APPRAISING FINANCIAL CONTROLS AT THE OKOMFO ANOKYE TEACHING HOSPITAL, KUMASI

BY

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CERTIFICATION

I declare that ,this long essay is my work towards the award of MBA and that ,to the best of my knowledge ,it does not contain any material previously published by another person or one which has been accepted for the award of any degree of the university, except where due acknowledgement has been made in the text.

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ABSTRACT

This long essay is mainly embarked upon to examine the effectiveness of internal control systems in place at the Komfo Anokye Teaching Hospital in its quest to deliver excellent healthcare to its clients. For the purposes of this work, attention was focused on financial and accounting control by examining three key questions as regarding;

(1) existence of proper internal financial control that is consistent with the company objectives and the role of employees in ensuring the success of this plan?

(2) how effective and efficient is this system in streamlining procedures, policies, plans, procedures, laws, regulations, and contracts that reduce the incidence of omissions and fraud to produce reliable financial information

(3) How could internal control be improved in this organisation.

There is theoretically no restriction on what internal control can evaluate and report about within an organization. However, internal financial control tends to vary from one company to another, reflecting particular objectives of directors, and senior management.

Primary data was obtained through the administration of surveyed questionnaires to the sampled respondents at the account section of the hospital to ascertain the needed information for analysis and recommendation. Statistical software was used to analyse the data received from respondents in percentiles.

Some findings that needed urgent attention to ensure that controls were effective are as follows; policy overrides by management, poor file management, segregation of duty, inadequate intranet facility which causes delays in data input which result inn unnecessary idle time; poor receipt check at the monitoring unit because the number of

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workers in this section is relatively small. There is also the problem of transferring fund from one account to another (i.e. GOG, DPF, and IGF) that delays business of the hospital.It was recommended that, the hospital administration should take steps to address the aforementioned problems without further delay to be able to deliver the excellent healthcare to the public.

For the limited time within which the long essay had to be completed and difficulty regarding finance, attention was only focused on financial control only. I would urge other researchers to take up the challenge to examine other aspects of internal control in the hospital regarding procurement, and maintenance sections to offer useful suggestion that could help maintain good corporate governance.

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LIST OF ABBREVIATIONS

AAA	American Accounting Association
AICPA	American Institute of Certified Public Accounts
DEENT	Dental, Eye, Ear, Nose and Throat
DPF	Donor Pool Fund
FEI	Financial Executives Institute
FTC	Federal Trade Commission
GCPS	Ghana College of Physicians and Surgeons.
GOG	Government of Ghana
HSG	Hystero Salpingo Graphy
ICU	Intensive care unit
ICS	Internal control system
IGF	Internally generated fund
ICAEW	Institute of Chartered Accountants in England & Wales
KATH	Komfo Anokye Teaching hospital
KNUST	Kwame Nkrumah University of Science and technology
KNTC	Kumasi Nurses' Training College
LLP	Limited liability partnership
NAA	National Association of Accountants
QUT	Queensland University of technology
UC	University of California
WAPGMC	West African Post Graduate Medical College

CHAPTER ONE

RESEARCH INTRODUCTION AND CONTEXT

1.0 INTRODUCTION-THE INTERNAL CONTROL DEVELOPMENT

A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of any entity. A system of strong internal controls can help to ensure that the goals and objectives of a firm will be met; that it would achieve long-term profitability targets or provide greater social benefit, and maintain reliable financial and managerial reporting. To achieve quality, processes must first be controlled. To improve quality, controlled processes must be measured and evaluated to identify obstacles to success. Effective internal control opens the door that leads to achievement of success. Simmons (2007).

In one of several definitions provided by the Random House Webster's Dictionary, as cited by Heier et al (2005), evolution can be defined as "a process of gradual, peaceful, progressive change or development in social or economic structure or institutions". The concept of internal controls and their application by modern auditing standards are but one of many economic structures that has experienced the effects of this evolutionary process over the past century. The definitions, meaning, and use of internal controls in auditing as well as their impact on audit engagements have developed and changed. These changes were often reactions to major changes in the economic situation of a country as a whole or to the actions of individual firms within the economy. Historical records suggest that internal auditors were being used

prior to the 15th century Aldona (2007). There were a number of large business failures and financial statement frauds especially in the USA. Lee (1971).On several occasions external auditing firms failed to detect those frauds. The issues of fraudulent financial reporting were examined by a group of private sector organisations that included the American Institute of Certified Public Accounts (AICPA), the American Accounting Association (AAA), the Financial Executives Institute (FEI), the Institute of Internal Auditors (IIA), and the National Association of Accountants (NAA). This group of firms, known as the Treadway Commission, issued its final proposals in 1987. Several of these proposals were of great significance to internal auditors. The Commission's report directs companies to maintain adequate internal control systems, to establish effective and objective internal audit functions staffed with adequate qualified personnel, and to coordinate internal auditing with the external audit of the financial reports.

Internal controls are individual preventive, detective, corrective, or directive actions that keep the operations going as intended. Basic controls, when aggregated, create whole networks and systems of control procedures, referred to as the organisation's overall system of control. It becomes a major part of managing an organisation. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, support performance-based management. It also serves as the first line of defense in safeguarding assets. In short, internal control helps program managers achieve desired results through effective stewardship of organisational resources. ibid

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1.1 STATEMENT OF THE PROBLEM

There has been number incidence of misconduct and fraudulent behaviour. Though considered as trivial, a closer look might uncover control weaknesses that would nib such blight in the bud. This study seeks to find out whether or not there is good control system in place at the Okomfo Anokye Teaching Hospital; how effective is this system in meeting set target by management. Another area of interest has to do with the level of management involvement and that of employees in ensuring that there is thorough understanding regarding the role of each employee to ensuring achievement of the hospital's objectives.

1.4 OBJECTIVES OF THE STUDY

The study seeks; to find out specifically;

1. The nature of control environment at the KATH and whether it promotes internal control or otherwise. (accomplished in pages 38 to 48)
2. The risks assessment and how they are mitigated so that they do not interfere with attainment of the set objectives. (accomplished in pages 49 to 52)
3. How activity is controlled to meet objectives. (accomplished in pages 53 to 57)
4. The nature of information and communication systems and how they are facilitating internal control activities. (accomplished in pages 58 to 62)
5. The plans in place to monitor activities. (accomplished in pages 63 to 64)
6. Recommendations (accomplished in pages 68 to 69)

1.3 PURPOSE OF STUDY

Internal control system is not static procedure in organisations such is the Komfo Anokye Teaching Hospital. The system needs to be reviewed to ascertain the efficiency and effectiveness of such system to correct any anomalies, agree on new principles and to operate in the light of new regulations to be able continue achieving the objectives set by management of the hospital. This research was to appraise the internal control system in operation at the finance and Accounting sections to establish whether or not the procedures are consistent with the laid down regulations and meeting the highest standards as expected.

1.4 RESEARCH QUESTIONS

This project is embarked on principally to seek answers to the following questions;

Q1. Is the internal control system in place at the hospital helping to streamline things?

Q2. What is the level of management commitment to ensuring that the system in place achieves the set objectives of the hospital?

Q3. Are the employees thoroughly in tune with the system? What part do they play towards the success of such internal review?

1.5 SIGNIFICANCE OF STUDY

The study will unearth how effective and efficient of the current system, which would provide the needed impulsion for internal control review which would help the hospital to be at breast with the current control and corporate governance

regulations. Organisational situation is not static and requires engendering high levels of motivation and commitment throughout the orgnisation. This can only be achieved by generating a vision and leadership ability to appeal to higher ideals and values among employees using proper system of internal control.

Government of Ghana has vested interest in the operation of such an entity so established by statute to deliver quality healthcare to the citizenry .it should never be forgotten that a healthy nation is a productive one; failure or mismanagement of such facility would be social cost to the nation as a whole .therefore, government is keenly concerned about the internal processes and the finances of the hospital. Where resources are misused because of failure of internal control process could affect employ as well, resulting in retrenchment and far greater economic problems. The suppliers having business dealings with the hospital would ant to know the liquidity position of the hospital, to be convinced that they would be paid any money due them. Good control of funds would therefore, provide greater assurance to such suppliers.

1.6 SCOPE AND LIMITATION OF THE STUDY

KATH is typically organised into medical directorates, or units, such as Accident and Emergency, surgery, intensive care units (ICUs), pediatrics, Obstetric and Gynecology, departments of radiology, anesthesiology, pathology, neurology and Physiotherapy directorates. These directorates have their separate finance sections which fall directly under Finance and Accounting and it is these sections that are

under consideration. The revenues generated by the above directorates are usually referred to as internally Generated Fund (IGF). Other fund inflows covered in this include Government of Ghana subvention (usually shortened as GOG) and Donor Pooled Fund (DPF) being donation from well meaning individuals and corporate entities from all over the world. Time and resources did not permit the researcher to cover other aspects of internal control relating to stores, and maintenance audits.

1.7 CHAPTER SUMMARY

Chapter one relays the meaning of internal control; evolution of the concept and the role of the Committee of Sponsoring Organisation of the treadway commission. Other things discussed had to do with the statement of the problem, objectives, purpose of the study, significance of the study and the limitation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION

The chapter would include the meaning of control, the underling principles of Internal control, the rationale regarding control as an integral part of any effective management organisations , the effect of breach of internal control processes and its devastating results on institutions, limitations of control principle and summary on this chapter.

2.1 THE MEANING OF CONTROL

this is primarily a process for motivating and inspiring people to perform organisational activities that will further the organisation's goals. It is also a process for detecting and correcting unintentional; performance errors and irregularities, such as theft or misuse of resources Mullins (2006).It is again defined as any action taken by management to enhance the likelihood that established objectives and goals will be achieved .Controls may be preventive (to deter undesirable events from occurring), detective (to detect and correct undesirable events that have occurred), or directive (to cause or encourage a desirable event to occur). The concept of a system of control is the integrated collection of control components and activities that are used by an organisation to achieve its objectives and goals.

2.2 THE CONCEPT OF INTERNAL CONTROL

The concept of internal control has been defined in various ways by many writers and accounting bodies, but all of them seem to converge on the points of • efficiency and effectiveness of resource management •means of ensuring the accuracy of the financial records • compliance of existing rules and regulations and objective setting acting as the blue print against which comparison could be made to find deviation that could be corrected to make sure the desired results are achieved.

Hawkins (1998) says the extent to which the auditing procedures will depend almost entirely upon the adequacy of the system of internal control. The process is influenced by the board of directors, executive management and other employees and formulated to provide a reasonable assurance that the institutional goals are achieved in terms of appropriate and effective business activities, reliable financial reporting and compliance with applicable legislation and regulations. The process is based on a control environment that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information, communication and monitoring. The departure point for the process is the framework for internal control issued by the Committee of Sponsoring Organisation of the Treadway Commission (COSO). Synonymously related to internal control is balance scorecard concept, which attempts to provide the important information that is required to allow over all strategy of the organisation to be reflected adequately in specific performance measures.

According to slack et al (2006), range of measures adopted by managers enables them to answer questions like;

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• how do we look to our shareholders(financial perspective)

• what must we excel at (internal process perspective)

• how do our clients see us(the customer perspective)

•how can we continue to improve and build capabilities (learning and growth perspective) Management objectives are therefore achieved by performance review on daily basis to identify and find solutions to challenges that appear to impact negatively in meeting set target.

Miller (2007) defines internal control as a process, affected by curators /Regents or directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

•Effectiveness and efficiency of operations. •Reliability of financial reporting.

•Compliance with applicable laws and regulations.

Miller (2007) identifies three key areas where internal controls are very critical as: 1. accounting controls 2. operating controls, 3.legal oriented controls. According to him it would be impossible to achieve any meaningful result if there are no clear objectives in place that would serve as a blue print to which performance could be compared.Some writers rather see internal control as having evolved mainly as a reactive measure to auditing problems over the years.

Citing one of several definitions provided by the Random House Webster's Dictionary, Heier et al (2005) defines internal control as evolutionary; "a process of gradual, peaceful, progressive change or development in social or economic

structure or institutions". The concept of internal controls and their application by firms to modern auditing standards are but one of many economic structures that have experienced the effects of this evolutionary process over the past century. For nearly a century, the definitions, meaning, and use of internal controls in auditing as well as their impact on audit engagements have developed and transformed. These changes were often a reaction to a major change in the economic situation of country as a whole or to the actions of individual firms within the economy.

Lee (1971) believes internal control comprises the plan of an organisation and the coordinated procedure used within the business to (1) safeguard its assets from loss by fraud, or unintentional error (2) check accuracy and reliability of the accounting data which management uses in making decision.

Coopers (2007) has this to say in its article thus; "In recent years stakeholders have come to expect much more in terms of the way companies are managed. Both the Board of Directors and Management therefore require a reliable internal control system (ICS)". Managing internal controls efficiently and effectively helps Management when it comes to:

1. Achieving business objectives.
2. Compliance with laws and regulations.
3. Safeguarding business assets.
4. Identifying, reducing and preventing errors and irregularities and fraud.
5. Ensuring reliable and complete bookkeeping.
6. Ensuring timely and reliable financial reporting.

The auditors of any entity now have to confirm the existence of ICS. One of the biggest challenges is ensuring that the documentation of processes and controls are formal and comprehensible.

2.3 KEY ASSUMPTIONS ABOUT INTERNAL AUDITING

According to Gale, (2006) there are three important assumptions implicit in the definition, objectives, and scope for internal auditing as a control measure. First, is the assumption that internal auditors can evaluate objectively, free from conflicts of interest, political, or monetary pressures that could inhibit their questioning, bias their reporting, or compromise their recommendations. This is called auditor independence. Independence and objectivity should exist in appearance and in fact for a credible work product.

Related to independence is the assumption that internal auditors have unrestricted access to whatever they might need to make an objective assessment. That includes unrestricted access to plans, forecasts, people, data, products, facilities, and records necessary to perform their independent evaluations.

Second, is the assumption that the internal auditing function is staffed with people possessing the necessary education, experience, and proficiency to perform competently. Third, is the presumption that the evaluations and conclusions contained in internal auditing reports are directed internally to management and the board, not to stockholders, regulators, or the public. It is presumed that management and the board can resolve issues that have surfaced through internal auditing and

implement solutions. After internal auditors present conclusions, management and the board have responsibility for subsequent decisions—to act or not to act. If action is taken, management has responsibility to assure that progress is made. Internal auditors later can determine whether the actions had the desired results. If no action is taken, internal auditors have responsibility to determine if management and the board understand and have assumed risks of inaction. Internal auditors have the direct responsibility to notify management and the board of significant matters that the internal auditors believe need to be addressed.

According to UC, (May 2007) an effective control system provides reasonable, but not absolute assurance for the Safeguarding of assets, the reliability of financial information, and the compliance with laws and regulations. Reasonable assurance is a concept that acknowledges that control systems should be developed and implemented to provide management with the appropriate balance between risk of a certain business practice and the level of control required to ensure business objectives are met. The cost of a system of control should however not exceed the benefits to be derived from it. The degree of control employed is a matter of good business judgment. When business controls are found to contain weaknesses, there is the need to choose among the following alternatives:

1. Increase supervision and monitoring;
2. Institute additional or compensating controls; and/or
3. Accept the risk inherent with the control weakness (assuming management approval).

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2.4 WHO ARE RESPONSIBLE FOR INTERNAL CONTROL?

Keen (2007) says Internal Control Program can function only with the cooperation and involvement of all employees. Competence and professional integrity are essential components of a sound internal control program. Employee responsibilities include:

•Successfully fulfilling the duties and responsibilities established in job descriptions and meeting performance standards;

•Taking all reasonable steps to guard assets against waste, loss, and unauthorised use;

•Reporting breakdowns in internal control to your supervisor;

•Attending education and training programs to achieve awareness and understanding of internal control standards; and the requirements of periodic internal control reviews related to your area of responsibility.

The Board of directors is responsible for the company's control systems. It should set appropriate policies on internal control and seek regular assurance that will enable it to satisfy itself that, the system is functioning effectively. It is again the duty of the board to ensure that the system of control is effective in managing risks in the manner that has been approved ICAEW(1999). In order to strengthen its internal control systems, the Hospital has undertaken the following measures, which include:

(a) establishing internal control framework, identifying key controls in service operations

(b) improving information management system to enhance the internal control and

reinforcing control over the financial reporting process;

(c) establishing financial management responsibility systems and implementing more comprehensive responsibility systems, to ensure accuracy in financial reporting;

(d)strengthening the internal audit and monitoring controls across varied director

(e)training of our finance and accounting personnel with respect to Generally Accepted Accounting Principles and Financial Reporting Standards;

(f)further formalising anti-fraud and whistleblower policies and procedures.

All employees of the hospital are responsible for managing internal controls. Each directorate is specifically responsible for ensuring that internal Controls are established, properly documented, and maintained.

In general, while all employees are responsible for the quality of their internal controls, checkers in the monitoring unit are responsible for providing leadership to ensure that effective internal control and accountability practices are in place.

Internal Audit is primarily responsible for assisting management in their oversight and operating responsibilities through independent audits and consultations designed to evaluate and promote the systems of internal control in the hospital.

2.5 RISK AND CONTROL

Risk is the probability that an event or action will adversely affect an entity.

The primary categories of risk are errors, omissions, delay and fraud. According to Encarta, (2007) error refers to something unintentionally done wrong e.g. as a result of poor or lack of care, while omissions is explained as something that has been

deliberately or accidentally left out or not done. Fraud is a serious crime of obtaining money or some other benefit by deliberate deception. In order to achieve goals and objectives, management needs to effectively balance risks and controls. Therefore, control procedures need to be developed so that they decrease risk to a level where management can accept the exposure to that risk. By performing this balancing act, "reasonable assurance" can be attained.

2.6 FRAUD

According to Encarta, (2007) fraud includes any act, omission, or concealment, involving a breach of legal or equitable duty or trust, which results in disadvantage or injury to another. Fraud can also be constructive, that is, deemed fraud by interpretation. The sole difference in the case of constructive fraud is that, no dishonest intent need be adduced. It arises from breach of duty, such as the breach of a fiduciary relationship of trust or confidence has been betrayed by its managers Libby et al (2004).

There are generally three requirements for fraud to occur - motivation, opportunity and personal characteristics. Motivation is usually situational pressures in the form of a need for money, personal satisfaction, or to alleviate a fear of failure.

Opportunity is access to a situation where fraud can be perpetrated, such as weaknesses in internal controls, necessities of an operating environment, management styles and corporate culture. Encarta (2007) talks about Enron's scandal in relation to the above-mentioned difficulty in the following way;

"where were Enron's audit committee and its external auditing firm, Arthur Andersen LLP? These bodies were responsible for assuring investors and the public that the firm's financial statements were full and accurate". Apparently, the company's audit committee in particular and the company's board of directors in general failed to meet their responsibility because they lacked enough information about Enron's complicated financial maneuvers.

Chief executives and auditors could perpetrate fraud Libby et al (2004). Personal characteristics include a willingness to commit fraud, integrity and moral standards. Personal characteristics can sometimes be changed through training and awareness programs. Opportunity is the easiest and most effective requirement to address to reduce the probability of fraud. By developing effective systems of internal control, opportunities to commit fraud can be prevented.

2.7 INTERNAL CONTROL FRAMEWORK

Kaplan (2007) outlines five components of internal control as:

Control environment, Risk assessment, Control activities, Information and communication and Monitoring.

2.8 CONTROL ENVIRONMENT

The level of awareness of management and their attitude towards the significance of control within the institutions affects the way in which employees would conduct their activities, assess risk, carry out their control activities, and capture and communicate relevant information.

Establishing an appropriate control environment involves setting standards for, and displaying human qualities such as integrity and ethical values. According to Simmons (2007) citing COSO, a sound control environment involves Managers and employees who possess integrity, ethical values and competence; where there are;

* Proper management's philosophy and operating style;

* Proper assignment of authority and responsibility;

* Proper organisation of available resources;

* Proper training and development of people; and

* Proper attention and direction from senior management.

