

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY  
INSTITUTE OF DISTANCE LEARNING**

**KNUST**

**AN ASSESSMENT OF FINANCIAL MANAGEMENT PRACTICES  
OF GA SOUTH MUNICIPAL HEALTH DIRECTORATE.**

By

**PRINCE DEBRA-HAMMOND (BBA)**

A THESIS SUBMITTED TO THE INSTITUTE OF DISTANCE LEARNING,  
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN  
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF

**MSC. ACCOUNTING AND FINANCE**

NOVEMBER, 2020



## DEDICATION

I dedicate this masterpiece to many people, to whom I am forever indebted to their great contribution and all who contributed one way or another to the financing of my education and helping make this dissertation complete and successful.

To Hon. Anthony Effah and Mr. Johnson Asante Boampong for their valuable support and devotion to my studies and my family, parents, friends to all my study group members especially, Philip Sackey Acheampong, Gloria Agyeiwa, Clifford Thomas Amoah, Dennis Appiah, Gloria Ahenkorah, Frank Asante, Millicent Nayram Adzraku, Amos Stephen Kwafo Akoto, etc. and Ms. Anita Boaful for their support and sacrifice.



## ACKNOWLEDGEMENT

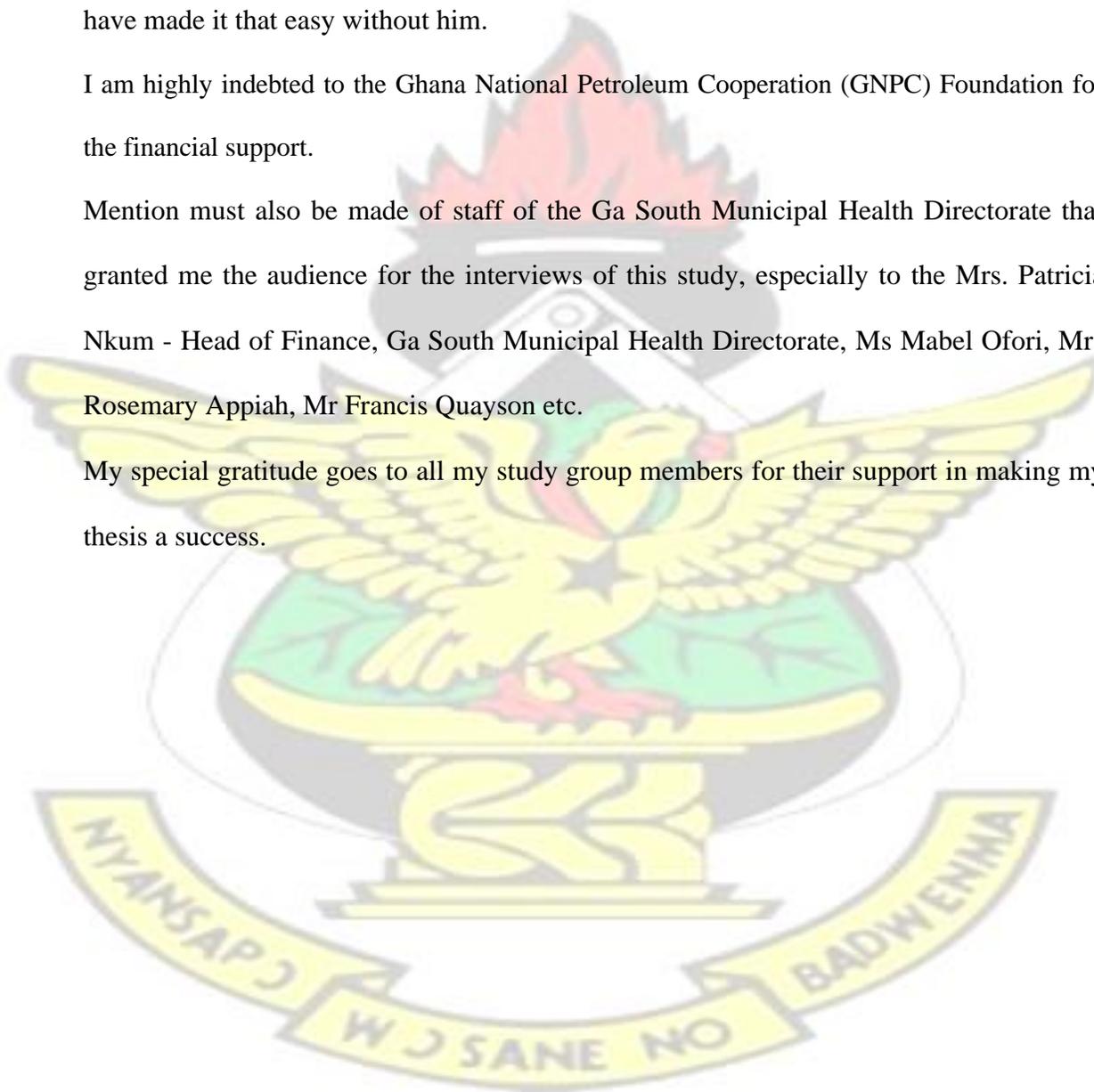
I am very grateful to the Almighty God for seeing me through another educational milestone and giving me his uncommon favour to write this work to perfection.

I also appreciate and acknowledge my humble but hardworking supervisor, Mr Kwasi Poku for his tireless effort and selfless supervision of this wonderful write-up, I could not have made it that easy without him.

I am highly indebted to the Ghana National Petroleum Cooperation (GNPC) Foundation for the financial support.

Mention must also be made of staff of the Ga South Municipal Health Directorate that granted me the audience for the interviews of this study, especially to the Mrs. Patricia Nkum - Head of Finance, Ga South Municipal Health Directorate, Ms Mabel Ofori, Mrs Rosemary Appiah, Mr Francis Quayson etc.

My special gratitude goes to all my study group members for their support in making my thesis a success.



## **ABSTRACT**

The management of financial resources is regarded as a very important facet in the improvement of the healthcare systems of developing countries. The general objective of this study is to examine the public financial management practices of public health institutions in Ghana. The population for the study is all the public health facilities within the Ga South Municipal Health Directorate. The sampling technique chosen for this study is the quota sampling method and purposive sampling method. This study used primary data for this study. In gathering the primary data from respondents, interviews were the main instruments used. The study found out that their major sources of inflows are from the cash they received from patients who come to the hospitals. Thus main sources of revenue for the health facilities in the Ga South Municipal Health Directorate are the inflows they received from the national health insurance scheme and inflows from the cash and carry system. The study again found out the budget is one of the significant activities in the financial planning activities of the hospitals and that the budgeting process starts with the submission of budget plans from the various units and departments of the hospitals. Again the study found out that the hospital derives its internal control system from the Financial Administration Regulations, 2004. The study recommended Ghana Health Service and Ministry of Health should endeavour to organize training seminars to educate employees in the health institutions about the content of these legal regulations to enhance the financial management practices of public hospitals in the country

## TABLE OF CONTENTS

### Contents

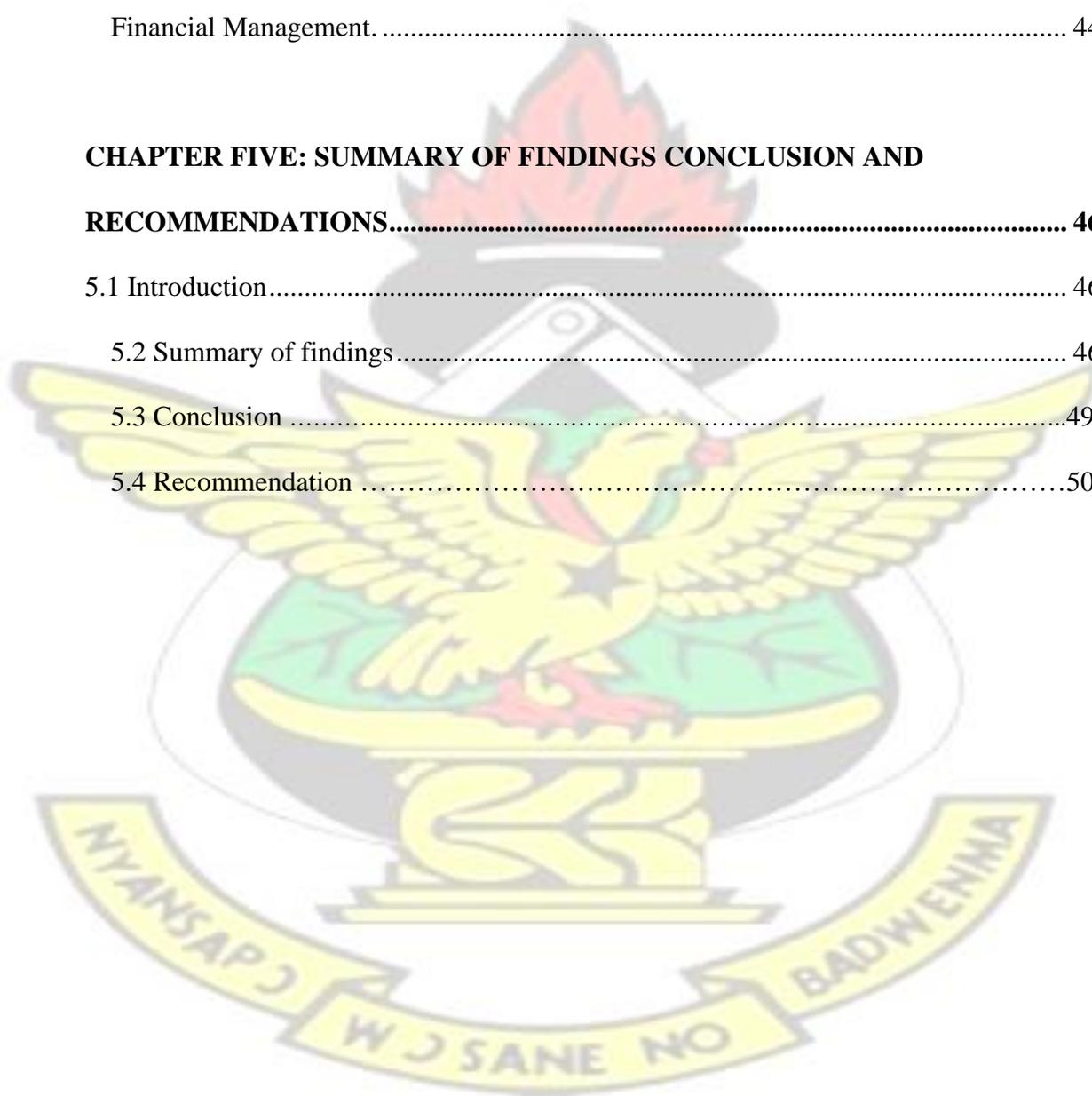
Declaration.....	ii
Dedication .....	iii
Acknowledgements .....	iv
Abstract .....	v
Table of content .....	vi
List of tables .....	ix
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.2 Statement of the Problem .....	4
1.3 Objectives of the Study .....	6
1.4 Research Questions .....	6
1.5 Scope and Delimitation of the Study.....	7
1.6 Significance of the Study .....	7
1.7 Organization of the Study.....	8
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>9</b>
2.0 Introduction .....	9
2.1 Conceptual Review .....	9
2.1.1 Financial management.....	9
2.1.2 Financial Planning .....	11

