

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

EVALUATION OF FINANCIAL CONTROL SYSTEM IN THE HEALTH SECTOR OF

GHANA

[A CASE STUDY OF KORLE BU TEACHING HOSPITAL]

By

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DECLARATION

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

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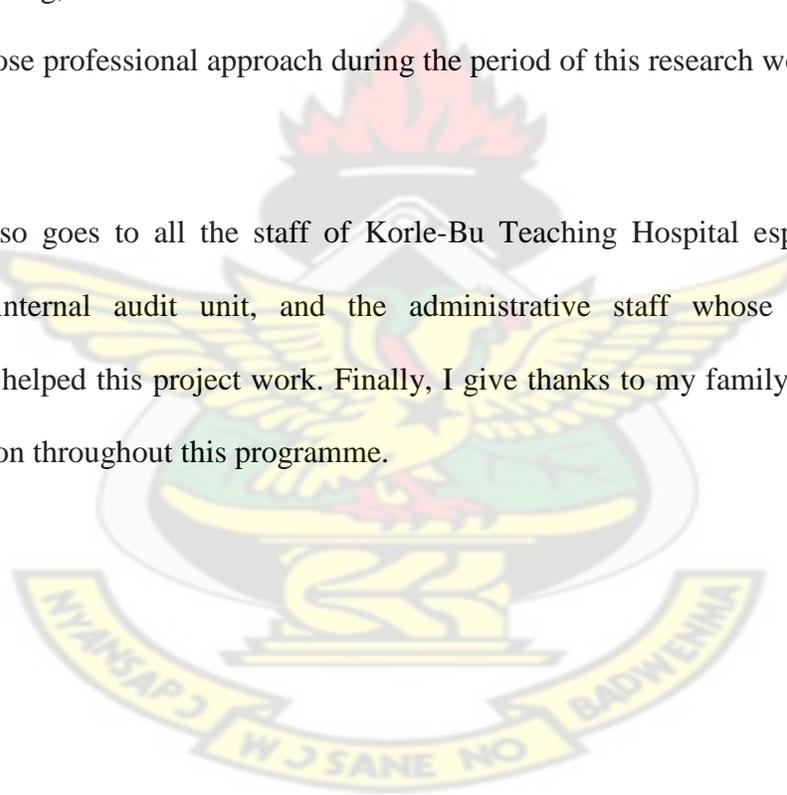
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ABSTRACT

Financial control systems have been a critical issue following fraudulent financial reporting and accounting scandals in most health organizations. A proactive preventive approach to the problem requires a critical evaluation of existing financial controls control structures in organizations to determine their capacity to ensure that the organization's activities are carried out in accordance with established goals, policies and procedures. This study is intended to evaluate the existing financial controls of Korle-Bu Teaching Hospital to know the extent of their effectiveness and efficiency. The outcome of the evaluation process is that some control components of effective financial control systems are lacking in this study. This renders the current control structures ineffective. This study is to appraise the effectiveness of the financial control systems at the Korle-Bu Teaching Hospital to determine whether there exists established financial controls system, evaluate its effectiveness (if any) and to ascertain the challenges being encountered in the enforcement of the financial controls of KBTH. The total population was 304, consisting of 226 accounting staff, 9 auditing staffs and 69 administrative staff. A sample size of 50 respondents was selected and a purposive sampling technique was used to arrive at the figures. The study revealed that, other details regarding to the identification of financial controls within the hospital is quiet essential to the management of the hospital, it indicates that there is a distinction between who prepares the payroll and who distributes payroll cheques, this comes as a result of division of labour among the workers and to eliminate an individual influence on specific procedural involving the control systems of the hospital. The study recommended that there is the need for KBTH to enforce the controls system, and staff should undergo regular training on fraud and misapplication and misappropriation.

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APPENDIX 2: ABBREVIATIONS

COSO: Committee of Sponsoring Organisation of the Trade way Commission

GHS: Ghana Health Service

IDL: Institute of Distance Learning

KBTH: Korle-Bu Teaching Hospital

C.E.O: Chief Executive Officer

SPSS: Statistical Package for Social Science

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Every corporate entity, irrespective of its size maintains financial control systems if it wishes to survive the turbulent competition in industry and most importantly, uphold the practice of good corporate governance. The rationale is to ensure effectiveness and efficiency of operations, reliability of financial information, and compliance with applicable rules and regulations; since risk management in general and financial control more specifically is considered as the fundamental elements of organisational governance. According to the American Hospital Association (1999), this has become more necessary in the wake of globalisation of business, technological advancements, increasing risk of business failures, and the frauds that emerged in the United States of America and elsewhere in Europe; thereby encouraging nations and institutions to place more emphasis on their financial control systems, internal auditing functions and risk management.

The public sector financial management administration of Ghana over the period has been saddled with numerous fundamental problems which thwarted the growth and the developmental agenda of Ghana. Among the lapses that obliterated the financial system are:

- i. Insufficient control over public funds in the MDAs,
- ii. Lack of ownership of public funds,

- iii. Weak systems of accountability, responsibility, and stewardship,
- iv. Financial reports of MDAs in nature and content did not show the true and correct state of affairs,
- v. Inaccurate financial and late reporting, thereby delaying governmental decisions and implementations of policies,
- vi. Collusion and corruption in the public procurement and payment for goods and services;
- vii. Government payrolls were full of dummy names due to lack of effective internal control system, and

Viii Budget formulation and implementation were poor. (The Financial Administration Act 2003)

Government has the sole responsibility to provide the enabling socio-economic environment by ensuring that the basic pre-requisites oil the wheels of economic activities. The government, in most cases provides essential services such as health, education, communication, defence, electricity etc. to residents.

The Budget statement and Economic Policy of the Government of Ghana (2003) reiterated among others the basic reasons the government ventures in the health sector. Government finds it cheaper in providing sanitary services and public health services; because private individuals may not possess the requisite knowledge, initiative and resources to provide for the social health needs; the imbalanced distribution of health facilities among regions, districts as well as rural and urban areas; and health being strategic, government finds it fit to place it in public hands so that they can be publicly managed and controlled.

According to Berman and Weeks (2002), the general function of the hospital in modern society is to assist in the conservation of the health needs of the people and perhaps to increase the average span of human existence. They viewed the modern hospital as something more than an institution in which medical science is applied to human diseases; it is also a business organisation. This is attested to by the personnel records of the institution which indicated in many instances, two or more times by many non-professional as well as professional people.

Lokko (2008) concedes that financial and administrative problems of the hospital will increase in the near future. In view of the fact that endowments and gifts may be less plentiful in the future, one expects an increasing attention to better organize and administer financial operations. In the recent past, it has been observed that, hospitals were managed by medical officers and other people who had limited knowledge in general and efficient administration. Since hospital administration entails the application of cost and benefit principles, financial personnel and financial data are very important in health service delivery.

It is therefore important to ensure that all transactions find their ways into the financial records and are organised into data, reports and statements. The use of such plan by management will enable them become accustomed to relating their decisions to the financial effect. It is to be stressed that though the basic financial accounting concepts have been developed primarily for use by profit

making enterprises, they are also equally applicable to health institutions and for that matter hospital accounting.

1.2 STATEMENT OF THE PROBLEM

The performance of the Korle-Bu Teaching Hospital (KBTH) has come under barrage of criticisms; particularly, in the area of asset management through appropriate internal control system. Officials have been accused of high level of inefficiency in the discharge of their duties by the general public. Unfortunately, recent research (Statistical Service, 2008) has revealed the deplorable working conditions under which officers perform their duties. Poor infrastructure, inadequate logistics, laxity in the upholding of ethical conducts, low salaries and inadequate reward system are hallmarks of the Ghana Health Service in general, and KBTH, specifically.

Efficient management of resources, either financial or otherwise is crucial to the development of any institution. To ensure the effective and efficient use of allocation of these resources, internal controls are normally put in place. In Ghana to enhance the effectiveness and efficiency of internal control systems various legislations have been put in place since independence. These legislations include the 1992 Fourth Republican constitution, the Criminal Code of 1960 (Act 29), the Financial Administration Act (Act 654), the Public Procurement Act (Act 663), and the Internal Audit Agency Act (Act 658). The statement of the problem is that lack of financial control practices or in many cases non-adherence to the controls has led to the misappropriation and misapplication of resources and all other forms of malfeasances that have engulfed the entire health sector. This research therefore sought to evaluate the adequacy or otherwise of the established controls at

Korle-Bu Teaching Hospital. This is aimed at ensuring efficiency and effectiveness of the financial practices of the KBTH through appropriate and approved mechanisms, to achieve the requisite financial sustainability of the hospital.

1.3 OBJECTIVES OF THE STUDY

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The general objective of the study is to evaluate the effectiveness of the financial control systems in the Korle-Bu Teaching Hospital. This would be realised considering the following specific objectives.

1. To determine the existence of a well established financial controls system at KBTH.
2. To evaluate the effectiveness of the established financial controls (if any) at Korle-Bu Teaching Hospital.
3. To ascertain the challenges being encountered in the enforcement of the financial controls of KBTH.

1.4 RESEARCH QUESTIONS

In order to achieve the main objective of the study the following research questions were posed for answers:

1. What are the established financial control systems at KBTH?
2. How effective are the established financial controls (if any) at Korle-Bu Teaching Hospital?
3. What are the challenges being encountered in the enforcement of the financial controls at KBTH?

1.5 SIGNIFICANCE OF THE STUDY

The research work would be justified and significant because of the important and strategic role Korle-Bu Teaching Hospital play in the provision of health care to the West African sub region, particularly, the inhabitants in and around Korle-Gonno. Academics, opinion leaders and other interested observers have thrown more light on the subject, and in certain occasions mounting up a working solution to arrest perpetually this problem.

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

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

Management of KBTH: It will also provide a framework for handling and offering the appropriate financial control strategies to the hospital. Thus, the significance of the study is to draw the attention of all players, management of the various directorates and agencies under the management of KBTH settings to the importance of internal control systems.

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

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1.6 BRIEF RESEARCH METHODOLOGY

The source of materials for the study was obtained from primary and secondary sources. Primary data was collected by the use of a structured questionnaire designed and administered to officials of the KBTH, for information on the general perception of corporate performance vis-à-vis financial controls. Secondary material was extracted from relevant textbooks, newspapers, reports/articles, journals, bulletins and documents presented by corporate strategists and financial policy planners.

The purposive simple random sampling method was used in attaining the sample size, by basically concentrating on the administration of the various directorates of KBTH for the study. Due to time and limited resources constraints, proportions of the staff were sampled for input for this work. It is estimated that, 50 officials from the various departments of the KBTH were contacted for data input.