2.9 RISK ASSESSMENT

This represents the balance of the control environment with the risks and potential consequences associated with business operations. An optimum level of control commensurate with risk is the objective resulting in cost-effective internal control. This maximises efficiency while providing an adequate level of security and control over business operations. An awareness of and ability to deal with the risks and obstacles to successful achievement of business objectives and the establishment by management of a set of objectives that integrate all the organisation's resources so that the it operates in concert will engender the elicitation of corporate mission. Again, identification, analysis and management of the risks and obstacles are very important to achieving the three primary business objectives of efficiency, effectiveness and compliance to regulations.

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2.1.0 CONTROL ACTIVITIES

The establishment and execution of policies and procedures to help ensure effective implementation of the actions identified by management are necessary to address risks and obstacles to achievement of financial objectives set by entities. These control activities help ensure that management's directives are carried out; occur at all levels of the organisation; and in all activities, units and functions. Kaplan (2007) identifies five control activities involving segregation of duties, proper authorisation of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on performance. A short description of each of these control activities appears below.

2.1.1 SEGREGATION OF DUTIES

This requires that different individuals assigned responsibilities for different elements of related activities, particularly those involving authorisation, custody, or recordkeeping. For example, the same person who is responsible for an asset's recordkeeping should not be responsible for physical control of that asset. Having different individuals perform these functions creates a system of checks and balances.

The demise of otherwise vibrant Barings bank was as a result of segregation of duties as noted by Mishkin (2007) in the following citation; In July 1992, Nick Leeson, Barings new head clerk at its Singapore branch began to speculate on the Nikkei, the Japan's version of Dow Jones stock index. By late 1992, he had suffered

losses of $3 million, which he hid from his superiors by stashing them in a secret account. He even fooled his superiors into thinking that he was generating large profits, thanks to a failure of internal control at his firm, which allowed him to trade on the Singapore exchange and oversee the book-keeping of those trades. Things did not work out well for Leeson as he continued to make losses to the tune of over $2560 million by February 23, 1995, and by the end of his wild ride his losses amounted to $1.3 billion; even, Encarta (2007) puts the figure as high as $1.4 billion in losses, leading to the collapse of the 233-year-old Barings bank.

2.1.2 AUTHORISATION

Proper authorisation of transactions and activities helps ensure that all company activities adhere to established guidelines unless responsible managers authorize another course of action. For example, a fixed price list may serve as an official authorization of price for a large sales staff. In addition, there may be a control to allow a sales manager to authorise reasonable deviations from the price list.

2.1.3 ADEQUATE DOCUMENTS AND RECORDS

Documents and records provide evidence that those financial statements are accurate. Controls designed to ensure adequate recordkeeping include the creation of invoices and other documents that are easy to use and sufficiently informative; the use of pre-numbered, consecutive documents; and the timely preparation of documents.

2.1.4 PHYSICAL CONTROL

Physical control over assets and records helps protect the hospital's assets. These control activities may include electronic or mechanical controls (such as a safe, employee id cards, fences, cash registers, fireproof files, and locks) or computer-related controls dealing with access privileges or established backup and recovery procedures.

2.1.5 INDEPENDENT CHECKS

Citing Wiley (2007), independent checks on performances, carried out by employees who did not do the work being checked, help ensure the reliability of accounting information and the efficiency of operations. The review checks the other internal control processes Alvin et al (2006). For example, a supervisor verifies the accuracy of a retail clerk's cash drawer at the end of the day. Internal auditors may also verify that the supervisor performed the check of the cash drawer. In order to identify and establish effective controls, management must continually assess the risk, monitor control implementation, and modify controls as needed. Top managers of publicly held companies must sign a statement of responsibility for internal controls and include this statement in their annual report to stakeholders.

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2.1.6 INFORMATION AND COMMUNICATION

Information systems produce reports, containing operational, financial and compliance related information, that make it possible to run and control activities in the hospital. They deal with internally generated data as well as the external activities, conditions and events necessary for informed business decision-making and external reporting.Confidence is built through information exchange between management and employees the information needed to conduct, manage and control operations. Citing Slack et al (2006), pertinent information must be identified, captured and communicated in a form and time frame that enables employees to carry out their responsibilities.

Effective communication must flow down, up and across the organisation.
This includes a clear message from top management to all personnel that, control responsibilities must be taken seriously.

All personnel must understand their own role in the internal control system, as well as how their individual activities relate to the work of others.

* All personnel must have a means of communicating information upstream.

* There must be effective communication with external parties.

The effective and timely communication of management information to key officers of the hospital in a timely manner is essential for proper decision-making.

The dissemination of strategic goals, financial and non-financial data, policies and procedures, management initiatives and responses to external changes ensures effective performance.

2.1.7 **MONITORING**

the entire control system must be monitored to assess the quality of the system's performance over time. (Ongoing monitoring, which should occur in the normal course of operations, includes such things as regular management and supervisory activities; and actions personnel take in performing their duties.) Internal deficiencies should be reported upstream, with serious matters reported to top management. There should also be separate, independent evaluations of the internal control system. The scope and frequency of these independent evaluations depend primarily on assessment of risks and obstacles, and the effectiveness of ongoing monitoring procedures.

Collectively, the three primary business objectives and the five components needed to achieve those objectives constitute the internal control framework.

Monitoring the control processes maintains quality systems by providing data on performance. This will highlight any problem areas and allow early intervention and review to meet changing circumstances or needs. Business systems need to be viewed as dynamic, responding to changes and open to improvement and refinement. Within KATH a range of mechanisms is used to monitor control processes, performance and business risks, and examples include Audit and Risk Management Committee, Internal and External Audits.

2.1.8 SUCCESS OF INTERNAL CONTROL

According to Simmons (2007) when looking at any one of the three primary business objectives, that is; economy and efficiency of operations, including achievement of performance goals and safeguarding of assets against loss; Reliable financial and operational data and reports; and compliance with laws and regulations, all five components of the control system must be present and functioning effectively in order to conclude that internal controls over operations are effective.

While internal control is a process, its effectiveness is a state or condition of the process at a fixed point in time. When an internal control system meets the following standard, it can be deemed "effective": "Internal Control can be judged effective for each of the three business objectives if management has reasonable assurance that it understands the extent to which the organization's objectives are being met; financial and management reports are being prepared reliably; and applicable laws and regulations are being complied with." Determining whether a particular internal control system is "effective" is a subjective judgment resulting from an assessment of whether the five components of control are present and functioning effectively. Their effective functioning provides the "reasonable assurance" regarding achievement of the primary objectives. The components thus form the criteria for effective control. Ibid

Internal audits could use the Framework to focus on three levels of control:

1. Strategic; planning, organising and directing activities that address achieving the

long-range mission and objectives of the entity under review.

2. Tactical; planning, organising and directing activities that address achieving short term (annual) objectives and goals of the entity under review that lead to success in achieving the entity's strategic mission and objectives.

3. Operational; planning, organising and directing controls that address the day- to-day operations of the entity.

Using a survey tool based upon the five components, internal audits can be conducted at a strategic, rather than operational, level. These strategic internal audits can be designed to gather testimonial and documentary evidence to either support achievement of the standard for effective internal control; or to identify to senior managers deficiencies and improvement opportunities for achieving effective internal control. Essentially, this means assessing planning activities; the means of measuring accomplishment; the reliability of data used to benchmark, report and measure; and the resources used to achieve outcomes. Ibid

2.1.9 INTERNAL CONTROL REVIEWS

According to Keen (2007) an internal control review analysis, procedures and policies insure systems is functioning as intended and that they assist the units in meeting its objectives and goals. Examples of procedures and policies that may be reviewed include planning activities, program evaluations, the budget cycle, personnel transactions, information systems, cash activities, contract management and capital programs. In addition, formal training sessions are conducted to

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familiarize the employees with the objectives of the Internal Control Program, how it operates and the benefits it provides.

2.2.0 INTERNAL AUDIT NEGLECT AND RELEVANT LEGISLATION

Auditors are responsible for monitoring and overseeing the responsibilities of management; until quite recently Internal Audit has not been properly recognised in the of the statutory provisions. The only law that makes specific provision for the function of internal audit is Financial Administration Decree 1979 S.M.C.D 221. Section 48(3) states: The Auditor-General may assign any member of the Audit Service to act as internal auditor for any body or organization for the audit of the accounts of which the Auditor-General is responsible.

The following legislations do not make any reference to internal auditing though they talk extensively about external auditing; Constitution of the Republic of Ghana, 1992; Financial Administration Bill 2002; Audit Service Act 2000 Act 584; . Audit Service Decree 1972, N.R.C.D. 49 Sections 8(3) and Financial Administration Decree, 1979 S.M.C.D. 221.

2.2.1 COST OF OBVIOUS NEGLECT OF INTERNAL AUDIT

As indicated above, by existing law, Internal Audit should be within the domain of the Auditor-General who is also the External Auditor. This is inconsistent with accounting and auditing principles and practice Kaplan (2007). As to be expected, a major scandal was detected in the Ghana Education Service in the late 1980s. It was

found out that combining the internal and external audit functions under the Auditor-General had compromised the effectiveness and integrity of the Auditor-General staff. The external and internal colleagues had colluded to cause a huge financial loss to the state. Consequently, in 1988, the internal audit function was transferred to the Controller and Accountant-General's through an administrative arrangement. To date, the administrative arrangement does not have any legal backing. Such arrangement has been a source of confusion and bickering.

Unresolved issues include questionable mandate, control override, duplication of functions, and non-performance. It should be noted that, threat to truthful reporting arise from potential conflict of interest Mishkin (2007). These have to be properly addressed by the legislature of the republic to make internal control effective in the Ghana.

2.2.2 LIMITATIONS OF INTERNAL CONTROL

It is acknowledged that because of its inherent limitations, internal control can be designed and operated to provide only reasonable assurance that the intended objectives and goals will be achieved. The examples of inherent limitations include human judgment and errors, manual and automated controls that can be circumvented by collusion and management may inappropriately override internal control.

Most developed economies such as the United States of America have well integrated internal control systems not only at business level but government wide

that have long been established but are still not been able to address all problems associated with internal control. In a fourth congressional report compiled, Steinhoff (2005) talks about some of these problems as; 'Our fourth government wide report, issued in 1989 for which the title, Ineffective Internal Controls Result in Ineffective Federal Programs and Billion in Losses, is still appropriate in today's environment……while internal control was improving, the efforts were clearly not producing the results intended." This preempts idea that internal control would only give reasonable assurance, which is not absolute. Management should therefore not direct its attention primarily on maximizing revenue, reducing cost and improving efficiencies seen as adding value; rather monitor the adequacy of internal controls to reduce risk.

CHAPTER THREE

THE RESEARCH METHODOLOGY AND THE PROFILE OF OKOMFO ANOKYE TEACHING HOSPITAL

3.0 INTRODUCTION

Survey was used to gather the needed primary data i.e. questionnaires comprising internal control and ethical issues in which questions are structured. The data collected were quantitative from the Komfo Anokye Teaching hospital's finance personnel who were captured within the sample. In addition, case study was intended to assemble more detailed qualitative information from selected units of interest. This method facilitated the capturing of interesting but important impact statements.

The selection of respondents for the questionnaire was guided by a sampling procedure. The process involved;

(a) Identification of the sample frame;

(b) determination of appropriate sample size, and

(c) distribution of the selected sample size to ensure appropriate representation of the population.

3.1 POPULATION

Strong work force of 131mployees in The Finance directorate of KATH (excluding service personnel and those on internship programme) had been the target group of respondents, but in view of the large number, only a represent of hundred employees would actually be provided with questionnaire to respond to.

3.2 SAMPLING

The selection of respondents for the questionnaire was guided by a sampling procedure.

The process involved

(a) Identification of the sample frame;

(b) determination of appropriate sample size, and

(c) distribution of the selected sample size to ensure appropriate representation of the population. In determining the sample frame, the basic decisive factor espoused was necessary to ensure fair representation. In applying this threshold, appropriate sampling size was established for the study using quota-sampling technique to ensure that, the ten directorates of the hospital were fully covered. Based on these statistical analyses, total sample sizes of 100 employees were determined for this exercise.

3.3 THE LAYOUT OF THE QUESTIONNAIRES

The design of the questions was straight forward; doing everything possible to avoid clumsiness regarding misreading questions that would not yield the needed result. The wording of each question was carefully considered to make sure that

responses were;

1. Suitable to the purpose for which they were being asked

2.that the respondents have the needed facts to answer the questions without any hurdle.

3. That the words used were familiar and all respondents understand them similarly.

4. Avoiding question that include a negative or double negative to aid understanding

5. Ensuring that no question implies or suggests that a certain answer is correct

these facts are worth noting to prevent biases and to ensure credibility of the data.

3.4 COLLECTING AND ANALYSING DATA

The question asked were straight forward to answer however, they had to be collected over a period of three weeks because of work pressure and the need to meet deadlines in preparation and reconciliation of various transactions in most subunits. Scripts had to be redistributed in some cases to some respondents who misplaced ones given to them already. The quantitative data gathered from respondents were coded and evaluated using statistical analysis software package, the **SPSS** for windows. Each question based on the responses was used to generate tables and charts for deductive inferences to answer the research questions posed.

3.5 VALIDITY AND RELIABILITY

The data collected, findings are accurate, true and verifiable. The concept that are being investigated; the people or the methods by which data are collected; and the findings that are produced can stand the test of time.

There is consistency and dependability of a measuring instrument, an indication that any researcher is likely to arrive at the same answers over time, at the finance and accounting sections of the hospital, no matter who administers it. However, it may be possible to have different results if what is being measured has changed during the intervening period.

3.6 THE PROFILE OF THE KOMFO ANOKYE TEACHING HOSPITAL

The Komfo Anokye Teaching Hospital was established in 1954 as the Kumasi Central Hospital. It was later named Komfo Anokye Hospital after Okomfo Anokye, a legendary fetish priest of the Ashanti. It was converted into a teaching hospital in 1975 affiliated to the medical school of the Kwame Nkrumah University of Science and Technology.

The hospital has been divided into twelve major directorates as part of a management decentralisation programme aimed at giving some level of autonomy and control to the operational levels of the hospital. These management teams are allowed to set their own priorities, prepare their budgets and implement their programmes in line with the general policies and objectives of the hospital. This allows the Executive Management made up of the chief executive and his five

directors to concentrate on strategic planning, general policy formulation and monitoring of the hospital's activities.

The Komfo Anokye Teaching Hospital (KATH) in Kumasi, Ghana, is the second-largest hospital in the country and the only tertiary health institution in the Ashanti Region. It is the main referral hospital for the Ashanti, Brong Ahafo, Northern, Upper East and Upper West Regions.

3.7 DIRECTORATES

Directorate has been used contextually defined to mean semi-autonomous department that is fully flared healthcare section, which is a specialist area in its own right and generally, both a cost centre and revenue centre. They comprise Anaesthesia , Physiotherapy, DEENT, Child Health, Accident & Emergency, Obstetrics and Gynaecology, Oncology, Surgery ,Medicine, Diagnostics, Technical and Domestic Services. Brief discussion of each is as follows;

3.8 PHYSIOTHERAPY

The physiotherapy unit seeks to provide, maintain, restore physical, psychological and social well-being, taking into account variation in health status. The unit activities cover both In-patient and out-patient care and this include consultation, clinical practice, health education, outreach programmes, training and research.

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3.9 DEENT

This is an acronym for dental, eye, ear, nose and throat (DEENT) directorate. It is made up of three distinct specialist departments dental/oral health, eye, ear, nose and throat (ENT). The directorate was named DEENT in 2001 when clinical directorates were inaugurated. Prior to 2001, it was called Allied Surgery.

3.2.0 CHILD HEALTH

The child Health directorate focuses is clinical care, providing care for babies from birth up to age of three (3) months, at the mother and Baby unit, and general Paediatric care for all other children from three (3) months to twelve (12) years, and in special circumstances, up to fourteen (14) years. It is the hospital for students of the School of Medical Sciences, KNUST and offers services as a training center for both the WAPGC and GCPS students.

3.2.1 OBSTETRICS AND GYNAECOLOGY

The Obstetrics and Gynaecology directorate has served as an academic department for undergraduate medical students following the founding of the Kwame Nkrumah University of Science and Technology school of medical sciences in 1975 and postgraduate training towards the fellowship of the West African college of surgeons In 1989,

3.2.2 ACCIDENT & EMERGENCY

The directorate of accident & emergency is a newly created clinical directorate at Komfo Anokye Teaching Hospital. The directorate is made up of the following units: trauma and orthopedic surgery.

3.2.3 ANAESTHESIA

The application of recent advances in biomedical technology in clinical anaesthesia continues to make it an exciting and rapidly evolving specialty.

The specialty is unique in that it requires working familiarity with most other specialties, including surgery and its subspecialties, internal medicine, pediatrics and obstetrics as well as clinical pharmacology, applied physiology and biochemical technology.

3.2.4 THE ONCOLOGY

The oncology directorate is one of the clinical directorates, which administers Radiotherapy, Brachytherapy and chemotherapy services to patients for 2 years into its existence. Majority of the 720 patients, who have successfully sought treatment at the centre since its inception, came from neighbouring countries.

3.2.5 SURGERY

The directorate also doubles up as a department in the Kwame Nkrumah University of Science and Technology (KNUST), to offer training facilities for the teaching medical students. It is also involved in training of both degree and diploma Nurses.

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3.2.6 MEDICINE

The Directorate of Medicine provides services such as;

-Provision of specialized medical services for in-patients and out-patients

-Provision of advanced medical and efficient Transfusion services

-Training of undergraduate and post-graduate health professional

3.2.7 DIAGNOSTICS

The Diagnostics directorate offers invaluable services to Patients from all parts of the country. The directorate undertakes Laboratory Investigations, Radiology, Microbiology, Biochemistry, Haematology and Pathology.

3.2.8 TECHNICAL AND DOMESTIC SERVICES

These Non - clinical directorates render strategic support services to all the directorates in the hospital. Technical Services organised into three main blocks namely biomedical engineering and estates management and plants and machinery units. The directorate had since managed the set-up, making every effort to meet the overwhelming demands on the directorate.

The domestics Services directorate consists of the following units: CSSD, laundry, catering and transport.

3.2.9 CHAPTER SUMMARY

This chapter has discussed how primary data would be ascertained using surveyed questionnaires given to sample of respondents from the accounts section of the

hospital. The latter section of the discussions focused on the profile of the KATH; the directorates, which are both cost, and revenue centres .there directorates have their own account sections but work together in a coordinated manner.

CHAPTER FOUR

THE RESEARCH ANALYSIS AND DISCUSSIONS

4.0 INTRODUCTION

This chapter deals with the analysis of the questionnaire data captured using the SPSS software for windows. Each question is evaluated according to the responses obtained, and used to create pictorial representation (i.e. Bar chart).it should be noted that, in a situation where a possible answer had not been selected at all, such is automatically excluded from that analysis by the SPSS program.

Five options were available for respondents to select one in each case. The options were strongly agree; agree; not sure disagree and strongly disagree. The questions have been grouped under the framework for internal control principles including control environment (figures1 to 10), risk assessment (figures11 to 14), control activities (figures15 to 19), information and communication (figures20 to 24), and monitoring (figures25 and 26), which have been set and briefly discussed below each figure indicating hoe respondents answered such question.

