statistical techniques such as distribution tables, which culminated into bars and pie charts using the Microsoft Excel.

## Qualitative Data Analysis

Information such as specific comments and issues raised by respondents were also analyzed and summarized into tables.

### 3.9 PROFILE OF THE PRU DISTRICT MUTUAL HEALTH INSURANCE SCHEME

Pru District is one of the nineteen (19) administrative Districts of the Brong Ahafo Region. A legislative instrument (L. I. 1778) established it in 2004 and was inaugurated on 27<sup>th</sup> August, 2004. In 2004 it was calved out of the then Atebubu District. The Pru District administrative capital is Yeji about 310km from Sunyani via Nkronza / Techiman.

Pru District is located on the northeastern portion of Sunyani the regional capital of Brong Ahafo in Ghana. The District lies between Latitudes 7.50° North 8.22° South, Longitudes 0.30o west, and 1.26° East The total land area is 2,195sq/kms.

The adjoining Districts are East Gonja to the Northern Region, Sene to the East, Nkoranza and Atebubu-Amantin to the South and Kintampo North and South to the West. The topography of the District is generally plain with rolling undulating land surface. The general land elevation is between 60m – 300m above sea level and it falls within the voltian basin. The soil is agriculturally important and support cultivation of yam, cassava, maize, rice, garden eggs, tomatoes, okro and pepper.

With Regard to ethnicity, the district is ethnically diverse with Nchumurus in the majority. Other ethnic groups that have significant numbers in the District are the Ewes, Gonjas, Asantes and Hausas. The main religions of the people are Christianity, Islam and Traditional worship.

### ***Economy***

The main occupation in the District is farming and fishing, commerce, industry and services. The breakdown of employment levels in the District are illustrated below.

***Table 3.1 Occupation Status***

Sector	Percentage level
Agricultural sector (farming and fishing)	65%
Commerce	15.7%
Industry	10%
Service	9.3%

*Source: Pru District Assembly, 2008*

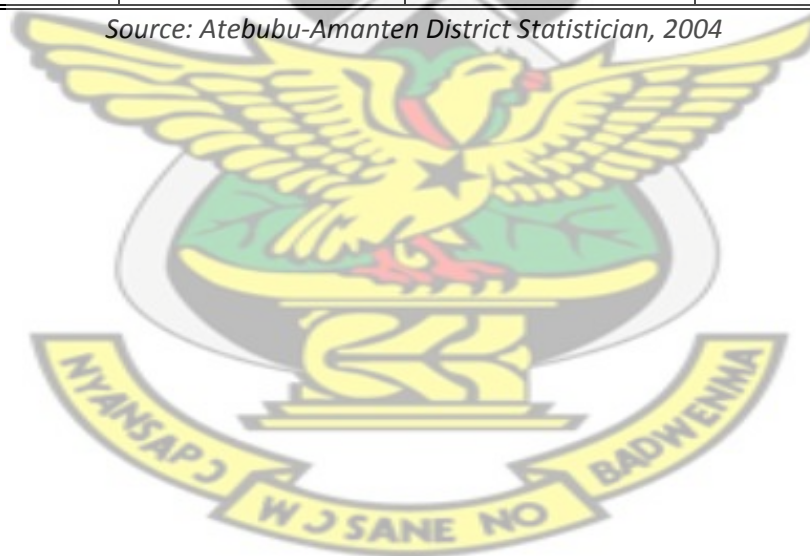
### **Populations of Zones**

The demographic characteristics of the District are as follows; population is 93,859 (according to the 2000 projections) of which 47,868 are male and 45,991 are female. The growth rate is 3.6% .There are about 115 communities in the District. The communities have sub-divided into zones. Namely; Yeji, Parambo / Sawaba, Prang and Abease. Yeji the district capital has 23.72% of the total District population:

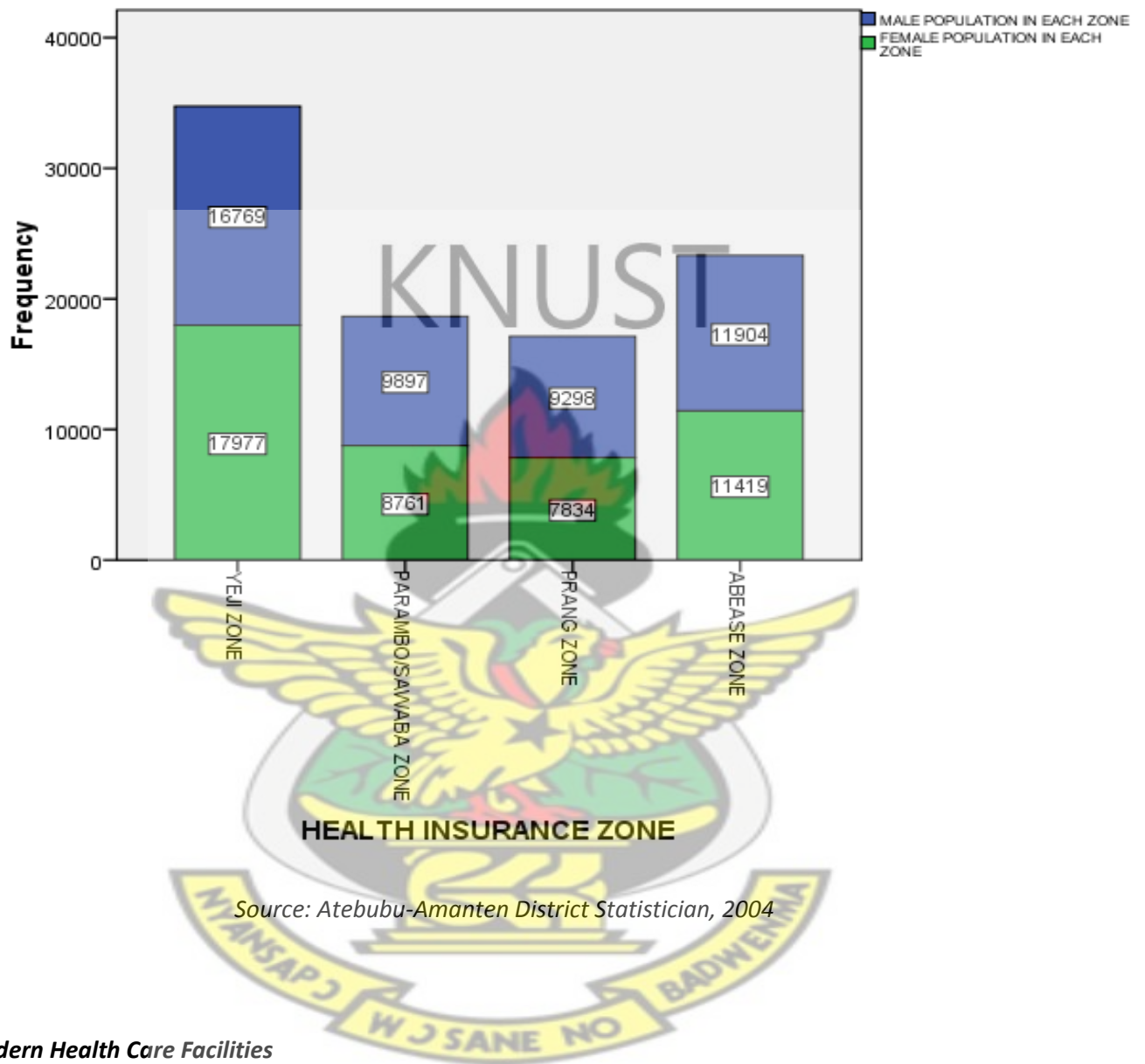
**Table 3.2 Population of Zones**

COMMUNITY	TOTAL POPULATION	MALE	FEMALE
Yeji	34,746	16,769 (48.26%)	17,977 (51.74%)
Parambo / Sawaba	18,658	9,897 (53.04)	8,761 (46.96%)
Prang	17,132	9,298 (54.2)	7,834 (45.8%)
Abease	23,323	11,904 (51%)	11,419 (49)

Source: Atebubu-Amanten District Statistician, 2004



**Fig 3.1 Represents Health Insurance Zone**



#### **Modern Health Care Facilities**

Pru District is served by a number of modern health care facilities. However, like most District in the country, it also abounds in other forms of traditional health care facilities and practices. The various levels of modern health care facilities are listed in the table below. Thus, there is 1 level C facility (District Hospital), 4 level B facilities (Health Centers) and 2 levels A facility which is a maternity home.



**Table 3.3**      **List of Modern Health Care Facilities in Pru District**

Zone	Health Care Facility	Level of Care
Yeji	Mathias Hospital	C
Abease	Abease Health Centre	B1
Parambo	Parambo Health Centre	B1
Prang	Prang Health Centre	B1
Zabrama	Zabrama CHIPS Compound	A
Yeji	Bernice Maternity Home	M
Yeji	Harbour Clinic	B1

Source: NHIA, 2010

Letters in the table above have the following meanings;