1.7 SCOPE OF THE STUDY

The study was conducted within the framework of evaluating financial control system in the Ghanaian Health industry, at the Korle-Bu Teaching Hospital. The Hospital is semi-autonomous institution which does not depend solely on government subventions for achieving its objectives. For this reason, KBTH must be viewed as revenue generating organisation rather than a spending organisation. This study, therefore, was limited to the procedures and controls put in place to ensure efficiency, effectiveness as well as the economic use of resources in the hospital.

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It is a case study approach of one particular teaching hospital, hence cannot cover other hospitals to reflect the entire industry approach to financial control system evaluation on the corporate performance. As a result, the results were not generalized but its findings were placed in the relevant context of the individual institution studied.

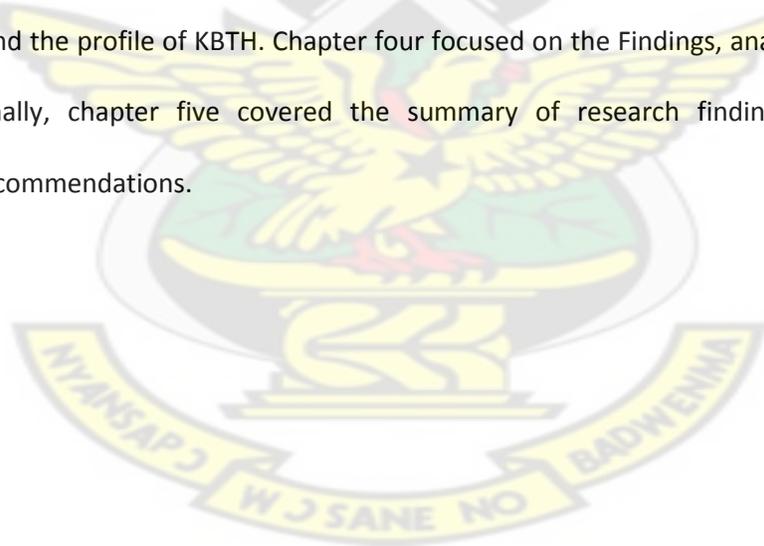
1.8 LIMITATION OF THE STUDY

Research, irrespective of whatever level, range or magnitude is a difficult and costly exercise. This piece of work is no exception. The unwillingness of management of KBTH to release information to enrich the study, establish strong validity and reliability; and the inadequacy of database on financial control system practices in the health sector in Ghana featured prominently. The researcher was required to carry out this study within a limited time frame as is the case with every academic research. The time limitation imposed severe constraints on the thoroughness of this investigation. This limitation also manifested itself in lesser sample size and minimal coverage. Financial constraints were another problem that the researcher encountered. Every research work is a costly activity, involving cost of stationery and printing, cost of travelling and administering questionnaire

as well as interviewing respondents. As this was an academic exercise, the researcher encountered difficulty in soliciting for funds since it was not a direct request from the organization concerned. Finally, poor response rate was another constraining factor that hindered the study.

1.9 ORGANISATION OF THE STUDY

This research work was divided into five (5) chapters. Chapter one, covered the introduction which addressed the statement of the problem, research questions, the objectives of the study, significance of the study, scope and limitation of the study and the structure and organisation of the study. Chapter two gave an insight of the literature review of financial controls; wherein various views from different authors were reviewed with regards to the nature of financial management in the public health sector and definition of variables. Chapter three highlighted the methodology of the research and the profile of KBTH. Chapter four focused on the Findings, analysis and discussions of results. Finally, chapter five covered the summary of research findings, conclusions and appropriate recommendations.



CHAPTER TWO

REVIEW OF LITERATURE

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2.0 INTRODUCTION

This chapter focuses on review of relevant literature on financial controls that might establish the rationale behind the existence of such controls. An attempt was also made to examine carefully some time tested controls and the conditions under which they may be implemented effectively.

2.1 DEFINITION OF FINANCIAL CONTROLS

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

The Committee on Terminology of the American Institute of Certified Public Accountant (CPA, 2004) defines financial controls as, the plan of an organisation and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records consequently designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorisation; transactions are recorded as necessary to permit preparation of financial statements in conformity with general accepted accounting principles and to maintain accountability for assets; and access to assets, for example, cash is permitted only in accordance with management's authorisation.

According to SAS 300 Accounting & internal controls systems and audit risk assessments (1997), financial controls are the monetary policies and procedures adopted by the directors and management of an entity to assist in their objective of achieving as far as practicable, the orderly and efficient conduct of the business (entity) including the adherence to policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the financial records and the timely preparation of reliable financial information. The standard indicated that the control comprises control environment and control procedures (Institute of Internal Auditors, 2008).

2.1.1 THE CONTROL ENVIRONMENT

The control environment is the overall attitude, awareness and actions of management regarding internal controls and their importance in the entity. It involves management style, corporate culture, values philosophy and operating style, organisation structure, personnel policies and

procedures. The standard emphasises that control procedures provides a background to detailed control procedures. The control environment in itself does not ensure the effectiveness of the internal control system as a whole (Woolf, 1994).

Whittington and Pany (2004), asserted that the control environment sets the tone of the organisation by influencing the control consciousness of people. They viewed it as the foundation for the other components of internal control. They recognised that control environment factors include integrity and ethical values, commitment to competence, board of directors or audit committee, management's philosophy and operating style, organisational structure, assignment of authority and responsibility, and human resource policies and practices.

Messier (2000), states that the control environment is the foundation for all other components of internal controls, providing discipline and structure. Committee of Sponsoring Organizations of the Tread way Commission (COSO) in 1994 publication stated that Control environment is an intangible factor and the first of the five components, is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment.

COSO (1994) opined that managers must evaluate the internal control environment in their own unit and departments as the first step in the process of analyzing internal controls. Many factors

determine the control environment and are listed below for consideration. This list is not all-inclusive, nor will every item apply to a particular unit.

Integrity and Ethical Values: Existence and implementation of codes of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards of ethical and moral behaviour; Dealings with employees, suppliers, customers, investors, creditors, insurers, competitors, and auditors, etc. (e.g., whether management conducts business on a high ethical plane, and insists that others do so, or pays little attention to ethical issues.); Pressure to meet unrealistic performance targets-particularly for short term results-and extent to which compensation is based on achieving those performance targets; Commitment to Competence; Formal or informal job descriptions or other means of defining tasks that comprise particular jobs; and Analyses of the knowledge and skills needed to perform jobs adequately.

Board of Directors or Audit Committee: Independence from management, such that necessary, even if difficult and probing, questions are raised; Frequency and timeliness with which meetings are held with chief financial and/or accounting officers, internal auditors and external auditors; Sufficiency and timeliness with which information is provided to board or committee members, to allow monitoring of management's objectives and strategies, the entity's financial position and operating results, and terms of significant agreements; Sufficiency and timeliness with which the board or audit committee is apprised of sensitive information, investigations and improper acts (e.g., travel expenses of senior officers, significant litigation, investigations of

regulatory agencies, defalcations, embezzlement or misuse of corporate assets, violations of insider trading rules, political payments, illegal payments (COSO, 1994).

Management's Philosophy and Operating Style: Nature of business risks accepted, e.g., whether management often enters into particularly high-risk ventures, or is extremely conservative in accepting risks; Frequency of interaction between senior management and operating management, particularly when operating from geographically removed locations; Attitudes and actions toward financial reporting, including disputes over application of accounting treatments (e.g., selection of conservative versus liberal accounting policies; whether accounting principles have been misapplied, important financial information not disclosed, or records manipulated or falsified)(COSO (1994)

Organization Structure: Appropriateness of the entity's organizational structure, and its ability to provide the necessary information flow to manage its activities; Adequacy of definition of key manager's responsibilities, and their understanding of these responsibilities; Adequacy of knowledge and experience of key managers in light of responsibilities; Assignment of Authority and Responsibility; Assignment of responsibility and delegation of authority to deal with organizational goals and objectives, operating functions and regulatory requirements, including responsibility for information systems and authorizations for changes; Appropriateness of control-related standards and procedures, including employee job descriptions; Appropriate numbers of people, particularly with respect to data processing and accounting functions, with the requisite skill levels relative to the size of the entity and nature and complexity of activities and systems (ibid)(COSO ,1994)

Human Resource Policies and Practices: Extent to which policies and procedures for hiring, training, promoting and compensating employees are in place; Appropriateness of remedial action taken in response to departures from approved policies and procedures; Adequacy of employee background checks, particularly with regard to prior actions or activities considered to be unacceptable by the entity; Adequacy of employee retention and promotion criteria and information-gathering techniques (e.g., performance evaluations) and relation to the code of conduct or other behavioural guidelines” (ibid) (COSO, 1994).

2.1.2 CONTROL PROCEDURES

Controls procedures are those procedures established to achieve the entity’s specific objectives. These objectives in financial context include the proper authorisation, the correct period of the safeguarding of assets and ensuring the existence of asset recorded. They include particular procedures to prevent, detect and correct errors. According to Statement of Auditing Standards 300, (1997) the operation and internal controls ensure the completeness and accuracy of the financial records. The following are some of the specific controls: Approval and control of documents; Control over computerised applications and the information technology environment; Checking the arithmetical accuracy of the records; The maintenance of control accounts and trial balances; Reconciliations; Comparing the results of cash, security and inventory with accounting records; Comparison with external source of information; Comparison of results with budget; and Limiting direct physical access to assets and records.

In practice, process control systems can be characterized (Institute of Internal Auditors, 2008) as one or more of the following forms:

- Discrete – Found in many manufacturing, motion and packaging applications. Robotic assembly, such as that found in automotive production, can be characterized as discrete process control. Most discrete manufacturing involves the production of discrete pieces of product, such as metal stamping.
- Batch – Some applications require that specific quantities of raw materials be combined in specific ways for particular durations to produce an intermediate or end result. One example is the production of adhesives and glues, which normally require the mixing of raw materials in a heated vessel for a period of time to form a quantity of end product. Other important examples are the production of food, beverages and medicine. Batch processes are generally used to produce a relatively low to intermediate quantity of product per year (a few pounds to millions of pounds).
- Continuous – Often, a physical system is represented through variables that are smooth and uninterrupted in time. The control of the water temperature in a heating jacket, for example, is an example of continuous process control. Some important continuous processes are the production of fuels, chemicals and plastics. Continuous processes in manufacturing are used to produce very large quantities of product per year (millions to billions of pounds).

2.2 CONTROL ACTIVITIES

According to the American Institute of Certified Public Accountants (2009), control activities are the policies and procedures that help ensure that necessary actions are taken to address risks to

achievement of the entity's objectives. Control activities have various objectives and are applied at various organizational and functional levels. Generally control activities that may be relevant to an audit may be categorized as policies and procedures that pertain to the following:

2.2.1 Performance Reviews: These control activities include reviews of actual performance versus budgets, forecasts, and prior period performance; relating different sets of data operating or financial to one another, together with analysis of the relationships and investigative and corrective actions; and review of functional or activity performance, such as a bank's consumer loan manager's review of reports by branch, region, and loan type for loan approvals and collections.