1. Section in the finance and accounting where respondents work.

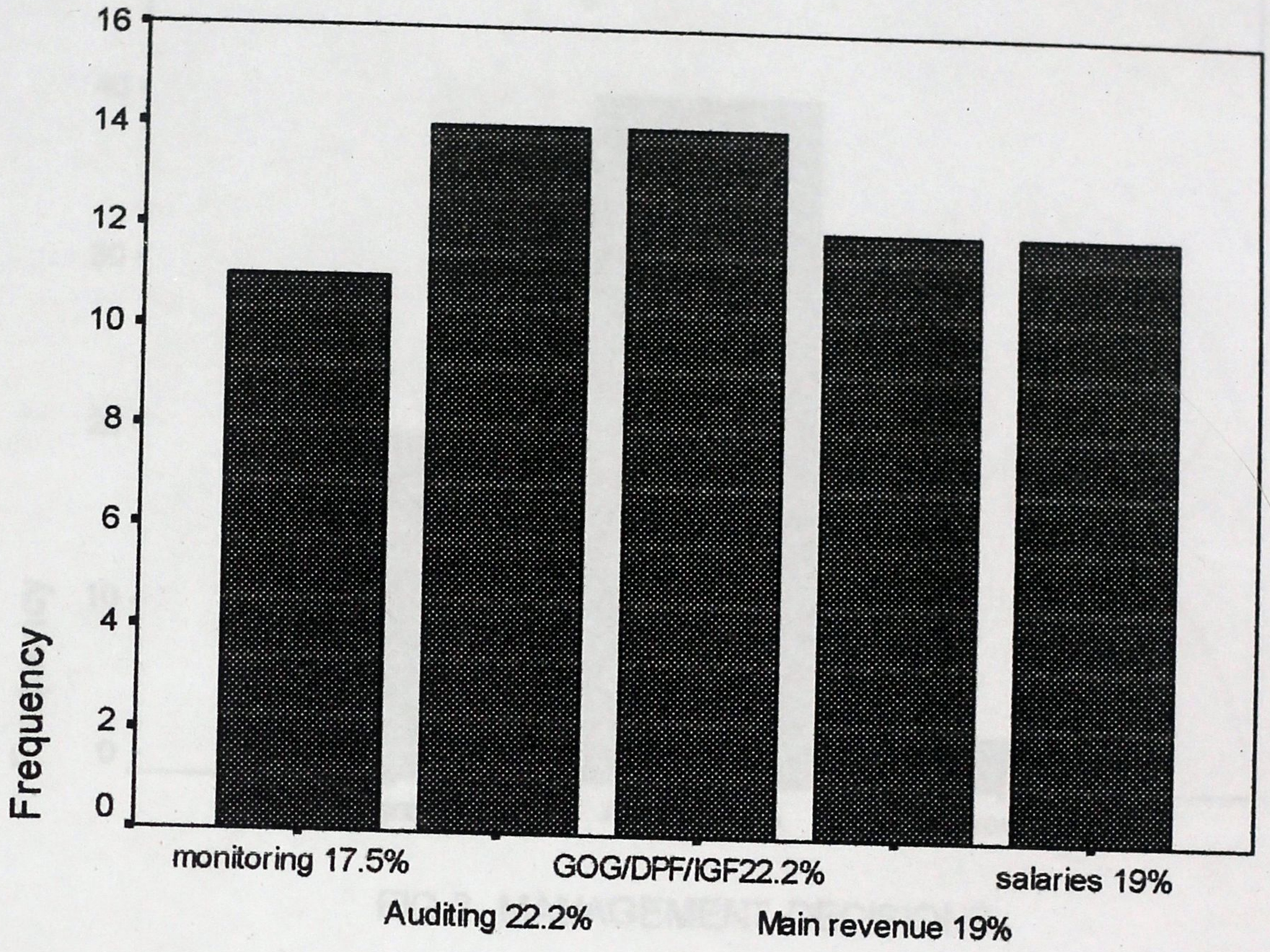


FIG.1. SUB-UNITS-FINANCE AND ACCOUNTING

The number of staff members is sufficiently allocated to the various subunits according to the demands of the work at such areas. The most critical subunits being the auditing and GOG/IGF have the highest staff members representing 22.2% in each case, while main revenue and salaries paired with 19% respectively and monitoring being 17.5%.

2. Management decisions are made collectively

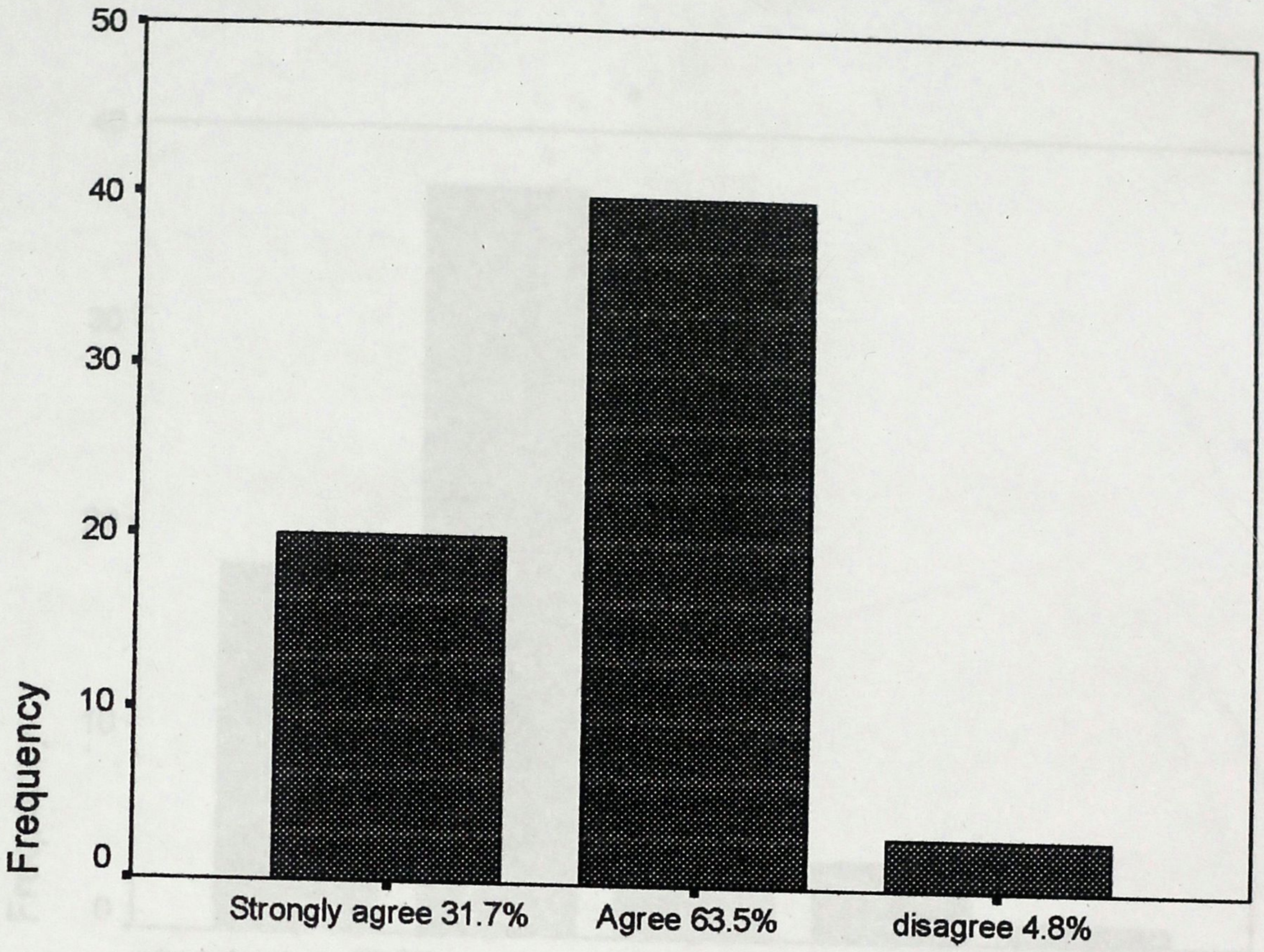


FIG.2. MANAGEMENT DECISIONS.

Figure 2 indicates that, many of the staff members have the conviction that no one individual has the sole authority to take decision but as a result board in which the members have equal power to let their voices heard. Cumulatively, 20 respondents being 31.7% strongly agree; 40 representing 63.5% also agree with this, while 3 people (4.8%) totally disagreed.

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3. Expected conducts are well communicated to all staff

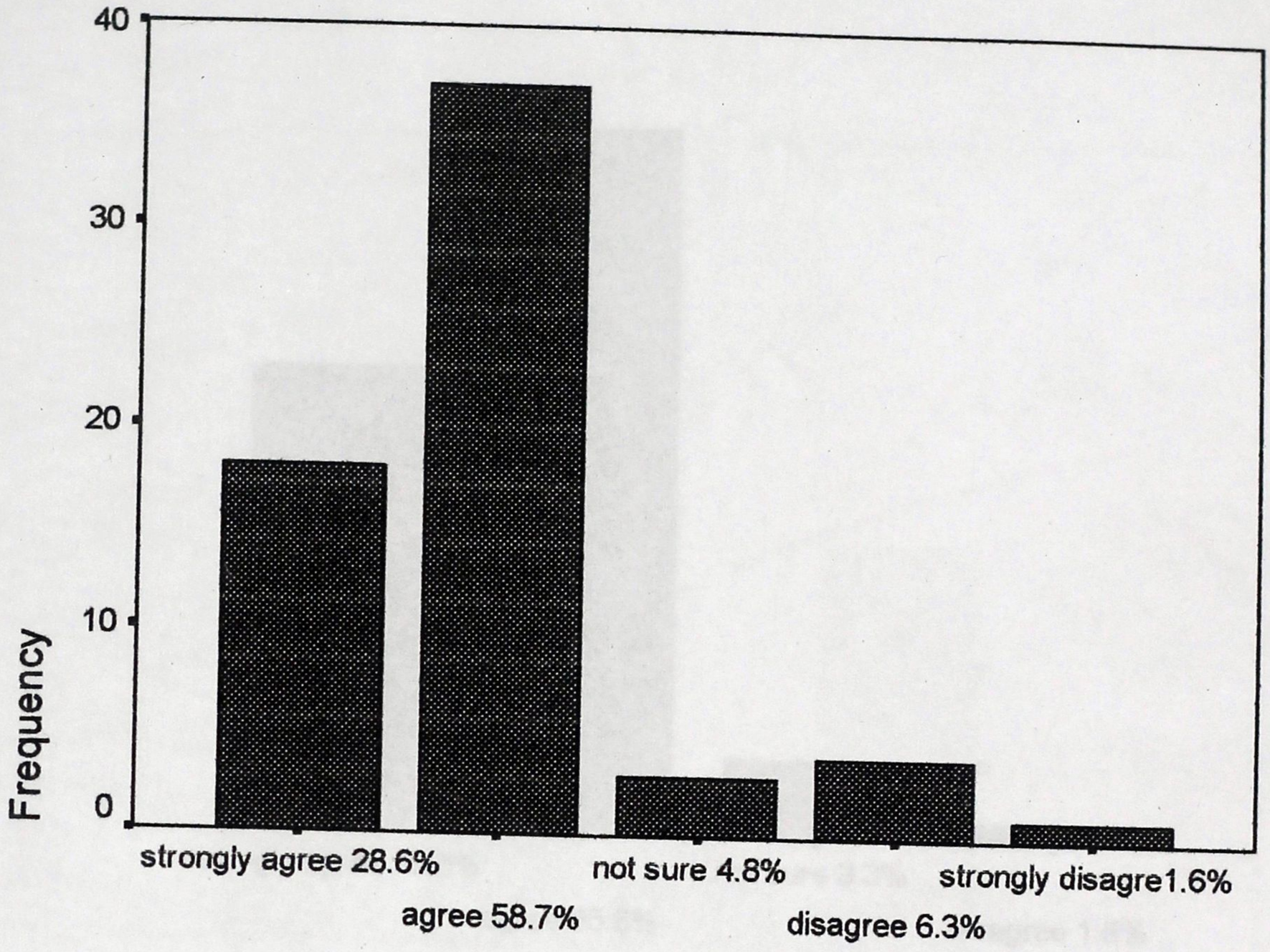


FIG. 3. CONDUCTS ARE COMMUNICATED TO STAFF

In the above figure,18 respondents being 28.6% strongly agreed that the expected conduct is effectively communicated to staff members.37 respondents forming the majority (58.7%) agreed to this same statement, while 3 people (4.8%) were not sure of this.4 respondents disagree, while 1 strongly disagreed to this assertion.

4. Auditing is firmly established to test for compliance with code or policies.

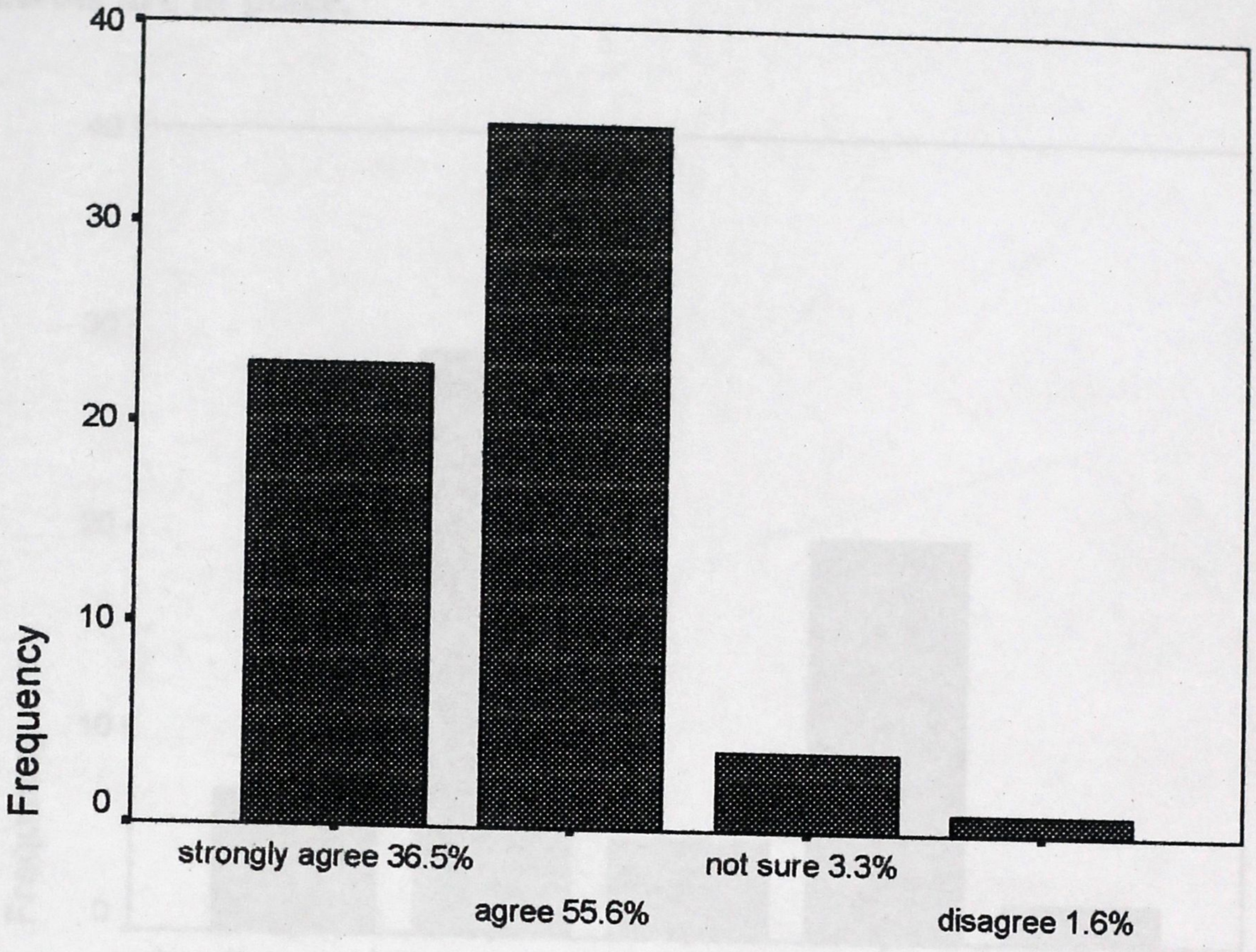


FIG. 4. AUDITING IS FIRMLY ESTABLISHED

Concerning the establishment of auditing to crosscheck transactions, 23 respondents being 36.5% strongly agreed and said it is firmly established. 35 respondents being 55.6% agreed while 4 people being 7.9% were not able to take side. One respondent disagreed to the contrary.

5. There are management reviews periodically to ensure that current internal controls are in place.

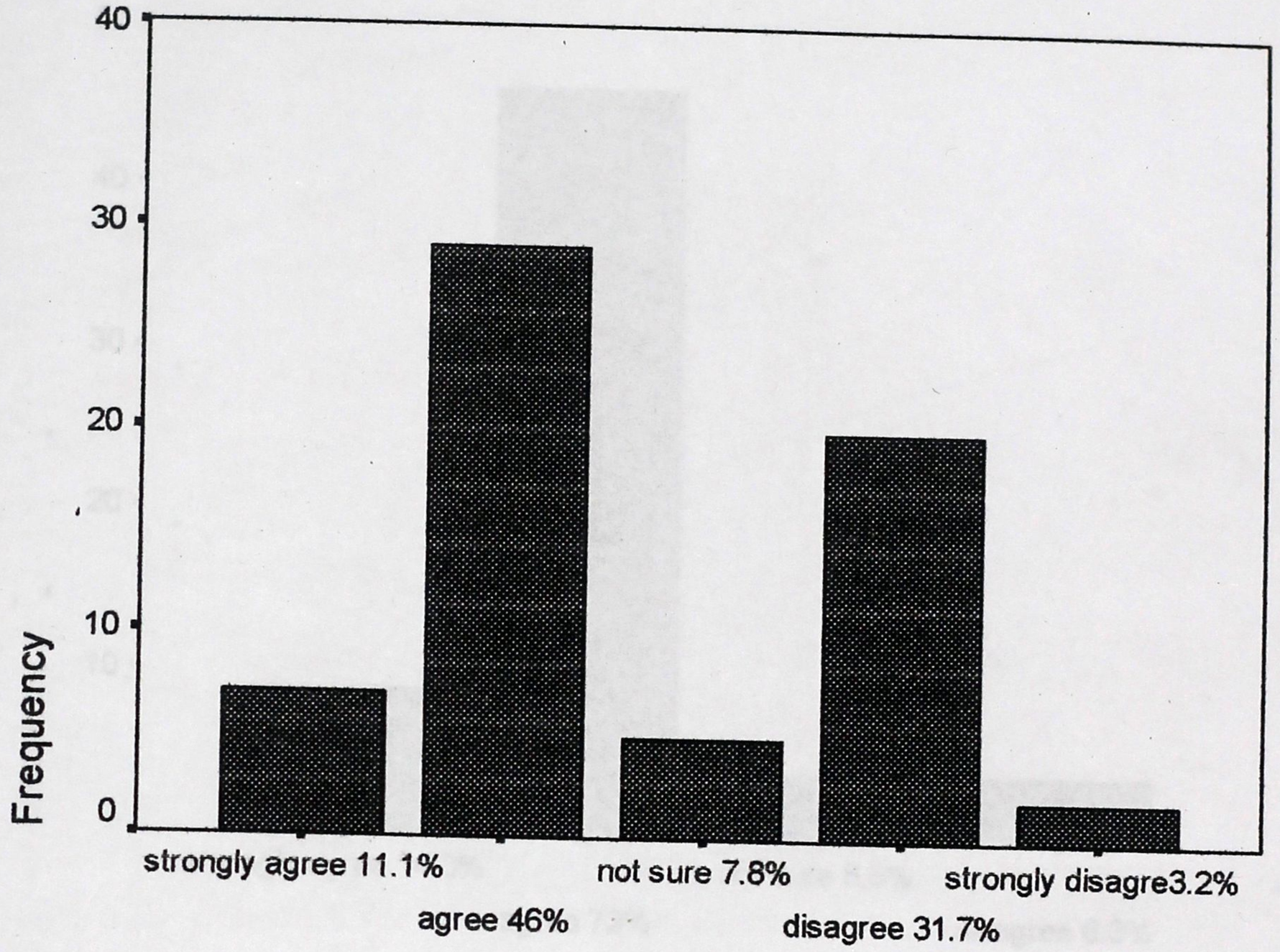


FIG.5. PERIODIC INTERNAL CONTROL REVIEWS.