2.1.3 Internal Control.....	13
2.1.4 Procurement Practices .....	14
2.1.4 Revenue Mobilization Practices .....	15
2.2 THEORETICAL REVIEW.....	16
2.2.1 Agency Theory .....	16
2.3 EMPIRICAL LITERATURE.....	18
2.4.1 Empirical Studies on Financial Planning and Budgeting Practices.....	18
2.4.2 Empirical Studies on Internal Controls Practices .....	20
2.4.3 Empirical Studies on Public Finance Procurement Practices.....	21
2.4.4 Empirical Studies on Revenue mobilization .....	23
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>26</b>
3.0 Introduction .....	26
3.1 Research Design.....	26
3.2 Population.....	27
3.3 Sampling.....	27
3.4 Data Collection.....	28
3.5 Data Analysis.....	29
<b>CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS .....</b>	<b>30</b>
4.0 Introduction .....	30
4.1 Socio-Demographic Characteristics Of Respondents .....	30

4.2 Financial Planning And Budgeting Practices.....	31
4.3 The Internal Control Practices Of Ga South Municipal Health Directorate. ....	36
4.4 The Procurement And Revenue Mobilization Practices Of Ga South Municipal Health Directorate .....	39
4.5 The Challenges Faced By Ga South Municipal Health Directorate In Public Financial Management. ....	44

**CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS..... 46**

5.1 Introduction.....	46
5.2 Summary of findings.....	46
5.3 Conclusion .....	49
5.4 Recommendation .....	50



**LIST OF TABLES**

Table 4.1: Demographic characteristics of respondents

31

KNUST



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

The goal of governments and their agencies all over the world is to provide a good standard of living to its citizenry. One of the basic facets of government goals to ensure and promote good health among the citizenry. This is because the quality of human life is determined by the health of the people as well as the peace, security, and comfort with which the people live their lives. To ensure the government functions to achieve a quality life for the citizenry, institutions and agencies are enacted by the government that is responsible for the provision of various public services which are basic for human existence and to improve the quality of life. These public sector institutions and agencies are run with public funds.

The World Health Organisation (WHO) stipulates that a healthcare system is the organization of entities, individuals as well as resources that affords access to good healthcare services to a target population (WHO 2010 and Knieps (2012)). The goal of a healthcare system is to ensure good health for the citizens that meet the valid expectations of the citizenry and that the healthcare system must have a sound and sustainable funding arrangement. The level to which a healthcare system can achieve the above goal dwells basically on how well the system can perform the following four key functions: provision of healthcare services, resource generation, financing, and administration (Chan, 2009). Thus, public healthcare institutions are expected to use the resources given to them most efficiently and effectively. Institutions that have a record of efficiently using resources

are known to provide good services to the citizenry at a low cost. Ghana's healthcare system has gone through a lot of changes since its independence from Britain in 1957. The majority of these remarkable changes has to do with the method of financing the public health sector (Tettey, 2003).

The management of financial resources is regarded as a very important facet in the improvement of the healthcare systems of developing countries. Thus many nations have shown commitment to strengthen their public sector financial management systems in various initiatives and declarations (Appiah, Amos, Bashiru, & Tuffour, 2017). This underscores the point that the effective and efficient management of public financial resources does not only lead to strengthening healthcare activities in developing countries but also provides an enabling environment for developing partners to provide the needed help and assistance.

The Chartered Institute of Public Finance and Accountancy (CIPFA, 2010) defines public finance management as a mechanism through which the financial resources of a state is budgeted, used and monitored to ensure the attainment of public service objectives. The efficient and effective usage of public funds by public sector organizations is likely to enhance greater confidence in public sector organizations by the public (International Federation of Accountants (IFAC, 2012). Financial practices are standardized procedures developed by countries, professional bodies and entities to carry out accounting and financial activities (Wolmorans, 2015). In Ghana, the management of public funds by state institutions and agencies are governed by the Public Financial Management Act,

2016. The Act defines clearly the duties and responsibilities public servants entrusted with the financial resources of the country and they are to ensure that funds are utilized based on the Public Financial Management Act. Lawson (2015) defines public finance management practices as a set of laws and regulations, systems and practices used by governments to mobilize income, allocate public funds and make a public expenditure.

CIPFA (2009) also defines Public Financial Management Practices (PFMP) as a system through which the financial aspects of public service enterprises are targeted, controlled and influenced to support the achievement of the sector's objectives. Thus these are activities carried out by public servants entrusted with state resources in the management of these resources to ensure the objectives of those resources are achieved most efficiently. Each facet of financial practices serves to support the entity's principles and mission in determining responsibility and providing necessary instructions to perform tasks (Kamande, 2015).

McKinney (2015) points out that healthcare financial management practices should have processes, procedures, methods enacted by law or regulations concerning the utilization of public funds through a budget process that includes formulation, implementation, reporting and analysis, financial responsibility and financial control. Also, it must include revenue and expenditure management in healthcare institutions. The practice of sound financial management principles can enhance healthcare delivery, save lives, and improve the well-being of the citizenry and as results can contribute their quota to the development of the country (McKinney, 2015). Weaknesses in public finance

management (PFM) systems have long been seen as an obstacle to good governance, accountability and the effectiveness of government actions in Africa. In the healthcare sector, such weaknesses are life-threatening because human life is the key variable in a healthcare system. Lack of resources, poorly designed budget, inadequate implementation of the budget, corruption can hamper the healthcare delivery to the citizens. The sustainability of healthcare institutions in Ghana whether public or private depends largely on the efficient and effective financial practices carried out within the healthcare industry. The implementation of the principles of good financial management gives the health centre a competitive advantage because it improves its profitability and survival in a dynamic environment (Golda, 2013). Therefore, the study aims to assess the financial management practices of public health institutions in Ghana.

## **1.2 STATEMENT OF THE PROBLEM**

The goal of public sector financial management in developing countries is the avoidance of financial waste and leakages especially the loss of public money as a result of various forms of corruption. Even though Ghana has a strong legal and institutional framework for Public Financial Management (PFM) in the last ten years, there are still countless challenges with the compliance of the financial management regulations by public sector institutions. Such were the cases reported in the Auditor's Report issued in 2018 on Ministries, Metropolitan, District Assemblies (MMDA). In the Auditor-Generals report on District Assemblies in Ghanaian 2018, it was found that monetary irregularities amounted to GH¢ 26,397,410.07. These irregularities consist of misappropriated funds, uncounted and uncollected revenues, uncollected funds with officials and unconfirmed

payments. Irregularities in acquisitions were also reported as significant infringements during this period. In the report, the total revenue of GH¢107,025 collected was unaccounted for by four public healthcare centres namely: Metro Health Directorate, Tema, National Health Authority, Dzodze, Pantang Psychiatric, National Blood Service (NBS) and Oblogo Health Centre. An indicator of improper financial management practices forced the chairman of the Public Accounts Committee (PAC) to order the arrest of financial officials of the Sefwi Akontombra District Assembly in the Western North region during the interrogation at the Public Accounts Committee in 2020. The officers were arrested for their failure to comply with financial management practices. The lack of adequate accounting systems and weak controls constantly facilitate the misuse of allocated public funds, slowing down the provision of services and the overall efficiency of county governments (CoB, 2017). Few studies have been on the area of financial management practices in the public health sector of Ghana but they failed to address the issue of financial management practices in the public health sector. The study by Annan (2013) only focus on logistic management within the Ghana Health Service thus failing to address the broader financial management practices in the health sector. The study by Atuilik et al (2019) only focuses on the budgets and budgetary control process in Ghana's health sector. Even though Attah-Botchwey, (2018) did a study on financial management practices in the public sector, the focus was on metropolitan assemblies in Ghana. Like Attah-Botchwey, (2018), Kwarteng (2017) also did a study to assess the influence of public financial management and service delivery at the local government level using the Ejura Sekyedumase Municipal Assembly in the Ashanti Region. There is there a gap in reference to financial management practices in

the public health sector. This study, therefore, seeks to assess the financial management practices in public health institutions in Ghana.

### **1.3 OBJECTIVES OF THE STUDY**

The general objective of this study is to examine the public financial management practices of public health institutions in Ghana. The specific objectives of this study were:

1. To examine the financial planning and budgeting practices of Ga South Municipal Health Directorate.
2. To assess the internal control practices of Ga South Municipal Health Directorate.
3. To examine the procurement and revenue mobilization practices of Ga South Municipal Health Directorate.
4. To examine the challenges faced by the Ga South Municipal Health Directorate in public financial management.

### **1.4 RESEARCH QUESTIONS**

1. What are the financial planning and budgeting practices of the Ga South Municipal Health Directorate?
2. What are the internal control practices of the Ga South Municipal Health Directorate?
3. What are the procurement and revenue mobilization practices of the Ga South Municipal Health Directorate?
4. What are the challenges faced by the Ga South Municipal Health Directorate in public financial management?

## **1.5 SCOPE AND DELIMITATION OF THE STUDY**

The study focuses on financial management practices with public health organizations in Ghana with a focus on Ga South Municipal Health Directorate. About financial management practices, the study will focus on financial planning and budgeting, internal control system, procurement practices and revenue mobilization practices.