2.2.2 Information Processing: A variety of controls are performed to check accuracy, completeness, and authorization of transactions. The two broad groupings of information systems control activities are general controls and application controls. General controls over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance. These controls apply to mainframe, minicomputer, and end-user environments. Application controls apply to the processing of individual applications. These controls help ensure that transactions are valid, properly authorized, and completely and accurately processed.

2.2.3 Physical Controls: These activities encompass the physical security of assets, including adequate safeguards such as secured facilities, over access to assets and records; authorization for access to computer programs and data files; and periodic

counting and comparison with amounts shown on control records. The extent to which physical controls intended to prevent theft of assets are relevant to the reliability of financial statement preparation, and therefore the audit, depends on the circumstances such as when assets are highly susceptible to misappropriation. For example, these controls would ordinarily not be relevant when any inventory losses would be detected pursuant to periodic physical inspection and recorded in the financial statements. However, if for financial reporting purposes management relies solely on perpetual inventory records, the physical security controls would be relevant to the audit.

2.2.4 Segregation Of Duties: Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties.

Understanding Internal Controls .

2.3 INFORMATION AND COMMUNICATION

American Institute of Certified Public Accountants(AICPA, 2009), indicated that, the information system relevant to financial reporting objectives, which includes the accounting system, consists of the methods and records established to record, process, summarize, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity. The quality of system-generated information affects

management's ability to make appropriate decisions in managing and controlling the entity's activities and to prepare reliable financial reports. The institute highlighted that an information system encompasses methods and records that:

- ***Identify and Record*** all transactions.
- ***Describe on a Timely Basis*** the transactions in sufficient detail to permit proper classification of transactions for financial reporting.
- ***Measure the Value*** of transactions in a manner that permits recording their proper monetary value in the financial statements.
- ***Determine the Time Period*** in which transactions occurred to permit recording of transactions in the proper accounting period.
- ***Present Properly*** the transactions and related disclosures in the financial statements.

Communication involves providing an understanding of individual roles and responsibilities pertaining to internal control over financial reporting. It includes the extent to which personnel understand how their activities in the financial reporting information system relate to the work of others and the means of reporting exceptions to an appropriate higher level within the entity. Open communications channels help ensure that exceptions are reported and acted on.

Communication takes such forms as policy manuals, accounting and financial reporting manuals, and memoranda. Communication also can be made orally and through the actions of management. Understanding Internal Controls (AICPA, 2009).

2.4 MONITORING

According to AICPA (2009) Monitoring is a process that assesses the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. This process is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

2.4.1 Ongoing monitoring activities are built into the normal recurring activities of the entity and include regular management and supervisory activities. Managers of sales, purchasing, and production at divisional and corporate levels are in touch with operations and may question reports that differ significantly from their knowledge of operations.

2.4.2 In many entities, internal auditors or personnel performing similar functions contribute to the monitoring of an entity's activities through separate evaluations. They regularly provide information about the functioning of internal control, focusing considerable attention on evaluating the design and operation of internal control. They communicate information about strengths and weaknesses and recommendations for improving internal control.

2.4.3 Monitoring activities may include using information from communications from external parties. Customers implicitly corroborate billing data by paying their invoices or complaining about their charges. In addition, regulators may communicate with the entity concerning matters that affect the functioning of internal control, for example, communications concerning examinations by bank regulatory agencies. Also, management may consider communications relating to internal control from external auditors in performing monitoring activities. Understanding Internal Controls

2.5 FRAUD PREVENTION AND DETECTION

In preventing and detecting fraud, AICPA (2009) revealed the following:

2.5.1 Having a strong internal control system in place. Control environment and risk assessment is most important. Ensure that all transactions have more than one person involved from the beginning of the business process to the end. When risks are high due to the limitation of staff, closer supervision over the business process, independent reconciliations/reviews, and audits are important to compensate for control weaknesses.

2.5.2 Fraud prevention is accomplished by:

- Segregation of duties

- Rotation of duties in positions susceptible to fraud
- Require employees handling financial transactions to take regular vacations of 2 weeks or more at one time and let someone else perform their normal responsibilities
- Adherence to organizational policies and procedures especially those concerning documentation and authorization of transactions
- Physical security over assets such as locking doors and restricting access to certain areas.
- Proper training of employees
- Independent reviews and monitoring of tasks
- Clear lines of authority
- Conflict of interest policies, which are enforced
- Regular independent audits of areas more susceptible to fraud

2.5.3 Fraud detection is accomplished by:

- Independent reconciliations
- Inspections of documents (canceled checks)
- Employee complaints
- Discovery of unusual items that indicate follow-up is necessary
- Problems detected by audits
- Customer or vendor complaints, such as payments not being credited

2.6 TYPES OF CONTROL ACTIVITIES

According to AICPA (2009) control activities are either preventative or detective.

2.6.1 Preventive Controls are built in as part of the system and look at each transaction similarity to stop errors before they are recorded in the system. Preventive controls include segregation of duties, appropriate organizational lines of responsibility/authority, proper communication, signed statements/representations, written contracts/agreements, trustworthy employees, knowledgeable employees, performance management (work plans/ gaining commitment/ counseling/ monitoring/ evaluation), employee training/ reinforcement, supervision/oversight, independent authorization, documented accounting procedures and controls, adequate supporting documentation and records (including pre-numbered documents and the cancellation of documents), proper record-keeping procedures (including the timeliness of processing), budgetary accounting, physical security/control over assets and documents (including document control, safe deposits, timeliness of deposits and computer security), and pre audits of transactions (including matching of documents).

2.6.2 Detective Controls are dependent on manual review of recorded information and are considered compensating controls when preventative controls are not in place. They require timely correction procedures. Detective controls include recalculations, checking control totals, analysis and review, independent reconciliations, follow up on questionable accounts/transactions, customer complaints/employee complaints, observations, rotation of staff, inspection of documents, confirmations, and post review/audits of accounts/transactions/exception reports/aging reports, etc.

2.7 INTERNAL CONTROL SYSTEM

The Audit Practice Committee of Ghana, indicates that the whole system of financial controls and otherwise was established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguarding the assets and secure as far as possible the completeness and accuracy of the records (CPA, 2001).

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

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

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

KBTH stands the chance of carrying out transactions and businesses in an efficient and orderly manner if strong internal financial controls of the hospital are maintained. The operations of the

hospital are enhanced through adherence to management policies, safeguarding of the hospital's assets, as well as completeness and accuracy of its records.

2.8 INTERNAL AUDIT AS A CONTROL FACTOR

The Institute of Internal Auditors (IIA, 2008) defines internal auditing as; an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic discipline approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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

The auditor is a watchdog and not a bloodhound. This comment from the Kingston Cotton Mill case (1896) is as relevant to the internal auditor as it is to the external auditing. The internal auditor is not a bloodhound, guard dog or sheepdog; the internal auditor works on the same side as

management. However, many fellow employees feel that the internal auditor takes a very negative attitude towards the company – that everyone must be treated with suspicion and that all employees are guilty until proven otherwise.

The hospital has an internal audit unit which has been given independence status to scrutinize every operation of the hospital before monies are spent on projects or expenditures are settled. The hospital's internal audit therefore carries the mandate to reveal all information regarding a particular transaction or group of transactions at any point in time. But as to whether this mandate is only on paper has to do with the effectiveness and efficiency of the unit. Comparing the internal auditor's role with that of a guide dog misrepresents the role and functions of the internal auditor and the management of KBTH. The main problem is that it presupposes that management is blind and that the internal auditors lead the way. Management must always direct the organization – the internal auditors simply provide the information to improve management decision making.

Internal auditing is a profession and activity involved in helping organizations achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Professionals called internal auditors are employed by organizations to perform the internal auditing activity (Obuobi, 2003).

The scope of internal auditing within an organization is broad and may involve topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal auditing frequently involves measuring compliance with the entity's policies and procedures (ibid).

However, internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have a variety of higher educational and professional backgrounds (Berman, 2001).

In real situations, internal auditors in most organizations don't seem to be operating independently since their work most at times are being interfered with by top hierarchy which make their operations ineffective and inefficient.

2.9 HOSPITAL MANAGEMENT TEAM

Seawell (2004) noted that, "Effective hospital administration is impossible without a hospital management of finance". He is of the view that health sector finance should go beyond the recording of transactions and presentation of historical facts by making the hospital financial controller for example a member of the management team to make valuable contribution to management.

2.10 FINANCIAL CONTROLS IN THE KOR-LE BU TEACHING HOSPITAL

Omane-Antwi (2002) stated that 'hospital should operate on a sound financial footing so as to lessen the burden to the patient and to the community'. He is of the view that existing responsibility and delegation authority are important for an efficient system. Financial controls must be tied with the organisation of the hospital and the financial data must flow from level to level in the same manner as authority is passed down from level to level in an organisation charts. KBTH should ensure that staff are given responsibilities that much their qualifications and experience and should do well to delegate authority at all levels to ensure effectiveness and efficiency of operations.

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

He also observed that the principle of sound business management such as accrual concept as well as accounting conventions such as materiality, consistency, conservatism, etc are just as applicable to hospitals as they are to commercial enterprises. Financial plans cannot be expected to operate satisfactorily, if it is not under the direction and supervision of a competent controller and adequate staff. The extent of the finance staff will of course depend upon the size of the organization, but should be of sufficient size and competent to operate efficiently and to provide management with the necessary information to operate efficiently. Financial controls entails more than the mere recording of transactions; rather financial controls can be used advantageously in almost every management decision.

It is better to assist the administrative staff with better understanding of the complex forces influencing the operations of hospitals, particularly the Korle-Bu Teaching Hospitals by recognising that a well organised and effectively managed or implemented financial plan can assist in finding solutions to specific problem in the hospital. It is therefore important to ensure that all transactions find their ways into the financial records and are organised into data, reports and statements. The use of such plan by management would enable it become accustomed to relating its decisions to their financial effect. It is to be stressed that though the basic financial accounting concept have been developed primarily for use by profit making enterprises, the Ministry of Health and for that matter the Ghana Health Services (GHS) are no exceptions.

In the view of government as well as the Korle-Bu's deep concern and involvement, to provide efficient and effective services to the university communities, there is the need to ensure that institutional finances as well as budgetary allocation, are applied properly, hence the need for financial controls.

Reinke (2002) revealed that finance is a vital tool for financial control system because it is a source of information, a device for increasing the efficiency of resource allocation and a mechanism for controlling productive operations. Inefficiency or competency in the health sector accounting therefore explore all avenues and channels that are as efficient as possible to put them to use. Corruption in public sector and for that matter; the public health sector is a major cause of social unrest, which often stands in the way of development process. Though an effective financial

management cannot stamp out all corruption associated with lapses within the financial controls, thoughtfully conceived and good administration can be a strong deterrent against it.