In figure 5, 7 respondents forming 11.1 % strongly agreed that, management is proactive in its actions to ensure that control systems are current. 29, (46%) agreed, while 5 (7.8%) were indifferent. On the other hand, 20 respondents being (31.7%) disagreed, while 2 people (3.2%) strongly disagreed.

6. Deviations are promptly reported to management regarding compliance policies and procedures.

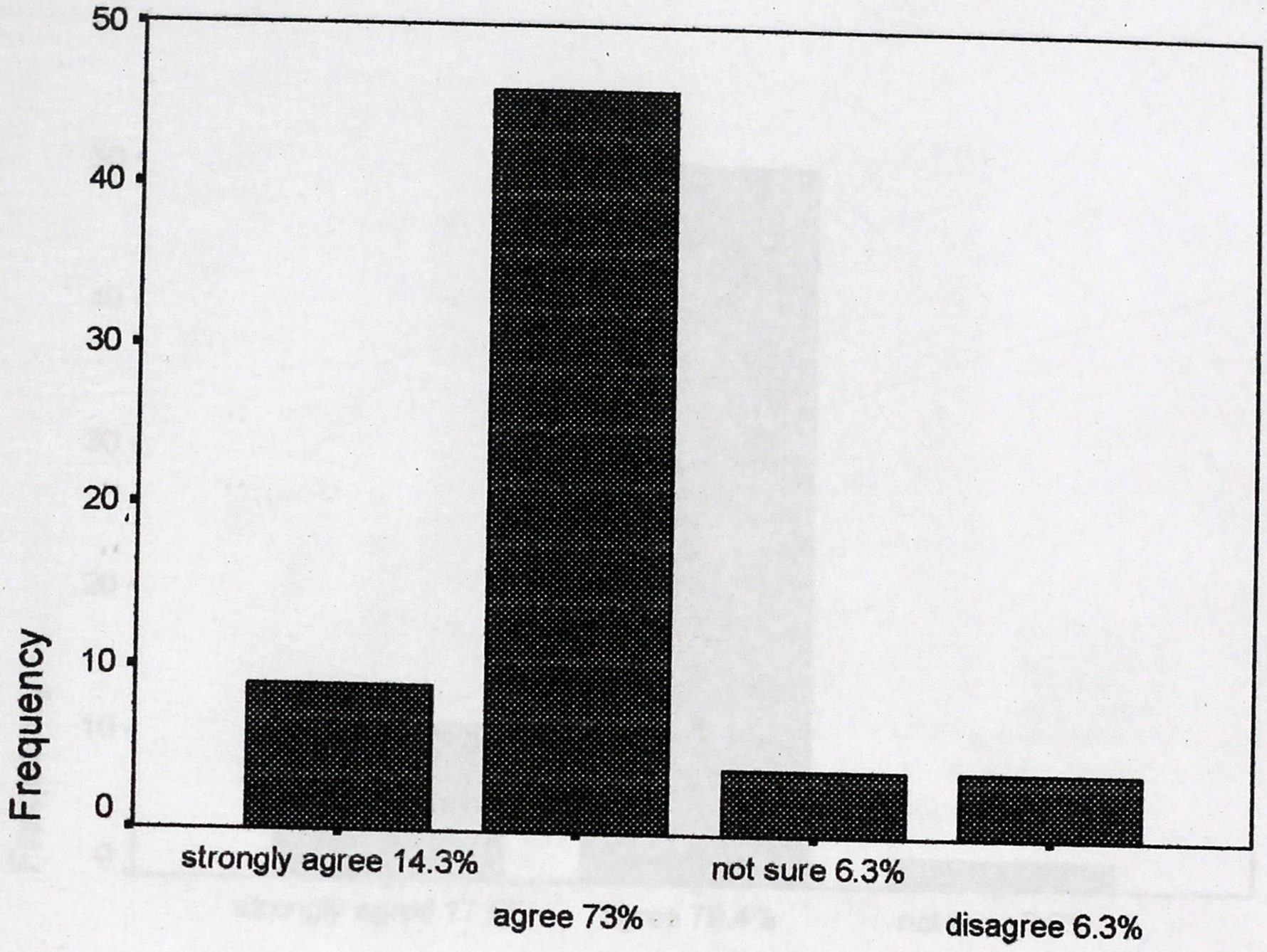


FIG.6 REPORT ON DEVIATIONS

As many as 9 respondents (14.37%) were convinced that deviations are promptly reported to management for corrective actions. 46, representing 73% agreed. Four respondents were not sure whether deviations were reported at all, while the remaining four, being 6.3% disagreed that deviations are reported.

7. Management takes appropriate follow up actions and to ensure effective implementation.

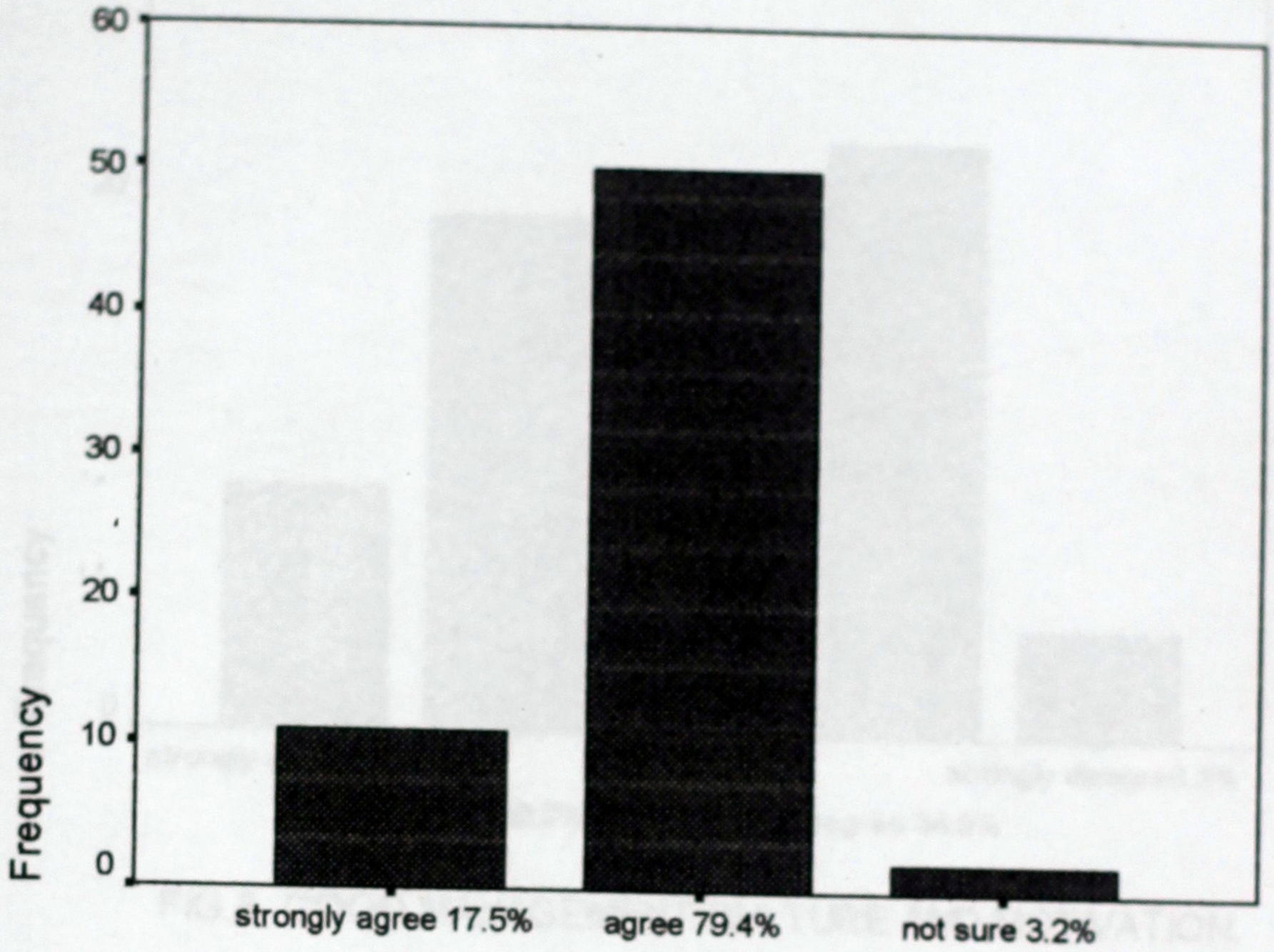


FIG.7. FOLLOW-UP ACTIONS.

Most respondents in figure7 totaling 11 or 17.5% strongly agree that Management is committed to ensure that all follow-up activities are effectively implemented. 50 people (79.4%) agreed, while two were not sure about any follow-up actions in place.

8. There is adequate performance oriented management culture coupled with motivation packages that result in good service delivery.

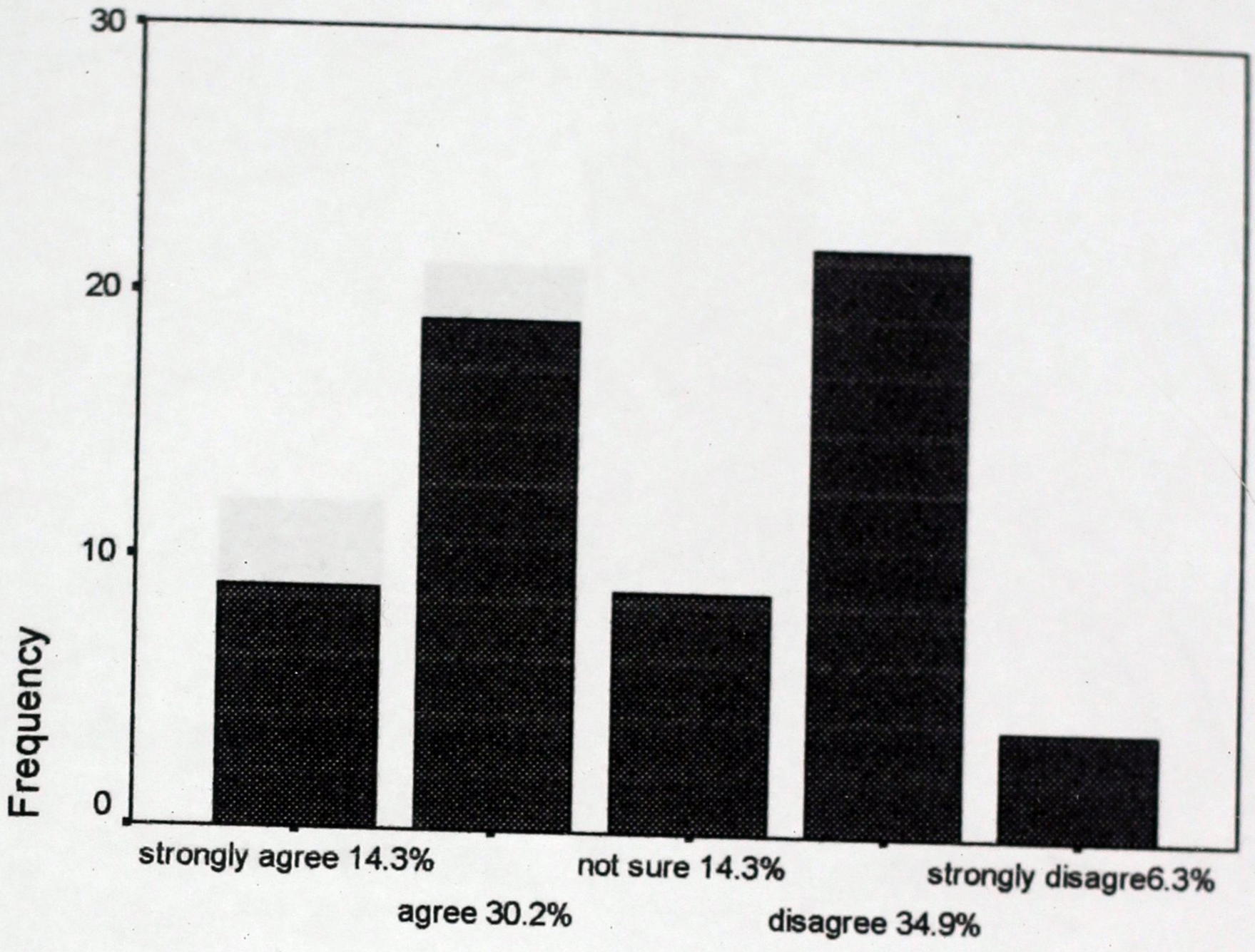


FIG.8. GOOD MANAGEMENT CULTURE AND MOTIVATION.

Nine respondents being 14.3% strongly agreed to the question posed in relation management culture and motivation while 19 said they agreed. 22 Respondents, being 34.9% disagree. This stems from the fact that many respondents feel that they are not given the needed motivation packages. 14.3% were not sure and are indifferent. 6.3 % rather disagreed strongly.

9. The hospital has clear financial objectives that have been communicated to the staff.

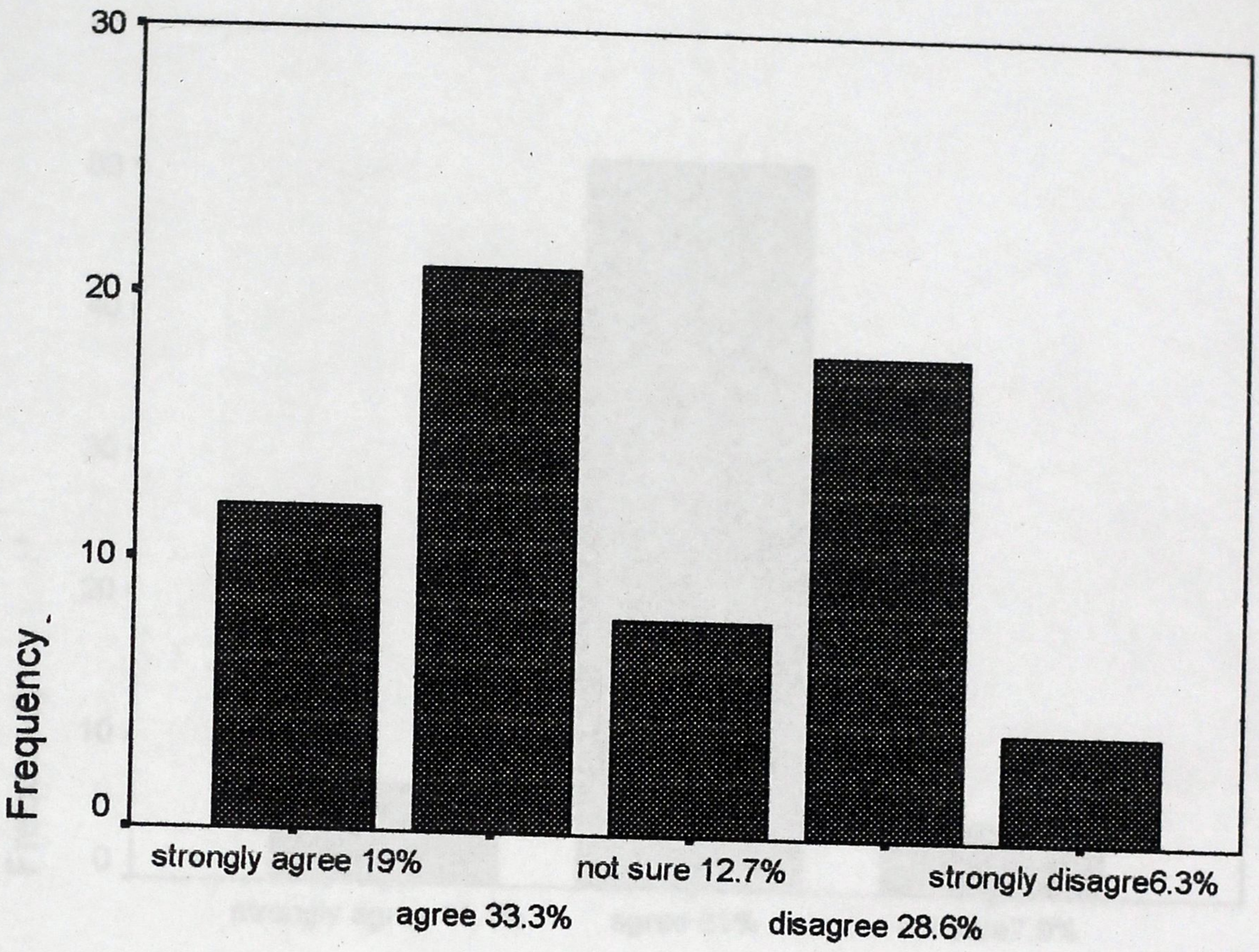


FIG. 9. CLEAR FINANCIAL OBJECTIVES.

From figure 11, twelve respondents being 19 % strongly asserted that there are clear financial objectives that have been communicated to staff. Twenty-one respondents representing 33.3% agreed. As many as eight respondents were indifferent. Eighteen respondents being 28.6% disagreed, while 6.3 strongly disagreed.

10. Management effectively examines financial risks when planning for any activity

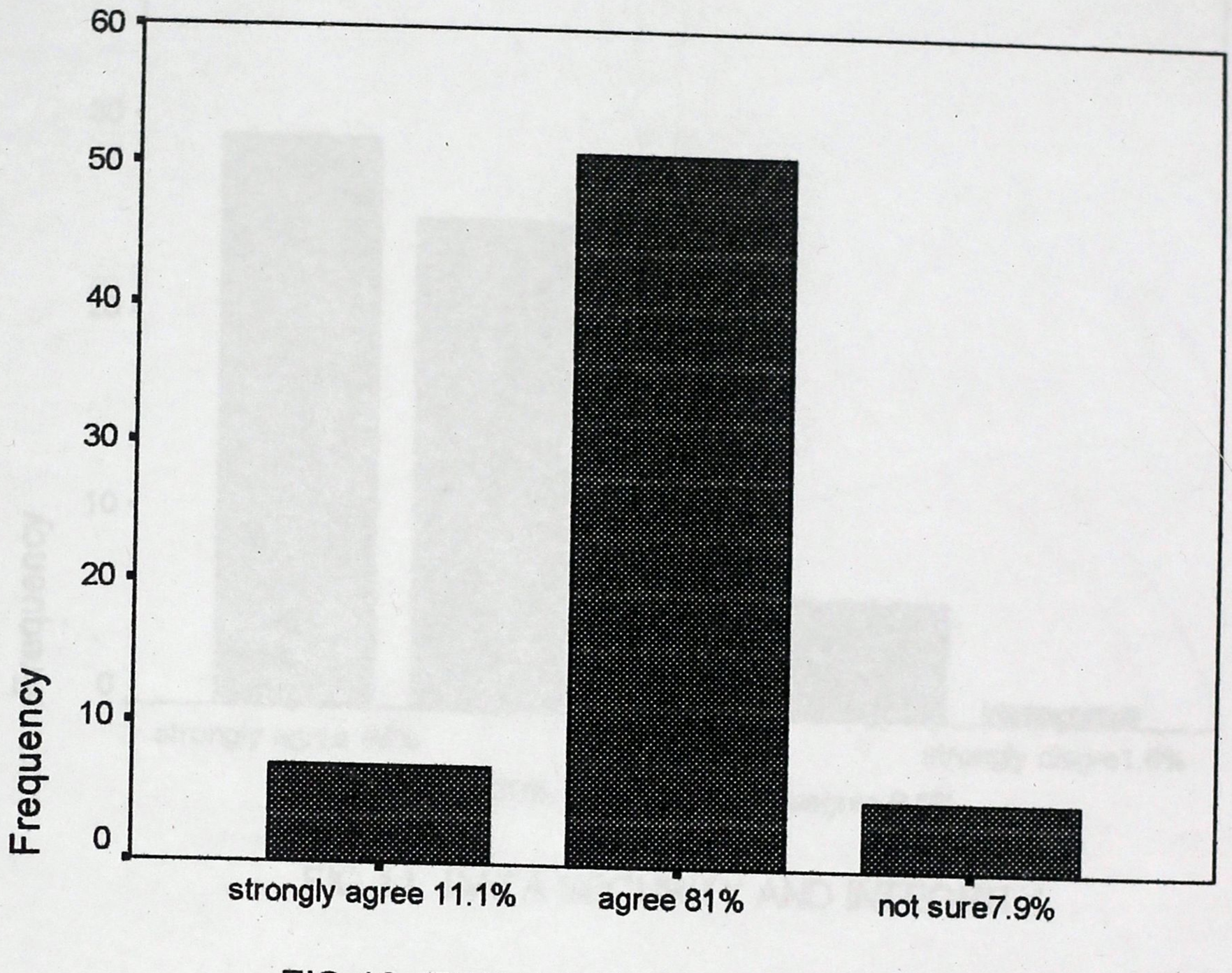


FIG.10. EVALUATION OF FINANCIAL RISKS.