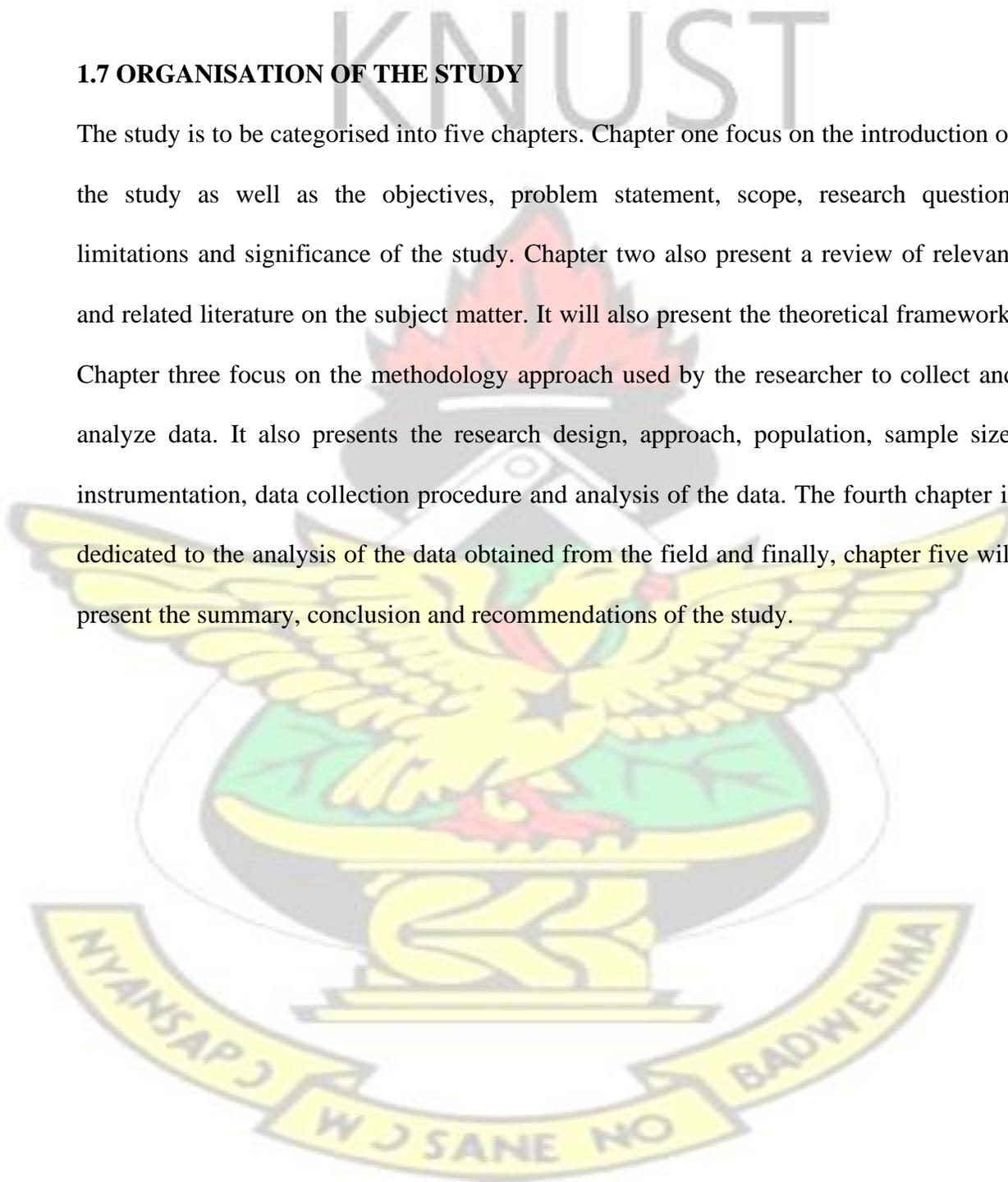
## **1.6 SIGNIFICANCE OF THE STUDY**

The findings of this research are of crucial importance to various all public sector organization Professional bodies such as The Institute of Chartered Accountants-Ghana and Academic Institutions. This study would be of immense importance to the government and its agencies to implement and comply with sound financial management practices. The study will benefit the government and agencies of government such as The Auditor General Department as it will help them to understand the true state of financial management practices of public sector organizations. The findings can bolster the efforts of public sector organizations in carrying out functions that guarantee effective monitoring and an efficient financial management system for the public sector that is to ensure that the resources of the state are used judiciously for the benefit of all citizens Also, the findings will help the heads of public sector organizations to have the accountability over the management and the usage of resources of the state. The research is also a good document for people in academia who have an interest in public financial management. The study discusses the financial management practices and challenges in public sector organization regarding the Ghanaian context that will help to inform

teaching and research at universities and other research institutions in Ghana and around the world.

## **1.7 ORGANISATION OF THE STUDY**

The study is to be categorised into five chapters. Chapter one focus on the introduction of the study as well as the objectives, problem statement, scope, research question, limitations and significance of the study. Chapter two also present a review of relevant and related literature on the subject matter. It will also present the theoretical framework. Chapter three focus on the methodology approach used by the researcher to collect and analyze data. It also presents the research design, approach, population, sample size, instrumentation, data collection procedure and analysis of the data. The fourth chapter is dedicated to the analysis of the data obtained from the field and finally, chapter five will present the summary, conclusion and recommendations of the study.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter focuses on conceptual review, theoretical review and empirical review

#### **2.1 CONCEPTUAL REVIEW**

##### **2.1.1 Financial management**

Financial management is defined as the procedures for the efficiency and effectiveness in the use of funds and it serves as a tool for ascertaining the performance and financial position of an entity (Ojo, 2009). Thus the funds of public healthcare institutions are managed by key healthcare public servants. Public financial management is conceptualized as an attempt and the process to use public funds in the most productive way to achieve a set objective. In the view of Arnaboldi, Lapsley and Steccolini (2015), financial management consists of the day to day management of financial operations, receiving cash, payment of expenses, purchasing items etc.

Additionally, the Chartered Institute of Public Finance and Accountancy (CIPFA, 2010) defines financial management as a system via which financial funds collected and utilized to assist entities to provide social services to the public. Thus the concept of public financial management deals with the pressure to balance limited resources in the face of growing demand and expectations and to spend public funds judiciously. Alternatively, Simson et al (2011) identify public finance management as income mobilization, allocating of funds for a variety of activities; making expense and giving accounts of

funds spent. Thus public financial management is in connection with the judicious utilization of public funds. Also, they confirm that it is about government revenue and expenses its impact on resource allocation and income distribution.

It is clear that sound financial management practice is the foundation of high-quality healthcare. The hospital's financial administration is in the hands of the administrator, accountants, financial officials, internal auditors and other financial managers. The decisions of financial managers regarding the funds received affect the proper functioning of the hospital. For example, public healthcare providers may decide to buy medical equipment to assist in healthcare delivery. The decision to buy, where to buy, how to buy, when to buy are all part of financial management systems (Gitman, Juchau and Flanagan, 2015). As far as public healthcare institutions are concern, these decisions are governed by law and regulation and further levels of check and balances by appropriate government agencies. The application of these principles of sound financial management can improve health care provision, save lives and improve the general well-being of those who visit a health centre (McKinney, 2015).

In addition, proper compliance with best financial management practices and the establishment of regular health care policies can drastically reduce the inefficiency of health services and reduce the huge debt and costs borne by the government each year thus protecting the public wallet. Effective management of public expenditure and good management of public finances is important for the efficient and equitable use of limited national resources.

### **2.1.2 Financial Planning**

According to Durevall and Erlandsson (2004), Public Financial Management (PFM) deals with the proper utilization of public funds in compliance with legal regulation, where expenditure budgeting plays a key role. Effective public finance management means that policymakers can consider available resources and the diverse demands to be satisfied. Therefore, decision-making processes for the utilization of financial resources are conditions for the proper functioning of the budget process.

Budgeting is one of the principal facets of public financial management. The budget can be defined as the planned annual income to be collected, including subsidies and all other sources of planned revenues and expenses from such revenues, following its objectives, needs and priorities (Byrugaba, Karyei and Twinomuhwezi, 2014). Siswana (2007) argue that budgeting done in the right way ensures that all activities are performed within the framework of the budget. Thus nothing outside the budget happens. Again Russell and Bvuma (2009) also stated that there is a crucial need to ensure that activities within the budget have the capacity to positive transformation to the general public and not just a few of the citizenry. In the view of Mutune (2014), there can be no public sector organization without adequate funds to deliver social services to the populace. Financial planning is the process of developing goals, policies, procedures, programs and budgets for interesting financial activities. This helps reduce uncertainty or risk that may hinder your business's development. This helps to ensure stability and profitability in the company. Basically, a financial plan can be a budget, a plan to spend and save future revenues for both the public and private sectors.

The effectiveness of the budgeting process is very vital to public finance management to ensure adequate forecasting and judicious utilisation of public funds. The effectiveness of the use of financial resources refers to the organization's capacity to increase the ultimate utilization of funds to realize the medium and long term objectives (McKinney, 2015).

Shah (2007) states that budgets are important financial management tools used to monitor the financial activities of many institutions. They are not only used by the government and its agencies but it is a vital tool in the private sector for companies and other corporate institutions as well as non-profit organisations. A budget is a vital tool in the formulation and planning and monitoring of its implementation. It specifies the different programs to be implemented within a period vis-a-vis the availability of funds.

The budget is an important element of every organization. In the healthcare sector, departmental budgets are usually managed by healthcare professionals and managers who do not have sufficient or no financial training. Unfortunately, many healthcare managers who hold managerial positions at a basic level lack formal or informal training in financial management (Rajna et al., 2011).

The operating budget and healthcare managers need to understand how employment decisions can affect the budget. Although staff costs are generally "fixed" and relatively static, managers need to understand the impact of overtime wages, surplus staff, and agencies employing replacements on their overall operating budget. After wages and benefits, the second largest cost of many units is related to procurement. Understanding how to calculate the unit cost and analyze budget lines can have a significant positive impact on the department's goal of staying within the operating budget. It seems that the

increasingly more expensive healthcare sector (Dranove and Satterthwaite, 2000) is necessarily "connected for control" and budget systems serve as its "traffic light" (Hope and Fraser, 2001a)

### **2.1.3 Internal Control**

The internal control system refers to planned procedures that are aimed at ensuring all transactions and processes of the organization to achieve the set goals. Internal controls ensure that the organization operates following the requirements for administrative and financial information (Lerno, 2016). Any organization that strives to achieve its goals fully must therefore critically examine existing internal control systems. Internal controls are important criteria when determining the financial and non-financial results of an organization. The system of internal control is procedures and actions instituted by an organization to ensure the achievement of the organizations' corporate goals and objectives (Brennan and Solomon, 2008). Thus it refers to the policies that safeguard the assets of the entity, ensures reliability in reporting, ensures full compliance with the legal framework and streamlines the operations of the entity.

Internal control does not only relate to financial reporting, but it concerns all the other facets of the entity such as procurement, communication, marketing, human resource development etc (Onyango, 2014). International Accounting Standards (IAS) classify types of internal control as an organization plan, segregation of duties, document control, asset protection, personnel competences, arithmetic and accounting controls, keeping a register and records, supervision, approval and appointment.

#### **2.1.4 Procurement Practices**

Public procurement is the system through which goods and services are acquired by public sector entities. It covers all the acquisitions by the public sector entity whether it is routine supplies or services or large infrastructural projects. Public procurement in Ghana is governed by the Public Procurement Act, 2003 (Act 663). The Public Procurement Law, 2003 (Act 663) is a complete set of provisions regulating all the processes and procedures in public procurement activities in the public sector in Ghana. The annual Auditor General's Report often reports huge malpractices with procurement-related activities in the public sector because much of government activities are in the procurement sector. The World Bank (2003a) reports procurement-related activities is the second major item country's national budget. A former Minister of Finance in Ghana is reported to have said that expenditure on public procurement in Ghana makes up about 80% of the total revenue of the state (Ghanaian Times; August 2011).

Thus there is the need to streamline the procurement practices in the public sector to ensure there is value for money in all government expenditure. The Act provides procedures for efficient public procurement. The procurement process entails decisions concerning what to buy, from whom, when to buy and how to buy. The answers to these questions sum up the procurement process and the procurement policies. The policies are rules covering all the procurement procedures in an entity. Thus the effectiveness of a procurement system depends on how well procurement policy is designed and implemented.