This implies that KBTH must ensure that its financial system efficient and simple, workable and practicable and should be well integrated in order that data could flow from a sector of the hospital to another in an unbroken fashion with no chance for manipulation.

Kim (2007) observes that healthcare has been neglected and that the sector has not been properly financed. It is perhaps this, which prompted Abel-Smith (1992), to point out that there is the need for efficiency in health management. For KBTH to be able to provide for the health needs of the populace, it behoves the financial system of the institution to ensure that fees and other monies channelled to it are used judiciously to accomplish the objectives for which they were set up. One of the essential qualities of a financial control system is that maximum internal control can be achieved.

One of the duties of the KBTH administration is to safeguard the resources of the hospital. It is only through the efficient use of a financial system can the administration be assured that the resources are being safeguarded.

There is therefore the need for effective measurement of resources (Lokko, 2008). The financial system should divide the duties among individuals so that no one person has complete control over financial transactions.

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

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

Hence, KBTH's finance department should separate the credit, billing, accounts receivable, general ledger, as well as cash receipts from each other to ensure effective measurement of revenue.

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

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

The segregation of duties is particularly an important control in the inventory cycle because of the potential for theft and fraud. Therefore, Korle-Bu Teaching Hospital must ensure that individual staff involved in the inventory management and inventory stores functions should not have access to the inventory records, the cost accounting records, or the general ledger.

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Whittington and Pany (2004), indicate that most important of all controls over payroll is the division of payroll work among several departments of the organization. Payroll activities they said include the functions of (1) employment (human resources), (2) timekeeping, (3) payroll preparation and recordkeeping, and (4) distribution of pay to employees. For Korle-Bu Teaching hospital to have effective internal control, a separate department of the hospital should handle each of these functions stated by Whittington and Pany.

Hence, functions within the payroll cycle of KBTH should be segregated as follows:

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

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

According to Duncan et al (2005), little has been done in the way of development of health sector financial theory rising from the controversy and confusion which have risen as to whether accounting principles, followed by profit making enterprises apply to health sector or whether a separate body of accounting principle should be developed for non-profit organisations.

Omane-Antwi (2002), observed that inconsistency is the best single description of hospital accounting. To ensure that there is proper control over cash receipts, management must see to it that no one person has control over a complete cash transaction. This is exactly what KBTH should be doing to avoid fraud. The person who receives cash from patients should not have access to the patients' ledger cards: the one entrusted with the ledger cards should not have access to cash. A satisfactory procedure is to have all cash receipts processed by the cashier and should prepare duplicate deposit slip for each day's receipts and the daily receipts banked intact.

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

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Korle-Bu Teaching Hospital management team should review the cash paying system to guarantee that cash is going where it is supposed. It is advisable to make all cash payment by cheque. It is also important to ensure that before any payment is made, the responsible officer must be satisfied that the particular item being paid for is a legitimate claim against the hospital and that the payment is being made to discharged that claim.

On presenting a cheque for signing, objective evidence should be attached to the payment voucher to explain the nature of the payment, the account to be debited and who has approved the payment. In a large hospital such as KBTH, it may not be possible for the administrator or treasurer to physically verify the existence of the claim but this is possible in a small hospital. This presents an argument for use of the voucher system to handle disbursement. In order to meet small expenditures during the routine operations of a hospital, it is advisable to use an imprest petty cash system. The petty cash fund is reimbursed periodically to make payment out of the fund. The bank balance on the bank statement should be reconciled to the cash balance appearing in the books of the hospital. It is advisable to ensure that the bank reconciliation is not prepared by the individual

who handles cash. The importance of accounts receivable in a hospital should not be minimised as the accounts may make up a substantial portion of hospital assets. Every hospital administrator knows that there are some patients who for some reasons cannot or do not meet their financial obligations to the hospitals.

Seawell (1964) observed that public health being non-profit organisation is dedicated to care of the sick, admits persons whether they can pay or not. The hospital should charge all patients and adjustment made later for those who could not pay. Before any adjustment is made all necessary reasonable methods of debt collection should be adopted before any adjustment is made. Written off of debts should be the last resort.

KBTH seems to have a well segregation of duties for responsible officers at each level of hierarchy. However, interference in the functions of duties and responsibilities prevails at the hospital. For example the independence status accorded the internal audit unit has been abused by some senior staff. Hence, the policies seem to exist but are not working effectively.

2.12 Inherent Limitations

According to AICPA (2009), the effectiveness of internal controls is limited by:

2.12.1 People – are responsible for making judgments, directing operations, and performing tasks. People have different levels of competency and are fallible. People have

different skill sets and performance capabilities. People react to stress differently and make errors when distracted or placed in unreasonable conditions.

2.12.2 Organizational – smaller organizations typically lack resources for having strong preventive controls. Larger organizations may have more decentralized environments. Both conditions require stronger monitoring over the processing, recording, summarizing, and reporting of transactions.

2.12.3 Circumvention or Collusion - can result from the formation of close personal relationships, presence of dominate personalities where one person's work is being checked by another.

2.12.4 Deadlines or Unreasonable Conditions – increases the likelihood of intentional exceptions due to balancing issues or lack of information.

2.12.5 Control Override - can result by allowing exceptions to existing policies or by subordinates following orders.

2.12.6 Tolerant Attitudes – increases the likelihood of intentional exceptions due to tolerant attitudes that permit exceptions to occur.

2.12.7 Changing Conditions - increases likelihood of unintentional exceptions due to changes in operations, systems, or people involved with the controls. Understanding Internal Controls

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This research was designed to evaluate the financial control system in the health sector of Ghana. This study is to know the extent to which the system of financial controls has been effective and efficient. To achieve this, methods and procedures such as research framework, population, sample size, sample technique, data collection instruments and methods were used to derive data for the research work.

3.1 RESEARCH FRAMEWORK

This research work is a case study type. The researcher used a case study because it allows her to concentrate on a specific situation and to identify and or attempt the various interactive processes at work. It is also appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in-depth within a short period. The researcher identified a problem of ineffective and inefficient system of financial control in the health sector collected data, through questionnaires and interviews, analyzed the data and made recommendations.

3.2 RESEARCH POPULATION

The term population means the total number or aggregate of concern which by virtue of common characteristics may lead to the obtaining of relevant information. The study examined the evaluation of financial control system with particular reference to the effectiveness and efficiencies

at Korle-Bu Teaching Hospital. The population of this research work, therefore, embraces management and staff of KBTH which constitute three hundred and four (304) respondents. Of this number, 50 respondents were purposively sampled to take part in the study.

Table: Sampling guide of the sample size.

Target Group	Population	Sample Selected
Accounting Staff	226	36
Auditing staff	9	2
Administrative staff	69	12
Total	304	50

Source: field research (2012)

3.3 SAMPLE SIZE

A sample is a group of items taken from the population so that the needed information can be obtained for the purpose of analysis. Considering the largeness of the population involved in this study, the researcher had selected a sample from the population upon which the study was conducted and generalization made based on the assumption that sample is the representative of the whole population. Since a good sample must be as nearly as representative of the entire population as possible, care was taken in this research to make sample size relatively large in order to convey a measure of credibility to the outcome of the study. Care was also taken to choose of the subject is left to chance; the possibility of bias entering selection of sample is reduced.

The researcher sort permission from the authorities of KBTH regarding the purpose and nature of the project. As a result of confidentiality and transparency of the respondents, the researcher had to provide a letter from Institute of Distance Learning (IDL), KNUST to testify that the research is purely for academic purposes. Again, the authorities of the hospital also demanded a research proposal from the researcher, which was also provided before approval for the research was granted.

The introduction to the instrument briefly repeated the purpose of the project with the elements of informed consent regarding voluntary participation, confidentiality and potential benefits. To facilitate easy administration and collection of questionnaires, Korle-Bu Teaching Hospital selected out of which a total number of fifty (50) respondents were chosen. The questionnaires were administered on simple randomly selected members of the category.

The fifty (50) consisted of thirty-six (36) accounting staff, two (2) auditing staff and twelve (12) administrative staff.

3.4 SAMPLING TECHNIQUE

A purposive sampling technique was used by the researcher to select respondents from the accounts department, internal audit unit and the administration department. The questionnaires were then given out to them to answer within two weeks for collection. The study adopted purposive sampling to factor in valuation of retrieving responses from different groups (accounts,

internal audit, and administration. It was chosen with the knowledge that it was representative of the general population.

This form of sampling is therefore purposeful with considerations of convenience and ease of access to study situations.

3.5 DATA COLLECTION INSTRUMENT

The instrument employed in the course of collection of data of the study was the use of questionnaire. Questionnaire is a list of planned written questions structured with space provided for indicating answers or responses for each question which is intended for a number of people to rely. The questionnaire was made up of both opened and closed ended questions. It is classified into yes or No, true or false and no idea/re cognition type. This questionnaire as designed was administered to staff of all ranks in the accounting department, internal audit unit, and the administration department of the hospital.

3.6 DATA COLLECTION METHODS

To encourage greater response, the researcher delivered the questionnaires personally by hand to each prospective respondent. Two weeks were given to the respondents for completion after which the questionnaires were collected from them. This enabled the respondents to disclose some facts because they had enough time to answer the questions.

3.7 SOURCES OF PRIMARY DATA

The primary data collection was purely based on the questionnaire/research questions administered to the accounting, internal audit as well as the administrative staff. The primary data formed the frame and pillar upon which this research work was founded.

3.8 SOURCES OF SECONDARY DATA

Secondary data collected was based on textbook information, extracts from Financial Administration Act 2003, Internal Audit Act 2000 of Ghana, manuals of public administration guideline, financial reporting manual guidelines of ministries in Ghana, treasuring circulars and the constitution of the republic of Ghana. All these references gave this research work the necessary backing.

3.9 DATA ANALYSIS

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

The data was then coded to enable the respondents to be grouped into limited number of categories. The data was imputed into the computer by the use into computer by the use of

statistical package for social sciences (SPSS). In analyzing the data, descriptive statistical tools like tables, bar graph, and pie charts were used.

3.10 LIMITATIONS TO DATA COLLECTION

Some of the respondents considered the exercise as a waste of time and for that matter were not prepared to spend a few minutes of the precious time to answer the questions. The researcher was also handicapped in getting approval for some background information about the hospital. It took more than three months to get the approval and a further delay caused by the department in charge of the information was also worth mentioning. It was also with difficulty and a lot of effort in getting back the questionnaire that was given to the staff. The average health worker is always busy and excuses such as “I am busy were some of the comment from the respondents.

The research was limited by financial constraints taking cognizance of the extent of the scope of the study and period of investigation. The research among other things was confronted with the situation whereby officers were reluctant to give out information. Another area of limitation to this study came from the inability of respondents to complete and submit questionnaire on time for data to be analyzed.