A means Community

B1 means Health Centre / Clinic without Medical Officer / Doctor

C means District / Primary Hospital

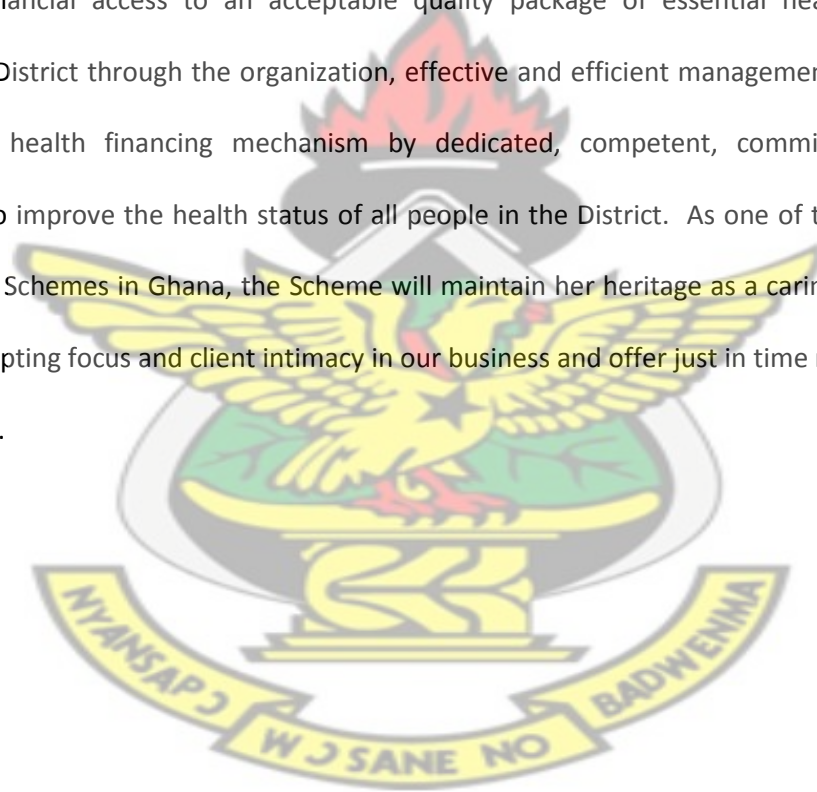
M means midwifery

### ***Vision***

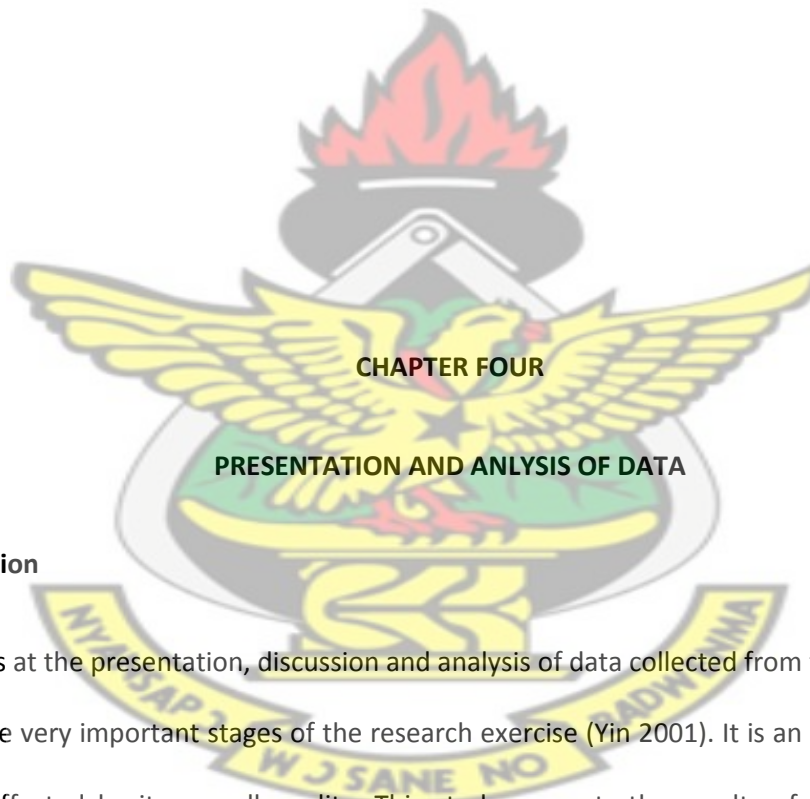
The vision of the Pru District Mutual Health Insurance Scheme is to be one of the leading District Mutual Health Insurance Scheme in Ghana.

### ***Mission***

The mission of the Pru District Mutual Health Insurance Scheme (PRU DMHIS) is to ensure equitable and uninterrupted financial access to an acceptable quality package of essential health service to all residents of Pru District through the organization, effective and efficient management of an affordable and sustainable health financing mechanism by dedicated, competent, committed, honest and respectful staff to improve the health status of all people in the District. As one of the District Mutual Health Insurance Schemes in Ghana, the Scheme will maintain her heritage as a caring health financing organization, adopting focus and client intimacy in our business and offer just in time management to all our collaborators.



# KNUST



## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.0 Introduction

This chapter looks at the presentation, discussion and analysis of data collected from the field. Research findings constitute very important stages of the research exercise (Yin 2001). It is an integral part of the survey and it's affected by its overall quality. This study presents the results of the study and the findings. This section gives detailed information on the findings of the study and detailed discussion on responses obtained from the various questions posed to the respondents as well as the analysis of the findings. Descriptive statistics was used in presenting the data. Frequencies, percentages and charts were employed to explain certain points where necessary.

#### 4.1 Demographic Background of Respondents

Samples were selected based on targeted units using the non-probability sampling method of random sampling, specifically the Purposive Sampling. This method ensured that representative samples of all the known elements of the population occur in the sample.

A sample size of one hundred (100), comprising twenty (3) Accounting staff, seventeen (34) Field Agents, thirty-six (36) Administrative staff (5 from the public hospital, 25 from the other health centers and the remaining six (6) from the Pru Health Insurance scheme), sixteen (16) IT officials and the ‘other’ covering the remaining eleven (11) which is basically made up of Claim officers and outreach team of the targeted population responded to the administered questionnaires; scheduled interviews with other executives who are not really related to the day to day operations of the units targeted were also conducted. Break down shown in Table 1 below.

**Table 4.1: Departmental Distribution of Respondents**

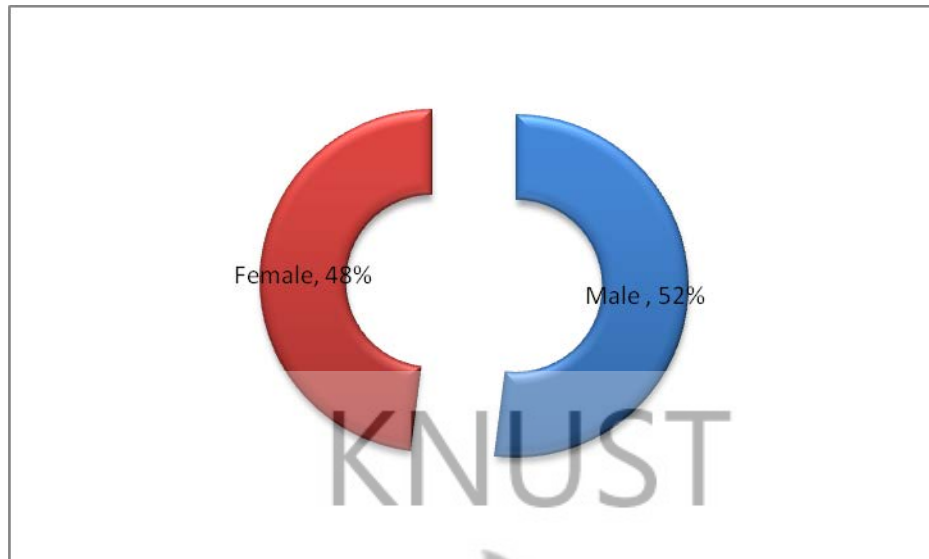
Department	Male		Female		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Accounting	2	2%	1	1%	3	3.00%
Field Agents	29	29%	5	5%	34	34.00%
Administration	19	19%	17	17%	36	36.00%
IT	7	7%	9	9%	16	16.00%
Others	5	5%	6	6%	11	11.00%
Total	62	62%	38	38%	100	100.00%

*Source: Field Survey, March 2011*

As indicated in Table 1, 36% of the respondents were Administration staff, Accounting staff constituted 3% while the Field Agents registered 34%, IT staff attained 16% and the final class, 'Others', collectively registered 11% (comprising 7% claim officers and 4% outreach team members). The research further revealed that the administered questionnaires exhibited a ratio of 1:0.92 with regard to male and female distribution respectively. The ratio is an indication of enough evidence of fair gender balance in the Mutual District Health Scheme's catchment area, as illustrated in Figure 4.1.2 below.



**Figure 4.1.1: Respondents' Gender Ratio**



*Source: Field Survey, April 2011*

The ratio is an indication of enough evidence that there are more women in the assembly, majority operating as frontline executives, particularly, as (premium) revenue collectors. Thus this is an indication that most of the both men and women were fairly represented.

#### **4.2 The Range of Ages**

The ages of (staff) respondents are within the range of 21 to 59 years. The respondents' ages is skew distributed towards 20 – 40 years with the modal age group being 31 - 40 years which represents 38% of the respondent; this is followed by the 20 - 30 years group scoring 32% of the respondents and the 41 – 50 years group registering 18%. The 51 – 60 years attained 12% and the Above 60 year's group constituted 0.00% of the respondents as shown in Table 2 and Figure 2. Thus, the study indicates that the Health Insurance Scheme has a large number of young and energetic workforce and personnel advanced in age and are nearing pension who are in the extreme minority. However, within the next decade, especially, in the next two years management has to recruit at least 4% new workforce since the older folks would by then handed over the mantle to the current young ones.



**Table 4.2: Respondents' Age**

Age	Frequency	Percent (%)
20 - 30 years	32	32.00%
31 - 40 years	38	38.00%
41 - 50 years	18	18.00%
51 - 60 years	12	12.00%
Above 60 years	0	0.00%
Total	100	100.00%

*Source: Field Survey, April 2011*

The above data is picturesquely represented below as Figure 2.

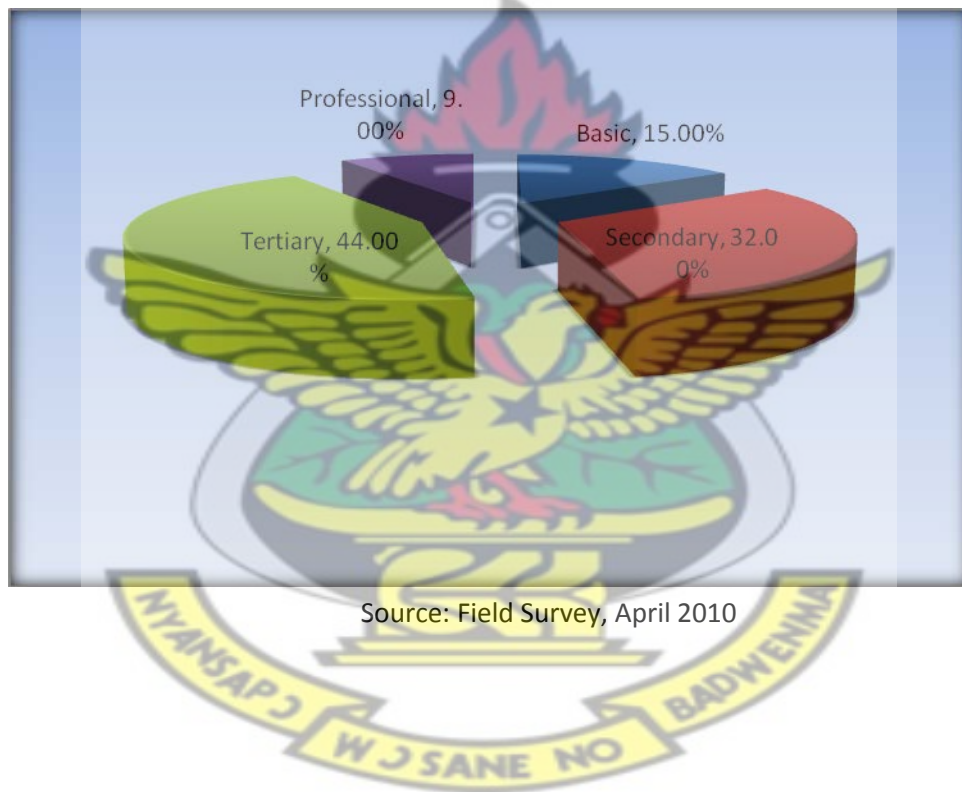
### **Education Level**

The staff of the Pru Health Insurance Scheme and the hospital and health care administrators cumulatively have a high percentage (44%) of tertiary institution certificate holders, specifically, 23% being holders of High National Diplomas from the Polytechnic and 21% from the University with First and Second Degree Holders. The study revealed that Secondary/High School graduates had 32% response while Professionals registered 9% and basic education recorded 15%.

This indicates that there is a strong group of personnel that are trainable and can also be relied upon to act responsibly and appreciate the need for financial discipline at the schemes and the hospitals and health centres.