#### **2.1.4 Revenue Mobilization Practices**

According to Adu-Gyamfi (2014) revenue mobilization in the context of the public sector organizations is the act of marshalling, bringing together, and putting together financial resources of individuals and entities in an economic setting. Scott (2016) also argue that revenue mobilization is one of the vital facets of public financial management, and indicates that without the ability and capability of a public sector organization to mobilize adequate revenue to fund its capital and revenue expenditures, the operations of the public will come to a standstill. Without revenue mobilization, there cannot be any budget and financial planning because financial planning and budgeting depend on the availability of revenue or funds. Olowu& Wunsch, (2003) stated that an effective and efficient system for mobilizing funds for the operation and activities of the public sector organization is vital to their success. Akpa (2008) also stipulates that revenue the lifeblood for the smooth functioning and survival of public sector organizations. Bhatia (2009) on the other hand, posits that the revenue collected by government agencies comes from the taxes levied on individuals and entities and thus the onus lies on the government to ensure that the revenue mobilised is used most effectively and efficiently to benefit the citizens

With respect to what Akpa (2008) stated, Thies (2010) and Salami (2011) stipulated that levying taxes on individuals and entities is the foundation of public sector revenue mobilization which is used to finance government revenue and capital expenditures while Portillo and Block (2012) also stated that taxes are compulsory on the part of citizens to pay so that government can use these taxes to provide social goods and services.

## **2.2 THEORETICAL REVIEW**

### **2.2.1 Agency Theory**

The agency theory is used for this study. The person to propound the theory of agency were Stephen Ross and Barry Mitnick, independently and almost concurrently. Ross came up with the economic theory of agency while Mitnick also established the institutional theory of agency (Mitnick, 2013). Agency theory is widely used in studies where an individual and entity manages another person's or entity's resources, thus an agency relationship comes alive. In the view of Mitnick (2013) agency theory is the relationship that exists between a principal and an agent. About this study, the government being the provider of the financial resources is the principal and the government agencies are the agents.

The person or entity with the principal powers delegates the administration of the business to managers and directors who are considered agents of the principal. The agency theory is necessary due to the separation of the owners of the business from the people who manage the business. The separation can bring about problems and conflict of interest due to the differences between the priorities of the principal and agents. The agent may use the entity's funds in their interests at the detriment of the purpose for which such resources were entrusted (Mongiardino & Plath, 2010). In this study, the agency theory enables us to explain the presence of internal audit in government agencies and departments where the government is the principal and the public sector organizations are the agents. The Internal Audit Agency Act (Act 658) requires mandates all government institutions to have an internal audit unit in their facilities to ensure total

compliance with sound financial management practices in government institutions. However, Paul and Leruth (2006) and Inkoom (2011) have noted that in the budgeting process, public officers tend to allocate resources to activities that they have an interest in and will benefit them directly and indirectly or it will benefit their proxies or cronies. This means that government and foreign donors should ensure that resources are allocated to the public good of the citizenry and not just a few people.

Applying these theoretical assumptions to the Government Hospital, the principal is the government of Ghana and the agent are the managers or better yet financial managers of the Government Hospital. Hence the allocation of financial resources by the central government and other internally generated funds and grants to spearhead the delivery of health care within the catchment area of the hospital may be directed to financing another thing that managers deem right.

The agent may misapply these funds which could defeat the main goals or use of such resources. This problem usually arises when a clear cut budgetary system is not followed by competent internal control mechanisms. When these financial management practices are not regularized and duly followed, managers would also divert the resources of stakeholder into seemingly unnecessary ventures of the hospital. These poor financial management practices could dry out funds and may negatively affect the quality of health care. However, proper financial management practice would improve the quality of health care as it breeds goal congruence between agents (Managers of the hospital) and the principal (Government or Ghanaians).

## **2.3 EMPIRICAL LITERATURE**

The variables that are used in the study are reviewed in the following subsections.

### **2.4.1 Empirical Studies on Financial Planning and Budgeting Practices**

Mwaura (2013) investigated the influence of financial planning on the financial performance of entities in Kenya. The study found that financial planning influences the financial performance of entities which is measured by return on capital employed (ROCE). The research also revealed that there is a significant positive relationship between financial planning and the financial performance of a firm. Thus financial planning plays a vital role in the financial success of organisations

In a similar vein, Ngaruro (2013) ascertain the connection between financial planning and the financial performance of government institutions. The study adopted a descriptive survey approach in the research design. The study discovered that there is a significant relationship between the proper allocation of the entity's financial resources and financial performance.

In Ghana, Pimpong and Laryea (2016) examined the influence of financial planning on the financial performance of financial institutions. The study used the quantitative approach and questionnaires were used to collect primary data. The study also used regression analysis was to assess the relationship between financial planning and firm performance. It came to light through the study that the budgeting system has a much greater influence on the performance of organisations.

Mutune (2014) also analyzed the relationship between budgeting and the financial performance of manufacturing companies. The research used a semi-structured questionnaire to obtain the primary data. The audited financial statements form the other component of secondary data. The study covered five years. The study used regression analysis to determine the extent to which financial planning practices affect the financial performance of cement manufacturing firms. The findings of the study overwhelmingly support the hypothesis that financial planning practices play a big role in implementing most organizational policies. The failure of a firm to implement financial planning activities and business planning activities seemed to inhibit many of the cement manufacturing firms from making expected profits. Results also revealed that financial planning activities, business planning activities and frequency of financial planning techniques are the key factors that influence how well the company will perform in the industry. Factors like risk management practices, employee turnover, tax planning, contingency plans, monitoring the lead time, preserving excess stocks, monitoring stock levels, avoiding stockout costs, setting profits to target periodically and minimizing holding costs came out to significantly influence the financial performance of a firm (Mutune, 2014).

Kimani (2014) ascertain the influence of budgetary control in non-profit organizations on the financial performance of non-profit-making organisations. The study used correlation and regression analysis to the examined relationship existing between budgetary controls and the performance of non-profit making organisations. The study found a weak positive influence of budgetary control on the performance of non-profit organizations.

#### **2.4.2 Empirical Studies on Internal Controls Practices**

Asante (2011) evaluated the effectiveness of internal financial controls in Government hospitals in Ghana. The study focus on government hospitals in the Brong- Ahafo Region. In all three hospitals and 25 members of staff were involved in the study. It was discovered from the study that internal controls are implemented in the operation of the hospitals and the financial controls and the financial controls comply with the legal and statutory framework of Ghana. It also came out that the level of compliance concerning the legal and statutory framework was very high.

Also, Armah (2012) also conducted a similar study where the author evaluated the internal financial control system at Korle Bu Teaching Hospital. The objective of the study was to assess the effectiveness and efficiency of the financial controls of the hospital. It came to light that the internal controls in the hospital were weak as some facets of the internal control model were lacking. The author concluded that the challenges render the current control structures ineffective.

Onyango (2014) examined the impact of internal controls on the performance of government departments in Kenya. In all 47 governments, institutions were involved in the study. The study discovered that government institutions failed in the implementation of recommendations by the Auditor General to improve the management of financial funds. Again, it was found out that employees in the government institutions were not in compliance with some internal control activities. That is the separation of duties was not

being practised in the government institutions and that the employees' work was not checked by others.

Similarly, Mugo (2013) assessed the influence of internal control systems on the financial performance of educational institutions. The study discovered a strong influence of the internal control system on the financial performance of educational institutions. Thus a strong internal controls systems are likely to lead to good financial performance or organizations.

Wakiriba, Ngahu and Wagoki (2014) examined the impact of internal controls on financial management in government institutions in Kenya. The study used a descriptive research design. The study discovered that there are effective and efficient internal controls in government institutions in Kenya. According to the study there exist a crystal clear separation of duties by staff, there is strict supervision and commitment on the part of management in the various government institutions. However, the study found out that there there are weaknesses as far as the implementation of financial controls concerned. This is because internal audit does not exist in all government institutions.

#### **2.4.3 Empirical Studies on Public Finance Procurement Practices**

Machoka (2017) investigated the influence of public procurement practices on the performance of government institutions in Kenya. The study used a descriptive research design. The study used exploratory, descriptive and quantitative designs and a stratified random sampling procedure to select a sample of 96 respondents. Questionnaires were

used for collecting data, which was processed and analyzed by the use of SPSS. The data analyzed included descriptive and inferential statistics. Data was presented by using tables and figures. The findings of the study concluded that most of the CDF projects management had a capacity building programme, good supplier relationships, good procurement ethics, but didn't have a well-established information communication technology system. The study recommended that stakeholders and policy-makers should employ better capacity-building strategies. The CDF project management committees should emphasis on supplier relationships to ensure the continuous performance of the CDF projects.

From another perspective, Annan, (2013) investigated the logistic management within the Ghana Health Service. The study used a case study approach to examine the logistical management practices of government hospitals. The study concluded that there is poor procurement planning and financial planning in Ghana's health system. It could be deduced from Annan's study that, though it focused on logistics management, issues of financial management popped up. These were poor procurement planning and budgeting, delay in the procurement processes and lack of financial resources. These findings though are akin to logistics, stems from financial management practices.

Hassan (2012) established procurement practices among government institutions in Kenya. The study concluded that there are many procurement practices prevalent in government institutions and it includes the proper segregation of duties in the

procurement department, maintenance of documents relating to the procurement process etc

Kahiri, Arasa, Ngugi and Njeru (2014) examined the impact of procurement policies in implementing procurement practices in educational institutions. The study adopted a descriptive approach. The study concluded that the elements of procurement policies that impact the smooth implementation of procurement practices in educational institutions are: non-compliance with procurement regulations, poor application of policies relating to procurement, non-involvement and commitment from top management, poor procedures relating to procurement, and lack of effective policymaking process.

#### **2.4.4 Empirical Studies on Revenue mobilization**

Adu-Gyamfi (2014) ascertains the effectiveness in revenue mobilisation by districts assemblies in Ghana. The study adopted a mix structure of both qualitative and quantitative research methods. The study identified the following as the main sources of revenue for districts assemblies in Ghana: property rates, licenses, market tolls and lorry park fees. Again the study discovered that insufficient data on sources of revenue, non-enforcement revenue mobilization by-laws, and insufficient revenue collectors are the main problems hampering the activities of district assemblies in Ghana (Adu-Gyamfi, 2014).

Mutua and Wamalwa (2017) identified the threats and opportunities that affect the mobilization revenue for Nairobi City County. The study used secondary data from

budget documents and revenue legislations. The study observed that mobilization of revenue at the local levels of government is vital for the central government to cater for both revenue and capital expenditures. This study revealed that even there has been an increment in the collected revenue between 2013/14 and 2015/16, the target could not be reached. The researchers observed that Nairobi County do not have the right foundation and policy structure covering its revenue mobilization process which in effect is affecting its revenue mobilization fortunes. Low compliance level was a result of inadequate educational campaigns for the citizenry and other participatory initiatives by the county government. The study pointed out that the local government do not have the needed staff capacity in terms of the numbers and competency for collecting the revenue and for administrative purposes and also faced the weak enforcement mechanism and fragmented revenue system. Again the research showed that Nairobi County do not have a current and comprehensive database of taxpayers which makes it difficult to monitor and forecast tax revenue.