3.11 PROFILE OF KORLE-BU TEACHING HOSPITAL

3.11.1 HISTORY OF KBTH

Established on October 9, 1923, the Korle Bu Teaching Hospital has grown from an initial 200 bed capacity to 2000. It is currently the third largest hospital in Africa and the leading national referral centre in Ghana.

Korle Bu Teaching Hospital was established as a General Hospital to address the health needs of the indigenous people of the Gold Coast during the administration of Sir Gordon Guggisberg. In the early sixties, the Korle Bu Hospital was expanded to offer healthcare to the growing population of the newly independent country and also to provide clinical facilities for the newly established Ghana Medical School. The construction of the Maternity, Medical, Surgical and Child Health Blocks increased the hospital's bed capacity to 1200.

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Korle Bu Hospital gained teaching Hospital status with the established of the Medical school in 1962. Other institutions training healthcare professionals such as Dentistry and Allied Health science were also established to meet the growing needs of the country. In 2000, the college of Health Science was set to administer the activities of the various schools and institutions. These are University of Ghana Medical School, University of Ghana Dental School, School of Allied Health Science, School of Nursing, School of Public Health, School of Pharmacy and the Noguchi Memorial Research. The Schools of the College of Health Sciences use the Korle Bu Teaching Hospital facilities for clinical training. Administratively, the hospital is managed by a Chief Executive and Directors representing the following Directorates: Medical, Pharmacy, Nursing, General Administration, Finance, Engineering and Human Resource.

Korle Bu Teaching Hospital has 17 clinical and diagnostic Departments/ Units with an average daily attendance of 1500 patients and about 250 admissions. The Clinical Departments of the hospital are Anaesthesia, Surgery, Medicine, Child Health, Obstetrics and Gynaecology, Polyclinic and Pharmacy. The diagnostic services include Anatomical Pathology, Chemical Pathology, Haematology, Microbiology and Radiology. Emergency services are provided at the Accident and Emergency Centre and the Surgical/Medical Emergency.

Other units of the hospital are Neuro - surgery, Dentistry, Eye, ENT, Renal, Cardiothoracic, Radiotherapy, Radio diagnosis, Paediatric Surgery and Reconstructive Plastic Surgery and Burns Unit.

The Reconstructive Plastic Surgery and Burns Centre, the National Cardiothoracic Centre and the National Centre for Radiotherapy and the Nuclear Medicine in particular draw a sizeable number of their clientele from neighbouring countries such as Nigeria, Burkina Faso and Togo. Korle Bu

Teaching Hospital continues to blaze the trail when it comes to the introduction of specialised services. It recently introduced renal transplantation and brachytherapy for the treatment of prostate cancer to its specialised services. It is one of the few hospitals in Africa where DNA investigations are carried out. It also conducts keyhole surgeries as part of the hospital's offerings. Plans are underway to venture into molecular testing and employ the use of cutting edge technology in conducting investigations. All these are part of grand plan to offer a wider spectrum of specialist care to position Ghana as the hub of health tourism within the West African Sub - region.

3.11.2 THE STRUCTURE

With the promulgation of the Act 525 of 1996, the Hospital has been conferred with the powers to operate as a semi- autonomous organisation. The Hospital draws direction from a Management Board charged with the responsibility of giving policy guidance for its smooth administration.

Running the daily affairs of the Hospital is vested in the Chief Executive, who is assisted in his duties by seven Directors. The Directors are for Medical Affair, Nursing Services, Finance, Administration, Human Resources, Pharmacy and General Services.

Executive power is vested in Budget Management Centre (BMC) which is headed by the Chief Administrator to ensure the smooth and effective operation of the Hospital. Administrative power is further devolved to the departments referred to as the Sub – Budget Management Centres (Sub – BMCs). The Sub

– BMCs include the Obstetrics and Gynaecology, Medical Surgical, Accident Centre, Plastic Surgery and Burns Centre. The rest are the Pathology, Child Health, Polyclinic, Laboratory, Anaesthesia and Radiology Sub – BMCs.

3.11.3 MISSION STATEMENT

Korle Bu Teaching Hospital (KBTH), the largest health facility, premier teaching hospital and nerve centre of healthcare services in Ghana, exists to provide tertiary healthcare and facilities for educating and training health professionals, conduct and/ or collaborate with others to conduct research and provide outreach /advocacy services for all categories of persons in Ghana, in a most cost – effective manner while ensuring value- for- money and optimal satisfaction of its patients / clients and other stakeholders.

3.11.4 VISSION STATEMENT

The vision of KBTH is to achieve an enviable, world –acclaimed reputation as a first – class centre of excellence and innovation in specialist healthcare, education / training, research and advocacy.

3.11.5 CORE VALUES

KBTH would seek to achieve its mission, vision and objectives under the culture of:

- Customer care / patient orientation (i.e. delivery of quality health care)
- Team spirit
- Hard work /perseverance
- Efficient resource utilization
- Concern for the environment

- Mutual respect / collegial atmosphere
- Industrial peace
- Intra – organizational harmony
- Mutually beneficial community relations

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3.11.6 OBJECTIVES

In pursuit of its mission and vision, KBTH intends to pursue the following objectives that would form the basis/focus of planned interventions (i.e. strategies, programs and actions):

- To improve continuously the quality of health care and enhance clients / patients satisfaction in a most cost – effective manner.
- To enhance KBTH’s contribution to the MOH’s effort at cost – effective quality healthcare delivery, training, research and advocacy.
- To improve the technical and managerial skills, knowledge, competences and capabilities of all staff.
- To boost staff morale, commitment and satisfaction through motivation.
- To enhance the hospital’s ability to attract and retain adequate and competent staff.
- To make efficient use of the unique competences and capabilities of the Medical and other allied health personnel.
- To ensure positive and mutually beneficial relationships, with external collaborators, donors, NGOs, other organizations and individuals.

- To improve relations with the general public, and immediate community and enhance its public image both locally and internationally (globally).

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CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS OF RESULTS

4.0 INTRODUCTION

This chapter presents the data analysis extracted from the questionnaire issues out to the respondents, descriptive analysis such as frequency and percentages as well as charts were used to explain each category of questions answered by respondents and a thorough interpretation were discussed as findings of the analysis.

4.1 BACKGROUND OF THE RESPONDENT

The background was assessed to ascertain whether the respondents of which questionnaires were delivered to qualified enough to answer the questions and to know how each of the category of respondents were represented in the final analysis of the work.

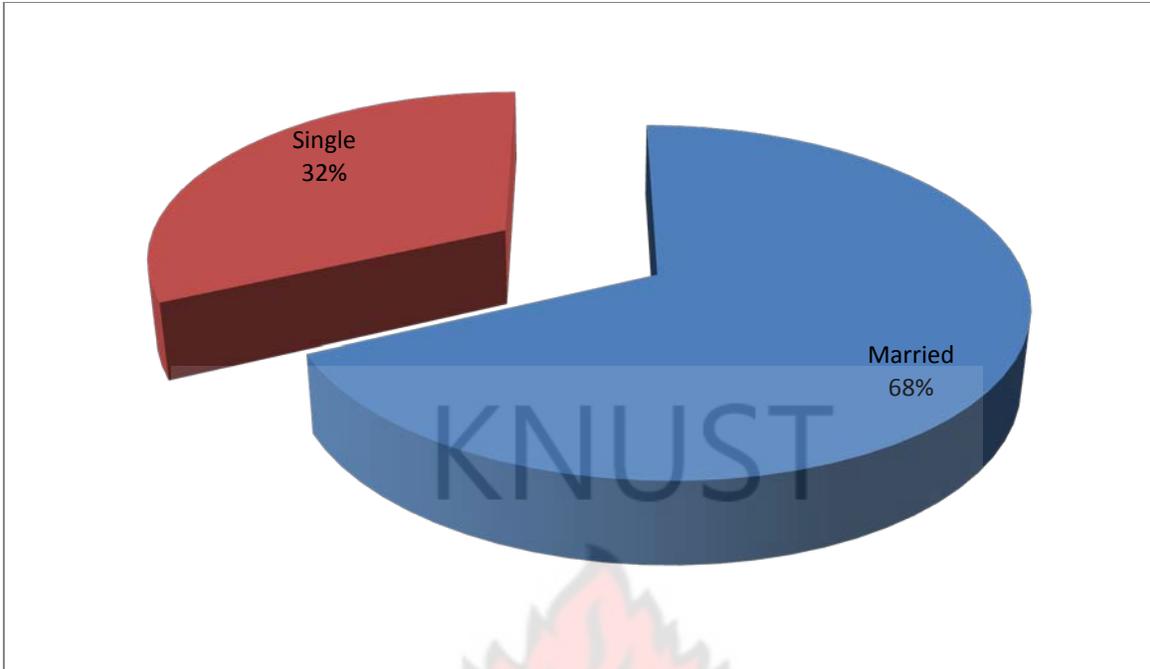
Table 4.1: Age and Gender of Respondents

Age/Gender	Male	Female	Total/Percentage
20-30 years	7	11	18(36.00%)
31-40 years	6	6	12(24.00%)
41-50 years	8	5	13(26.00%)
51-60 years	3	4	7(14.00%)
Above 60 years	0	0	0(0.00%)
Total	24	26	50(100.00%)

Sources: Researcher's field work, June, 2012

Table 4.1 shows a well representation of each of the gender for the analysis; this shows a fair distribution of gender across board for the study and was done in order to achieve a collective view of all respondents. Moreover, on the age categories of the respondents, it was realized that, each age bracket was fairly represented in the analysis, however, the majority were found to be within the ages of 20-30 years, this was due the fact that majority of the workers in the hospital were youth, and the least representation were found within 51-60 years which constitute 14% of the total respondents and mainly heads of the departments within the hospital. Furthermore, on educational attainment of respondents, it was found that, all the respondents selected for the study possess tertiary form of educational level of which make them well equip for their position they held in the hospital

Figure 4.1: Marital Status of Respondents



Sources: Researcher's field work, June, 2012

On the marital status of the respondents, it was found that, majority of the sample were married representing 68% whiles 32% were found to be single, this shows that, a large part of the sample have family of their own.