# KNUST

Figure 4.1.2: Educational Level



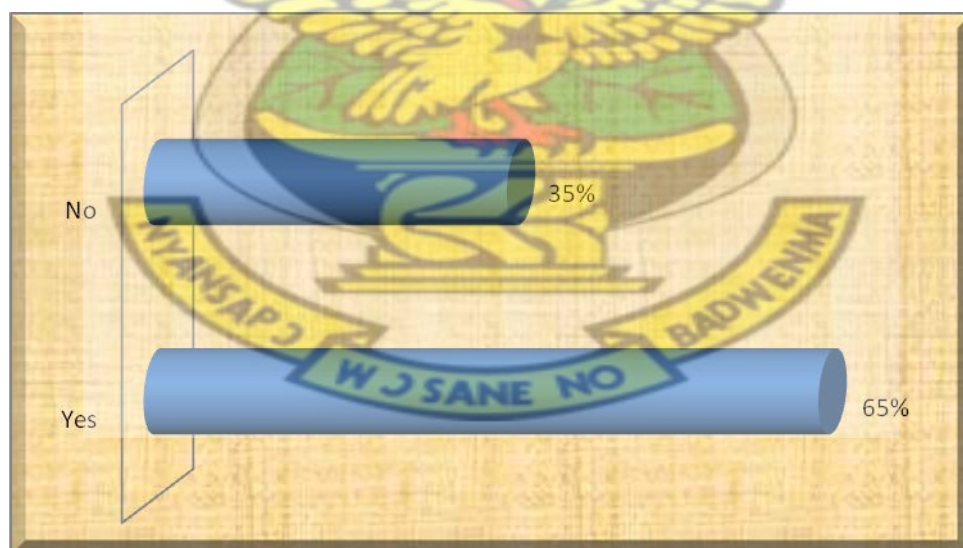
## 4.2 Financial Control Systems

### 4.2.1 Existence of Financial Control System

The study indicated that the Pru Health Insurance Scheme have in place financial control systems as evidenced by the 65% respondents assenting to the question, and 35% dissenting. The reasons attributed for respondents who chose the latter revealed that in spite of the presence of the control system, its efficiency to them is questionable and to them they see it non-existent.

By Whittington and Pany (2004), internal auditors assist members of an organisation in performing their responsibilities by furnishing them with analyses, appraisals, recommendations, and counsel. In performing these functions internal auditors can be taught of as part of the organisation's internal control. They represent a high level control that functions by measuring and evaluating the effectiveness of other controls. Internal auditing are not merely concerned with organisation's financial controls. It evaluates and test the effectiveness of controls designed to help the organisation meet all its objectives.

**Figure 4.2.1: Existence of Financial Control**



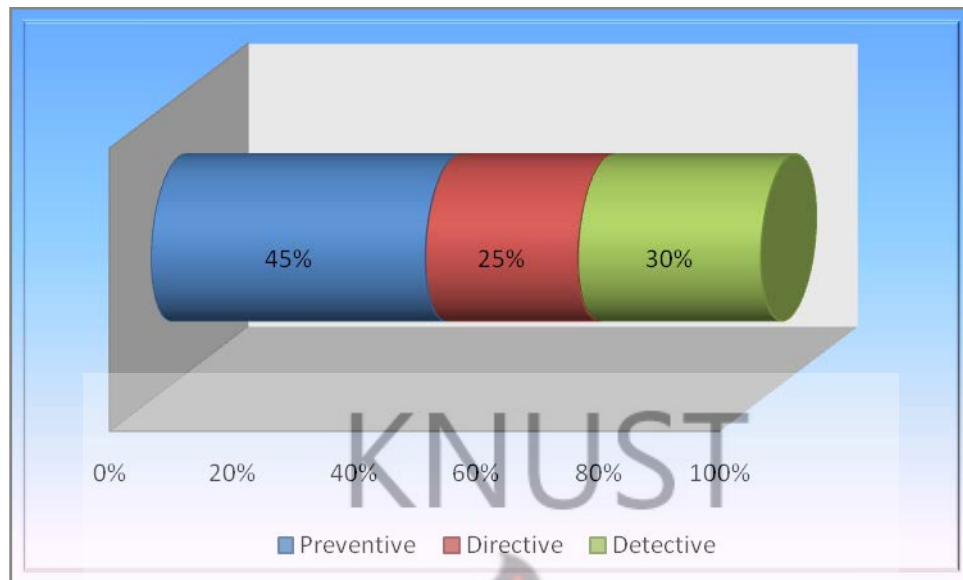
*Source: Field Survey, April 2011*

#### **4.2.2 Types of Financial Control Systems**

The research confirmed the existence of three (3) major financial control systems, namely, Preventive, Directive and Detective control systems. It was discovered that out of the three systems mentioned, the preventive control featured about 45%, followed by the directive with 25% and remaining 30% for detective type of system as illustrated in Figure 4.2.2 below, showing the extent of popularity among the respondents.

Preventive control system states that there is proper control over cash receipts, management must see to it that single person has control over cash transaction. Directive control system also suggests that necessary documents must be attached to payment vouchers before cheques are issued. On presenting a cheque for signing, objective evidence should be attached to the payment voucher. In addition to the above control systems, detective system deals with detecting what in books represents exactly what is happening. For example, the bank balance on the statement should be reconciled to the cash balance appearing in the books of the assembly.

**Figure 4.2.2 Types of Financial Control Systems**



*Source: Field Survey, April 2011*

#### 4.2.3 Responsibility for set up

The study identified five (5) main players as being responsible for the crafting of the controls system for the scheme. Directors registered 10%, 15% for Administrators, 20% for Field Agents, 23% for External Auditors and NHIA recorded the modal frequency of 32% of the distribution.

**Table 4.3      Responsibility for set up**

	Freq	Percent (%)
Director	10	10%
Administrator	15	15%
Field Agents	20	20%
External Auditor	23	23%
Others (NHIA)	32	32%
Total	100	100%

*Source: Field Survey, April 2011*

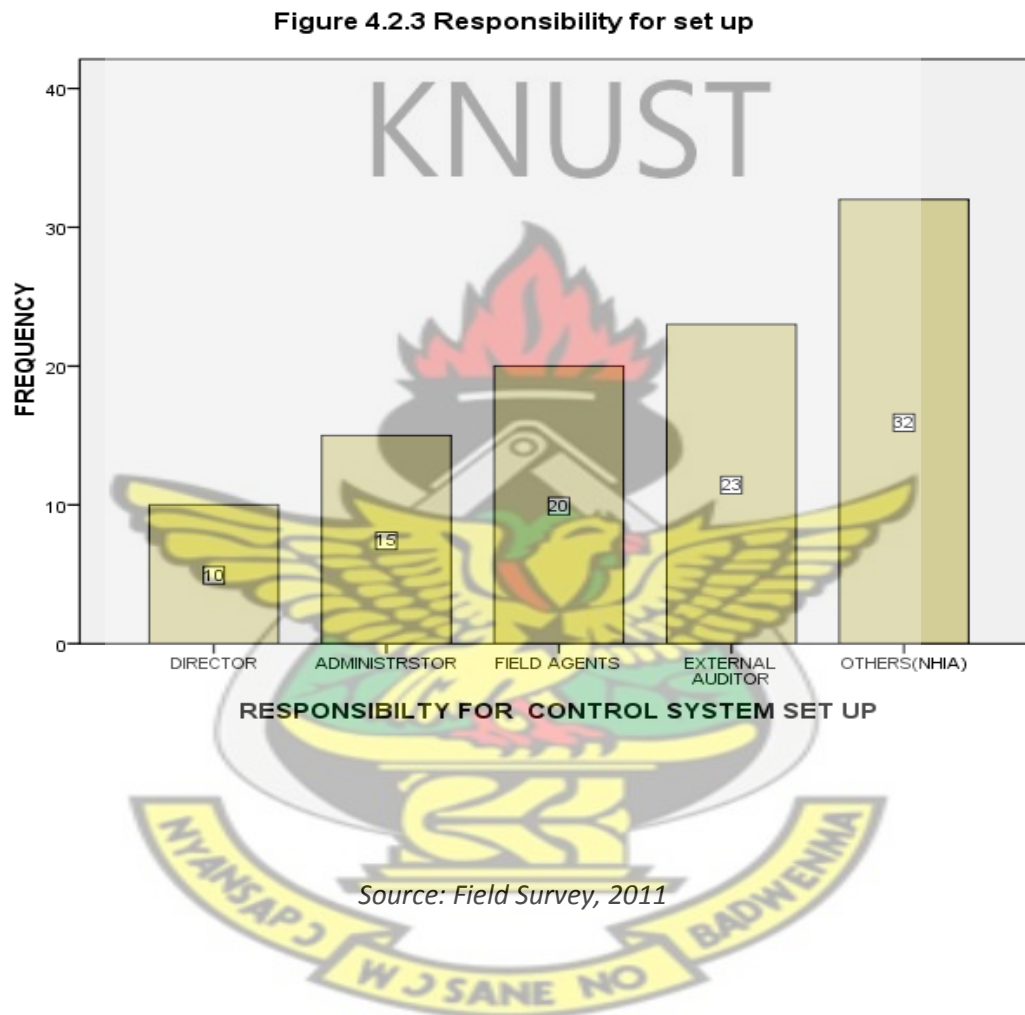
Apparently, the study reveals that there is a proliferation of crafters of financial controls, in spite of the high incidence of NHIA as the main formulator of policies guiding control systems. As things stands now, it could only be explained that every manager in his/her corner has abrogated unto themselves to institute controls without recourse to the NHIA.

According to the Auditing Practice Committee, the whole system of financial controls and otherwise was established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguarding the assets and secure as far as possible the completeness and accuracy of the records.

This is a dangerous situation, since it only leads to a chaotic and a confused state of affairs as picturesquely demonstrated in Figure 4.2.3 below.



**Figure 4.2.3 Responsibility for set up**



Furthermore, on the issue of who hires and fires on the scheme, respondents indicated by 85% response that such responsibility primarily lies in the bosom of the District Management; in certain instance the prerogative is given to the various Administrators, which had the remaining 15% of respondents.

The study indicated that updates of personnel records are performed by the Administrators of the various facilities and further undertake changes and determination of wages and salaries of personnel with the assistance of the Accountants.