Torome (2013) examined the influence of revenue mobilization on the performance of local authorities in Kenya. The study used a descriptive research design and targeted 175 local authorities. The sample size of the study was 35 local authorities selected using purposive sampling. The study used secondary data on revenue collection and service delivery of the local authorities. The study established discovered that there has been an upward boost in revenue by the local authorities. Hence the increase in revenue mobilization leads to much improvement in the performance of local authorities. It also came to light that the local authorities with low and decreasing revenues often perform

poorly. The researcher noted that local authorities' budgeting greatly influenced their revenue mobilization.

Kinoti and Kagiri (2016) examined factors affecting revenue mobilization in county governments. The study employed a descriptive case study research design. The targeted population for this study was 150 staff working in tax and administration units. The results of the study established that central government directives have significantly contributed negatively to revenue mobilization. The results also show that county revenue administration significantly contributed positively to revenue mobilization. This study recommends that the central government should review its directives regarding county government revenue mobilization. The county government should uphold the county revenue administration procedures in place as it has improved revenue mobilization. The central government and county government should sensitize the public on the need and importance of revenue mobilization. The central government and county government through the relevant authorities should fight corruption as it negatively impacts revenue mobilization.

Fosu (2012) evaluated the efficacy of the strategies used by local government authorities to mobilize revenue in Ghana. The study focuses on local government authorities in Kumasi. The study discovered that local government authorities in Kumasi have failed to come out with new strategies with sustainable nature to boost the mobilization of revenue.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter shows a detailed process adopted to fully achieve the objectives of the study. The chapter focuses on the research design adopted for the study, the targeted population for the study, the sampling technique to choose from the population and how the data is analysed.

#### **3.1 RESEARCH DESIGN**

There are two kinds of strategies with regards to research. The two strategies are qualitative or quantitative (Krishnaswami & Satyaprasad, 2010). The use of a qualitative method means that the study is devoid of statistical analysis and statistical results (Shiu, Hair, Bush & Ortinau, 2009). However, with respect to the quantitative method, the study uses analysis and statistical results as the backbone of the study to achieve the objectives of the study (Shiu et al, 2009). Concerning this study, the researcher adopted a qualitative approach. The study adopted a qualitative research approach to enable the study to better understand and interpret social interactions, study the whole phenomenon and not just variables, and related words, images, and objects to statistical data. The use of qualitative data also enables the study to gain an understanding of underlying reasons, opinions, and motivations. It gives a deeper insight into the problem and enables generate ideas and develop hypotheses for further quantitative study (Robson 2011).

According to Eriksson and Wiedersheim-Paul (2001), the purpose of a study is usually explanatory, descriptive or exploratory. Saunders, Lewis & Thornhill (2003) also identify an exploratory study as a study that attempts to find out and discover new insight on the issue of the research. According to Ghauri & Gronhaug (2005), exploratory research is adopted in situations where the problem is shapeless or when the problem is not well understood. In explanatory research, the purpose is to explain relationships between variables; hence, it is also named casual research (Saunders et al., 2009). In this study, the researcher chose descriptive research to describe financial management practices in public sector organisations in Ghana because according to Burns and Grove (1997) descriptive study design attempts to get more details to one or more features within a particular field of study. A study of a descriptive nature seeks to provide a snapshot of varied features of a trend or event (Saunders et al, 2003).

### **3.2 POPULATION**

According to Parahoo (2006) population is the total number of units from which data can potentially be collected. The population for the study is all the public health facilities within the Ga South Health Directorate. The public health facilities with Ga South Health Directorate are Amanfro Polyclinic, Boartianor Polyclinic, Kokorobite Health Centre, Obom Health Centre and Aplaku Fitness Medical Centre.

### **3.3 SAMPLING**

The adoption and implementation of an appropriate sampling technique are crucial for the success of the study (Shiu et al. (2009). This is because the whole population cannot be

contacted for the study and a sample ought to be made. In the view of Langford (2001) a sample is the subset of the broader population, chosen by the researcher as respondents of the study. Again, Polit and Beck (2006) stated that the sampling process involves the selection of a portion from the population as a representative of the population. The sampling technique chosen for this study is the quota sampling method and purposive. The quota sampling is used to select a number of respondents from each health facility while purposive sampling is used to select the actual respondents for the study. Due to the qualitative nature of the work, two respondents are interviewed at each health facility. Thus the sample size is ten (10) respondents. Purposive sampling was adopted so that the right people with the required information are selected for the study. This is necessary because Creswell and Plano Clark (2011, p. 173) stated that in qualitative research, the researcher must seek respondents who have the answers to the research problem. Purposive sampling was utilised to aid the researcher to target specific respondents considered to have the necessary information and experience to partake in the study.

### **3.4 DATA COLLECTION**

According to Macnee and McCabe (2007), the process of collecting data for the study is the gathering of relevant data from the respondents or participants to achieve the objectives of the study. In doing so different data collection instruments are used such as questionnaires, interviews, and checklists can be applied. The choice of the instrument depends on whether the study is quantitative or qualitative.

In the view of Ghauri and Gronhaug (2005) research studies depends on two sets of data: primary and secondary data. They stipulated that the primary data sources include the data first collected or produced by the researcher from observations, experiments, social surveys like questionnaires, and interviews. While secondary data sources are the ones that exist already and were produced by other people other than the researcher. Secondary data sources comprise books, journals, articles and web-based data about the specific subject (Ghauri and Gronhaug, 2005). This study used primary data for this study. In gathering the primary data from respondents, interviews were the main instruments used. The interview was structured based on the following: the financial planning and budgeting practices; the internal control practices; the procurement and revenue mobilization practices; and the challenges faced by public health institutions in public financial management.

### **3.5 DATA ANALYSIS**

Due to the qualitative nature of the study and the fact that interviews are used to collect primary data, content analysis is used to analyses the primary data.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 INTRODUCTION**

The chapter deals with the analysis and discussions of the data collected from the respondents. The discussions are done in the arena of related literature to specify the areas of agreement and disagreement. The analysis and discussions are structured based on the objectives of the study.

#### **4.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

As indicated by table Table 4.1 out of the total respondents of ten (10), Seven (7) of them were males and three (3) were females. In relation to the number of years that they have worked in the health facility, the table shows two of the respondents have worked for less than five years while three respondents have worked for between five to ten years in the health sector. Another five of the respondents have worked for more than ten years in the health sector. Thus it means about 80% of the respondents have worked for more than five years in the health sector and it proves that they have the required experience to answer the interview questions to achieve the objectives of the study. Concerning their educational background, 2 of the respondents have diploma certificates while 4 of the respondents have their first degrees. The number of respondents in possession of masters degrees was 4.

Table 4.1: Demographic characteristics of respondents

		<b>FREQUENCY</b>	<b>PERCENTAGE</b>
<b>Gender</b>	Male	7	70%
	Female	3	30%
<b>Number of years worked</b>	0-5 years	2	20%
	5-10 years	3	30%
	More than 10 years	5	50%
<b>Highest qualification</b>	JHS/SHS		
	Diploma	2	20%
	First Degree	4	40%
	Masters	4	40%

## **4.2 FINANCIAL PLANNING AND BUDGETING PRACTICES OF GA SOUTH MUNICIPAL HEALTH DIRECTORATE**

The first objective of the study is to assess the financial planning and budgeting practices of the health centres in the Ga South Health directorate. Information on financial planning and budgeting practices in the health centres were obtained by asking questions regarding their involvement in 1.) budget preparations; 2.) budget performance monitoring; and 3.) budget revision which forms the main component of the financial management cycle of the public sector (Baltaci & Yilmaz, 2006).

According to the interviewees, the preparation of the budget is one of the significant activities in the financial planning activities of the hospitals. They stated that the budgeting process starts with the submission of budget plans from the various units and

departments of the hospitals. According to the interviewees, the inputs into the budget plans from the units and departments are put together by the head of the unit or department. The inputs usually come from the employees with that particular department or units. Thus the hospitals engage in participative budgeting. One interviewee pointed out that *“since the health centres operated within the public sector, budgets are prepared for appropriate periods and in areas which impact Government projects and contracts”*. Thus the health policies of the government in power also influence the content of the budget and its implementation.

The interviewee gave the recent example of the covid-19 pandemic in which the government of the day implemented a lot of health measures to fight the coronavirus which affects the operations of the public health centres. One interview stated that the budget plans are prepared and submitted before the year. Thus cost-control or other budgetary objectives are consistent with strategic and long-range plans of the government and the hospital. And again the budgets are prepared to cover a period of one year which is a normal practice both in the private and public sectors.

The interviewees indicated that the control of the budget activities is done by the head of the departments and units. One interviewee also stated that the internal audit unit or department also plays a critical role in the monitoring of the activities in the budget. Approval for all expenditure both capital expenditure and revenue expenditures are verified and monitored by the internal audit unit to ensure there is value for money. With respect to ongoing monitoring of the budgets, the interviewees stated that there is a

regular follow up on budget plans by the budget committee/Departmental heads and the internal audit unit to ensure that expenditures are made within the limits of the budget. One interviewee indicated that *“in situations where there is the need to make certain expenditures outside the budget, appropriate approvals are sought from the management of the hospitals and it's verified by the internal audit unit before that expenditure is made”*. The respondents were asked whether the hospitals have budget policies that regulate the spending activities of the hospitals. To this question, all the interviewees stated that there exists a budget policy in the hospital that serves as a check and a guide on the spending activities of the facilities.

Concerning the monitoring of the budgets, the interviewees stated that variance reports on the hospital as a whole and for each department or unit is prepared on regular basis in the form of evaluation reports to constantly evaluated the spending activities of the departments and units and to know whether they are underspending or overspending. In the view of the interviewees, appropriate budget information is distributed to unit heads and departmental heads responsible for meeting budgetary objectives, and to personnel responsible for monitoring budget performance. The interviewees stated that the actual performance is periodically compared to budgets and that variances are identified and reported and deviations and negative variances are reported to appropriate authorities. In terms of deviations from the budget, the interviewees indicated that the deviations from the budget targets are frequently reported to the budget committee/management for the appropriate actions to be taken.

To probe further the interviewees were asked some examples of the actions taken when there are deviations. In answering the interviewees stated that sometime the deviations from the budget are further investigated to ascertain whether approval was given for that particular expenditure. In some cases, some departments are asked to suspend all other expenditures until the next financial year. The respondents were further asked about who had the greatest say or influence on what goes in the budget and the interviewees stated that the management of the hospital has the final say on all matters concerning the budget. One interviewee stated that “*on some occasions, the items in the budget plans submitted by the units and departments are not approved by the budget committee or the management*”. Thus it means it’s not all the items in the budget plans that are approved by management. The unit heads and department heads must justify the inclusion of all the items in their budget plans before they are approved.

Again the respondents were asked the issue of revising the budgets. This tends to undermine the effective monitoring of budget performance as a result of data inaccuracies. It could also breed corruption since accounting officers would not give meaningful justifications for any revision of the budget during its execution (IIA, 2006a).