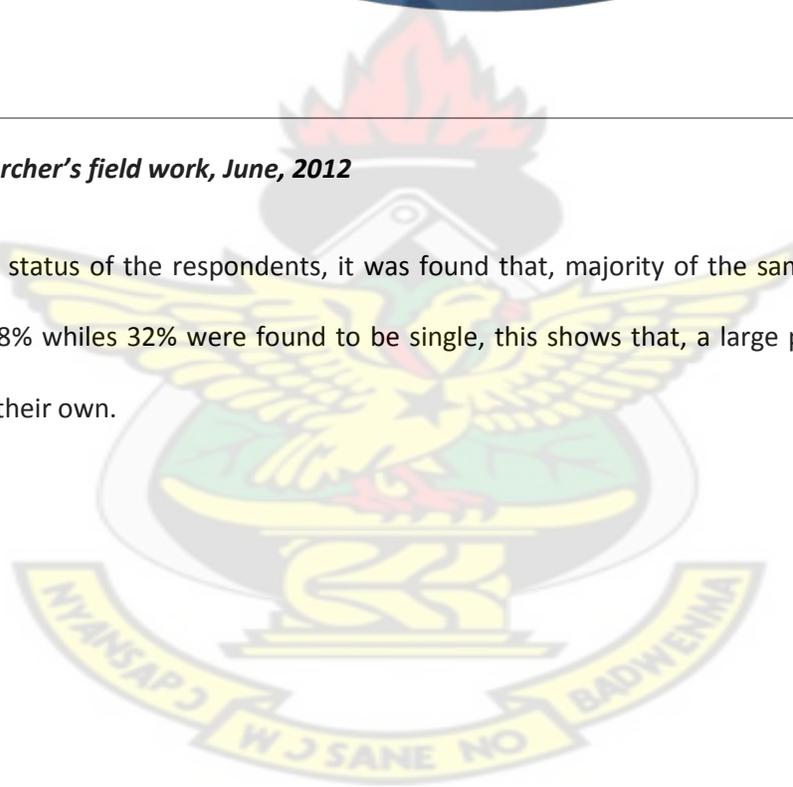
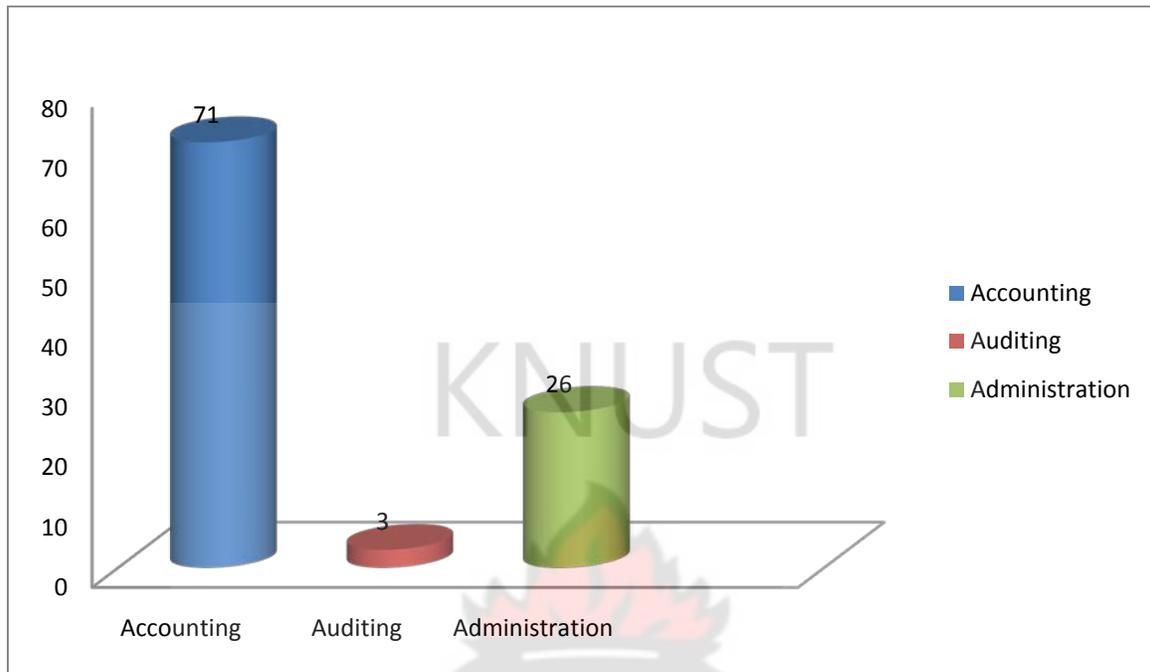


Figure 4.2: Job Type/Department

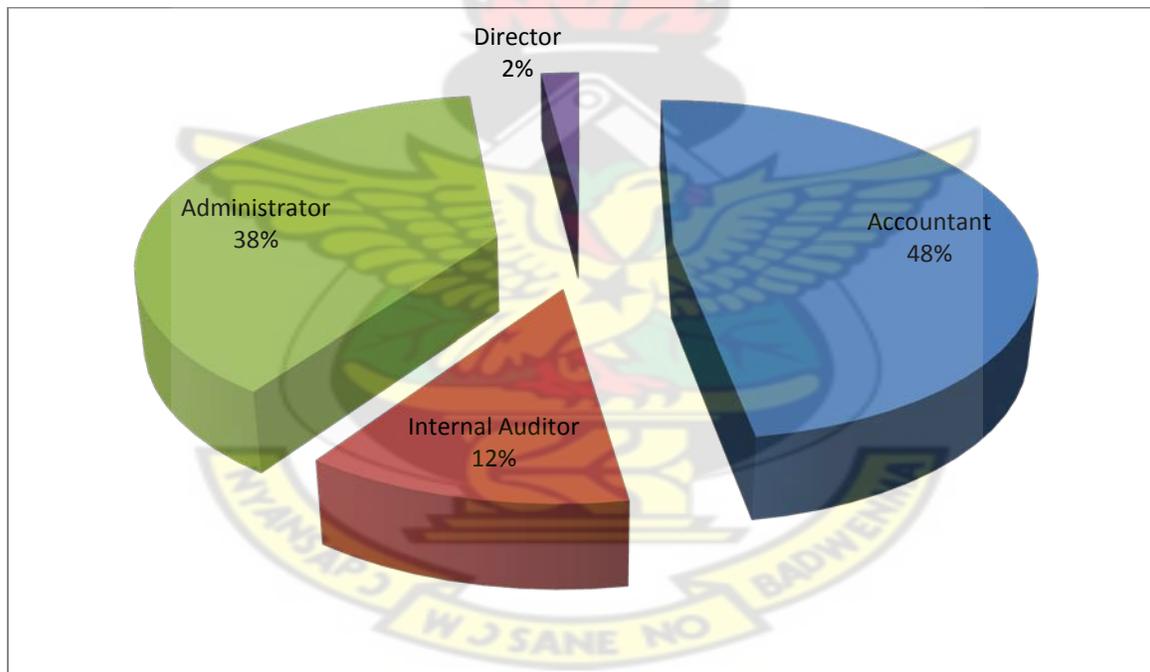


Sources: Researcher's field work, June, 2012

On the job type, this shows the kind of job within the hospital of which the respondents were engaging themselves in it, it was found that, majority of the respondents were from the accounting representing 71% followed by administrative personnel's of the various departments, representing 26%, auditing staff constituting 3% . This is an indication that the accounting department had a greater influence in the financial control system, hence the impact of KBTH financial control system depended on the accounting staff.

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Figure 4.3: Grade/Position



Sources: Researcher's field work, June, 2012

The grade or position tells the level of the respondents in terms of working experience, clearly, it is evident that, the respondents consist of those in higher authority of which it constitute 38% of

administrators, 47% accountants, 2% directors and 12% internal auditors who were mainly senior members of the hospital. This shows that the data were acquired from the right people needed for the study.

4.2 TYPES OF FINANCIAL CONTRL SYSTEMS

All respondents unanimously agreed that, there is an existence of financial control system at Korle Bu Teaching Hospital (KBTH) which is made up of more preventive.

Table 4.2: Types of Financial Control Systems

Type	Frequency	Percentage
Preventive	43	86%
Directive	21	42%
Detective	14	28%
Total	78	100%

Source: research fieldwork 2012

Respondents show that, all the different types of financial control systems are being practiced in KBTH, whose authorities' lies within the scope of the management and the director in setting up of these controls. In terms of hiring and firing of employees within the organization, it was unanimously agreed that such responsibilities lies within the reach of management only, who takes decision as to who to employ and who to fire.

On the update of personnel records of the organization, the study reveals that, such responsibilities lies only in the KBTH who has the mandate as part of the human resources department to update

personnel records of the hospital including patients and staff as well as its consultants. However, for the approval of wage and salary change, such power lies only within management and no other entity can make such change effective without the prior approval power of the management. Hence the three financial control systems, preventive, directive, and detective were found to be operative at the KBTH.

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Table 4.3: Separation of Powers

Detail	Yes	No
Is the person who prepares the payroll the same person who distributes payroll cheques	7(14%)	43(86%)
Is the person who initiates wages or salaries the same person who approves wage or salary change	0(0%)	50(100%)
Does the workers sign the daily time book	50(100%)	0(0%)
Does the hospital organize regular training programmes for the workers	37(74%)	13(26%)
Does any one individual significantly influence management decisions control	5(10%)	45(90%)

activities		
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Sources: Research field work, June, 2012

The study reveal that, other details regarding to the identification of financial controls within the hospital is quiet essential to the management of the hospital, it indicates that there is a distinction between who prepares the payroll and who distributes payroll cheques, this comes as a result of division of labour among the workers and to eliminate an individual influence on specific procedural involving the control systems of the hospital. Aside this, it was clearly identify that, who initiates wages or salaries is different from who approves those wages and salaries, this is to bring and harmonies disparities might come from the wages and salaries and solely rely on the management of the hospital to do so.

Moreover, it was noted that, the workers have a sign in table log of which all workers sign in when they report to work and sign out when they are out of for the day, this is to bring to the attention of management as to how the workers and staff of the hospital punctuality are and to address any deficiencies which might come out of this time log for attendance, in as much as that, the table indicated that, there is a regular training session organized for the workers, however, quiet a number of the staff disagree with such programmes being organized for them, they explained that, certain programmes are organized for specific departments but not all the other departments to benefit hence such programmes are not enlarge to accommodate all the workers to sharpen their skills. Meanwhile, it was again noted that, no individual significantly influence management decisions control activities which was agreed upon by majority of the workers and staff of the hospital, nevertheless, a few pockets of the staff indicate that, the administrator, chief executive

officer and the financial officer to some extent have influence on management decision since management consult them as part of the processes before certain decisions are taken.