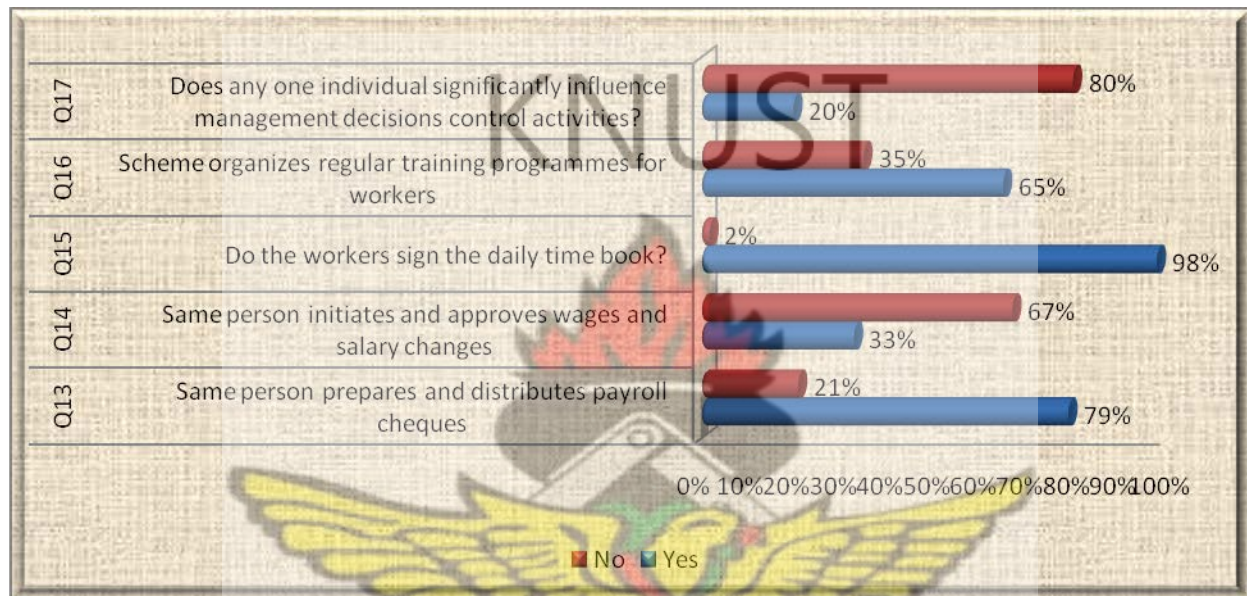
#### 4.2.4 Basic Accounting Procedures

KNUST

Questions 13 to 17 of the questionnaire delve into securing answers pertaining to basic accounting procedures as coded as Q13...Q17. In the quest of Q13 which sought to find out whether same person prepares and distributes payroll cheques, the study showed that 79% responded 'yes' and the remaining 21% 'no'. This is not a healthy situation, since the one most important pillars of segregation of duties is defeated by the current practice. For Q14, it was observed that separate personnel initiates and approves wages and salary changes; and 98% indicated that employees of the scheme sign the daily time book; while 65% intimated that regular training programmes are organized for workers on the financial management and control of the DMHIS activities for sustainability and growth, albeit .

Woolf (1994), observed that internal control have been neglected by most business organizations. He observed that controls for purchases, sales, cash, fixed assets, debtors, creditors must be well monitored and controlled. To ensure that there is proper control over cash receipts, management must see to it that no one person has control over a complete cash transaction. The person who receives cash should not have access to the patients' ledger cards: the one entrusted with the ledger cards should not have access to cash.

**Figure 4.2.4 Basic Accounting Procedures**



*Source: Field Survey, April 2011*

In general, the issue of segregation of duties as a factor in the effective management of control systems is being upheld, irrespective of its being flouted at Q13; thus elucidating a possible leakage which management had to take second look at.

The study indicated that 80% of the response showed that no one individual significantly influences management decisions control activities while 20% indicate otherwise. This could be interpreted as once in a while there must be a look out for political opportunists who would wish to circumvent the procedures, hence that 20% respondents are protesting about a leakage.

To ensure that there is proper control over cash receipts, management must see to it that no one person has control over a complete cash transaction. The person who receives cash should not have

access to the patients' ledger cards: the one entrusted with the ledger cards should not have access to cash. A satisfactory procedure is to have all cash receipts processed by the cashier and should prepare duplicate deposit slip for each day's receipts and the daily receipts banked intact.

### **4.3 Appraisal of Financial Control Systems**

#### **4.3.1 Revenue Collection**

The study brought that the cashier receives the daily revenue for the Pru Health Insurance Scheme, 2% for to the fore by overwhelming majority of 100% response that 'the delivery of service and collection of money from the general public is done by different personnel; 78% of respondents indicated accounts officers and the remaining 20% by claim officers and the outreach team; and the daily revenue banked by the accountant as per the 100% response further showing that the collected premiums are banked on daily basis.

Messier (2000), indicates that segregation of duties in the revenue cycle is particularly important because of the potential for theft and fraud. He is of the view that functions within the revenue cycle should be segregated as follows:

- i. The credit function should be segregated from the billing function.
- ii. The shipping function should be segregated from the billing function.

#### **4.3.2 Bank Reconciliation**

The research revealed that 85% respondents affirmed that reconciliation is done at every point where money changes hands, 15% of respondents disagreed; 65% indicated that cash and bank reconciliation is done on daily basis, 10% for weekly and 35% for monthly basis. The varying responses in relation to the



period of reconciliation is an indication of the non-uniformity of the control practices which mainly are undertaken by the instruction of the various sectional heads as they deem fit. Again, 88% affirmed that reconciliation is reviewed by any management member; there are always three signatories to cheques and one person cannot at any time sign for withdrawing, which was shown by the 98% affirmation to the notion.

According to SAS (300) Accounting and internal controls systems and audit risk assessments (1997), financial controls are the monetary policies and procedures adopted by the directors and management of an entity to assist in their objective of achieving as far as practicable, the orderly and efficient conduct of the business (entity) including the adherence to policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the financial records and the timely preparation of reliable financial information. The standard indicated that the control comprises control environment and control procedures.

#### **4.3.3 Fixed Assets Management**

The study indicated that 70% response was of the view that an asset register is kept by the DMHIS and 30% thought otherwise. Further prying revealed that the 30% dissenting voices showed that the fixed asset register is only kept in name, and that there are a number of fixed assets which have not been captured in the register. The study again showed 59% of respondents who are of the view that no one individual is responsible for initiating and approving a capital expenditure, while 41% believed otherwise. The dissenting respondents explained that there have been several instances whereby accountants and sometimes administrators have undertaken capital expenditure without recourse to the procurement act. Also, 80% indicated that fixed assets could not be acquired without proper

authorization and approval from the hospital administrator or the DMHIS administrator, while 20% think otherwise. This lays credence to the earlier issue raised whereby administrators engaging purchases without following the Procurement Act.

Woolf (1994), observed that internal control have been neglected by most business organizations. He observed that controls for purchases, sales, cash, fixed assets, debtors, creditors must be well monitored and controlled. He is of the view that, financial controls which seek to utilize transactions to express the various aspects of the business organization and the administrative control whose specific purpose is to check the accuracy of the clerical work must be given an eagle eye at the top level of management.

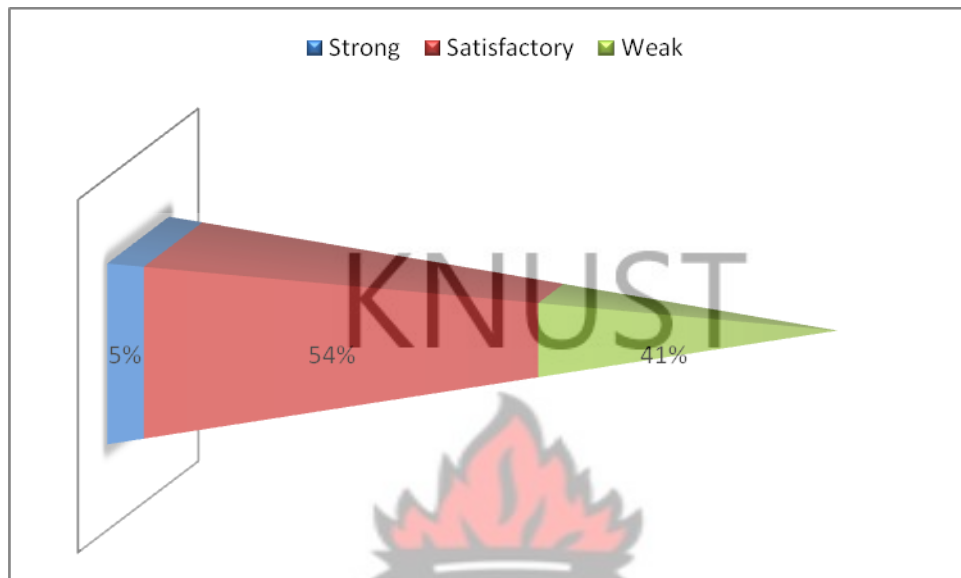
#### **4.3.4 Accounting System**

100% response showed that the Pru DMHIS prepares an income and expenditure accounts annually and 89% respondents revealed that it is prepared promptly while the rest were not in favour.

On the issue of rating of the performance of the financial controls and monitoring procedures the following came to light 5% was recorded Strong, 54% for Satisfactory and 41% believed that they are weak as illustrated in Figure 4.3.1 below.



**Figure 4.3.1: Performance and Monitoring Procedures Rating**



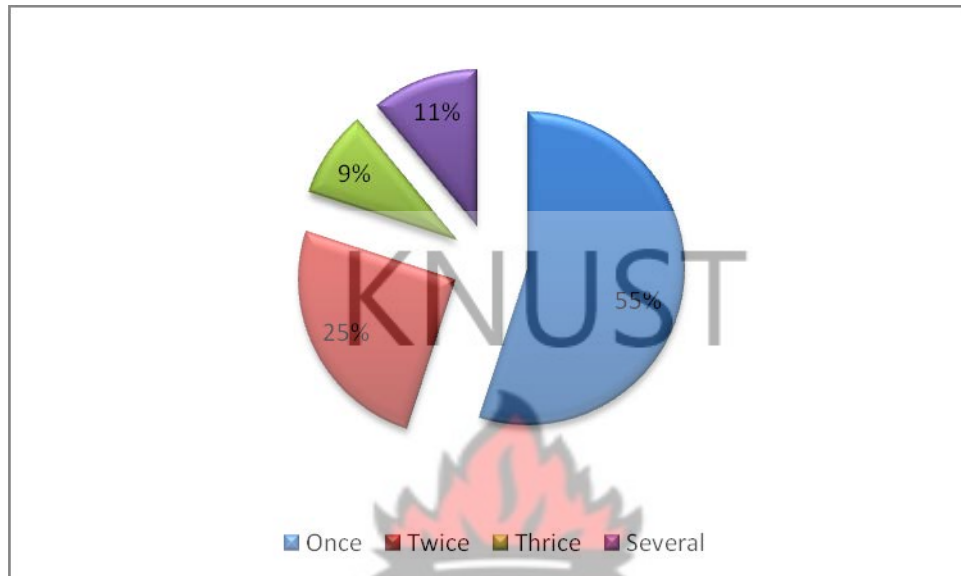
*Source: Field Survey, April 2011*

The study by this results have shown that all is not well with financial control system of the Pru DMHIS which was undoubtedly made known by the respondents showing as much as 41% weak level and can only boast of 5% strong.

#### **4.3.5 Internal Control**

The research detected that Pru DMHIS has an Internal Control Unit which is commonly referred to as the Internal Audit Unit. Concerning the number of times the internal audit unit visited the premises of respondents' last year (2010), it was observed that 55% recorded 'once', 25% for 'twice', 7% for 'thrice' and 8% for 'several' as illustrated by Figure 4.3.2

**Figure 4.3.2: Internal Controls**

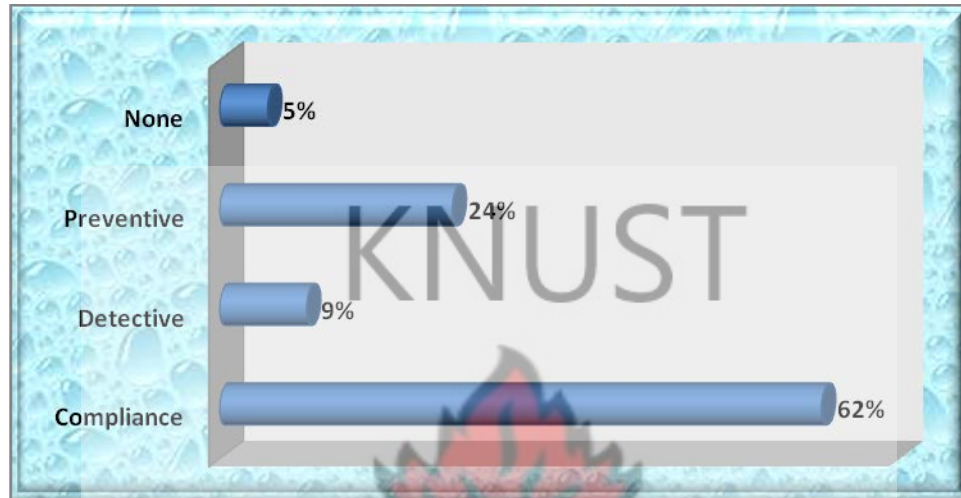


*Source: Field Survey, April 2011*

The study revealed that the areas that audit is performed severally are very risk areas and needed that regular checks, especially, the outreach team and claim officers.