Majority of respondents adding up to 58 out of 63, believe that management does not only plan its activities, but takes into consideration financial risks.7.9% were not sure about financial risks and planning.

11. Technology platforms are secured to ensure data security and integrity.

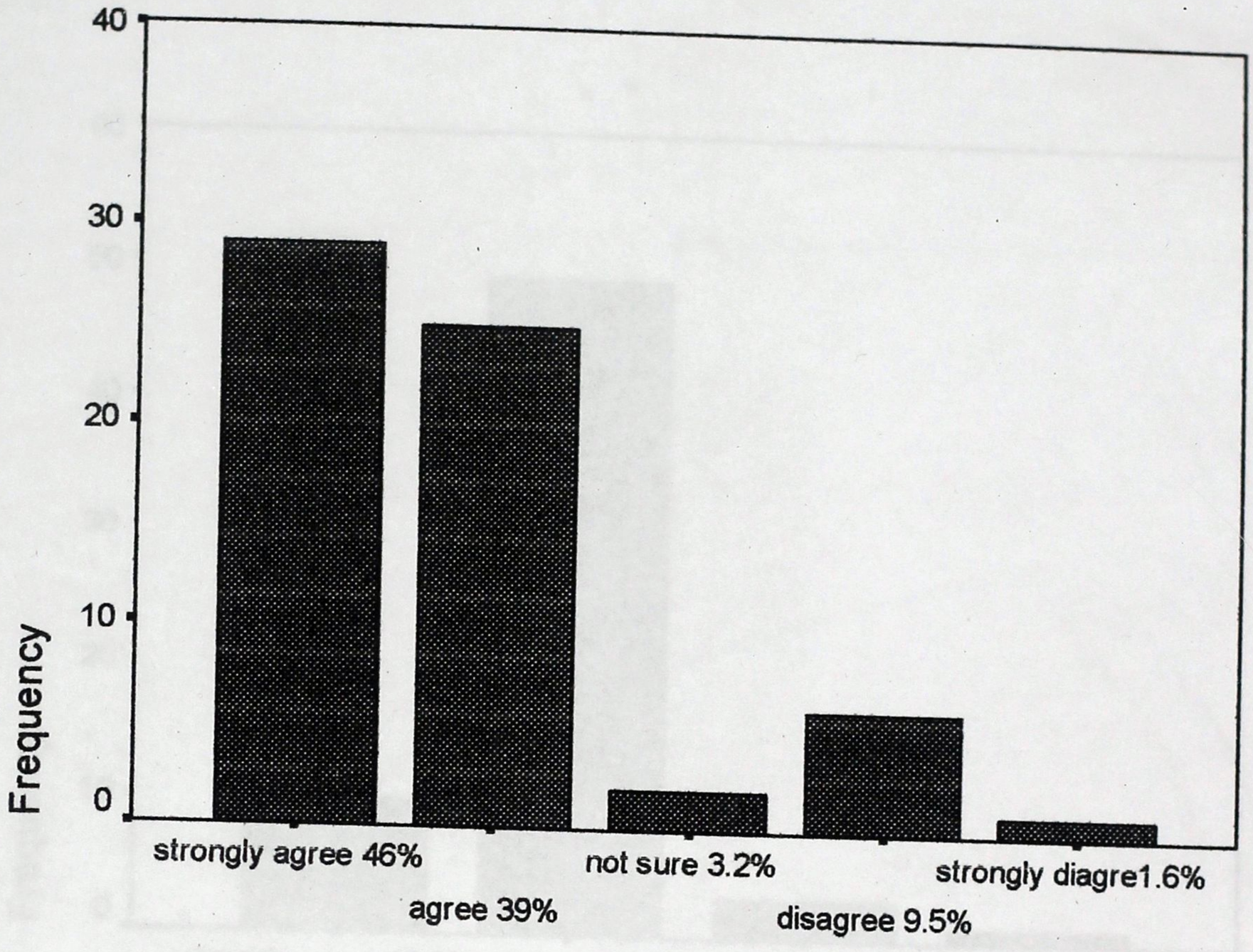


FIG.11. DATA SECURITY AND INTEGRITY.

The intranet to capture financial data is secured according to 29 and 25 respondents representing strongly agreed and agreed respectively cumulatively added up to 85.7%. Six people (9.5%) disagreed, while 1.6% strongly disagreed that there is enough security. Two respondents (3.2%) were not sure.

12. Internal audit personnel are actively involved in control programmes.

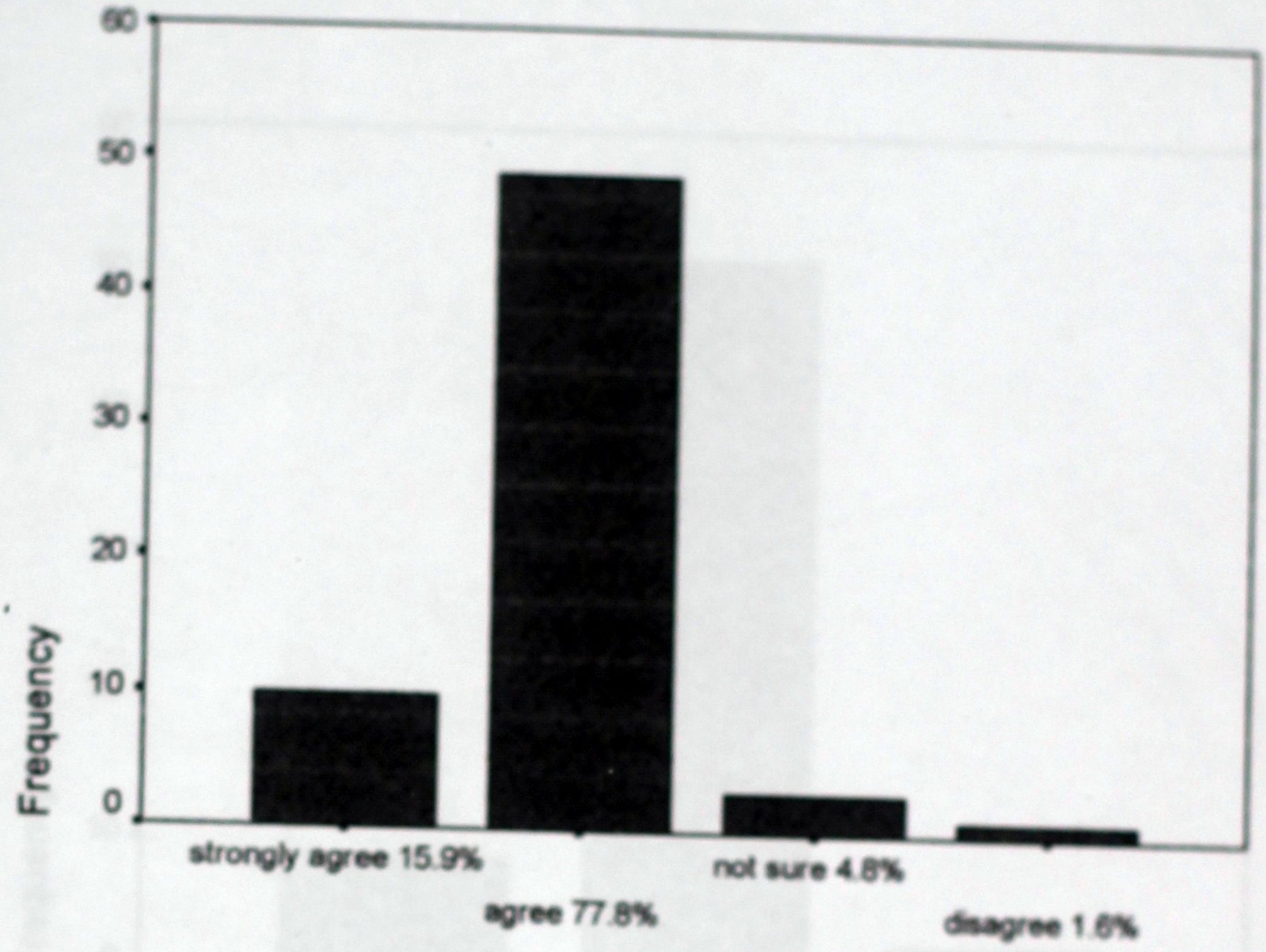


FIG.12. INVOLVEMENT OF AUDIT PERSONNEL.

According to the table above, 10 respondents strongly believe that there is greater inclusion of audit personnel.49 culminating to 77.8% also, agree, while 1 respondent disagreed and three refused to take side. Involvement of internal auditors shows management's commitment to ensuring proper controls over financial issues.

13. Financial compliance and other risk s are identified and assessed on an on-going basis.

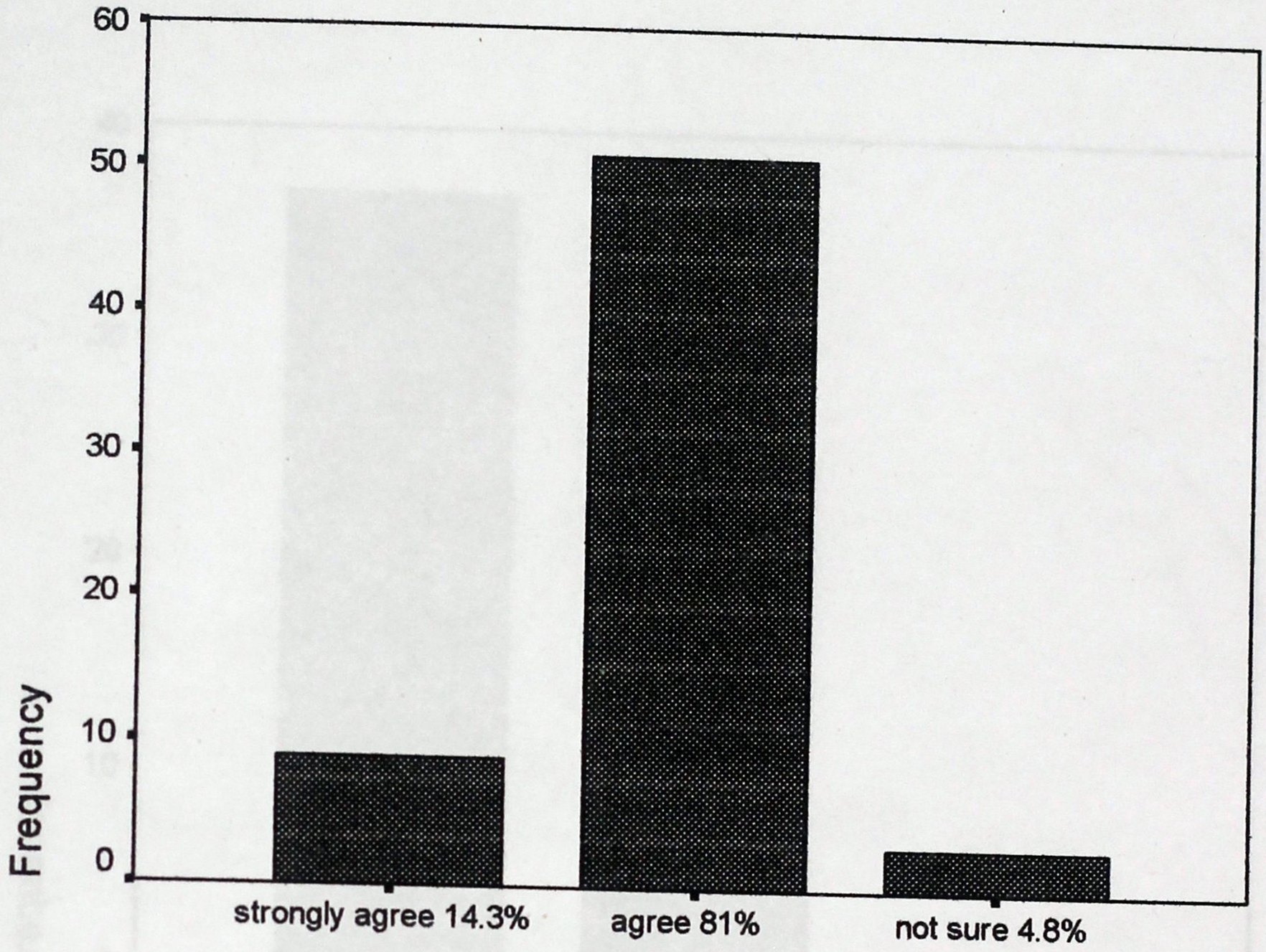


FIG.13. IDENTIFICATION AND ASSESSMENT OF RISKS.

Nine (9) respondents being 14.3% as shown on fig.18 indicate strongly believe management tries to deal with risks as they are identified. Fifty-one (51) being 81% of responses agree to the above statement, while three people (4.8%) said they were not sure of being assessed on on-going basis.

14. Critical processes are well designed, coordinated and implemented with the appropriate approval from management

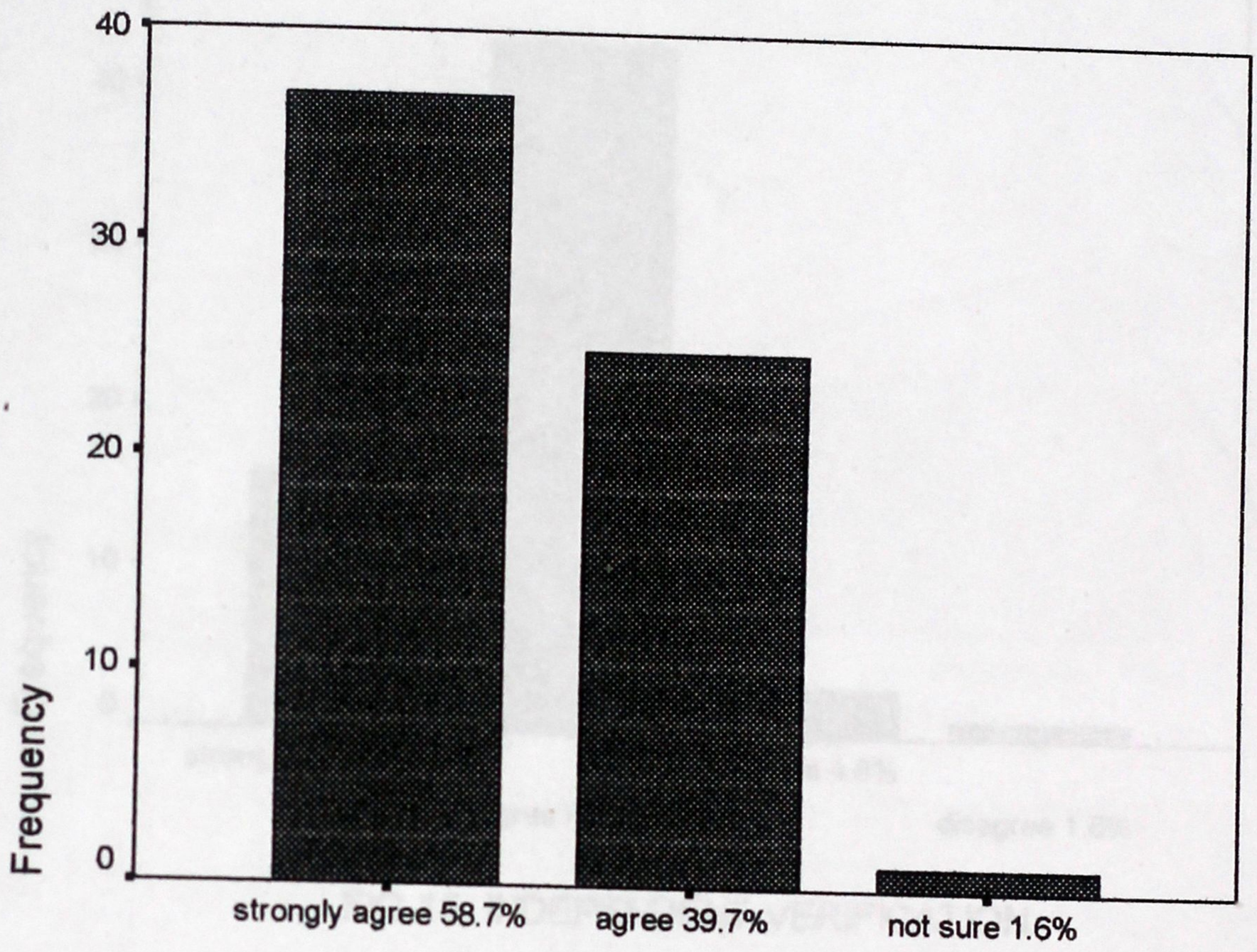


FIG. 14. PROCESS DESIGN AND IMPLEMENTATION.

In figure 18, regarding process design, 37 respondents (58.7%) strongly agree that management supports programme design and implementation.25 (39%) assert, they agree, while a respondent said he was not sure about the statement above.

15. Processes exist for independent verification of transactions to ensure integrity.

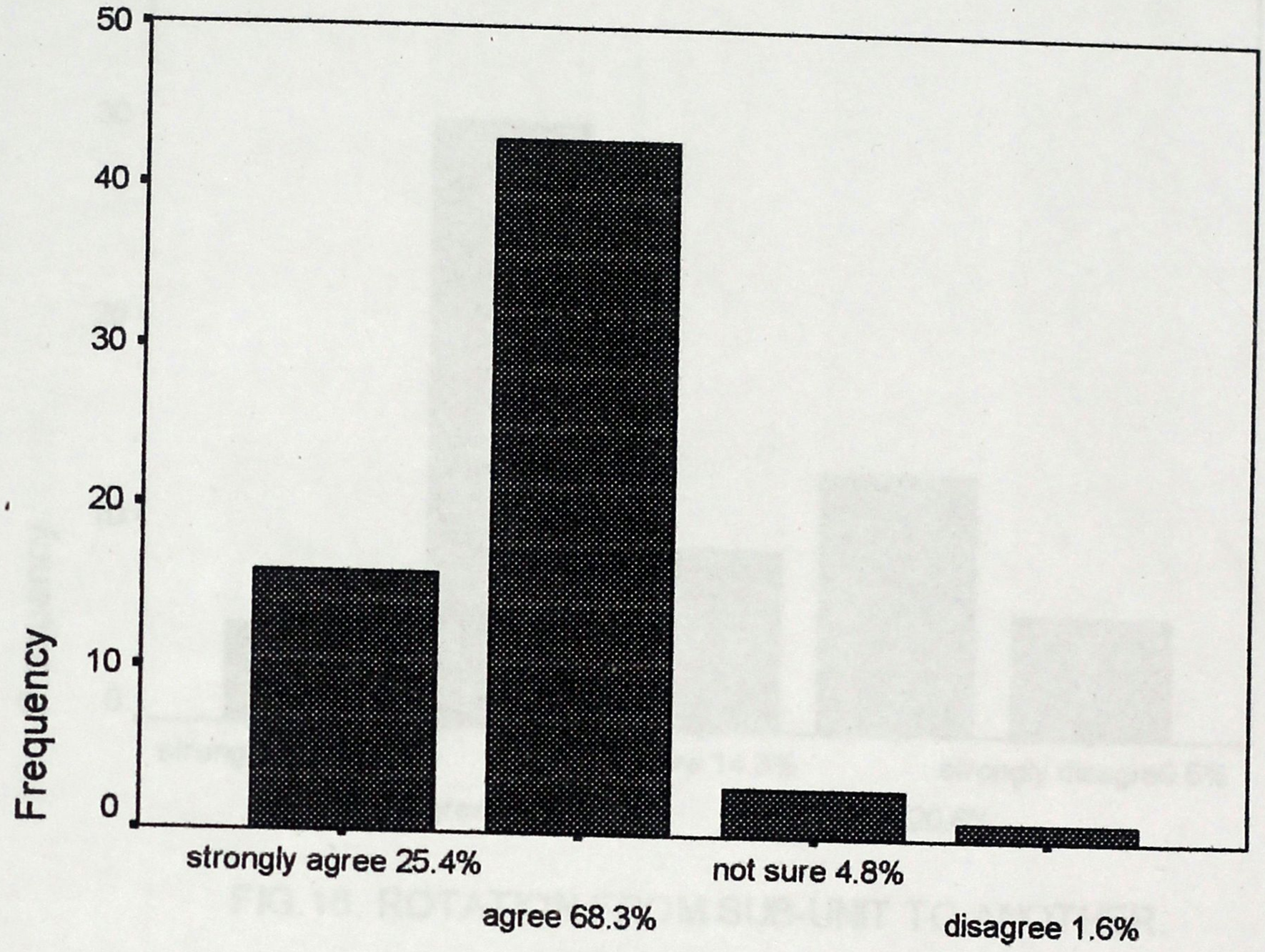


FIG.15. INDEPENDENT VERIFICATION.