Table 4.4: Appraising the Effectiveness of Financial Systems

Detail	Yes	No
Are reconciliations done at the various levels where money changes hands?	41(82%)	9(18%)
Is the reconciliation reviewed by any management member	23(46%)	27(54%)
Can one person sign the cheque	0(0%)	50(100%)
Does the hospital maintain fixed asset register	42(84%)	8(16%)
Is one individual responsible for initiating and approving expenditure?	6(12%)	44(88%)
Can a fixed asset be acquired without proper authorization and approval from the hospital administrator?	3(6%)	47(94%)
Does the hospital prepare income and expenditure accounts at every financial year.	50(100%)	0(0%)
Is it prepared promptly	41(82%)	9(18%)
Are there adequate beds for admitted patients	0(0%)	50(100%)
Does the hospital has internal control unit?	0(0%)	50(100%)

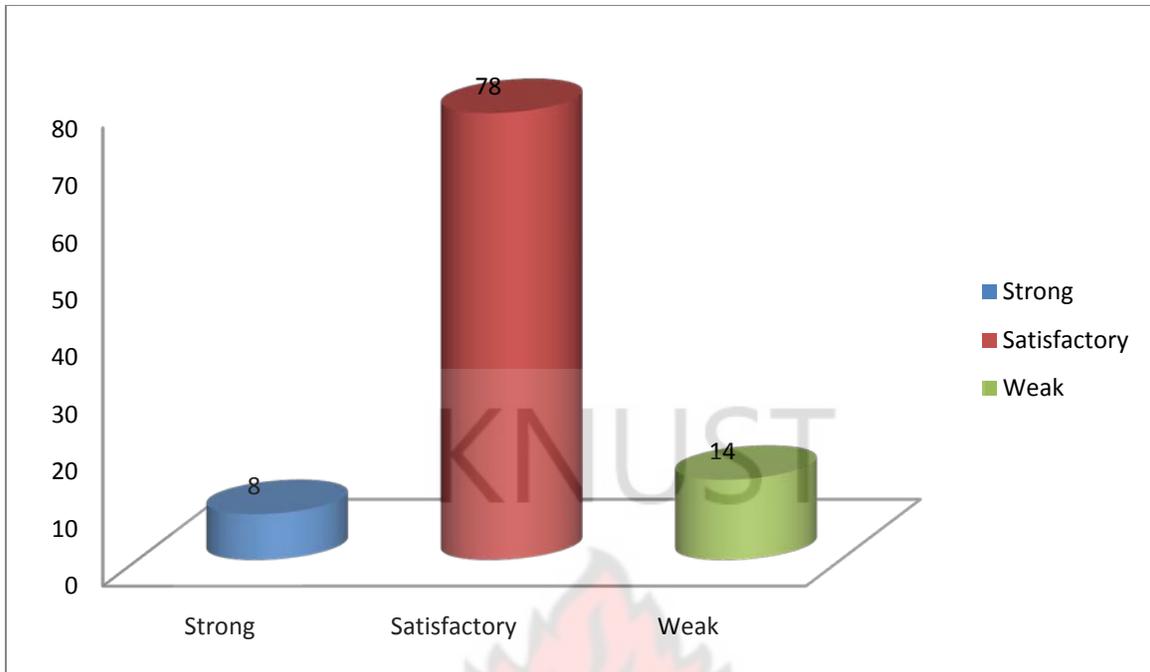
Source: research field work 2012

The study noted that, different departments are involved in the issuance of drugs and to the collection of money from patients which is a mandate of the hospital pharmacy and the accounts office respectively, unless otherwise where due permission is given in certain instances of the hospital procedural. However, it was established that, the daily revenue for the hospital is being received by mainly cashiers.

This is followed by a proper reconciliation being done at the various levels where the money changes hand of which respondents agreed that, such reconciliations are done mainly through daily weekly and monthly basis.

Each period was found to be associated with specific sections of the accounts and finance departments, the cashier's reconciliation is being done on daily basis, where as the account officers and the accountant reconciliation is done monthly, however the administrator reconciliation is being taken place on monthly basis to check whether the submission by the various sections of the accounts and financial department reflect in the hospital accounts. However, with regards to the reviewed of the reconciliation by management, there was a mixed feelings as to whether it's being done, but it was noted that, such moves are done during management board meetings, this is due to the fact that, one person of the hospital cannot sign a cheque for the hospital but relies on three signatories. All other works and initiations as shown on the table was noted to be done on a laid down rules and regulations of the hospital in order to check and balance and to serve as a control mechanism for the hospital.

Figure 4.4: Rating of Financial Controls



Sources: Researcher's field work, June, 2012

The internal financial controls were rated mainly satisfactory by the respondents, 8% rated it as strong and 14% rated it as weak, however, since the majority of the respondents were of the view that, its satisfactory, it indicates that, there is a proper procedure for all the check and balances of the hospital in order to adhere to the financial control system set up within the hospital.

Moreover, the respondents indicate unanimously that, the hospital have internal control unit which harmonies all reconciliations and checks the conducts and withdrawal of monies of the hospital in order for it to reconcile their accounts sheet and to meet the expectations of their external auditors.

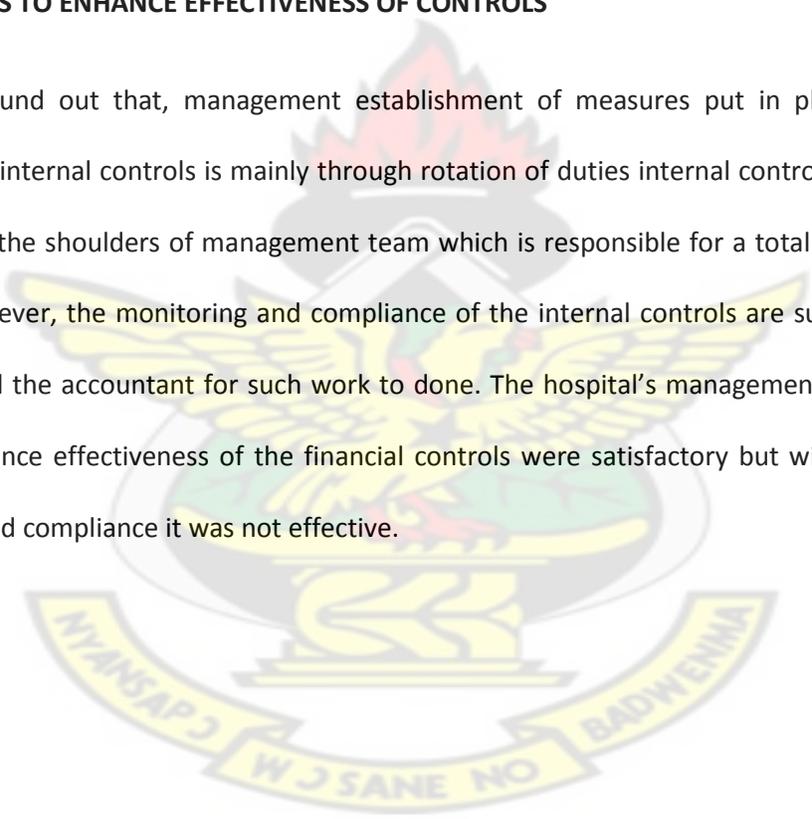
The internal I audit unit of the hospital was found to be visiting the various departments within 1-2 times inclusive to assess its compliance to the internal controls, mostly it was found to issue two main types of reports which include compliance and detective.

These main reports are issue to different departments and submitted to eh management of the hospital for consideration and action.

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4.3 MEASURES TO ENHANCE EFFECTIVENESS OF CONTROLS

The study Found out that, management establishment of measures put in place to check for adherence of internal controls is mainly through rotation of duties internal control reviews which is solely lies on the shoulders of management team which is responsible for a total adherence to the controls, however, the monitoring and compliance of the internal controls are subjects to internal audit unit and the accountant for such work to done. The hospital's management measures put in place to enhance effectiveness of the financial controls were satisfactory but with regards to the monitoring and compliance it was not effective.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

The aim of this chapter is to identify the significant findings of the research, conclusions based on the findings of the research as well as recommendations and suggestions for further research.

5.1 SUMMARY OF FINDINGS

5.1.1 Existence of Established Control Systems

The study revealed that, there is an existence of established control systems in the Korle-Bu Teaching Hospital which is a mandated duty from management to the various departments within the hospital, the study again reveals that, the main compliance of the control systems were preventive, directive and detective. These are issues with regards to the circumstances which might lead to arrive on such a conclusion. It was also found that, these are mandates of the internal audit unit of the hospital to check and regulate these activities such as reconciliations of revenues and bank accounts of the daily revenues of the hospital and the mandate for the management to service as an oversight responsibility of these check and balances within the hospital.

5.1.2 Effectiveness of established Financial Controls

The study again found out that, there are measures put in place to ensure the effectiveness of the internal control systems of the hospital. It was revealed that, mandated responsibilities are given to other departments such as the audit unit to ensure a strict adherence to these control measures. The analysis established that, there is a structured laid down principles as to who receives revenue and how revenues are channel to make the proper reconciliation and banked at the various levels where money changes hands. These measures are supervised by management which includes the signatories of the hospital cheques. In summary, respondents indicated that, the monitoring of financial controls is highly satisfactory confirming the effectiveness of the controls in place.

5.1.3 Challenges Encounter in Enforcing Financial Controls

Again, it was found that, from the various departments, since there is no established rules for transfer of information especially among those executives of the same level, it becomes difficult to check the activities of the various departments through the heads of the departments, since they have to report to chief executive officer and management and not to the audit unit, hence some aspect of audit unit oversight responsibility of making sure that, these controls are adhered to becomes a challenge to the unit.

5.1.4 Measures put in place to Enhance Effectiveness of Controls

Finally, the study established that, certain measures such as rotation of duties among workers, and internal control reviews has been helped to effectively control the system, knowing for sure that, rotation of workers might lead to exposure of wrong doings, this has lead to making workers work in

order not be exposed and hence adhere to strict regulations of the control system. Again the monitoring role of the audit unit to ensure compliance is also working effectively within the hospital.

5.2 CONCLUSIONS

Compliance of internal financial controls is critical for the sustainability of every organization, proper adherence of internal controls ensures proper usage of revenue generated by the organization. The study indicated that the internal controls are well placed within the hospital which is being monitored by management and reserve the right to the auditing unit for supervisory. The study realized that, the internal controls suffer some set back due to the unclear communication channels between managers of the same level, since they have the choice to either subject their internal financial records to the audit unit or to management. This hampers the true effectiveness of the entire processes of the hospital, however, the overall internal control systems of the hospital is satisfactory.

5.3 RECOMMENDATIONS

The following recommendations are made based on the conclusions to help streamline the internal controls of the hospital:

5.3.1 ENFORCEMENT OF CONTROLS

In spite of strict adherence of controls the audit unit should not rest on its oars; but ensure that the internal control system is under regular review to eliminate any weaknesses in the system. The Audit unit should ensure strict compliance to the financial administration as per the Financial

Administration Act, Internal Audit Agency Act and the Procurement Act.

5.3.2 TRAINING

Staff of the Audit Unit should undergo regular training on fraud and misapplication and misappropriation so as to be abreast with the current system of breaching the financial control system. It is also very important that personnel in the various departments are given basic training in the financial management of the hospital.

5.3.3 EFFICIENT ICT POLICY

As a result of the emergence of computer fraud it is good call on management to put together an ICT policy and ensure implementation for a more efficient, reliable and better reporting.

5.3.4 STAFF MOTIVATION

It is highly recommended that management keep a well motivated staff with proper conditions of service and a good pay package so as to make pilfering unattractive.

5.3.5 DELAYS IN REPORTING

Due to the various departments reporting direct to the CEO without recourse to the Audit unit, it becomes difficult to attain effective monitoring hence the need to copy the Auditor of all contracts and purchases for advice.