Another area of research which considered was the kind of report audit issues in relation to the financial control system, showing 62% for Compliance, 9% for Detective, 24% for Preventive and 5% for none as demonstrated in Figure 4.3.3 below.

**Figure 4.3.3: Types of Control**



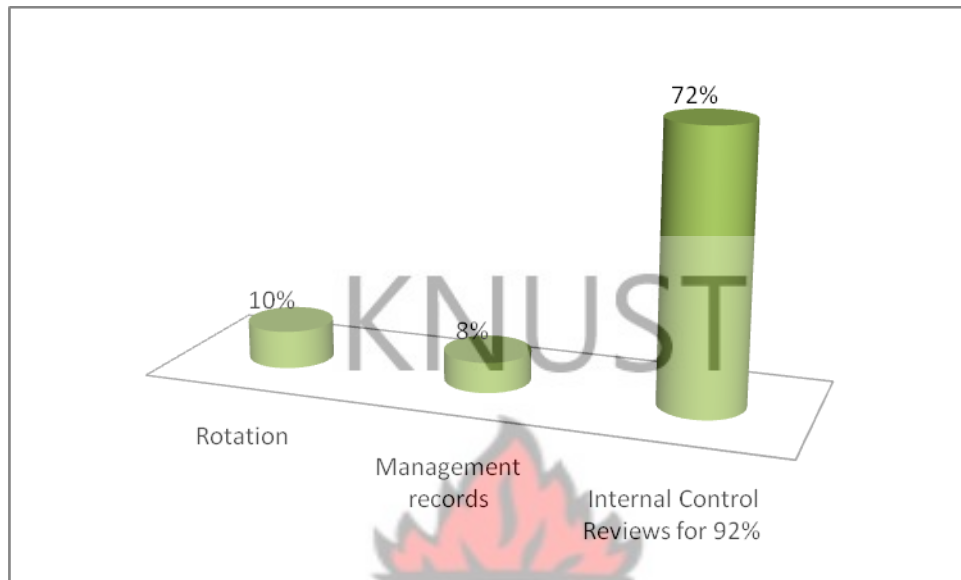
*Source: Field Survey, April 2011*

Furthermore it was detected that the reports are issued by 78% response to Management, 22% to Audit Report Implementation Committee.

#### **4.4 Measures to Enhance Controls**

The study indicated that the measures put in place for internal control the following was noted as Rotation Duties registering 10%, Management records 8% and Internal Control Reviews for 92% as picturesquely shown in Figure 4.3.4 below.

**Figure 4.3.4: Type of Report**



*Source: Field Survey, April, 2011*

The study observed that the sole responsibility for ensuring that the internal controls are adhered to by Management team which registered 65%, 25% by Directors and 10% for Internal Audit unit; and compliance monitoring is by 99% response the responsibility of the Internal Audit Unit.

Controls procedures are those procedures established to achieve the entity's specific objectives. These objectives in financial context include the proper authorisation, the correct period of the safeguarding of assets and ensuring the existence of asset recorded. They include particular procedures to prevent, detect and correct errors. According to Statement of Auditing Standards (SAS) (300), the operation and internal controls ensure the completeness and accuracy of the financial records.

It was discovered that Hospital administrators take one month to prepare and further forward the bills in respect of health insurance to the DMNHIS at Pru for reimbursement who in turn takes two after to make good their indebtedness to the various health facilities upon submission of returns.

Again, it came out by 85% response that the returns submitted to the scheme managers for payment are mostly overstated. This emphasizes the need for scheme managers to exercise due diligence ensuring all grounds are covered in the area of financial controls, in order to avert any fraudulent activity against the scheme.

On the issue of the mechanisms undertaken by the scheme in dealing with such situations as noted above, scheme managers noted that 'claims department after identifying the problem spots, cancels them out and notifies the administrator of the said health facilities of the detected anomaly before the requisite cheques covering the liability are accordingly issued.

#### **4.5 Challenges**

Challenges were encountered by both scheme managers on one hand and the managers of the health facilities on the other.

##### **4.5.1 Challenges of scheme staff**

Scheme managers identified the following as challenges to the scheme:

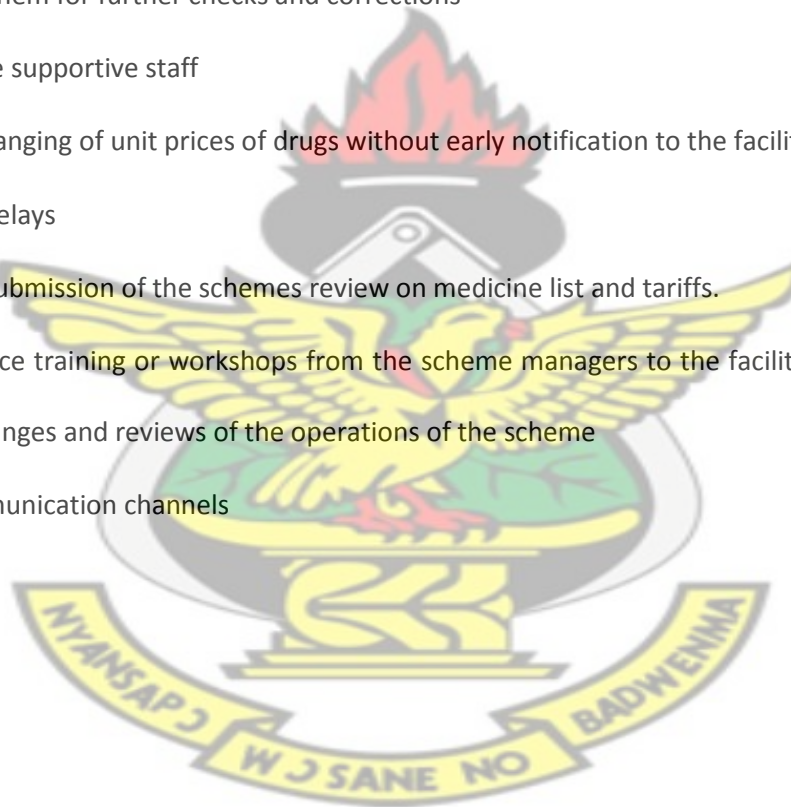
- Late submission of bills to the scheme;
- Inconsistencies in charges;
- Medicine list not exhaustive enough;
- Workers are not well motivated to go the extra mile;

- inadequate office room for staff; and
- Delay of administrative support.

#### 4.5.2 Challenges of Managers of health facilities

Health facilities' managers enumerated their challenges as below:

- Indiscriminate deduction or cancelation of submitted bills by the scheme managers instead of returning them for further checks and corrections
- Inadequate supportive staff
- Regular changing of unit prices of drugs without early notification to the facilities
- Payment delays
- Delays in submission of the schemes review on medicine list and tariffs.
- No in-service training or workshops from the scheme managers to the facility managers on the regular changes and reviews of the operations of the scheme
- Poor communication channels





## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 INTRODUCTION

This chapter deals with summary of study, conclusion and recommendations. The conclusions would be made from the analysis and the literature review.

#### 5.1 Summary of Findings

Financial Controls of every organization remains one of the strategic tools for improving corporate governance as well as the financial management administration, and the public sector is not an exception, especially in the face of limited resources of a country which adopted the Economic Recovery Programme (ERP) in April 1983, followed by the Structural Adjustment Programme (SAP) in August 1986 and HIPIC Initiative in 2002 so as to salvage the ailing Ghanaian economy. Sound financial management through prudent control systems help in the maximization of resources, particularly, the profitability of a firm. It assists in making economic decisions in times of stress or opportunity; and further helps in the intelligent use of all available resources to realise definite goals. The finances of every organization needed to be carefully planned, realistically organised, with a strong control system by effective and dynamic communication, motivation and evaluation. This has a far reaching effect on goal materialisation.

It is therefore important to ensure that all transactions find their ways into the financial records and are organised into data, reports and statements. It is worth noting that the principle of sound business

management such as accrual concept as well as accounting conventions such as materiality, consistency, conservatism, etc are just as applicable to the Pru DMHIS as they are to commercial enterprises. Efficient management of resources, either financial or otherwise is crucial to the provision of free health care. To ensure the effective and efficient use of allocation of these resources, internal controls are normally put in place to control, human error, deliberate circumvention, management override, and improper collusion among people who are suppose to act independently thereby causing failures of the financial control to achieve its objectives. Thus, the question is what are the financial controls in of the Pru DMHIS?

The general objective of the study is to evaluate the financial control systems in the National Health Insurance Scheme, with the Pru District Mutual Health insurance Scheme as a case study. This will be realised considering specific operational objectives which stipulates to determine whether financial controls exist at the Pru District Mutual Health Insurance Scheme; to appraise the effectiveness of financial controls at the Pru District Mutual Health insurance Scheme; to determine the measures adopted to enhance the efficiency and effectiveness of the financial controls; and to recommend appropriate policy measure that will improve the effectiveness of the financial controls.

Using the non-probability sampling method of random sampling, specifically the Purposive Sampling a sample size of hundred (100), comprising three (3) Accounting staff, thirty-four (34) Field Agents, thirty-six (36) Administrative staff (5 from the public hospital, 25 from the other health centers and the remaining six (6) from the Pru Health Insurance scheme), sixteen (16) IT officials and the 'other' covering the remaining eleven (11) which is basically made up of Claim officers and outreach team of the targeted population responded to the administered

questionnaires were chosen; and further revealed a ratio of 1:0.92 with regard to male and female distribution respectively.

The ages of (staff) respondents are within the range of 21 to 59 years. The respondents' ages are skewed distributed towards 20 – 40 years with the modal age group being 31 - 40 years which represents 38% of the respondent; this is followed by the 20 - 30 years group scoring 32% of the respondents and the 41 – 50 years group registering 18%. The 51 – 60 years attained 12% and the Above 60 year's group constituted 0.00% of the respondents. The study indicates that Pru DMHIS has a large number of young and energetic workforce and personnel advanced in age and are nearing pension who are in the extreme minority. However, within the next decade, especially, in the next two years management has to recruit at least 4% new workforce since the older folks would by then handed over the mantle to the current young ones.

Analysis of the responses to the questions and statements contained in the questionnaire (Appendix 1) revealed the following:

### **5.1.1 Types of Control Systems**

Three (3) major financial control systems, namely, Preventive, Directive and Detective control systems are in existence with, the preventive control mostly used, followed by the directive and the detective; the Preventive is the most used system as indicated by the 45% representation, followed by the 30% for the detective.