The interviewees stated that any revisions made to approve budgets are justified by the unit head or departmental head for it to take effect. Again one interviewee stated an example of the covid-19 pandemic which has caused a lot of distractions in their budgets. According to the respondents, this is because the budget had to revise to accommodate a lot of new items such as buying protective gloves, face masks, protective gowns, hand sanitisers, chlorine and other cleaning detergents, which were not planned for. And again

the health facilities had to restructure their activities to manage the coronavirus. All these affected the budget and thus the budget had to be revised.

According to the interviewee, the issue with the covid-19 pandemic was a national issue so the justification for the revision of the budget was not a difficult issue. He stated that there are times where because of a particular issue with a particular unit or department, the budget of the unit or department has to be revised. According to him, this is where the unit head or department head must justify the inclusion of new items in the budget that will cause the budget to be revised. The respondents stipulated that once the need for a budget revision is established, it is made promptly to ensure the smooth operations of the health facility. One interviewee indicated that with health facilities saving lives is the paramount goal so once the revision is justified, the inclusion is done swiftly so as not to cause damage to human life.

According to the interviewee, the decisions and activities of the facilities affect human life so decisions are made timely to save human life. Another interviewee also stated because the health facilities are operating within the arena of public sector organizations, the budgeting preparation and its related activities must comply with budget laws, regulations and policies of public sector organizations.

#### **4.3 THE INTERNAL CONTROL PRACTICES OF GA SOUTH MUNICIPAL HEALTH DIRECTORATE.**

The second objective of the study is the internal control practices of Ga South Municipal Health Directorate. The interviewees were asked about the existence of an internal audit unit with the health centres and all the interviewees answered in the affirmative. Thus each of the health facilities has an internal audit unit. They were further asked about the role of the internal audit unit. To this question, the interviewees stated that they cross-check all revenue and expenditure receipts. With respect to the expenses, they make sure the expenditure is approved and have all the necessary supporting documents and conforms to all the regulations stipulated in the Financial Administration Regulations.

The interviewees also stated that the internal audit unit ensures all the internal controls in the hospital are complied with by employees, customers and management. With respect to internal controls covering expenditures, the interviewees stated that the expenditure must have been approved in the budget. If it is not in the budget, then a check is made to attest to the fact it has been approved by the appropriate authority. One interviewee indicated that *“the controls in the facilities concerning the financial management of financial resources emanate from the Financial Administration Regulations, 2004”*. This validates with regulation 6 of the Financial Administration Regulations 2004 which states that public officers shall conduct government financial business according to the laws of Ghana and any instructions given in accordance with these Regulations

The interviewee cited an example of Regulation 1 and 2 of the Financial Administration Regulations, 2004 states among others that any public officer who is responsible for the receipt, custody and disbursement of public and trust monies shall keep proper records of all transactions and shall produce records of the transactions for inspection when called upon to do so by the Auditor-General, or any officer authorised by him. Thus the interviewee indicated the control activity here is that all documents must be kept by the officer involved to be produced when there is an external audit. Thus he further claims that the facilities derive its internal control system from the Financial Administration Regulations, 2004. The interviewees all agreed that the principal role of the internal audit unit is to ensure that there is full compliance with all the provisions in the Financial Regulations, 2004. The duties of the internal audit do not only cover financial matters but all matters or issues of importance in the hospital. With regards to controls overpayment, the interviewees stipulated that it is the responsibility of the head of department or head of the unit to ensure funds are used or utilised in a judicious manner such there is value for money.

The respondents further indicated that the head of the accounting unit or department is responsible for the disbursements of funds. The interviewees stated that the controls are that the officer ordering disbursement is authorised to do so and the control that the orders are made within the powers of and the funds available to the officer ordering disbursements. Again another control measure is that the process is checked to verify that transactions are properly authenticated to show that amounts are due and payable. Another control measure according to one interviewee is that payments are only made to

the person or persons named on the payment voucher. Thus it means that all payments must be supported with a payment voucher prepared by the accounts department with other relevant supporting documents. The respondents were further asked about controls for the overpayment. The views of the respondents were that the overpayment shall be recovered immediately and paid into the account from which it was originally paid and the officer concerned shall report the circumstances immediately to the head of the department or the appropriate authority.

With respect to accounting issues, the interviewees were asked whether they have an accounting manual to guide them in resolving accounting issues. The interviewees indicated that they have an accounting manual. According to them the instructions in the manual was derived from the accounting manual prepared by The Controller and Accountant-General. This complies with regulations 3 of the Financial Administration Regulations, 2004 which states The Controller and Accountant-General shall prepare an accounting manual from which Departmental Accounting Instructions shall be derived.

Concerning some physical controls, all the respondents stated all the health facilities have security personnel at the hospitals. The hospitals have fixed asset registers and that all the assets of the hospitals are given code numbers for easy identifications. The interviewees, however, stated that the health facilities do not have CCTV cameras. The interviewees were asked about the existence of a whistleblowing policy and they all stated that the health facilities in Ga-South Directorate have whistleblowing policies to deter people from engaging in unethical practices.

The interviewees were further asked about the general control environment in the hospital. The control environment includes the integrity, ethical values and competencies of the entity's personnel, the way management assigns authority and responsibility and organizes and develops its employees; attention and direction provided by the company, as well as the philosophy and operational style of management. The interviewees were of the general opinion that the control environment is strong as management of the health facilities complies with all the internal controls in the hospitals as an example for the others to follow. The control environment also includes creating structures, establishing a commitment to integrity and ethical values, demonstrating authority and responsibility, implementing supervisory responsibilities, demonstrating a commitment to competition, and completing cancellations (Akwaa-Sekyi and Moreno, 2016). The interviewees further stated that there is a culture of compliance in the health facilities. The control environment provides an organizational culture that controls employee perception in a morally honest organization, has good business conduct, adheres to, and operates within the organization's established practices and standards.

#### **4.4. THE PROCUREMENT AND REVENUE MOBILIZATION PRACTICES OF GA SOUTH MUNICIPAL HEALTH DIRECTORATE.**

The third objective was to assess the procurement and revenue mobilization practices of health facilities in the Ga-South Municipal Health Directorate. The interviewees were asked about the main sources of revenue for their hospitals. In answering this question, all the interviewees stated that their major sources of inflows are the cash they received from patients who come to the hospitals. According to the interviewees, there are two

categories of customers: those that use the national health insurance scheme and the others who are not members of the national health insurance scheme and for that matter they use cash to pay for the services they received at the hospital which is popularly called the cash and carry system. Thus main sources of revenue for the health facilities in the Ga-South Health Directorate are the inflows they received from the national health insurance scheme and inflows from the cash and carry system. Other revenue inflows also come from donations from third parties.

In terms of the highly reliable one, the interviewees indicated that the inflows from the National Health Insurance Scheme are much reliable and since the majority of the patients uses the National Health Insurance Scheme, it means that a higher percentage of their revenue comes from the National Health Insurance Scheme. The respondents were further asked about the system through which the revenues are collected with respect to the cash and carry system and all the interviewees stated that they use a manual system to collect the payments after a receipt is written for the patient. Thus it is not computerised. The interviewees also stated that the collection of the payments is done by employees of the hospitals. Thus it means that the collection of the revenue has not been outsourced to a third party.

One interviewee also stated that *“all patients who visited are told to collect receipt for any payment made irrespective of the amount involved”*. According to him, there are posters at vantage places cautioning patients to demand receipts anytime they make payments. This is in conformance with Regulation 15 of the Financial Administration

Regulations, 2004, which stipulates that any public officer or Revenue Collector who collects or receives public or trust monies shall issue receipts for them and pay them into the relevant.

The Respondents further claimed that cash received from the cash and carry system is deposited with the approved banks. This is also in agreement with Regulation 22 of the Financial Administration Regulations 2004, which requires that all public monies collected shall be paid in gross into the Public Funds Accounts. The interviewees were further asked about the control measures put in place by the hospital to ensure accountability and transparency. To this, the interviewees stated that there are monthly bank reconciliations to ensure that all deposits and cheque expenses made are reflected on the bank statement and that corresponding entries are made in the hospital's cashbook. Some interviews also stated that there are random checks on the activities of revenue collectors to ensure actual monies tallies with monies deposited at the bank. Again the interviewees also stated that the activities of the internal audit unit at the hospital in cross-checking and verifying the revenue collecting activities also ensures accountability in the hospital administration.

With respect to the procurement practices of the hospitals, the interviewees indicated that procurement plans are prepared by each department or unit in the hospital to reflect their needs as captured in their annual budgets. They further stated that the procurement plans include contract packages, the estimated cost for each package, the procurement method, and processing steps and times. The procurement is then submitted to the tender

committee for further actions. This complies with section 21 of the Public Procurement Act, 2003(Act 663) which states that A procurement entity shall prepare a procurement plan to support its approved programme and a procurement entity shall submit to its Tender Committee not later than one month to the end of the financial year the procurement plan for the following year for approval.

One respondent stated that the internal audit unit plays a vital role in the procurement practices of the hospitals. They ensure that the entire process of procurement in the hospital is in full compliance with the Public Procurement Act, 2003(Act 663). According to him, they verify the authenticity of the procurement-related documents such as proforma invoices, invoices, tax certificates, VAT certificates etc. Other respondents also indicated the hospital is very sensitive where their goal is to deliver quality healthcare to its patients.

Hence procurement issues are taken seriously. He said respect to the procurement processes; the hospital ensures that suppliers of goods and services to the hospital possess the necessary professional, technical qualifications and competence to deliver the goods or service. The hospital also ensures that the supplier has the needed financial resources, equipment and other physical facilities as well as the managerial capability, reliability, experience in the procurement object and reputation. Also, the hospital makes sure that the supplier has the required personnel to perform the procurement contract and that they have the legal capacity to enter the contract.

According to him, all these control measures ensures that there is value for money and most importantly that the procurement activities are in line with the Public Procurement Act, 2003(Act 663). The respondents were of the view that the procurement officer and the internal audit ensure that the delivery of goods are services meets all the specifications stated in the procurement documents. The respondents further stated that all the procurement related documents received during the procurement process are kept by the hospital for further audit by the Auditor General's Department and the Public Procurement Board. Again this complies with section 28(6) of the Public Procurement Act, 2003(Act 663) which stipulates that Records and documents maintained by procurement entities on procurement shall be made available for inspection by the Public Procurement Board, an investigator appointed by the Board and the Auditor-General upon request; and where donor funds have been used for the procurement, donor officials shall also upon request to the Minister have access to relevant procurement files for purposes of verification and review.

The respondents were asked about the practices concerning the rejection of tenders, proposals or quotations submitted by suppliers. The respondents indicated that in the situation where a suppliers tender, proposal or quotation is rejected, the hospitals make a communication to the affected supplier the reasons for the rejection. The respondents further stated that the rejection of the tender, proposal, offer or quotation with reasons shall be recorded in the procurement proceedings and promptly communicated to the supplier or contractor. This practice by the hospitals complies with section 29 of the Public Procurement Act, 2003(Act 663) which states that A procurement entity may

reject tenders, proposals and quotations at any time before acceptance if the grounds for the rejection are specified in the tender documents or the request for proposals or quotations. The grounds for rejection shall be communicated to the tenderer but a justification for the rejection is not required and the procurement entity shall not incur liability towards the tenderer. Notice of the rejection shall be given to participating tenderers within two days from the date the procurement entity decides to discontinue the tender process.