5.4 SUGGESTION FOR FURTHER RESEARCH

The study was conducted within the framework of public Ghanaian hospitals. The researcher therefore encourages and recommends other researchers to look at evaluating the financial controls of private hospitals and if possible other public health institutions.

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APPENDIX 1

KWAME NKURUMAH UNIVERSITY OF SCIENCE AND

TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING (IDL)

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QUESTIONNAIRE TO THE MANAGEMENT AND STAFF OF KORLE-BU TEACHING HOSPITAL (KBTH)

This questionnaire is intended for the collection of data that will help the researcher to 'EVALUATION OF FINANCIAL CONTROL SYSTEM IN THE HEALTH SECTOR OF GHANA [A CASE STUDY OF KORLE BU TEACHING HOSPITAL]' which is chosen as the case study. The exercise is for academic purpose only. Whatever information you give will be kept confidential. Please, complete this questionnaire with appropriate answers with brief reasons or tick where necessary.

SECTION A: Background of Respondents

1. Gender: Male { } Female { }

2. Age:

i. 20 – 30 years { }

ii. 31 – 40 years { }

iii. 41 – 50 years { }

iv. 51 – 60 years { }

v. Above 60 years { }

3. Educational Attainment:

- i. Basic { }
- ii. Secondary { }
- iii. Tertiary { }

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4. Marital status:

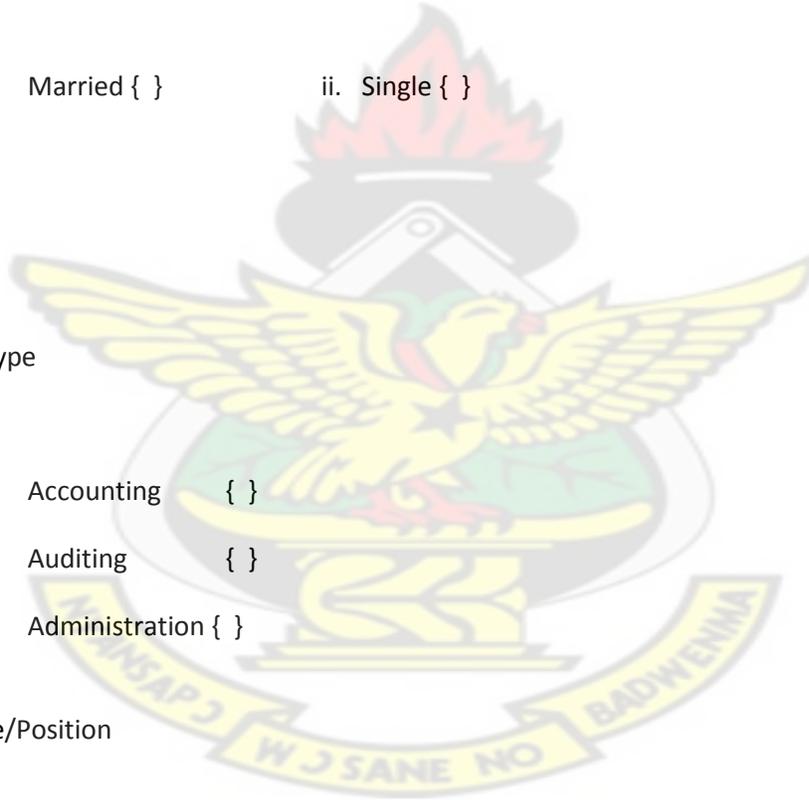
- i. Married { }
- ii. Single { }

5. Job Type

- i. Accounting { }
- ii. Auditing { }
- iii. Administration { }

6. Grade/Position

- i. Accountant { }
- ii. Internal Auditor { }
- iii. Administrator { }
- iv. Director { }



SECTION B: Identifying Types of Financial Control Systems

7. Are there any financial control systems in KBTHI?

a. Yes { }

b. No { }

8. If yes, what are they?

a. Preventive { }

b. Directive { }

c. Detective { }

9. Who is responsible for setting them up?

i. C.E.O { }

ii. Administrator { }

iii. Internal Auditor { }

iv. External Auditor { }

10. Who hires and fires employees in KBTH?

i. KBTH Human Resource Unit { }

ii. Management { }

iii. The Director { }

iv. Administrator { }

11. Who update personnel records?

i. KBTH Human Resource Unit { }

ii. Management { }

iii. C.E.O { }

iv. Administrator { }

12. Who approves wage or salary change?

i. KBTH Finance Unit { }

ii. Management { }

iii. C.E.O { }

iv. Accountant { }

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

a. Yes { } b. No { }

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

a. Yes { } b. No { }

15. Do the workers sign the daily time book?

a. Yes { } b. No { }

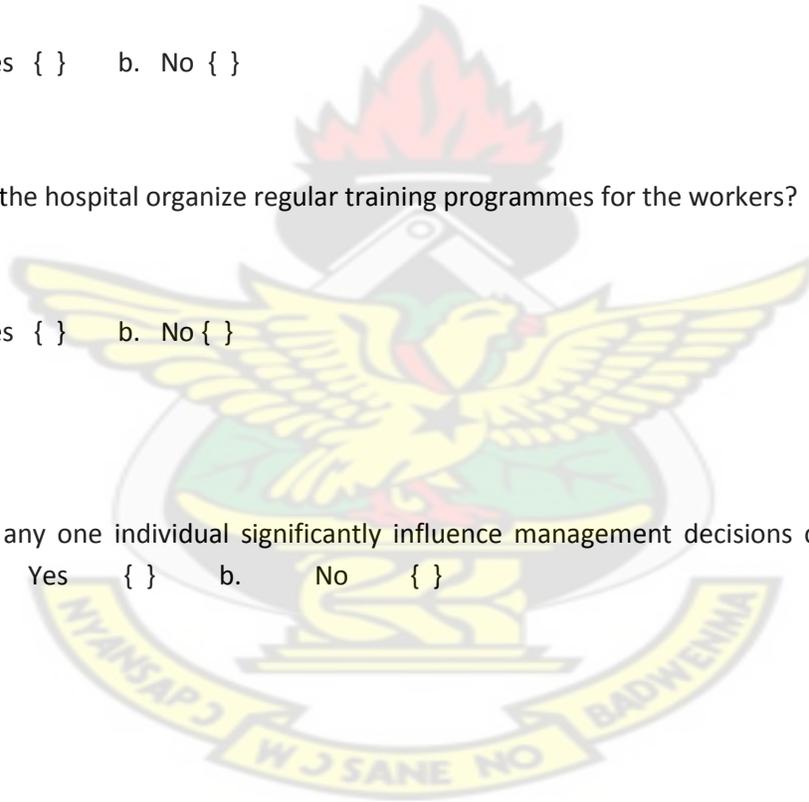
16. Does the hospital organize regular training programmes for the workers?

a. Yes { } b. No { }

17. Does any one individual significantly influence management decisions control activities?

a. Yes { } b. No { }

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SECTION C: Appraising the Effectiveness of Financial Control Systems

18. Is the issuance of drugs to and collection of money from patients done by the same person?

- a. Yes { } b. No { }

19. Who receives the daily revenue for the hospital?

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

20. Who banks the daily revenue of the hospital?

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

21. When is the daily revenue banked?

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

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

- a. Yes { } b. No { }

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

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

24. Is the reconciliation reviewed by any management member?

- a. Yes { } b. No { }

25. How many signatories are to a cheque?

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

26. Can one person sign the cheque?

- a. Yes { } b. No { }

27. Does the hospital maintain fixed asset register?

- a. Yes { } b. No { }

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

a. Yes { } b. No { }

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

a. Yes { } b. No { }

30. Does the hospital prepares Income and Expenditure accounts at every financial year?

a. Yes { } b. No { }

31. Is it prepared promptly?

a. Yes { } b. No { }

32. What is the average daily patient admission?

a. Less than 100 b. Between 100 and 200 c. Above 200

33. Are there adequate beds for admitted patients?

a. Yes { } b. No { }

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

a. Strong { }

b. Satisfactory { }

c. Weak { }

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35. Does the KBTH have internal control unit?

a. Yes { }

b. No { }

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

a. Once { }

b. Twice { }

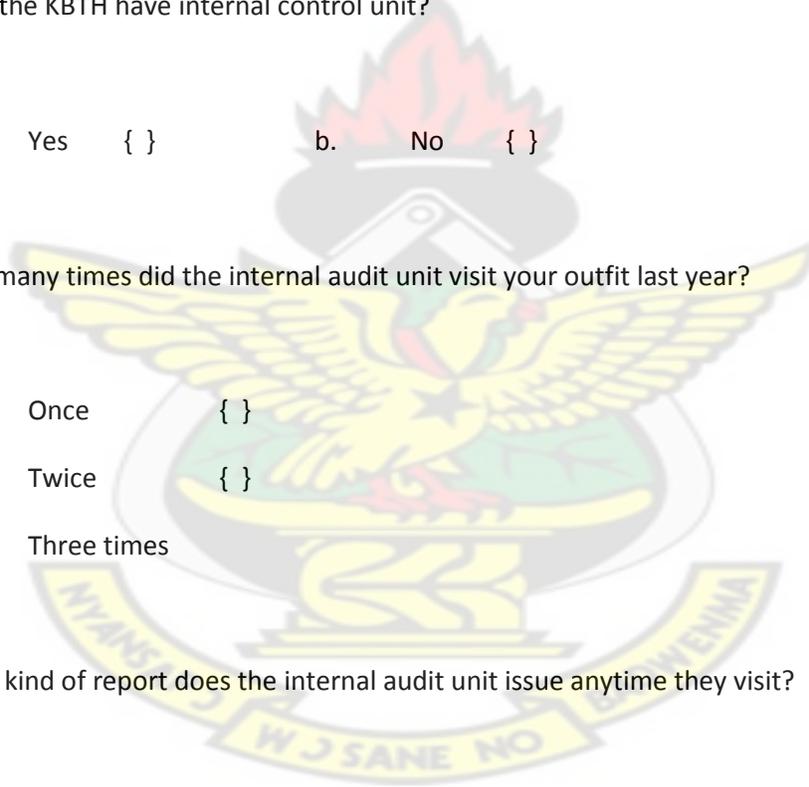
c. Three times

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

a. Compliance { }

b. Detective { }

c. Preventive { }



38. To whom does the internal Auditor report?

- a. Audit report implementation committee { }
- b. Management { }
- c. C.E.O { }

SECTION D: Measures Put In Place to Enhance Effectiveness of Controls

39. What measures have management established for internal control?

- a. Rotation of duties
- b. Management oversight
- c. Internal control reviews

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

- a. Management team
- b. C.E.O
- c. Administrator
- d. Accountant

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

- a. Internal audit unit
- b. External Auditor

c. Accountant

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