A greater percentage of respondents believe auditing is free from management influence to verify the authenticity of any transaction.16, strongly agree; 43 agree, 3 are not sure, while 1 disagrees with independence of auditing.

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16. There are systems in place to ensure that duties are rotated periodically.

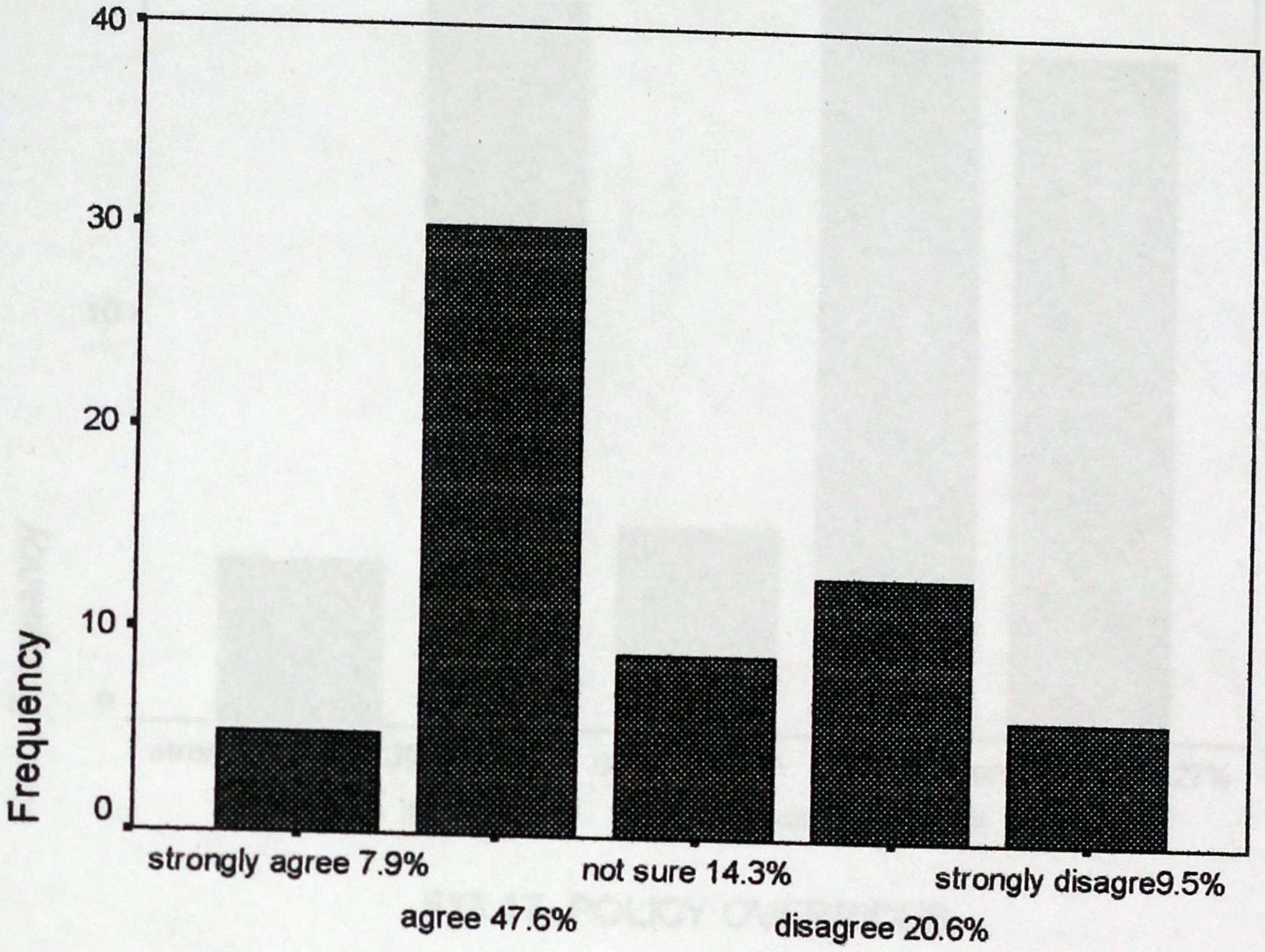


FIG.16. ROTATION FROM SUB-UNIT TO ANOTHER.

Figure 16 indicates that, rotation of employees from subunit to another is so crucial as responsibilities vary enormously in these units.30 respondents representing 47% agree, 5 being (7.9%) strongly agree, 13 respondents (20.6%) disagree and 6 (9.5%) strongly disagree that there are systems to periodically rotate duties.

17. Policy over-rides are minimised and exceptions duly reported to management.

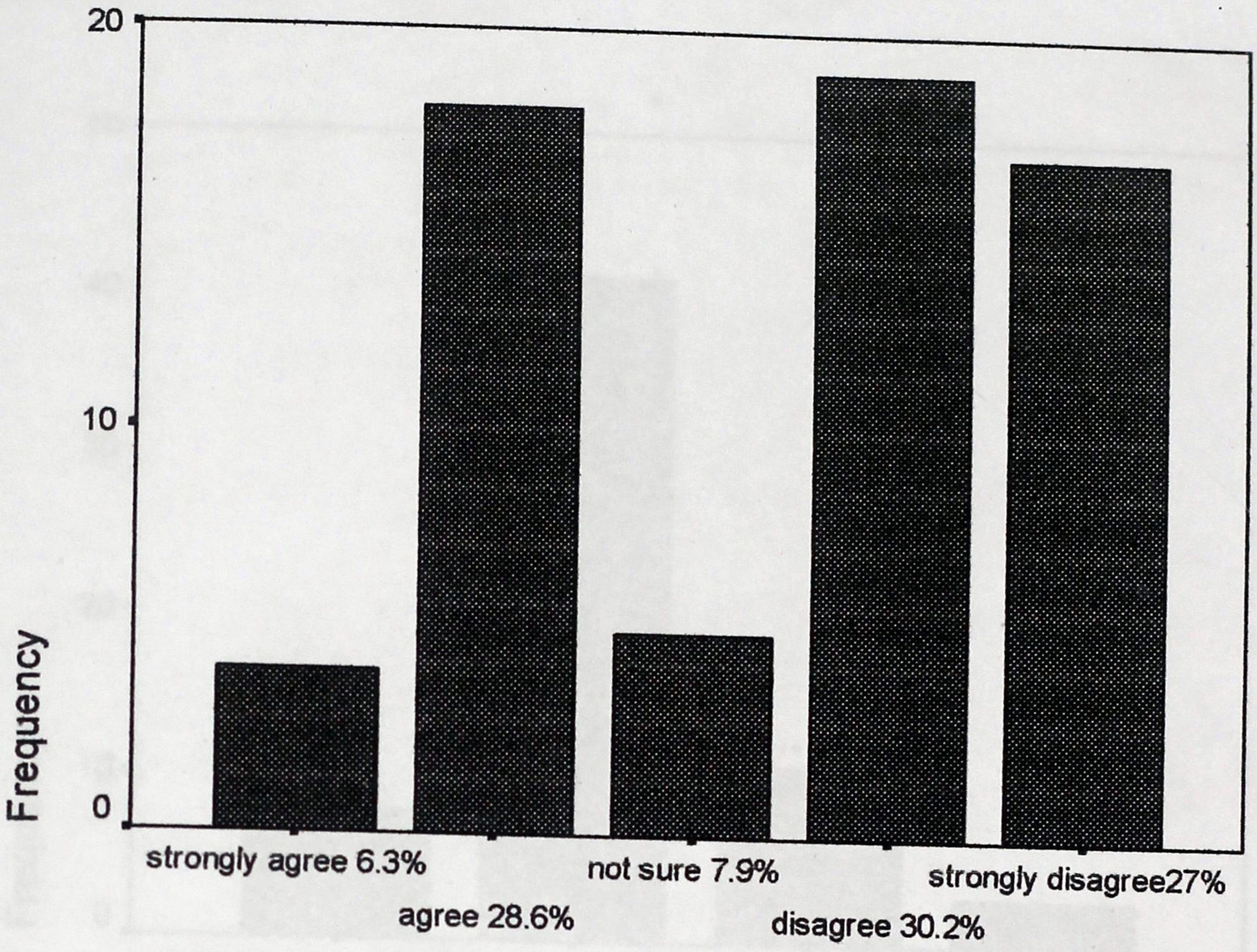


FIG.17. POLICY OVERRIDES.

According o the above figure, 4 respondents representing 6.3% strongly believe policy overrides are sufficiently dealt with; 18 representing 28.6% also agree to this. However, a significant number of 19(30.2%) and 17(27%) disagree and strongly disagree respectively, while 5 respondents representing (7.9%) were virtually indifferent about this. there are clear indication that management sometimes by passes the control system to effect certain transactions, after which documentations are processed. cases in point include transfer of stipends and payment of tuitions for staff being sponsored by the hospital.

18. There is the requisite skill, knowledge and tools to support staff in their quest to undertake tasks assigned to them effectively in pursuing the hospital's objectives.

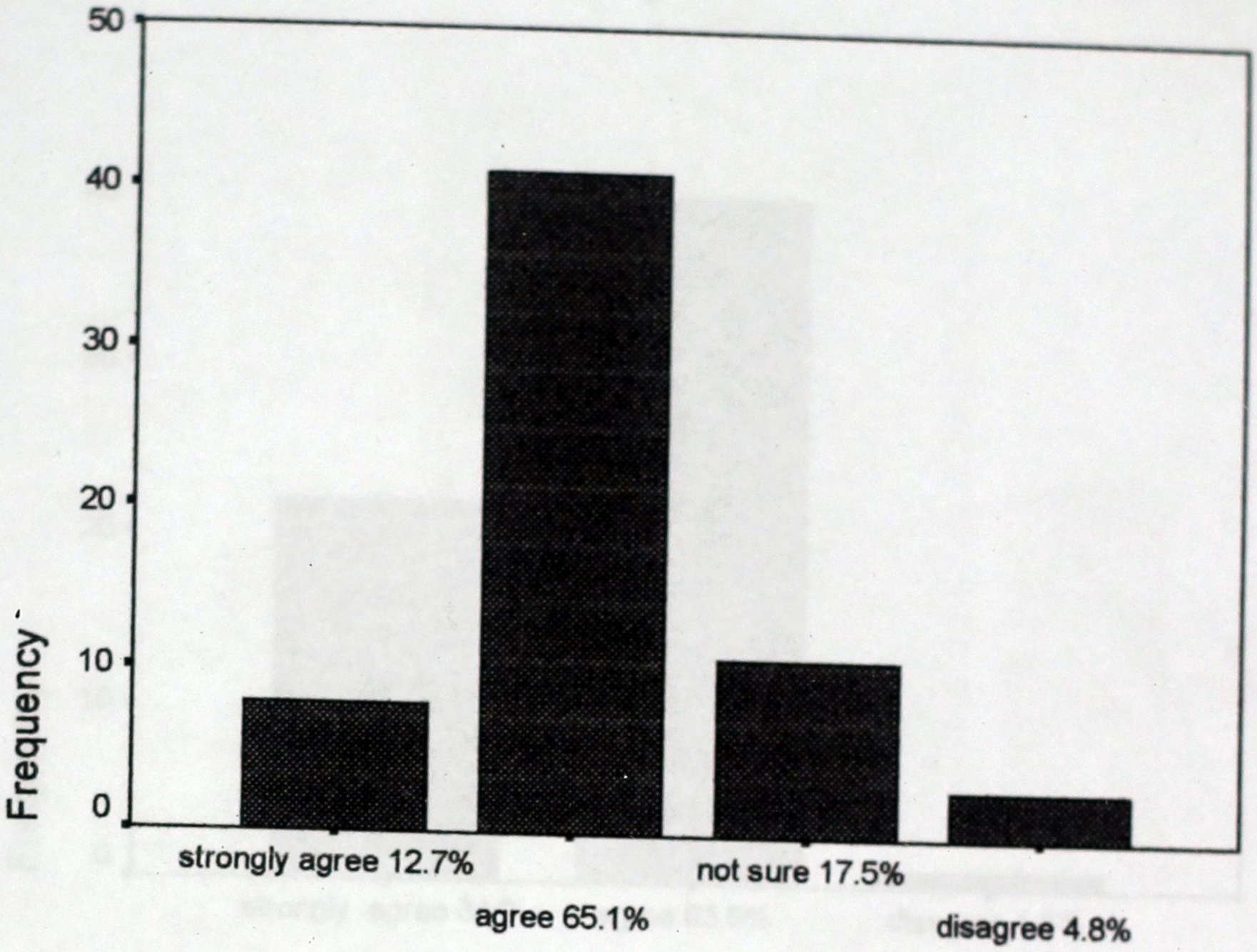


FIG.18. REQUSITE KNOWLEGE AND SKILLS.

It is clear from figure 24 above most answerers believe there is the needed skills and knowledge required to perform their duties creditably. As many as 41respondents representing (65%) agreed to the assertion, and 8 answerers (12.7%) strongly backed this statement. 11 responses (17.5%) were not sure while 3 respondents (4.8%) disagreed with the availability of requisite knowledge, skill and tools.

19. There is effective procedure to disseminate information in a well understood manner to employees.

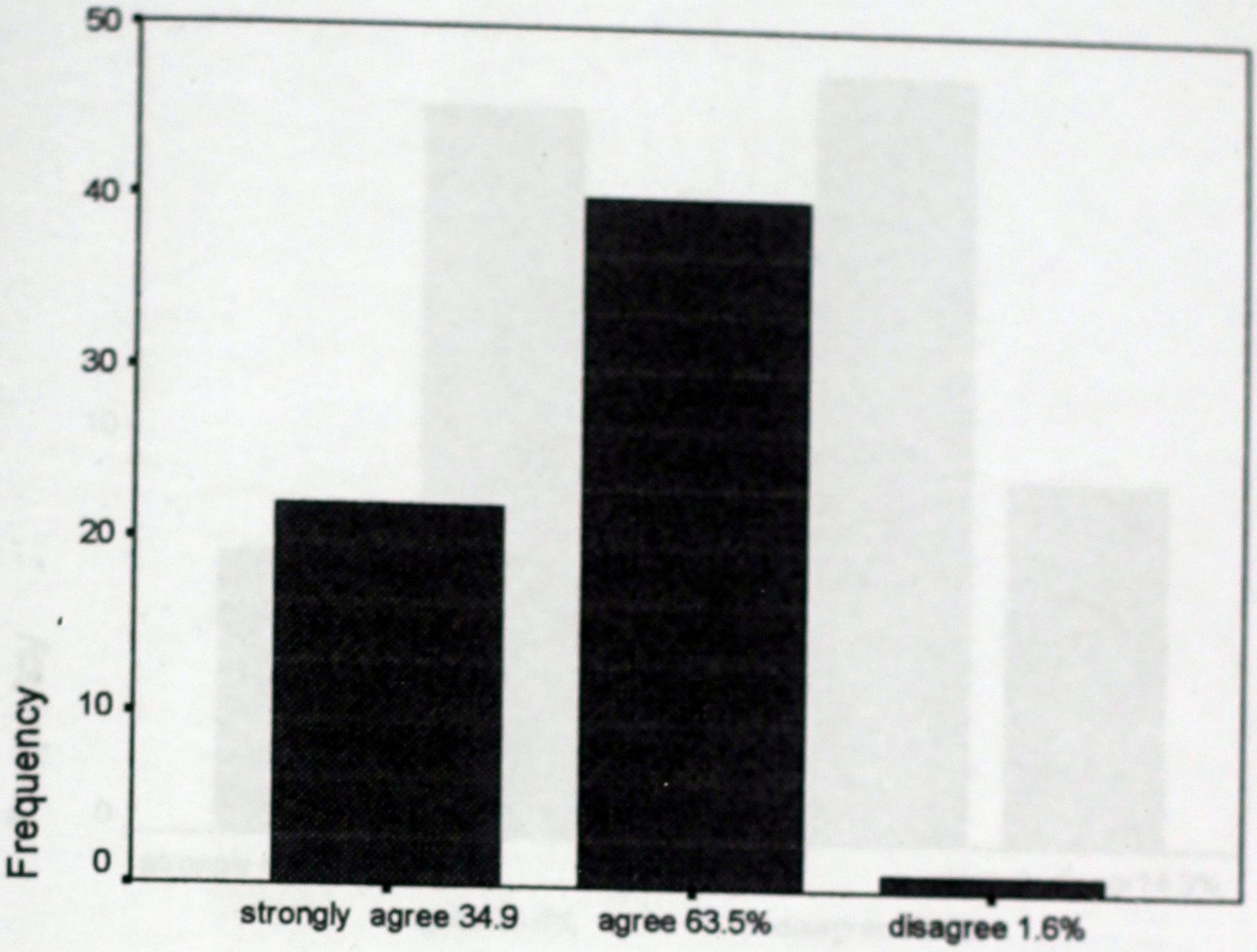


FIG.19. INFORMATION DISSEMINATION.

Majority of respondents according to figure 26, believe there are good procedures in the hospital to pass information around in a manner staff members understand. 22 respondents representing 34.9% strongly agree to this, while 40 respondents being 63.5% agreed to proper information dissemination. However, a respondent (1.6%) disagreed to this.