### **5.1.2 Responsibility for set up**

The study identified five (5) major executives as being responsible for the crafting of the controls system for the scheme, by the revelation of Directors registered 10%, 15% for Administrators, 20% for Field Agents, 23% for External Auditors and NHIA recorded the modal frequency of 32% of the distribution.

### 5.1.3 Recruitment of Staff

Hiring and firing of personnel on the scheme, respondents indicated by 85% response that such responsibility primarily lies in the bosom of the District Management, albeit, in certain instance the prerogative is given to the various Administrators, which had the remaining 15% of respondents.

### 5.1.4 Segregation of duties

Concerning segregation of duties, the study recorded 79% response affirming that same person prepares and distributes payroll cheques and the remaining 21% dissenting; again, it was observed that separate personnel initiates and approves wages and salary changes; and 98% indicated that employees of the scheme sign the daily time book; while 65% intimated that regular training programmes are organized for workers on the financial management and control of the DMHIS activities for sustainability and growth, albeit.

### 5.1.5 Collection and Banking of Revenue

The delivery of service and collection of money from the general public is done by different personnel; 78% of respondents indicated accounts officers and the remaining 20% by claim officers and the outreach team; and the daily revenue banked by the accountant as per the 100% response further showing that the collected premiums are banked on daily basis.

### 5.1.6 Bank Reconciliation

The research revealed that 85% respondents affirmed that reconciliation is done at every point where money changes hands, 15% of respondents disagreed; 65% indicated that cash and bank reconciliation is done on daily basis, 10% for weekly and 35% for monthly basis; 88% affirmed that reconciliation is reviewed by any management member; there are always

three signatories to cheques and one person cannot at any time sign for withdrawing, which was shown by the 98% affirmation to the notion.

### **5.1.7 Fixed Asset Management**

An asset register is kept by DMHIS; 80% indicated that fixed assets could not be acquired without proper authorization and approval from the hospital administrator or the DMHIS administrator, while 20% think otherwise. This lays credence to the earlier issue raised whereby administrators engaging purchases without following the Procurement Act.

### **5.1.8 Performance and Monitoring Procedures Rating**

On the issue of rating of the performance of the financial controls and monitoring procedures the following came to light that Pru DMHIS is doing satisfactorily.

### **5.1.9 Internal Controls**

The measures put in place for internal control the following was noted as Rotation Duties registering 10%, Management records 8% and Internal Control Reviews for 92%.

### **5.1.10 Responsibility of Control**

The sole responsibility to ensure that the internal controls are adhered to was Management team which registered 65%, 25% by Directors and 10% for Field Agents; and compliance monitoring is by 99% response the responsibility of the Internal Audit Unit. The study revealed that the areas that audit was performed severally are very risk areas and needed that regular checks.

### **5.1.11 Responsibility of Management Team**

The study indicated that on the matter of measures put in place for internal control was the Internal Control Reviews and it was observed that it is the sole responsibility of management team to ensure that the internal controls are adhered to, and monitoring is the responsibility of the Internal Audit Unit.



## 5.2 Conclusion

In conclusion the research showed that the Health Insurance Scheme has a large number of young and energetic workforce of 88% and 12% of personnel advanced in age and are nearing pension who are in the extreme minority who are also well educated and competent to manage the health facilities and scheme as well.

Furthermore, the situation whereby every manager in his/her corner has abrogated unto them to formulate controls without recourse to the NHIA is a dangerous thing and a recipe for chaotic and a confused state of affairs. About 20% who were of the view that Fixed assets could not be acquired without proper authorization and approval from the hospital administrator or the DMHIS administrator lays credence to the issue that certain administrators engages in purchases without following the Procurement Act.

Hospital administrators take one month to prepare and further forward the bills in respect of health insurance to the DMNHIS at Pru for reimbursement who in turn takes two after to make good their indebtedness to the various health facilities upon submission of returns (which are mostly overstated) further emphasizing the need for scheme managers to exercise due diligence ensuring all grounds are covered in the area of financial controls, in order to avert any fraudulent activity against the scheme.

Challenges were encountered by both scheme managers on one hand and the managers of the health facilities on the other. Scheme managers among other things identified Late submission of bills to the scheme; Inconsistencies in charges; Medicine list not exhaustive enough; Workers are not well motivated to go the extra mile; inadequate office room for staff; and Delay of administrative support. On the other hand, Health facilities' managers stated their challenges as 'Indiscriminate deduction or cancelation of submitted bills by the scheme managers instead of returning them for further checks and



corrections'; 'Inadequate supportive staff'; 'Regular changing of unit prices of drugs without early notification to the facilities'; 'Payment delays'; 'Delays in submission of the schemes review on medicine list and tariffs'; 'No in-service training or workshops from the scheme managers to the facility managers on the regular changes and reviews of the operations of the scheme'; and 'Poor communication channels'.

# KNUST

## 5.3 Recommendations

In view of the findings of the research the following are recommended:

### 5.3.1 Responsibility for set up

In order to maintain uniformity in the monitoring and evaluation of the financial control system of the scheme, it is recommended that the NHIA should take that leadership role by formulating policies for effective control systems; and discourage the system whereby every manager is doing his or her own thing without recourse to the NHIA.

### 5.3.2 Accounting Procedures

Segregation of duties as a factor in the effective management of control systems should strictly be upheld to avoid connivance among hospital administrators and collaborators at the schemes and within the health facilities.

Regular training programmes should be organized for workers on the financial management and control of the DMHIS activities for its sustainability and growth at the district.

### **5.3.3 Fixed Assets Management**

All capital expenditure in respect of both health facilities' administrators and scheme managers should be done adhering strictly to the Procurement Act and the Financial Administrative Act.

### **5.3.4 Accounting System**

There should be an in-depth investigations into the accounting system and eliminated all identified weaknesses so as to make it strong. Issues such as delay in submission of returns should be looked at by the hospital administrators in order to have their re-imbursement on time and also avert the protracted blame game being put on scheme managers as holding their cheques. Again, due diligence should be taken by the service provider on the issue of overstating bills. Also, it is recommended that instead of the scheme managers abrogating unto themselves the authority of cancelling claims made by the service providers, a reconciliation conference between the two parties could be called to iron out any other differences there might be in the books.

### **5.3.5 Internal Audit Unit**

So far this all important unit only exist in name and not in reality. The unit should be strengthened by empowering them in terms of logistics and recruiting well qualified personnel.

Finally, it is highly recommended that both service providers and the Pru DMHIS keep a well motivated staff with proper conditions of service and a good pay package, since that in a long way reduce the leakages in the system.

## REFERENCES

Abel-Smith B. (1992) Health insurance in developing countries: **Lessons from Experience.**

**Department of Social Science and Administration, London School of Economics and Political Science, UK**

Abernathy, M.A. (1996) **Physicians and resource management: The role of Accounting and non-accounting controls. Financial Accountability & Management 12(2): 141-156.**

Allcorn, S. (1979) **Internal auditing for hospitals Germantown, Md, Aspen Systems corp.**

**American Hospital Association (1979) internal control, internal auditing, and operations auditing for hospitals. Chicago, American Hospital Association.**

Ammer, D.S. (1975) **Purchasing and materials management for health care Institutions, Lexington, Mass, Lexington Books.**

Association of Certified Fraud Examiners. Available at <http://www.cfenet.com/>  
[Accessed 3 March 2008]

Barnard, C. (1938) the functions of the executive, **Cambridge: Harvard University Press.**

Berman, H. J., Kukla, S. F., & Weeks, L. E. (1994) **The financial management of**

**Hospitals. Ann Arbor, Mich, Health Administration Press.**

Berman, H. J., & Weeks, L. E. (1982), **the financial management of hospitals. [Ann Arbor, Mich.], Health Administration Press.**

Borcherding, T. E. (1985), **The causes of government expenditure growth: A survey of the U.S. evidence. Journal of Accounting and Public Policy 7:77-96**

Canby, J.B. (1995) **Applying activity-based costing to healthcare settings. Healthcare Financial Management (February) : 50-56**

Committee of Sponsoring Organizations of the Treadway Commission (COSO). **Internal Control—Integrated Framework: An Executive Summary. Emst &Young, 1992.**

Cooper, D. R., and Schindler, P. S. (2003) **Business Research Methods 8<sup>th</sup> ed. New York : McGraw-Hill.**

Duncan, W. J., Ginter, P. M., & Swayne, L. E. (1995) **Strategic management of health care organizations. Cambridge, Mass, Blackwell Publishers.**

Dunlop, A. (1998), **Governance and control. Topical issues. London, CIMA**

**Elaine, L. (1990) Financial Management in Health care** – a theoretical and experiential Approach.

Flynn, N. (1993) **Public sector management**. New York, Harvester Wheat sheaf.

FTMS Online (2003) Paper 2.6 **Audit and Internal Review** – Lecture notes

Georgopoulos, B. S. (1986) **Organizational Structure, problem solving, and effectiveness**. San Francisco: Jossey-Bass

Holzer, M. (1992) **Public productivity handbook**. Public administration and public policy, 45. New York, M. Dekker.

Kim, Y. K. (1987) **Health care financing in Korea: Healthcare financial**. Manila, Asian Development Bank.

Lander, G. P. (2004) **what is Sarbanes – Oxley?** New York: Published by McGraw-Hill, NY 10128

Lannoye, M. A. (1999), **Evaluation of Internal control**. [Online] Available at [http://www.michigan.gov/documents/gf\\_master1\\_26775\\_7.pdf](http://www.michigan.gov/documents/gf_master1_26775_7.pdf) [accessed on 5 March 2008]

Linklater, R. B. (1983) **Internal control of hospital finances**: a guide for management. Chicago, Ill, American Hospital Pub.

Lokko, B. C. F (1978) **The journal of management studies**, Legon: School of Administration. University of Ghana press Accra.

Maceachern, M. T. (1957) **Hospital organization and management**.  
Chicago, Physicians' Record Co.

Marrapese, R. L., Titera, W. R., & Linklater, R. B. (1989) **Internal Control of hospital finances**: a guide for management. Chicago, Ill, American Hospital Pub

Messier, W. F. (2000) **Auditing & Assurance services**: a systematic approach. Boston, Irwin/McGraw-Hill.

Millichamp, A. H. (2002) **Auditing**. London, Continuum.

Ministry of Health, Ghana (2001) **The Second Health Sector Five-Year**

Programme of Work: 2002 – 2006. **Government of the Republic of Ghana**.

Needleman, J. (2001) **The role of non-profits in health care**. Journal of Health Politics, Policy and Law. 26, 1113-30.



Omani-Antwi, B. (1972) **Finance in public Administration**, Legon: School of Administration. University of Ghana press, Accra.

Reinka, A.W. (1972) **Health Planning: Qualitative Aspects and Quantitative Techniques**, Baltimore: Johns Hopkins University press, Department of International Health.

SAS 300. **Accounting, Internal control systems and Audit work assessment** (1997).

Saunders, M., Lewis, P., & Thornhill, A. (2007) **Research methods for business students**. Harlow, England, Financial Times/Prentice Hall.

Seawell, L. V. (1964) **Hospital accounting and financial management**. Berwyn, Ill, Physicians' Record Co.