#### **4.5 THE CHALLENGES FACED BY THE GA SOUTH MUNICIPAL HEALTH DIRECTORATE IN PUBLIC FINANCIAL MANAGEMENT.**

The last objective was to assess the challenges with respect to financial management by the Ga-South Municipal Health Directorate. In the view of the respondents, one of the major challenges with regards to financial management in their hospitals is the disregard to comply with internal controls in the hospitals. According to the respondents, the hospitals being under is governed by legal regulations such as the Financial Administration Regulations 2004, Financial Administration Act, the Public Procurement Act, 2003(Act 663) etc. These legal regulations contain all the controls to ensure smooth operations of public sector organizations such as public hospitals.

The respondents stated that there is the challenge of people flouting the controls on daily basis. In their view, this makes the smooth running of public sector organizations a big problem. Other respondents also stated that the problem of “my government is in power” often frustrate the financial management process. People with this type of mentality know

that since their government is in power their wrong actions or inactions will amount to nothing. He further stated often the hard-working staff who are making sure the financial management system is working are often branded as enemies and are transferred to other sectors so that people can perpetuate their actions. In this view, there are times that contracts are awarded to party members who cannot deliver the terms of the contract but just because they hold party cards they are awarded the contract. Other respondents also stated the challenge with the manual system with which financial management is operated. The manual system makes the whole operation very slow he stated.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter presents a summary of the results discussed in the previous chapter and the conclusion. It further presents some recommendations for the study

#### **5.2 SUMMARY OF FINDINGS**

With respect to the financial planning and budgeting practices of the hospitals in the Ga-South Municipal Health Directorate, the study found out the budget is one of the significant activities in the financial planning activities of the hospitals and that the budgeting process starts with the submission of budget plans from the various units and departments of the hospitals. The inputs into the budget plans from the units and departments are put together by the head of the unit or department. The health policies of the government in power also influence the content of the budget and its implementation. And again the budgets are prepared to cover a period of one year which is a normal practice both in the private and public sectors. The internal audit unit or department also plays a critical role in the monitoring of the activities in the budget. Approval for all expenditure both capital expenditure and revenue expenditures are verified and monitored by the internal audit unit to ensure there is value for money. It also came to light that variance reports on the hospital as a whole and for each department or unit is prepared on regular basis in the form of evaluation reports to constantly evaluated the spending activities of the departments and units and to know whether they are under-spending or overspending. The actual performance is periodically compared to budgets, and those

variances are identified and reported and deviations and negative variances are reported to appropriate authorities. The deviations from the budget targets are frequently reported to the budget committee/management. The study also found out that t any revisions made to approved budgets are justified by the unit head or departmental head for it to take effect. The health facilities are operating within the arena of public sector organizations, the budgeting preparation and its related activities must comply with budget laws, regulations and policies of public sector organizations.

Concerning the internal control practices, the study discovered that each of the health facilities has an internal audit unit ensure there is full compliance with the internal controls in the hospital. The internal audit unit ensures all the internal controls in the hospital are complied with by employees, customers and management. The hospital keeps proper records of all transactions and produces records of the transactions for inspection when called upon to do so by the Auditor-General as required by the Financial Administration Regulations 2004. Again the study found out that the hospital derives its internal control system from the Financial Administration Regulations, 2004. Again all payments must be supported with a payment voucher prepare by the accounts department with other relevant supporting documents. In respect of overpayment, the study found out that overpayment is be recovered immediately and paid into the account from which it was originally paid and the officer concerned shall report the circumstances immediately to the head of the department or the appropriate authority. The hospitals have an accounting manual. The instructions in the manual were derived from the accounting

manual prepared by The Controller and Accountant-General. This complies with regulations 3 of the Financial Administration Regulations, 2004.

The hospitals have fixed asset registers and that all the assets of the hospitals are given code numbers for easy identifications. The health centres do not have CCTV cameras but they have a whistleblowing policy

Concerning the procurement and revenue mobilization practices of health facilities in the Ga-South Municipal Health Directorate, the study found out that their major sources of inflows are from the cash they received from patients who come to the hospitals. Thus main sources of revenue for the health facilities in the Ga-South Health Directorate are the inflows they received from the national health insurance scheme and inflows from the cash and carry system. Other revenue inflows also come from donations from third parties.

The hospitals use a manual system to collect the payments after a receipt is written for the patient. Thus it is not computerised. The collection of the income is done by employees of the hospitals. Thus it means that the collection of the revenue has not been outsourced to a third party. With respect to the procurement practices of the hospitals, the found out that procurement plans are prepared by each department or unit in the hospital to reflect their needs as captured in their annual budgets. The procurement plans include contract packages, estimated cost for each package, the procurement method, and processing steps and times. The procurement plan is then submitted to the tender committee for further actions. In the procurement process, the hospital ensures that suppliers of goods and

services to the hospital possess the necessary professional, technical qualifications and competence to deliver the goods or service. The hospital also ensures that the supplier has the needed financial resources, equipment and other physical facilities as well as the managerial capability, reliability, experience in the procurement object and reputation. In addition, the hospital makes sure that the supplier has the required personnel to perform the procurement contract and that they have the legal capacity to enter the contract. There are control measures to ensure that there is value for money and most importantly that the procurement activities are in line with the Public Procurement Act, 2003(Act 663). With respect to the challenges, the study discovered that one of the major challenges with regards to financial management in their hospitals is the disregard to comply with internal controls in the hospitals. Another challenge is the problem of “my government is in power” which often frustrate the financial management process. Another challenge is the manual system currently being operated

### **5.3 CONCLUSION**

Based on the above findings the can conclude that financial management practices currently existing in the hospital are very similar since they are all regulated by the same legal instrument and again they are all within the public sector organization. The financial planning practices, internal control practices, revenue mobilisation practices and procurement practices conform to the required legal instruments. However, with every human system, there are challenges such as political interferences and the disregard for compliance with internal controls.

#### **5.4 RECOMMENDATION**

The findings revealed fluidity in the internal controls systems in place at the health centres in the Ga-South Health Directorate. These indicate the existence of loopholes that could affect the operations of the health facilities. There is a need for the Ghana Health Service and Ministry of Health to strengthen the internal controls at the public health hospitals to ensure tracking of financial information related to the utilization of public funds as well as value for money in financial transactions.

Financial management in public institutions is governed by legal regulations such as the Financial Administration Regulations 2004, Financial Administration Act, the Public Procurement Act, 2003(Act 663) etc. Thus the Ghana Health Service and Ministry of Health should endeavour to organize training seminars to educate employees in the health institutions about the content of these legal regulations to enhance the financial management practices of public hospitals in the country.

The internal audit unit or department plays a very important role in ensuring the financial management practices of public institutions are in strict adherence to legal regulations such as Financial Administration Regulations 2004, Financial Administration Act, the Public Procurement Act, 2003(Act 663) etc. Thus the internal audit department should have competent staff and should be given the needed resources in the performance of their duties since their duties affect the financial management practices of public organizations. Again internal audit departments should have more independence to be effective and enhance financial performance.

The recruitment systems should be streamlined so that recruitment is done of employees who are qualified in their respective areas regardless of their political affiliation.

# KNUST



## REFERENCES

Adu-Gyamfi, E. (2014). Effective revenue mobilisation by districts assemblies: A case study of Upper Denkyira East Municipal Assembly of Ghana. *Public Policy and Administration*, 2(1), 97-122

Akpa, A. (2008). Public finance and budgeting: Issues, imperatives and challenges from Nigerian perspectives. Ibadan: Spectrum Books Limited.

Annan, J. (2013). Assessment of Logistics Management in Ghana Health Service. *International Journal of Business and Social Research*, 3(8), 75-87.

Appiah, K. O Amos, K. N. M., Bashiru, J., & Tuffour, S. (2017). Corporate governance and records management in private and public hospitals in Ghana. *Records Management Journal*, 27(1), 42-56.

Arnaboldi, M., Lapsley, I., & Steccolini, I. (2015). Performance management in the public sector: The ultimate challenge. *Financial Accountability and Management*, 31(1), 1-22

Atuilik W.A, Peregrino-Brimah R.A, Salia H. and Adafula B.(2019) Budgeting and budgetary control in the Ghana health service, *Journal of Economics and International Finance* 11(6):60-67

Brennan, N. M., & Solomon, J. (2008). Corporate governance, accountability and mechanisms of accountability: an overview. *Accounting, Auditing & Accountability Journal*, 21(7), 885-906.

Bhatia, H. L. (2009). Public finance. New Delhi: Vikas Publishing House.

CIPFA. (2009). *Public Financial Management and the PFM International Architecture – A Whole System Approach*. Retrieved from London: [https://blog-pfm.imf.org/files/pfm\\_ia\\_whole\\_system\\_approach1.pdf](https://blog-pfm.imf.org/files/pfm_ia_whole_system_approach1.pdf)

Creswell, JW, & Plano Clark, VL, 2011, *Designing and Conducting Mixed Methods Research*. 2nd ed. Los Angeles: Sage.

Dranove, D. D. and Satterthwaite, M. A. (2000). The industrial organization of health care markets. In Culyer, A. and Newhouse, J., editors, *Handbook of Health Economics*,

volume 1B, chapter 20, pages 1094–1139. Elsevier Science, North-Holland, New York and Oxford.

Durevall D and Erlandsson M. (2004). Public Finance Management Reform in Malawi Country Economic Report 2005:1. Department for Policy and Methodology.sida.

Ghuri, P. N., Grønhaug, K. & Kritianslund, I. (2005). Research methods in business studies: A practical guide. Prentice-Hall: Dorchester

Gitman, L. J., Juchau, R., & Flanagan, J. (2015). *Principles of managerial finance*. Pearson Higher Education AU

Golda, A.D. (2013). *Effects of financial management practices on performance of KMTCC*. Unpublished MBA Project, University of Nairobi, Kenya

Hassan, A. A. (2012). *Procurement practices in Kenya's Public Corporations*. Unpublished MBA Project. School of Business. The University of Nairobi Nairobi

International Federation of Accountants (IFAC) (2012), *Public sector financial management transparency and accountability: The use of International Public Sector Accounting Standards*. New York: International Federation of Accountants

Inkoom, D. K. B. (2011). Ghana's decentralisation: Two decades and still crawling & quest. *Development*, 54(3), 393-399

Kahiri, J., Arasa, R., Ngugi, P., & Njeru, S. E. (2014). Procurement Policies and implementation of effective procurement practices in tertiary Public Training Institutions in Kenya. *Global Advanced Research Journal of Management and Business Studies*, 3(4), 160-170

Kamande, K.M. (2015). *The relationship between financial management practices and financial performance in the dairy industry in Kenya*. Unpublished MBA Project, University of Nairobi, Kenya

Kimani, R. N. (2014). *The effect of budgetary control on the effectiveness of non-governmental organisations in Kenya*. Unpublished PhD Thesis. School of Business, The University of Nairobi. Nairobi.