20. The suggestions of employees are given due consideration by management.

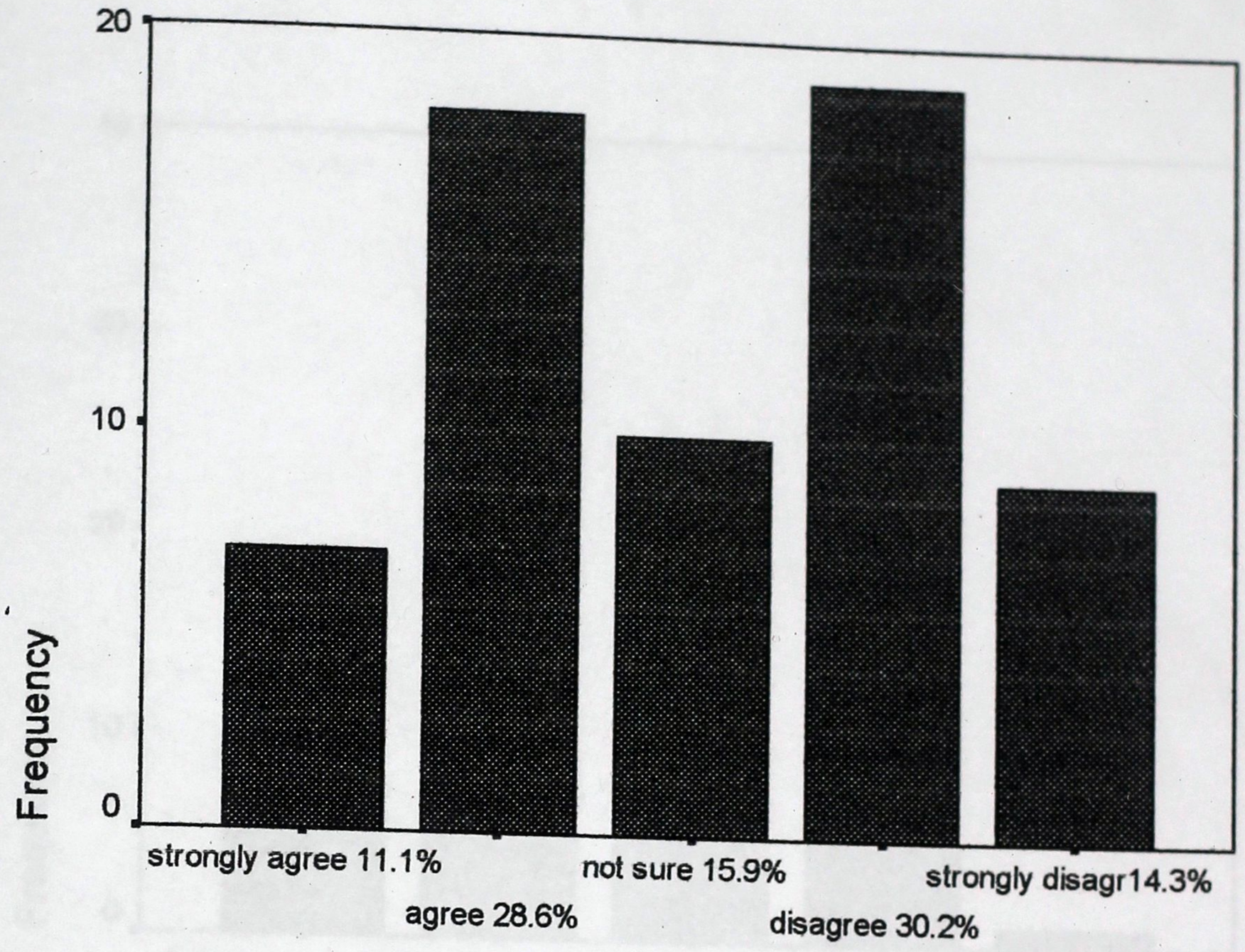


FIG.20. SUGGESTIONS OF EMPLOYEES.

In the figure above, 7 respondents i.e. (11%) strongly agree that suggestions of employees are given the needed consideration. 18 respondents (28.6%) agree, while 10 respondents (15%) were not sure whether management actually considers suggestions of employees. However, 19 (30.2%) and 9(14%) respondents (for disagree and strongly disagree respectively) believe management does not take into account the suggestions of employees.

21. There are avenues for individuals to report violation of rules and regulations and other inappropriate behaviour.

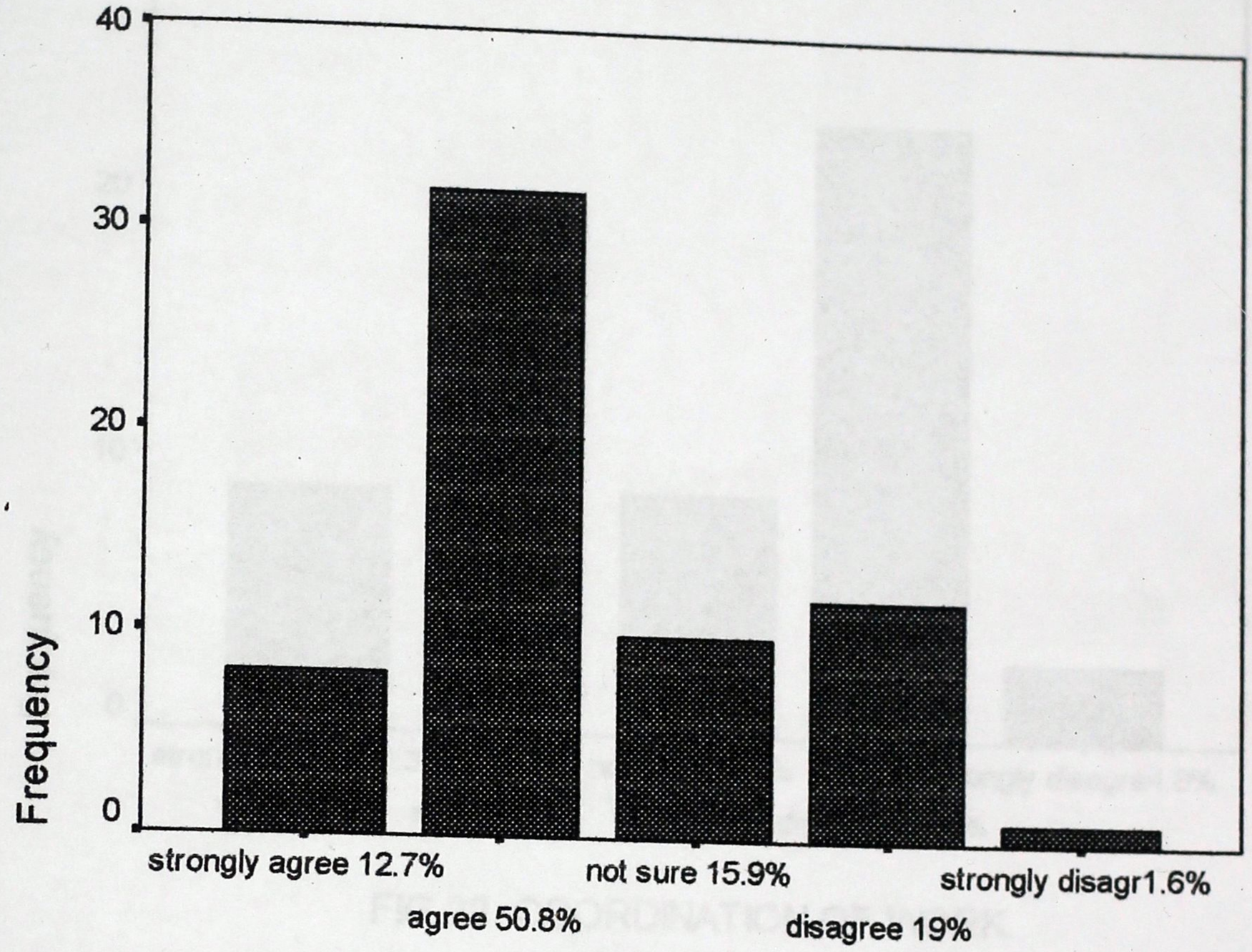


FIG.21. COMMUNICTION CHANNELS.

Eight (8) respondents strongly agreed that there are avenues to report violation of rules and regulations. 32 respondents being 50.8% agree to this, while 10 respondents representing 15.9% were not sure regarding this. 12 people disagreed with this, while 1 answerer strongly disagreed that there no such system in place to deal with violations of rules.

22. Everyone understands that his work is related to the other therefore the need for coordination.

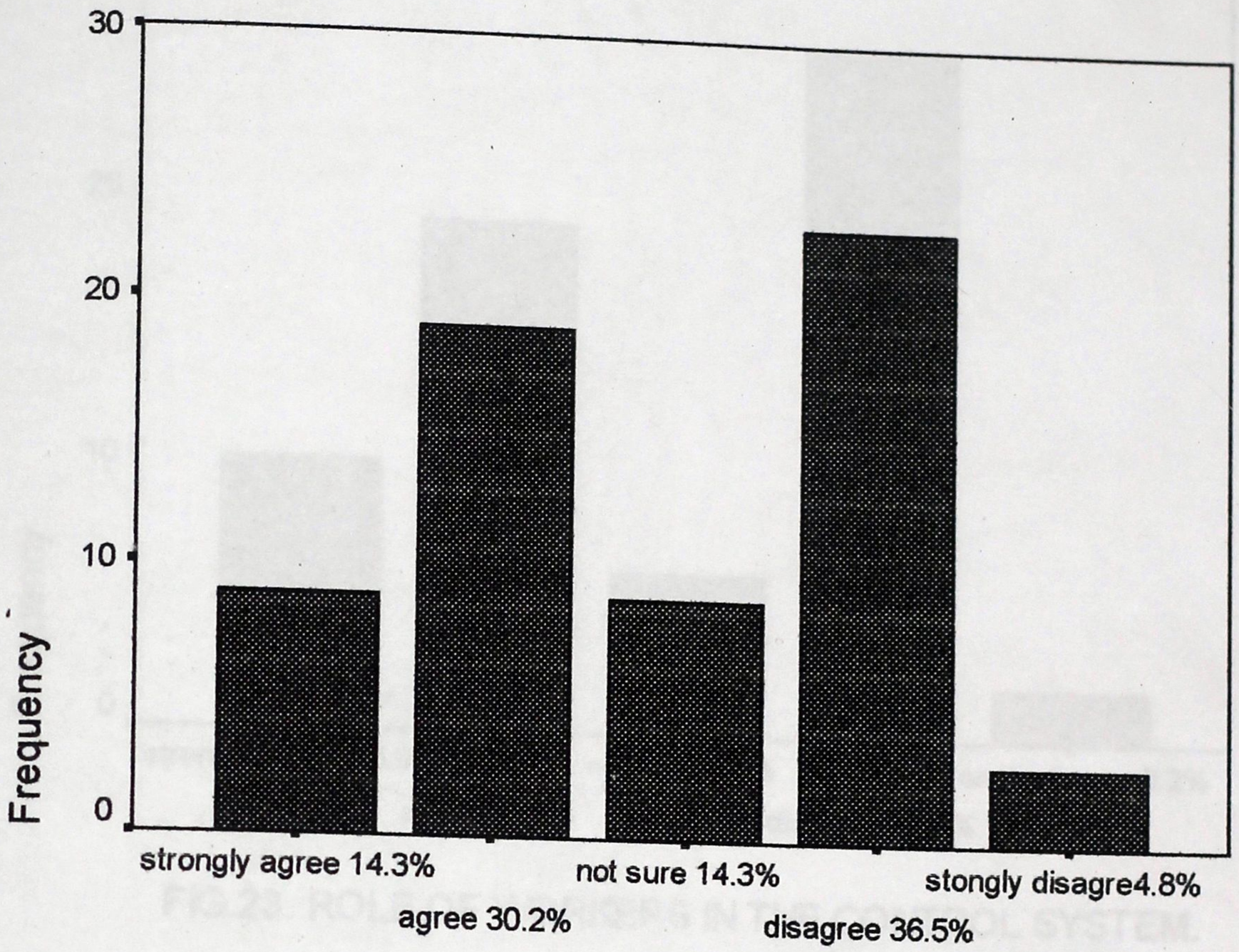


FIG.22. COORDINATION OF WORK.

In figure 29, 9 or14.3% of respondents strongly agreed that there is better coordination of work between subunits.19 or 30.2% agreed to this assertion, while 9 or 14.3% they were not sure about such coordination.23 or 36.5% of respondents said they disagree with this, because some staff may cause delay unnecessarily and therefore slow the workflow between subunits.3 or 4.8% of respondents strongly disagreed for the same reason noted above.

23. Everyone is fully aware of his role in the proper functioning of the control system.

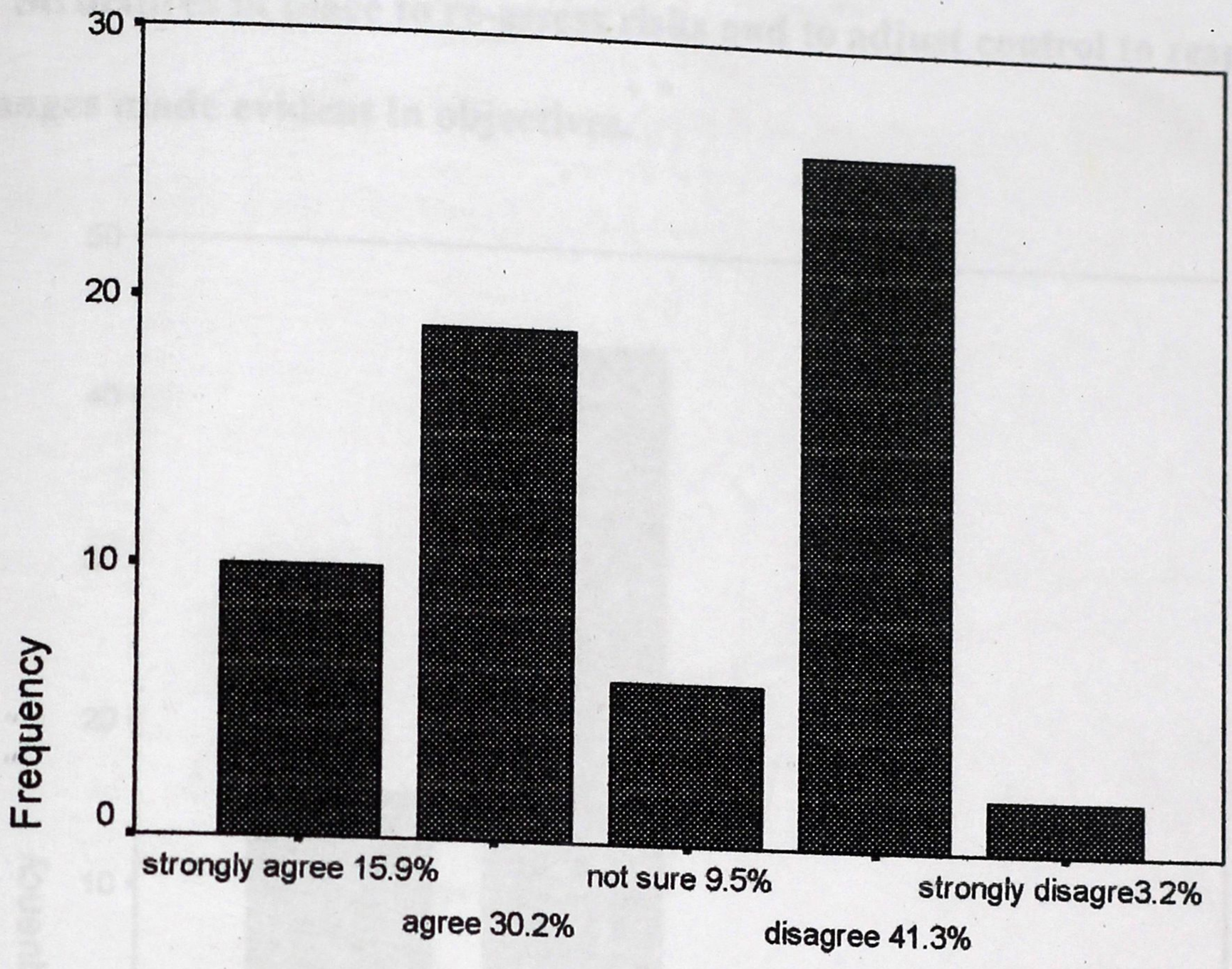


FIG.23. ROLE OF WORKERS IN THE CONTROL SYSTEM.

Not all employees actually know their role in the control system as they feel it is only the responsibility of the auditing unit that is charged with that duty. However, the auditing does not work with manufactured figures but those generated from transactions coming from other units. This has been made evident from the above figure with large proportion of respondents (41.3%) disagreeing, two strongly disagree. 19 respondents being 30.2% agreed to this assertion while 10, being 15.9% strongly agreed. As many as 6 respondents were rather indifferent.

Re-orientation would make it possible for newly appointed employees to know the part they have play in the internal control system.

24. Structures in place to re-assess risks and to adjust control to respond to changes made evident in objectives.

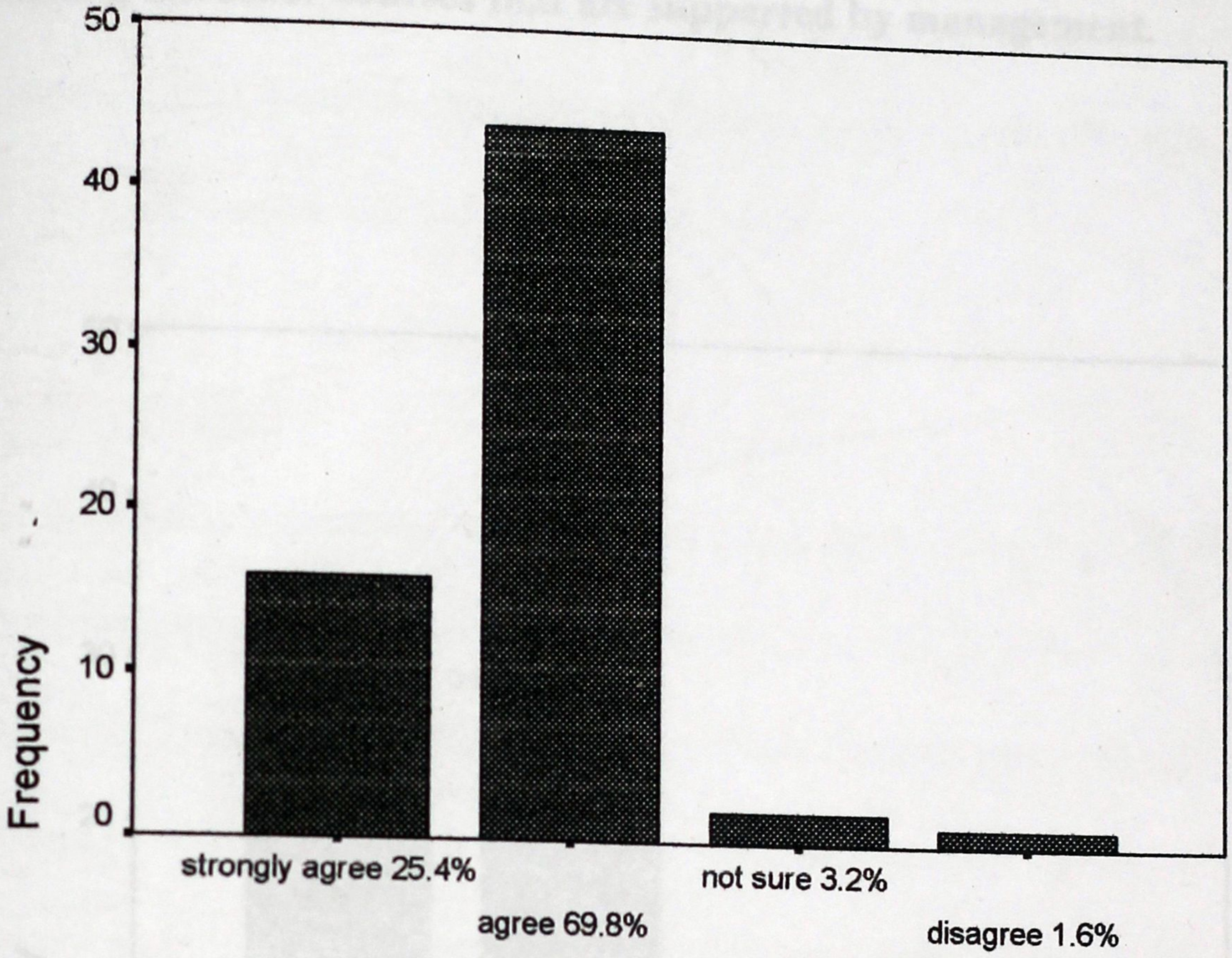


FIG.24. RE-ASSESSMENT OF RISKS.