**The Budget statement and Economic Policy of the Government of Ghana 2003**  
Accra: The Stationery Office.

**The Budget statement and Economic Policy of the Government of Ghana 2007**  
Accra: The Stationery Office.

**The Criminal Code of 1960** Accra: The Stationery Office

**The Financial Administration Act 2003** Accra: The Stationery Office

**The Fourth Republican Constitution of Ghana 1992 Accra:** The Stationery Office

**The Information Systems Audit and Control Association & Foundation.**

COBIT: Control Objectives for Information and Related Technology, 1996-99.

Available from <http://www.isaca.org/>. [accessed on 3 March 2008]

KNUST

The Institute of Internal Auditors. "**Internal Auditing:** All in a Day's Work."

Available from [www.theiia.org/](http://www.theiia.org/). [accessed on 5 March 2008]

**The Internal Audit Agency Act 2000.** Accra: The Stationery Office

**The Public Procurement Act 2004.** Accra: The Stationery Office

Whittington, R., & Pany, K. (2004) **Principles of auditing and other assurance services.** Boston, McGraw- Hill/Irwin.

Wolper, L. F. (1995) **Health care administration:** principles, practices, structure, and delivery. Gaithersburg, Md, Aspen.

Woolf, E. (1994) **Auditing today.** New York, Prentice Hall.

Zuckerman, S., Hadley, J. & Iezzoni, L. (1994) **Measuring hospital**

**efficiency with frontier cost functions.** Journal of Health Economics. 13, 255-80;  
discussion 335-40

# KNUST



## APPENDIX 1

### QUESTIONNAIRE FOR THE MANAGEMENT AND STAFF OF NHIS (PRU)

This questionnaire is intended for the collection of data that will help the researcher to **Financial Control Practices As A Tool For Improving Productivity In The Health Insurance Sector Of Ghana; A Case Study Of Pru District Mutual Health Insurance Scheme** which is chosen as the case study. The exercise is for academic purpose only. Whatever information you give will be kept confidential. Please, complete this questionnaire with appropriate answers with brief reasons or tick where necessary.

#### SECTION A

##### BACKGROUND OF RESPONDENTS

1. Gender: Male { } Female { }

2. Age:

i. 20 – 30 years { }

ii. 31 – 40 years { }

iii. 41 – 50 years { }

iv. 51 – 60 years { }

v. Above 60 years { }

3. Educational Attainment:

i. Basic { }

ii. Secondary { }

iii. Tertiary { }

iv. Others (specify) .....

4. Marital status:

i. Married { }

ii. Single { }

5. Job Type

i. Accounting { }

ii. Field Agent { }

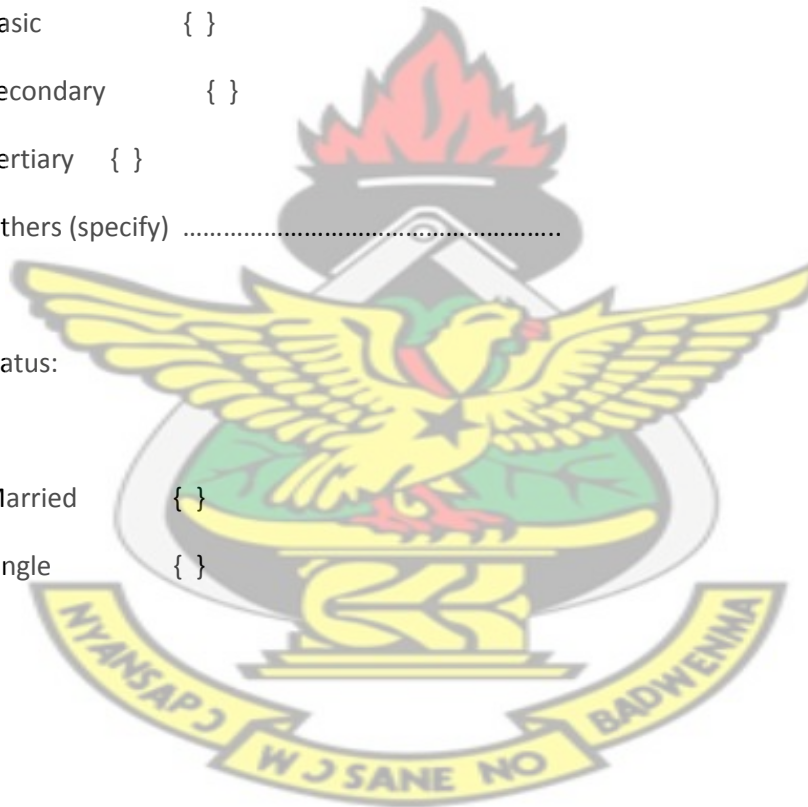
iii. Administration { }

iv. IT { }

v. Others(specify).....

6. Grade/Position

KNUST



- i. Accountant { }
- ii. Field Agent { }
- iii. Administrator { }
- iv IT { }
- v Others(specify).....

# KNUST

## SECTION B

### IDENTIFYING TYPES OF FINANCIAL CONTROL SYSTEMS

7. Are there any financial control systems implemented by the Pru Health Insurance Scheme?

- a. Yes { }
- b. No { }

8. If yes, what are they?

- a. Preventive { }
- b. Directive { }
- c. Detective { }
- d. Others (specify).....

9. Mention some of them:



.....

Are you supportive of the measures?

a. Yes { }

b. No { }

# KNUST

Do you think they are effective and efficient?

a. Yes { }

b. No { }

10. How will you rate the efficiency?

i. Very Good { }

ii. Good { }

iii. Average { }

iv. Poor { }

11. Are they able to control / prevent fraud?

i. Yes { }

ii. No { }

12. Who approves wage or salary change?

- i. NHIA Finance Unit { }
- ii. Management { }
- iii. The Director { }
- iv. Accountant { }
- v. Other.....

13. Is the person who prepares the payroll the same person who distributes payroll?

- a. Yes { }      b. No { }

14. Is the person who initiates wages or salaries the same person who approves wage or salary changes?

- a. Yes { }      b. No { }

15. Do the workers sign the daily time book?

- a. Yes { }      b. No { }

16. Does the assembly organize regular training programmes for the workers?

- a. Yes { }      b. No { }

.

17. Are workshops regularly organised on controls?

- a. Yes { }      b. No { }

## SECTION C

# KNUST

### APPRAISING THE EFFECTIVENESS OF FINANCIAL CONTROL SYSTEMS

18. Is the delivery of service and collection of money from the general public done by the same person?

- a. Yes { }      b. No { }

19. Who receives the daily revenue for the Pru Health Insurance Scheme?

- a. Cashier { }  
b. Accounts Officer { }  
c. Accountant { }  
d. Administrator { }  
e. Other.....

20. Who banks the daily revenue of the Pru Health Insurance Scheme?

- a. Cashier { }

- b. Accounts Officer { }
- c. Accountant { }
- d. Administrator { }
- e. Other.....

21. When is the daily revenue banked?

- a. Daily { }      b. Weekly { }      c. Monthly { }

22. Are reconciliation's done at the various levels where money changes hands?

- a. Yes { }      b. No { }

23. How often is the reconciliation of cash and Bank balance done?

- a. Daily { }      b. Weekly { }      c. Monthly { }

24. Is the reconciliation reviewed by any management member?

- a. Yes { }      b. No { }

25. How many signatories are required for a cheque?

a. Two { }      b. Three { }      c. Four { }

26. Can one person sign the cheque?

a. Yes { }      b. No { }

27. Does the assembly maintain fixed asset register?

a. Yes { }      b. No { }

28. Is one individual responsible for initiating and approving a capital expenditure?

a. Yes { }      b. No { }

29. Can a fixed asset be acquired without proper authorization and approval from the

Pru Health Insurance Scheme District Administrator?

a. Yes { }      b. No { }

30. Does the scheme prepares Income and Expenditure accounts at every financial

year?      a. Yes { }      b. No { }

31. Is it prepared promptly?

- a. Yes { }      b. No { }

32. How would you rate the financial controls and monitoring procedures?

- a. Strong { }  
b. Satisfactory { }  
c. Weak { }

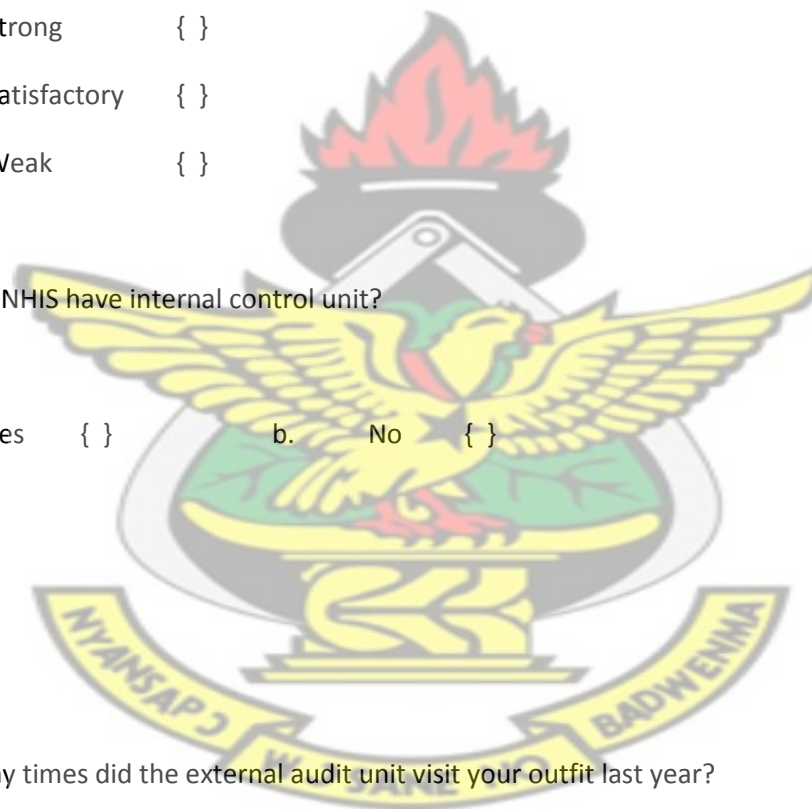
33. Does the NHIS have internal control unit?

- a. Yes { }      b. No { }

34. How many times did the external audit unit visit your outfit last year?

- a. Once { }  
b. Twice { }  
c. Three times { }  
d. Other.....

KNUST





35. What kind of report does the external audit team issue anytime they visit?

- a. Compliance { }
- b. Detective { }
- c. Preventive { }
- d. Other.....

36. To whom does the external Auditor report?

- a. Audit report implementation committee { }
- b. Management { }
- c. Director { }
- d. Other.....

#### SECTION D

#### MEASURES PUT IN PLACE TO ENHANCE EFFECTIVENESS OF CONTROLS

37. What measures have management established for internal control?

- a. Rotation of duties
- b. Management oversight

- c. Internal control reviews
- d. Other.....

38. Who is solely responsible for ensuring that internal control measures are adhered to?

- a. Management team
- b. Director
- c. Manager / Administrator
- d. Accountant
- e. Other.....

39. Who monitors compliance with internal control policies and procedures?

- a. Manager / Administrator
- b. External Auditor
- c. Accountant
- d. Other.....