Kinoti, G., & Kagiri, A. W. (2016). Factors Affecting Revenue Mobilization in County

Governments in Kenya: A Case of Nairobi City County. *International Journal of Innovations, Business and Management*, 10(3)

Krishnaswami, O. R., & Satyaprasad, B. G. (2010). *Business Research Methods*. Mumbai, IND: Global Media

Lawson A (2015) *Public Financial Management*. GSDRC Professional Development Reading Pack no. 6. Birmingham, UK: GSDRC, University of Birmingham

Lerno, D. L. (2016). *Relationship between Internal Controls and Performance of County Government in Kenya*. Unpublished MBA Project. School of Business. The University of Nairobi. Nairobi

Macnee, C. and McCabe, S. 2007. *Understanding nursing research, reading and using research in evidence-based practise* (2nd ed)

McKinney, J. B. (2015). *Effective financial management in public and nonprofit agencies*. ABC-CLIO

Mitnick, B. M. (2013). *Origin of the theory of agency: An account of one of the theory's originators*. Retrieved from <http://ssrn.com/abstract=1020378> or <http://dx.doi.org/10.2139/ssrn.1020378v>. Accessed on August 3rd 2020

Mugo, J. M. (2013). *Effects of internal controls on the financial performance of technical training institutions in Kenya*. Unpublished MBA Project. School of Business. University of Nairobi. Nairobi.

Mutua, J., & Wamalwa, N. (2017). *Enhancing Mobilization of Own Source Revenue in Nairobi City County: Issues and Opportunities*. Retrieved from Nairobi

Mongiardino, A., Plath, C., 2010. Risk governance at banks; have any lessons been learned? *Journal of risk management in Financial Institutions*. 3, 116-123

Mutune, M. P. (2014). *The relationship between financial planning and financial performance of cement manufacturing firms in Kenya*. (MBA), University of Nairobi, Nairobi.

Mwaura, J. (2013). *The effect of financial planning on the financial performance of automobile firms in Kenya* (Doctoral dissertation, The University of Nairobi)

Ngaruro, A. M. (2013). *The relationship between financial planning and the financial*

*performance of public service organizations in Kenya* (MBA), University of Nairobi, Nairobi

Olowu, D. (2002). Introduction new public management: An African reform paradigm? *Africa Development*, 27(3), 1 - 16.

Onyango, R. O. (2010). *Influence of Internal Controls on Performance of County Governments in Kenya*. (MBA), The University of Nairobi, Nairobi.

Ojo, O. (2009). Efficient financial management for local governments: The Nigerian experience. *The Nigerian Journal of Local Government Studies*, 11(2), 36-44

Parahoo, K. (2006) *Nursing research. Principles, process and issues*. 2ndEd. Palgrave Macmillan: Basingstoke.

Paul, E., & Leruth, L. (2006). A Principal-Agent Theory Approach to Public Expenditure Management Systems in Developing Countries. IMF Working Papers, 6204(200), 1-43

Pimpong, S., & Laryea, H. (2016). Budgeting and Its Impact on Financial Performance: The Case of Non-Bank Financial Institutions in Ghana. *International Journal of Academic Research and Reflection*, 4(5), 12-22

Polit, D. F. & Beck, C. T. (2006) *Essentials of nursing research. Methods, appraisal, and utilization*. 6<sup>th</sup> Ed. Lippincott Williams & Wilkins: Philadelphia

Rajna, A., Ezat, W. S., Al Junid, S., & Moshiri, H. (2011). Financial management attitude and practice among the medical practitioners in public and private medical service in Malaysia. *International Journal of Business and Management*, 6(8), 105

Russell, E. W., & Bvuma, D. G., (2009). Alternative service delivery and public service transformation in South Africa. *International Journal of Public Sector Management*, 14 (3), 241 – 265

Salami, A. (2011). Taxation, revenue allocation and fiscal federalism in Nigeria: Issues, challenges and policy options. *Economic Annals*, 56(189), 27-50.

Saunders, M., Lewis, P., & Thornhill, A. (2003) *Research method for business students, 3rd edition*. New York: Prentice-Hall

Scott, G. K. (2016). Influence of public financial management practices on service delivery in Ghana's District Assemblies. Unpublished Doctoral Thesis. Institute of Development Studies, University of Cape Coast: Cape Coast, Ghana

Shiu, Ec., Hair, J., Bush, Rt., &Ortinau, D. (2009). *Marketing Research*.First edition. Berkshire: McGraw- Hill Education.

Simson, R., Sharma, N.,& Aziz, I. (2011). *A guide to public financial management literature: For Practitioners in Developing Countries*.London: Overseas Development Institute

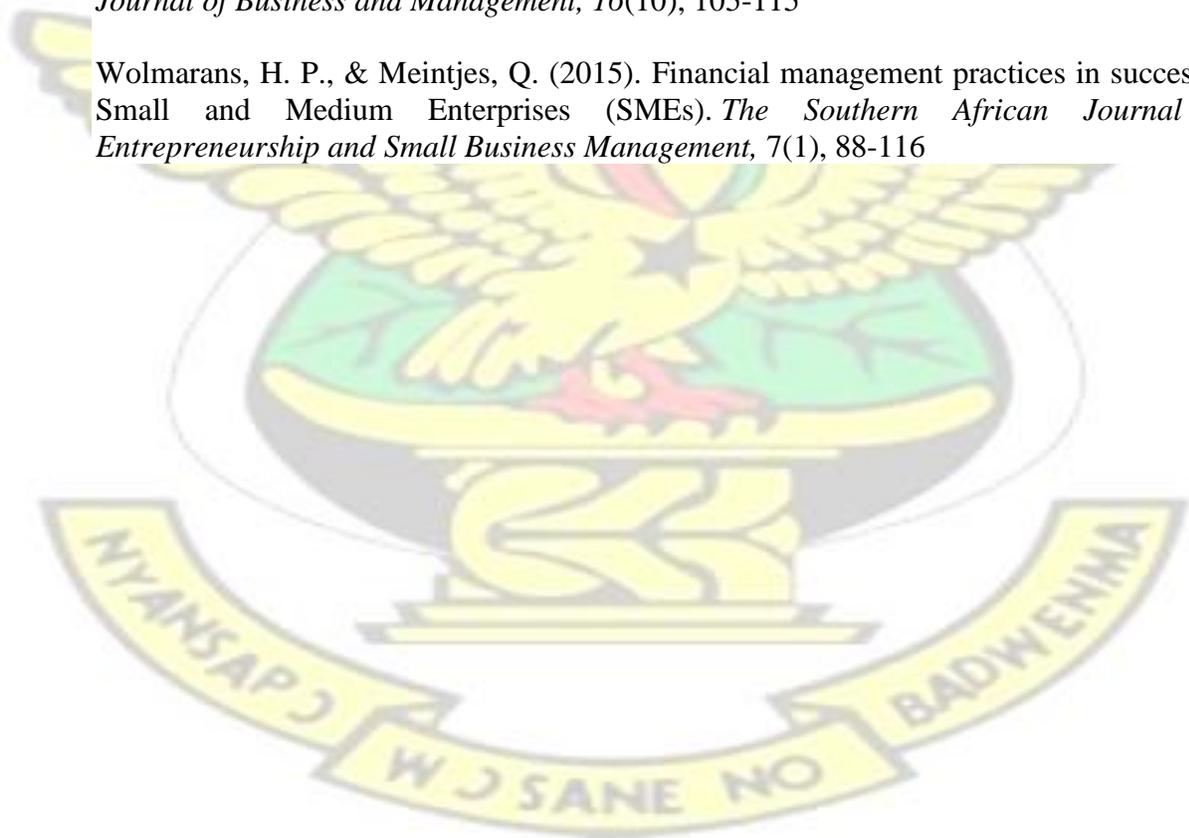
Siswana, B. (2007). Leadership and governance in the South African Public Service: An overview of the public finance management system. Doctoral Dissertation, University of Pretoria, South Africa.

Thies, C. G. (2010). Of rulers, rebels, and revenue: State capacity, civil war onset, and primary commodities. *Journal of Peace Research*, 47(3), 321-332.

Torome, P. K. (2013). *Relationship between Revenue Mobilization and Performance of Local Authorities in Kenya*. (MBA), The University of Nairobi, Nairobi

Wakiriba, J. W., Ngahu, S., & Wagoki, J. (2014). Effects of Financial Controls On Financial Management In Kenya's Public Sector: A Case Of National Government Departments In Mirangine Sub-County, Nyandarua County. *Journal of Business and Management*, 16(10), 105-115

Wolmarans, H. P., & Meintjes, Q. (2015). Financial management practices in successful Small and Medium Enterprises (SMEs). *The Southern African Journal of Entrepreneurship and Small Business Management*, 7(1), 88-116



## **INTERVIEW GUIDE**

### **The financial planning and budgeting practices of Ga South Municipal Health Directorate.**

1. Is your company using traditional budgeting?
2. If NO, what type of budgeting\ forecasting is your company using?
3. What is the budget/forecast setting process (period, top-down approach, the involvement of departmental managers)?
4. How detailed is your budget/forecast designed?
5. Is the budget/forecast revised within the financial year?
6. Do you analyze variances? If yes, how do you proceed with variances?
7. How is the budget/forecast used? What roles does your budget/forecast serve (planning, controlling etc.)?
8. How do you measure your performance?
9. In general, who has the greatest say or influence on what goes on in the budget
- 10.** What are some of the challenges you face in the budgeting process

### **The internal control practices of Ga South Municipal Health Directorate.**

1. Do you have an internal audit department in the hospital
2. What role do they play in relation to internal controls in the hospital
3. What control activities exist in the hospital
4. What controls exist on revenue mobilization
5. What controls exist on procurement
6. What controls exist on expenditures
7. Does the hospital have code of ethics, a whistleblowing policy?
8. Describe the current control environment in the hospital

### **The procurement and revenue mobilization practices of Ga South Municipal Health Directorate.**

1. What are the main sources of revenue for the hospital
2. What are the major sources of revenue for the assembly?
3. Which of these sources is highly reliable?

4. How is revenue collection done?
5. Is the collection done manually or computerised?
6. Does the hospital do the collection? Or it has this been contracted out?
7. Has revenue targets been met? If no, why
8. What do you think are the specific problems that hinder revenue mobilisation?
9. What measures have been put in place to ensure accountability and transparency among staff with respect to revenue collection?
10. What are the procurement practices of the hospital
11. Are the procurement practices in line with the procurement Act
12. Please briefly explain how you ensure value for money in your procurement
13. How would you rate the overall efficiency of your institution procurement process
14. Are there any challenges with the application of the procurement law
15. In your view, are there some factors affecting the procurement process in your organization
16. Has the procurement act help achieve transparency and accountability
17. What measures have been put in place to ensure accountability and transparency among staff with respect to the procurement process
18. What are some of the challenges you face in the procurement process
19. What are the challenges faced by the Ga South Municipal Health Directorate in public financial management?