In figure 24, 16 respondents said they strongly agree management re-assesses risks, 44 also agreed; two respondents were not sure, while 1 person disagreed whether there is anything as risks re-assessment. From figure above, it can be inferred that management is dedicated to ensuring that risks could be effectively contained to meet financial objectives of the hospital.

25. There is an opportunity for employees to upgrade their knowledge and skill by taking refresher courses that are supported by management.

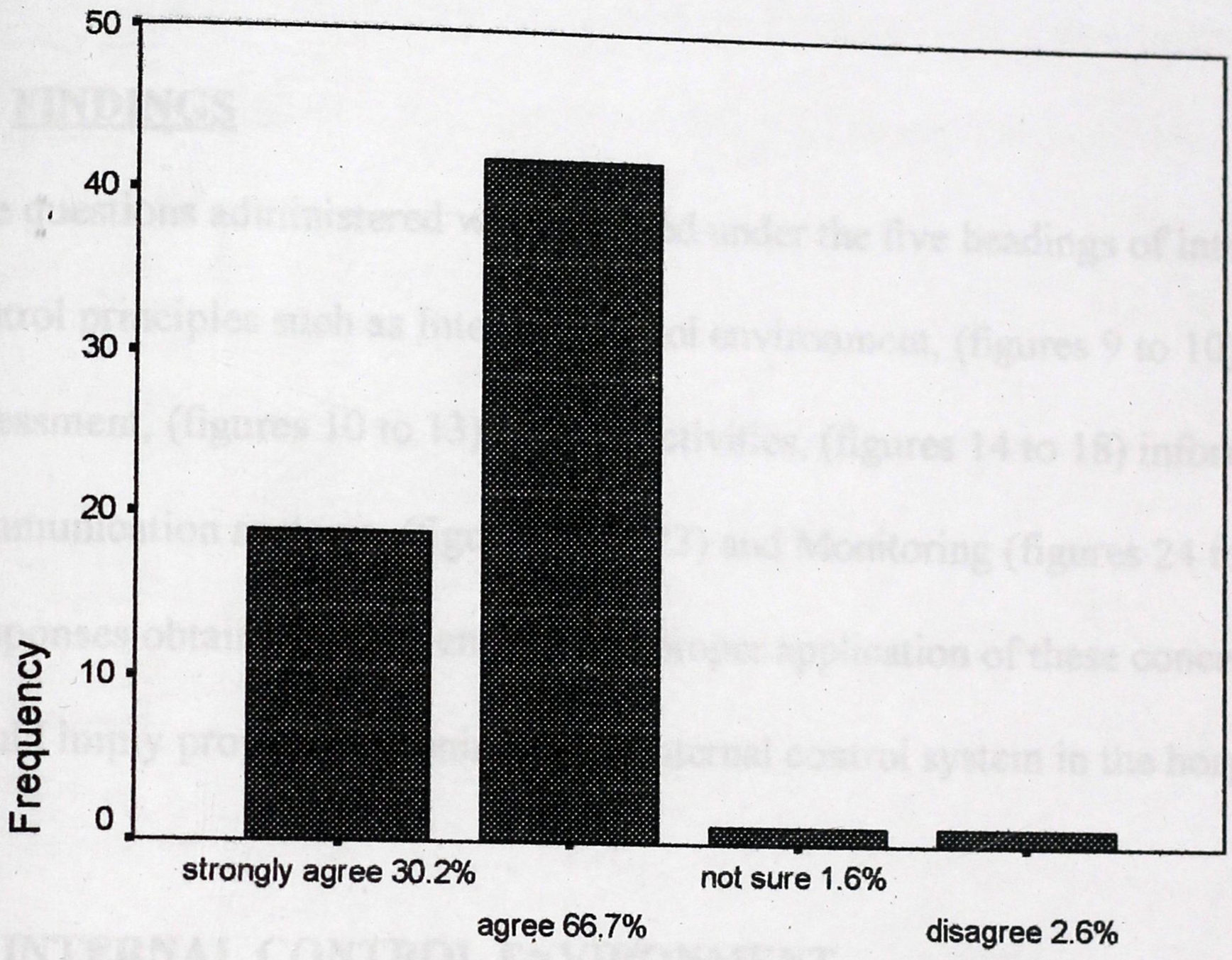


FIG.25. UPGRADING THE KNOWLEDGE OF WORKERS.

Nineteen (19), and forty-two (42), respondents being 30.2% and 66.7% respectively (for strongly agree and agree) asserted that management supports academic development of its employees. One respondent being 1.6% was not sure and while another one (1.6%) disagreed. This implies that management is committed to ensure

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 INTRODUCTION

This chapter seeks to draw inferences from the findings from the previous chapter; it would focus on the implication of each finding demonstrating to the extent to which the initial research questions have been answered and offer recommendations for even an excellent internal control.

5.1 FINDINGS

The questions administered were grouped under the five headings of internal control principles such as Internal Control environment, (figures 9 to 10) Risk assessment, (figures 10 to 13) Control activities, (figures 14 to 18) information and communication systems, (figures 19 to 23) and Monitoring (figures 24 to 26). Responses obtained would endorse the proper application of these concepts that would imply proper functioning of the internal control system in the hospital.

5.2 INTERNAL CONTROL ENVIRONMENT

Management largely has created an atmosphere that promotes cordial relationship enabling employees to realise their full potential in their units. It is good that management decisions are collectively taken, as indicated. With this decision becomes pervasive, which is good for the entity's control system.

management decisions are collectively taken, as indicated. With this decision becomes pervasive, which is good for the entity's control system.

Staff members were evenly selected from the various sub-units to ensure fair representation as indicated by figure 1 in chapter four.

Majority of workers understand the prevailing code of conduct and do consider them as they do their work within the establishment. This is shown in figure 3.Auditing system in the hospital is good, and could be described as independent from the control of management. There have instances where documents were returned to management to properly endorse and figures reconciled before the auditors certified them.

However, few hurdles remain to be cleared. Though a significant proportion of respondents agreed that reviews exercise are done, others believe such important exercise should be carried out in a specified period within the accounting year and also, findings must be communicated effectively to all staff members as this is not the case currently.

Again, a good number of respondents forming 41.2% indicated that they were not adequately rewarded in terms of remuneration and other benefits. If necessary, management should review the benefits these workers merit to cushion them to enable them offer their best while at the work place.

Some employees emphasised the no clear financial objective were communicated to the them at the beginning of the financial year as benchmark against which targets could be compared.

5.3 RISK ASSESSMENT

It is necessary to underscore the fact; number of employees might be adequate but the issue of resource regarding furniture such as cabinet for easily retrieving and shelving of documents is very critical. This is dire in the monitoring subunit where large quantities of receipts are bundled up and kept without any proper identification makes it difficult to locate specific books for cross reference; the possibility of deterioration is very high because most of these documents are kept on the floor.

There are ways to track documents such as payment vouchers from IGF to audit, however, most often, some of them miss up or get lost completely when they are delayed unduly for period of time. It is recommended that smaller batches of these important documents be worked on promptly and returned to wherever they have to go to prevent the risk of loss.

5.4 CONTROL ACTIVITIES

The direst finding under control activities has to do with the application of the enshrined regulations, rules and procedures and management is the top culprit. Under 'certificate of urgency' in most of the cases, policies and procedures are brushed aside. During my internship at the account section some months earlier, I

had to prepare some payment vouchers for which payments had already been made. When payment vouchers were sent for auditing, one of the auditors said, "There is no need for these documents now because what ever I do would not change anything". It is incumbent upon the leadership to set example for subordinates to follow. If flouting of regulations becomes a routine then it is an incentive for others to do the same.

5.5 INFORMATION AND COMMUNICATION

Communication is imperative in any setup and should not be a top to bottom channel only but rather bottom to the top. This would provide management with insight regarding how subordinates feel about certain policies and therefore think that they are part of the system in place. Most employees sense their suggestions are never considered and that they are not part of what ever goes on in the hospital. This is evident in the finding as shown in figure 19 in chapter four.

Again, some staff members would cause delay unnecessarily and therefore slow the workflow between staff members of different subunits. There is the need for proper re-orientation for members to establish the linkages between the individual units and to make them aware about delay in one unit affecting the others.

5.6 MONITORING

The monitoring unit crosschecks receipts and payments from the various directorates on daily basis. This helps to unearth difficulties and to provide accurate data. There is no doubt, the availability of financial information for management

decision making. The question is whether such information could be obtained on time.

5.7 RECOMMENDATIONS

Management should consider the under listed proposals to further re-enforce the control system in place to achieve the overall objectives of the hospital.

5.8 SEGREGATION OF DUTY

Decentralisation has been the driving force behind the creation of many directorates in the hospital to facilitate speedy decision-making. At the board level however, the chief executive is overburdened with so much work that tend to defeat the aim of decentralisation. Being a practising doctor, he is personally responsible for most administrative works. For instance, some crucial documents could not be processed in the third week of September 2008 because they were waiting to be signed by him; He was at the United States of America. If the business manager was detailed to sign, the whole business of the hospital would go on without any interruptions. It would be in the right direction for the CEO to divulge most of his day-to-day administrative duties to the business manager to ensure that delays are minimised.

5.9 POLICY OVERRIDES

Management must have a contingency plan to reduce or if possible prevent policy overrides in the hospital. The most notable situations are payment of hospital

sponsorship of tuition and stipends of medical staff abroad and the purchase and servicing of some spcecialised medical equipment. Since these are done within a specified period, it becomes easy to prepare towards their execution to prevent the problem of bypassing the internal control processes to have it done.

5.2.0 EXPANSION OF THE INTRANET

One of the most prominent programmes in the finance and accounting section is the use of the intranet to capture financial data into one database. By this, revenues collected are easily known and problems reconciled. However, there is the need for expansion to accommodate many people at the same time from different terminals. Currently, only six (6) workers could be online at time; the others have waiting and this creates unnecessary idle time and boredom.

5.2.1 MORE ATTENTION TO BE PAID TO MONITORING

From personal observation, some staff members having ethical consideration may flip some leaflets of receipt to commit fraud. Employees in this monitoring unit should be beefed up to ensure thorough checks of these all-important books to stem the tide of corruption.

5.2.2 PROPER FILING SYSTEM

The hospital has to provide large and appropriate shelves to accommodate documents generated on daily basis especially at the monitoring unit to preserve them. In addition, keeping papers in a cold underground might result in the

deterioration of the and therefore there is the need to find very suitable place to keep them.

5.2.3 UNIFORMITY OF GOG, DPF AND IGF ACCOUNTS

Sometimes, the hospital finds itself in a difficult situation to make payment s and transfers .the cumbersome rules guiding the inter-accounts transfer makes it almost impossible to do this. There is therefore the need to unify theses accounts to make sure, the system does not grind to a halt as it is presently.

5.2.4 CONCLUSION

The internal control system at the Okomfo Anokye Teaching Hospital, gives credence to the commitment of management and the role played by staff to ensure the efficient operation in the setup. There is reasonable assurance that the entity's resources are being utilised effectively. However, few problems identified comprising segregation of duty, policy overrides, expansion of the intranet, monitoring, proper filing system and uniformity of GOG, DPF, and IGF accounts, must be addressed to reinforce the good internal control system in the finance and accounting section of the hospital.

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APPENDIX 1

QUESTIONNAIRE FOR DATA COLLECTION

Instruction;

Kindly read the following questions and mark in each case, one of the answers that is consistent with your view about that question.

PERSONAL DATA

1. Sex: Male [ ] Female [ ]

2. Age: 19 or less [ ] 20-29[ ] 30-39[ ] 40-49 [ ] 50 or more [ ]

3. Which section in the finance and accounting do you work?
(e.g. GOG/DPF/ IGF, Auditing ,Monitoring, Main revenue, Salaries)

INTERNAL CONTROL ENVIRONMENT

4. Management decisions are made collectively and not sanctioned by one dominant individual.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

5. The importance of internal control and appropriate conducts expected of all staff members are communicated adequately to them.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

6. Audit function is firmly established to test from time to time for compliance with code of conduct or policies.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

7. There is full Performance oriented management culture in place together with motivation packages that result in suitable quantity and quality of service delivery.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

8. Management periodically reviews financial control policies and procedure to ensure that current internal controls are in place.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

9. There is a means to keep an eye on compliance regarding policies and procedures and to inform management about deviation from such policies and procedures.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

10. As a control measure, management takes appropriate follow up actions and to ensure effective action through testing.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

RISK ASSESSMENT

11. Senior management demonstrates its commitment to actions, policies, competence, and integrity to promote an atmosphere of trust within the hospital.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

12. The hospital has clear financial objectives which have been communicated to the staff members to ensure that they have thorough appreciation of risk assessment and control issues in that regard.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

13. Technology platforms such as computer software packages and intranet are very well secured to ensure data security and integrity.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

14. Internal Audit personnel are actively included in control deliberations regarding risk assessment and control in the hospital.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

CONTROL ACTIVITIES

15. Critical Processes are well designed, coordinated, and implemented with the appropriate approval from management.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

16. Processes exist for independent verification of transaction to ensure integrity.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

17. There are systems in place to ensure that duties are rotated periodically so that everyone would be abreast with new development in all sections.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

18. Procedures are in place to make sure that policy overrides are minimised and exceptions duly reported to management.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

19. There is the requisite knowledge, skills and tools to support staff in their quest to undertake tasks assigned to them effectively by managing risks in pursuance of hospital's objectives.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

INFORMATION AND COMMUNICATION SYSTEMS

20. The hospital has effective procedures to disseminate information in manner well understood by employees.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

21. The suggestions of all employees are given due consideration by management.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

22. There are channels of communication for individuals to report infringement on rules and regulations and other inappropriate behaviour.

    Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

23. Everyone understands that his/her work is related to the other and therefore, the Need for coordination.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

24. Everyone is fully aware of his/her role in the proper functioning of the control System established.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

MONITORING

25. There are systems in place to ensure effective use of the hospitals policies, procedures and activities that relate to internal control and risk management.

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

26. There are structures in place to re-assess risks and to adjust control to respond to changes made evident in objectives and the external environment

Strongly Agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

Appendix 2

The tables below show how respondents the questions in the survey administered. They show the frequencies of respondents and the percentages as well as the cumulative percentages. The labels (table 1 etc) are as per the questions. See appendix 1.

TABLE 1 SUB-UNITS-FINANCE AND ACCOUNTING

Options	Frequency	Percent	Valid Percent	Cumulative Percent
monitoring	11	17.5	17.5	17.5
Auditing	14	22.2	22.2	39.7
GOG/DPF/IGF	14	22.2	22.2	61.9
Main revenue	12	19.0	19.0	81.0
salaries	12	19.0	19.0	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 2MANAGEMENT DECISIONS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	20	31.7	31.7	31.7
Agree	40	63.5	63.5	95.2
disagree	3	4.8	4.8	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 3CONDUCTS ARE COMMUNICATED TO STAFF

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	18	28.6	28.6	28.6
agree	37	58.7	58.7	87.3
not sure	3	4.8	4.8	92.1
disagree	4	6.3	6.3	98.4
strongly disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 4 AUDITING IS FIRMLY ESTABLISHED

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	23	36.5	36.5	36.5
agree	35	55.6	55.6	92.1
not sure	4	6.3	6.3	98.4
disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 5 GOOD MANAGEMENT CULTURE AND MOTIVATION.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	14.3	14.3	14.3
agree	19	30.2	30.2	44.4
not sure	9	14.3	14.3	58.7
disagree	22	34.9	34.9	93.7
strongly disagree	4	6.3	6.3	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 6 PERIODIC INTERNAL CONTROL REVIEWS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	11.1	11.1	11.1
agree	29	46.0	46.0	57.1
not sure	5	7.9	7.9	65.1
disagree	20	31.7	31.7	96.8
strongly disagree	2	3.2	3.2	100.0
Total	**63**	**100.0**	**100.0**	

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TABLE 7 REPORTS ON DEVIATIONS

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	14.3	14.3	14.3
agree	46	73.0	73.0	87.3
not sure	4	6.3	6.3	93.7
disagree	4	6.3	6.3	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 8 FOLLOW-UP ACTIONS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	11	17.5	17.5	17.5
agree	50	79.4	79.4	96.8
not sure	2	3.2	3.2	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 9 MANAGEMENT'S COMMITMENT

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.3	33.3	33.3
agree	39	61.9	61.9	95.2
not sure	3	4.8	4.8	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 10 CLEAR FINANCIAL OBJECTIVES.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	12	19.0	19.0	19.0
agree	21	33.3	33.3	52.4
not sure	8	12.7	12.7	65.1
disagree	18	28.6	28.6	93.7
strongly disagree	4	6.3	6.3	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 11 DATA SECURITY AND INTEGRITY.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	29	46.0	46.0	46.0
agree	25	39.7	39.7	85.7
not sure	2	3.2	3.2	88.9
disagree	6	9.5	9.5	98.4
strongly disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 12 INVOLVEMENTS OF AUDIT PERSONNEL.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	10	15.9	15.9	15.9
agree	49	77.8	77.8	93.7
not sure	3	4.8	4.8	98.4
disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 13 PROCESS DESIGN AND IMPLEMENTATION.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	37	58.7	58.7	58.7
agree	25	39.7	39.7	98.4
not sure	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 17 REQUISITE KNOWLEDGE AND SKILLS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	12.7	12.7	12.7
agree	41	65.1	65.1	77.8
not sure	11	17.5	17.5	95.2
disagree	3	4.8	4.8	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 18 INFORMATION DISSEMINATION.

options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	34.9	34.9	34.9
agree	40	63.5	63.5	98.4
disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 19 SUGGESTIONS OF EMPLOYEES.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	11.1	11.1	11.1
agree	18	28.6	28.6	39.7
not sure	10	15.9	15.9	55.6
disagree	19	30.2	30.2	85.7
strongly disagree	9	14.3	14.3	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 14 INDEPENDENT VERIFICATION.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	25.4	25.4	25.4
agree	43	68.3	68.3	93.7
not sure	3	4.8	4.8	98.4
disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 15 ROTATION FROM SUB-UNIT TO ANOTHER.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	7.9	7.9	7.9
agree	30	47.6	47.6	55.6
not sure	9	14.3	14.3	69.8
disagree	13	20.6	20.6	90.5
strongly disagree	6	9.5	9.5	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 16 POLICY OVERRIDES.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	6.3	6.3	6.3
agree	18	28.6	28.6	34.9
not sure	5	7.9	7.9	42.9
disagree	19	30.2	30.2	73.0
strongly disagree	17	27.0	27.0	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 20 COMMUNICATION CHANNELS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	12.7	12.7	12.7
agree	32	50.8	50.8	63.5
not sure	10	15.9	15.9	79.4
disagree	12	19.0	19.0	98.4
strongly disagree	1	1.6	1.6	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 21 COORDINATION OF WORK.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	14.3	14.3	14.3
agree	19	30.2	30.2	44.4
not sure	9	14.3	14.3	58.7
disagree	23	36.5	36.5	95.2
strongly disagree	3	4.8	4.8	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 22 ROLES OF WORKERS IN THE CONTROL SYSTEM.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	10	15.9	15.9	15.9
agree	19	30.2	30.2	46.0
not sure	6	9.5	9.5	55.6
disagree	26	41.3	41.3	96.8
strongly disagree	2	3.2	3.2	100.0
Total	**63**	**100.0**	**100.0**	

TABLE 23 RE-ASSESSMENT OF RISKS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	25.4	25.4	25.4
agree	44	69.8	69.8	95.2
not sure	2	3.2	3.2	98.4
disagree	1	1.6	1.6	100.0
Total	63	100.0	100.0	

TABLE 24 UPGRADING THE KNOWLEDGE OF WORKERS.

Options	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	19	30.2	30.2	30.2
agree	42	66.7	66.7	96.8
not sure	1	1.6	1.6	98.4
disagree	1	1.6	1.6	100.0
Total	63	100.0	100.0	