40. How long does it take for authorities to payback the hospitals upon submission of returns?

One Month { } Two Months { } Three Months { } Others, Specify.....

41. Are bills forwarded to the scheme mostly overstated?

- a. Yes { }
- b. No { }

42. Are bill from health providers vetted?

- a. Yes { } b. No { }

43. Does the Scheme vetting Committee?

- a. Yes { } b. No { }

44. How often does the Committee meet ?

- a. Weekly { } b. Two Weeks { } c. Monthly { }

45. State challenges being faced by the scheme.



.....

.....

.....

46. Would you say the internal control system of the scheme is adequate?

- a. Yes { } b. No { }

47. Provide recommendations to improve the system to an appreciable level to block leakages.

.....

.....

.....

KNUST



# KNUST



## **APPENDIX 2**

QUESTIONNAIRE FOR THE HOSPITAL/HEALTH CENTRES ADMINISTRATORS

This questionnaire is intended for the collection of data that will help the researcher to **Financial Control Practices As A Tool For Improving Productivity In The Health Insurance Sector Of Ghana; A Case Study Of Pru District Mutual Health Insurance Scheme** which is chosen as the case study. The exercise is for academic purpose only. Whatever information you give will be kept confidential. Please, complete this questionnaire with appropriate answers with brief reasons or tick where necessary.

## SECTION A : BACKGROUND OF RESPONDENTS

1. Gender: Male { } Female { }

2. Age:

i. 20 – 30 years { }

ii. 31 – 40 years { }

iii. 41 – 50 years { }

iv. 51 – 60 years { }

v. Above 60 years { }

3. Educational Attainment:



- i. Basic { }
- ii. Secondary { }
- iii. Tertiary { }
- iv. Others (specify) .....

4. Marital status:

- i. Married { }
- ii. Single { }

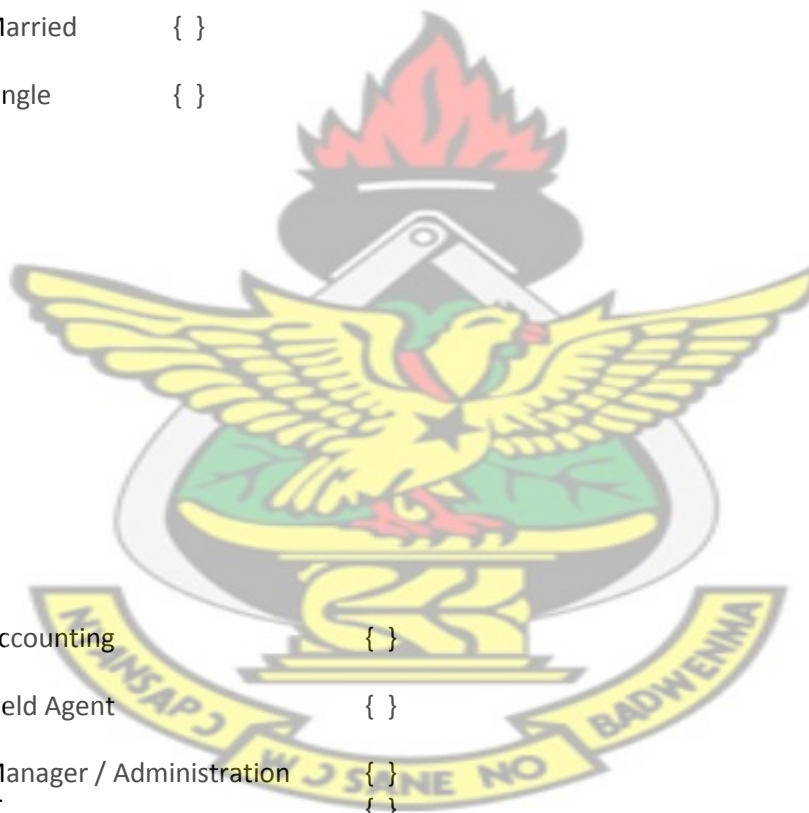
5. Job Type

- i. Accounting { }
- ii. Field Agent { }
- iii. Manager / Administration { }
- iv. IT { }
- v. Others(specify).....

6. Grade/Position

- i. Accountant { }
- ii. Field Agents { }

KNUST



- iii. Manager / Administrator { }
- iv Director { }
- v Others(specify).....

## SECTION B: APPRAISING THE EFFECTIVENESS OF FINANCIAL CONTROL SYSTEMS

7. Is the preparation of returns to the NHIS vouched with approved cost chart of drugs from the general public done by the authorized personnel?

- a. Yes { } b. No { }

8. Who works on the daily bills to the Pru Health Insurance Scheme?

- a. Cashier { }
- b. Accounts Officer { }
- c. Accountant { }
- d. Manager / Administrator { }
- e. Other.....

9. Are reconciliation's done at the various levels where charges are effected?

- a. Yes { } b. No { }

10. How often is the reconciliation of bills and drug list done?

a. Daily { } b. Weekly { } c. Monthly { }

11. Is the reconciliation reviewed by any management member?

a. Yes { } b. No { }

# KNUST

12. How many signatories are to a claim?

a. Two { } b. Three { } c. Four { }

13. Can one person sign the claim?

a. Yes { } b. No { }

14. Is one individual responsible for initiating and approving drug expenditure?

a. Yes { } b. No { }

15. Can drugs be acquired without proper authorization and approval from the

Hospital/Health Centre Administrator?

a. Yes { } b. No { }

16. Does your hospital prepares Income and Expenditure accounts at every financial

year? a. Yes { } b. No { }

17. Is it prepared promptly?

a. Yes { } b. No { }

18. How would you rate the financial controls and monitoring procedures?

a. Strong { }

b. Satisfactory { }

c. Weak { }

19. Does the hospital have internal control unit?

a. Yes { } b. No { }

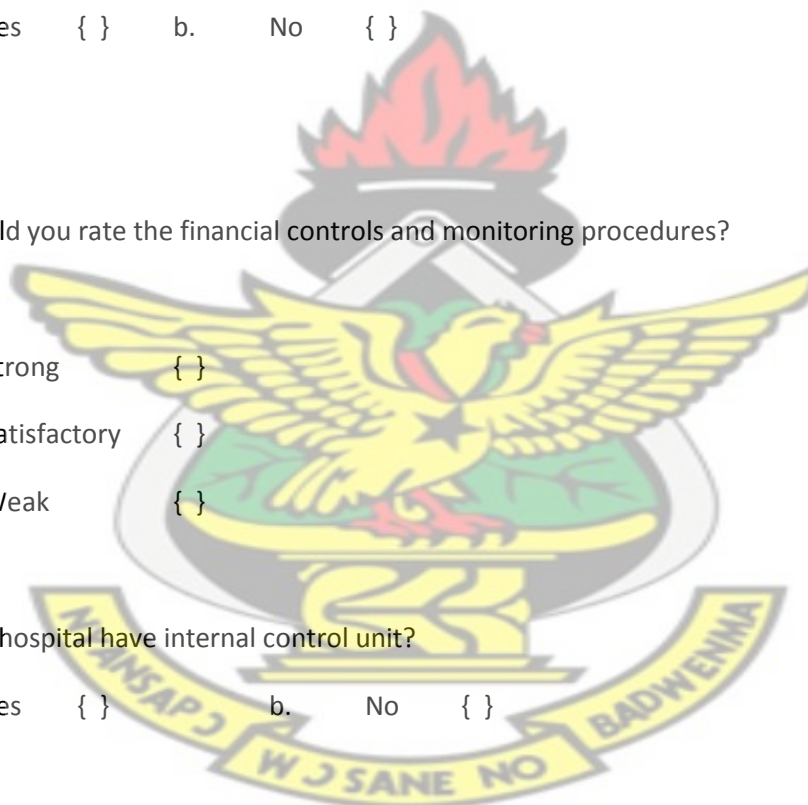
20. How many times did the internal audit unit visit your outfit last year?

a. Once { }

b. Twice { }

c. Three times { }

KNUST



d. Other.....

21. What kind of report does the internal audit unit issue anytime they visit?

a. Compliance { }

b. Detective { }

c. Preventive { }

d. Other.....

22. To whom does the internal Auditor report?

e. Audit report implementation committee { }

f. Management { }

g. Director { }

h. Other.....

### SECTION C: MEASURES PUT IN PLACE TO ENHANCE EFFECTIVENESS OF CONTROLS

23. What measures have management established for internal control?

e. Rotation of duties

f. Management oversight

g. Internal control reviews

h. Other.....

24. Who is solely responsible for ensuring that internal control measures are adhered to and the right bill is forwarded to the NHIS?

- a. Management team
- b. Director
- c. Administrator
- d. Accountant
- e. Other.....

25. Who monitors compliance with internal control policies and procedures?

- e. Internal audit unit
- f. External Auditor
- g. Accountant
- h. Other.....

26. How long does it take for authorities to send bills to the NHIS?

One Month { } Two Months { } Three Months { } Others, Specify.....

27. State challenges being faced by the health centres in relation to the scheme.

.....



.....

.....

28. Would you say the internal control system of the hospital is adequate?

a. Yes { }

b. No { }

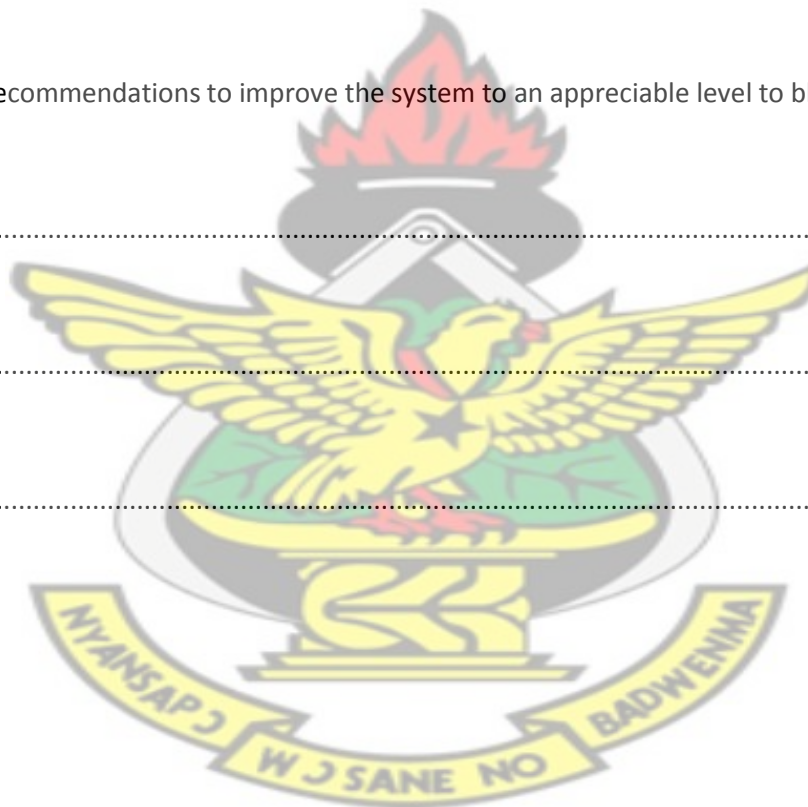
KNUST

45. Provide recommendations to improve the system to an appreciable level to block leakages.

.....

.....

.....



# KNUST

